

CITY OF NORTH WILDWOOD
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF NORTH WILDWOOD
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CITY OF NORTH WILDWOOD

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2018



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of North Wildwood
County of Cape May, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 22 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$435,956.14 and \$449,127.51, for 2018 and 2017 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming 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 subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2019 on our consideration of the City of North Wildwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of North Wildwood's internal control over financial reporting and compliance.

Very truly yours,

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

Leon P. Costello

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

July 19, 2019

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EXHIBIT - A
CURRENT FUND

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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 11,341,842.28	11,472,480.36
Cash - Change	1,350.00	1,350.00
Total Cash	<u>11,343,192.28</u>	<u>11,473,830.36</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	-	1,690.08
Total Other Receivables	<u>-</u>	<u>1,690.08</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	159,531.87	496,633.01
Tax Title and Other Liens	5,607.05	280,898.77
Property Acquired for Taxes - at Assessed Valuation	566,900.00	-
Revenue Accounts Receivable	449,095.67	428,959.80
Interfund Receivable:		
Trust - Assessment	298.99	105.18
Trust - Other	40,571.03	29,094.73
Animal Control	472.00	228.00
Grant Fund	-	-
Total Receivables and Other Assets	<u>1,222,476.61</u>	<u>1,235,919.49</u>
Deferred Charges:		
Emergency Appropriation	100,000.00	-
Special Emergency Appropriation	120,000.00	180,000.00
Total Deferred Charges	<u>220,000.00</u>	<u>180,000.00</u>
Total Regular Fund	<u>12,785,668.89</u>	<u>12,891,439.93</u>
Federal and State Grant Fund:		
Cash	-	-
Federal and State Grants Receivable	494,770.56	738,572.86
Due from Current Fund	109,777.03	356,964.49
Due from Trust Funds	4,878.98	4,878.98
Due from General Capital	4,636.03	4,636.03
Total Federal and State Grant Fund	<u>614,062.60</u>	<u>1,105,052.36</u>
Total Current Fund	<u>\$ 13,399,731.49</u>	<u>13,996,492.29</u>

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

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,420,251.74	1,290,389.64
Reserve for Encumbrances	493,191.05	357,659.97
Accounts Payable	269.98	-
Prepaid Taxes	981,025.58	1,790,719.54
Overpaid Taxes	177,383.56	64,723.64
Sewer Rent Overpayments	22,130.77	56,454.00
Local School Tax Payable	1,737,642.16	1,032,050.48
County Added Tax Payable	21,321.90	24,594.86
Special District Tax Payable	257.83	257.83
Due to State:		
Marriage Licenses	485.00	125.00
Seniors & Veterans	107.86	-
Interfund Payable:		
Federal and State Grant Fund	109,777.03	356,964.49
Tourism	162.00	162.00
GWTIDA	3,605.00	2,170.00
Other		
Payroll Taxes Payable	77,635.86	66,400.63
Reserve for Hereford Park Improvements	9,001.00	9,001.00
Reserve for Beach Repairs	100,000.00	50,000.00
Reserve for State Tax Appeal	80,000.00	80,000.00
Reserve for 1.85% Room Tax	295,872.96	295,216.26
	<u>5,530,121.28</u>	<u>5,476,889.34</u>
Reserve for Receivables and Other Assets	1,222,476.61	1,235,919.49
Fund Balance	<u>6,033,071.00</u>	<u>6,178,631.10</u>
Total Regular Fund	<u>12,785,668.89</u>	<u>12,891,439.93</u>
Federal and State Grant Fund:		
Unappropriated Reserves	46,387.50	81,506.02
Appropriated Reserves	566,787.00	985,061.38
Encumbrances Payable	888.10	38,484.96
Total Federal and State Grant Fund	<u>614,062.60</u>	<u>1,105,052.36</u>
Total Current Fund	<u>\$ 13,399,731.49</u>	<u>13,996,492.29</u>

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

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 3,000,000.00	3,000,000.00
Miscellaneous Revenue Anticipated	8,351,542.20	8,607,338.21
Receipts from Delinquent Taxes	40,442.90	1,311.62
Receipts from Current Taxes	32,987,795.06	32,117,396.22
Non Budget Revenue	653,759.45	594,137.28
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,220,364.87	1,751,446.06
Interfund Returned	-	2,017.18
Grant Appropriation Cancelled	228,586.96	-
Total Income	<u>46,482,491.44</u>	<u>46,073,646.57</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	8,724,412.76	8,516,881.33
Other Expenses	8,706,791.58	8,190,912.48
Deferred Charges & Statutory Expenditures	1,647,680.04	1,658,396.99
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	-
Other Expenses	3,496,352.02	4,193,498.46
Capital Improvements	350,000.00	250,000.00
Reserve for Beach Repairs	50,000.00	50,000.00
Debt Service	5,661,899.13	5,703,698.05
Deferred Charges	670,025.00	310,000.00
Local District School Tax	7,232,444.00	7,026,668.00
County Tax	7,008,198.67	6,725,616.41
County Share of Added Tax	21,321.90	24,594.86
Interfund Created	11,670.11	6,757.66
Refund of Prior Year's Revenue - Taxes	92,256.33	89,585.12
Other:		
Special District Taxes	55,000.00	55,000.00
Total Expenditures	<u>43,728,051.54</u>	<u>42,801,609.36</u>
Excess/(Deficit) in Revenue	<u>2,754,439.90</u>	<u>3,272,037.21</u>

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

	<u>2018</u>	<u>2017</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
Emergency Appropriation	100,000.00	-
Total Adjustments	<u>100,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>2,854,439.90</u>	<u>3,272,037.21</u>
Fund Balance January 1	<u>6,178,631.10</u>	<u>5,906,593.89</u>
	9,033,071.00	9,178,631.10
Decreased by:		
Utilization as Anticipated Revenue	<u>3,000,000.00</u>	<u>3,000,000.00</u>
Fund Balance December 31	<u>\$ 6,033,071.00</u>	<u>6,178,631.10</u>

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

	Anticipated		
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 3,000,000.00	-	-
Total Fund Balance Anticipated	3,000,000.00	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	50,000.00	-	8,700.00
Other	130,000.00	-	(5,563.00)
Fees and Permits	300,000.00	-	110,761.87
Fines and Costs:			
Municipal Court	350,000.00	-	(8,321.92)
Interest and Costs on Taxes	75,000.00	-	12,238.15
Interest Earned on Investments	50,000.00	-	142,760.99
Parking Meters	800,000.00	-	(6,849.63)
Emergency Rescue Services	285,000.00	-	(12,117.57)
Fire Inspector Fees	190,000.00	-	14,607.00
Sewer Rents	4,230,000.00	-	(37,848.36)
Tram Car Lease	34,000.00	-	1,986.57
Rental of City Property	110,000.00	-	(16,360.00)
Total Section A: Local Revenues	6,604,000.00	-	203,994.10
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	442,027.00	-	-
Total Section B: State Aid Without Offsetting Appropriations	442,027.00	-	-

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	13,636.56	-	13,636.56	-
Clean Communities Program	35,624.52	-	35,624.52	-
NJ DOT Reconstruction East 17th Avenue	-	175,000.00	175,000.00	-
Body Armor Grant	2,830.01	-	2,830.01	-
COPS in Shops	1,785.71	-	1,785.71	-
Law & Public Safety - Distracted Driver	5,389.11	-	5,389.11	-
Hazardous Waste- Recycling	22,240.11	-	22,240.11	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	81,506.02	175,000.00	256,506.02	-
Section G: Other Special Items				
Uniform Fire Safety Act	10,000.00	-	19,118.02	9,118.02
1.85% Beach Maintenance	295,216.26	-	295,216.26	-
Capital Surplus	50,000.00	-	50,000.00	-
County Proceeds to Pay Debt Service for Open Space	290,000.00	-	290,000.00	-
Reserve to Pay Debt Service	190,680.80	-	190,680.80	-
Total Section G: Other Special Items	835,897.06	-	845,015.08	9,118.02
Total Miscellaneous Revenues:	7,963,430.08	175,000.00	8,351,542.20	213,112.12
Receipts from Delinquent Taxes	-	-	40,442.90	40,442.90

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	18,612,110.24	-	19,194,624.25	582,514.01
Total Amount to be Raised by Taxes for Support of Municipal Budget	18,612,110.24	-	19,194,624.25	582,514.01
Budget Totals	29,575,540.32	175,000.00	30,586,609.35	836,069.03
Non- Budget Revenues:				
Other Non- Budget Revenues:	-	-	653,759.45	653,759.45
	29,575,540.32	175,000.00	31,240,368.80	1,489,828.48

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	32,987,795.06
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Less: Reserve for Tax Appeals Pending	
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Net Revenue from Collections	32,987,795.06
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Allocated to:

School, County and Other Taxes	14,316,964.57
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Balance for Support of Municipal Budget Appropriations	18,670,830.49
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	523,793.76
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Amount for Support of Municipal Budget Appropriations	19,194,624.25
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	40,442.90
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Tax Title Lien Collections	-
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Total Receipts from Delinquent Taxes	40,442.90
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Bookkeeping	175.00
Bureau of Housing Inspection	19,469.00
Clerk Report	10,292.15
Clerk Checks cancelled by Resolution	425.50
BBQ Festival - Vendor	950.00
Concession - Vending Machines	6,000.00
Crown Castle Lease	1,352.28
FEMA Hurricane Irma	11,194.40
Flea Markets	1,875.00
CMCMUA Recycling	17,696.21
GovDeals	2,215.71
GWTIDA Event Support	92,655.61
Interest - Dividend	1,032.18
Health Insurance Reimbursement	23,909.96
JIF / HIF Rebates	4,130.35
LOSAP Reimbursement	6,898.76
Lot Maintenance	1,521.69
Lunds Fisheries	2,571.91
Meeting Sub Fee	300.00
Motor Vehicle Inspection Fines	207.00
Motorcycle weekend support	3,200.00
NSF Fee	40.00
Irish Festival Angelsea	1,019.40
Other Refunds	4,510.15
Payment in Lieu of Tax	1,008.07
Payroll Refund	7.00
P-Card Rebates	14,825.68
Photocopies	1,361.80
Police Unclaimed Property	1,575.84
Restitution	436.36
Recycling Fees	14,355.25
Sale of City Property (Dodge)	1.00
Sewer Collector - Other	27,011.46
Shared Service Wildwood Crest	3,619.62
Speical Event Reimbursement - Irish Festival	17,600.00
Special Event License	1,300.00
State of NJ - Homestead Credit	302.40
UCC - Admin Fees 2018	345,017.00
Vendor Prior Year Reimbursements	2,795.57
Veterans-Senior Citizens Admin Fee	1,400.14
Wildwood Improvement District Lease	7,500.00

Total Miscellaneous Revenue Not Anticipated:	653,759.45
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	\$ 103,200.00	103,200.00	101,621.86	-	1,578.14	-
Other Expenses	241,699.00	241,699.00	233,795.07	6,763.74	1,140.19	-
Mayor and Council						
Salaries and Wages	106,908.43	106,908.43	106,011.09	-	897.34	-
Other Expenses	5,000.00	5,000.00	4,498.50	325.00	176.50	-
City Clerk						
Salaries and Wages	188,720.55	188,720.55	188,504.71	-	215.84	-
Other Expenses	71,000.00	71,000.00	68,262.82	2,558.13	179.05	-
Financial Administration						
Salaries and Wages	165,184.25	165,184.25	163,696.87	-	1,487.38	-
Other Expenses	72,185.00	72,185.00	51,703.60	5,444.91	15,036.49	-
Ambulance Billing Administration Fee						
Other Expenses	24,000.00	24,000.00	12,268.88	-	11,731.12	-
Audit Services						
Other Expenses	47,000.00	47,000.00	47,000.00	-	-	-
Assessment of Taxes						
Salaries and Wages	28,944.49	28,944.49	28,645.85	-	298.64	-
Other Expenses	107,600.00	107,600.00	77,940.85	3,404.15	26,255.00	-
Collection of Taxes						
Salaries and Wages	187,833.95	187,833.95	186,638.74	-	1,195.21	-
Other Expenses	27,500.00	27,500.00	25,123.53	-	2,376.47	-
Legal Services						
Other Expenses	400,000.00	400,000.00	305,067.59	11,135.94	83,796.47	-
Engineering Services						
Other Expenses	250,000.00	250,000.00	172,555.77	-	77,444.23	-
LAND USE ADMINISTRATION						
Zoning Board of Adjustment						
Salaries and Wages	50,682.43	50,682.43	50,143.64	-	538.79	-
Other Expenses	54,000.00	54,000.00	22,289.41	15,259.80	16,450.79	-
INSURANCE						
General Liability						
Workers Compensation Insurance	308,135.00	308,135.00	305,204.96	-	2,930.04	-
Employee Group Health	187,998.00	187,998.00	186,607.04	-	1,390.96	-
Health Benefits Waiver	2,684,112.69	2,684,112.69	2,316,347.38	-	367,765.31	-
Salaries and Wages	2,000.00	2,000.00	2,000.00	-	-	-

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY						
Fire						
Salaries and Wages	1,306,950.00	1,376,950.00	1,359,939.62	-	17,010.38	-
Other Expenses	216,300.00	216,300.00	170,792.95	24,113.91	21,393.14	-
Fire Safety Act						
Salaries and Wages	134,150.00	129,150.00	122,039.69	-	7,110.31	-
Other Expenses	25,500.00	25,500.00	14,746.23	8,089.68	2,664.09	-
Aid to Volunteer Fire Company						
Other Expenses	80,000.00	80,000.00	75,000.00	-	5,000.00	-
Police						
Salaries and Wages	3,494,120.30	3,464,120.30	3,288,395.95	-	175,724.35	-
Other Expenses	383,090.32	383,090.32	307,853.11	37,851.56	37,385.65	-
Emergency Management Services						
Salaries and Wages	14,369.23	14,369.23	9,543.12	-	4,826.11	-
Other Expenses	18,400.00	18,400.00	18,190.05	-	209.95	-
Municipal Court						
Salaries and Wages	131,123.00	131,123.00	130,771.75	-	351.25	-
Other Expenses	72,442.00	72,442.00	66,182.84	116.00	6,143.16	-
Municipal Prosecutor						
Salaries and Wages	-	-	30,200.00	-	-	-
Other Expenses	30,200.00	30,200.00	30,200.00	-	-	-
Public Defender						
Other Expenses	9,000.00	9,000.00	9,000.00	-	-	-
PUBLIC WORKS						
Public Works Department						
Salaries and Wages	1,206,701.63	1,187,549.63	1,165,033.57	-	22,516.06	-
Other Expenses	670,400.00	670,400.00	504,039.92	151,085.97	15,274.11	-
Garbage and Trash						
Other Expenses	530,000.00	530,000.00	505,014.00	1,877.00	23,109.00	-
Public Buildings and Grounds						
Salaries and Wages	523,598.88	523,598.88	436,864.74	-	86,734.14	-
Other Expenses	383,232.57	383,232.57	322,620.74	44,523.39	16,088.44	-
HEALTH AND HUMAN SERVICES						
Dog Regulation						
Other Expenses	37,847.00	37,847.00	29,109.00	130.00	8,608.00	-
PARKS AND RECREATION						
Lifeguards						
Salaries and Wages	571,500.00	551,500.00	530,666.39	-	20,833.61	-
Other Expenses	75,000.00	75,000.00	74,368.81	-	631.19	-
Recreation Center						
Salaries and Wages	404,329.09	404,329.09	389,976.24	-	14,352.85	-
Other Expenses	49,100.00	49,100.00	24,997.67	2,829.43	21,272.90	-

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	98,948.53	98,948.53	97,995.16	-	953.37	-
Other Expenses	12,250.00	12,250.00	5,960.20	659.74	5,630.06	-
UNCLASSIFIED						
Celebration of Public Events, Anniversary etc.						
Salaries and Wages	9,300.00	9,300.00	-	-	9,300.00	-
Other Expenses	93,300.00	93,300.00	75,739.06	1,933.00	15,627.94	-
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	180,000.00	180,000.00	97,756.38	-	82,243.62	-
Street Lighting	475,000.00	475,000.00	300,000.00	175,000.00	-	-
Telephone	135,000.00	135,000.00	101,429.38	-	33,570.62	-
Natural Gas	60,000.00	60,000.00	58,321.30	-	1,678.70	-
Water	150,000.00	150,000.00	131,444.47	-	18,555.53	-
Gasoline	170,000.00	170,000.00	152,175.65	89.70	17,734.65	-
Traffic Lights	30,000.00	30,000.00	21,637.09	-	8,362.91	-
Cape May County MUA - Tipping Fees	340,000.00	340,000.00	280,414.43	-	59,585.57	-
TOTAL OPERATIONS WITHIN "CAPS"	17,434,856.34	17,430,704.34	15,564,147.67	493,191.05	1,373,365.62	-
Contingent	500.00	500.00	-	-	500.00	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	17,435,356.34	17,431,204.34	15,564,147.67	493,191.05	1,373,865.62	-
Detail:						
Salaries and Wages	8,728,564.76	8,724,412.76	8,358,488.99	-	365,923.77	-
Other Expenses	8,706,791.58	8,706,791.58	7,205,658.68	493,191.05	1,007,941.85	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	358,957.04	358,957.04	358,957.04	-	-
Social Security System (O.A.S.I.)	440,000.00	440,000.00	421,065.03	-	-
Consolidated Police and Firemen's Pension Fund		-		-	-
Police and Firemen's Retirement System	747,223.00	747,223.00	747,223.00	-	-
Unemployment Compensation Insurance	43,000.00	43,000.00	36,951.22	-	-
Lifeguard Pension	18,500.00	18,500.00	17,193.10	-	-
Retirement Reserve	39,000.00	39,000.00	23,563.19	-	-
Defined Contribution Retirement Program	1,000.00	1,000.00	798.92	-	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,647,680.04	1,647,680.04	1,605,751.50	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	19,083,036.38	19,078,884.38	17,169,899.17	493,191.05	-
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Insurance: NJSA 40A:4-45.3	3,199,141.00	3,203,293.00	3,203,293.00	-	-
Utilities Authority - Sewer Charges	35,000.00	35,000.00	30,571.42	-	-
Length of Service Award Program (LOSAP)					
	3,234,141.00	3,238,293.00	3,233,864.42	-	-
(A) Public and Private Programs Off-Set by					
Revenues					
Recycling Tonnage Grant	13,636.56	13,636.56	13,636.56	-	-
Body Armor Grant	2,830.01	2,830.01	2,830.01	-	-
Municipal Alliance					
Local Share	1,553.00	1,553.00	1,524.00	-	-
Clean Communities Program	35,624.52	35,624.52	35,624.52	-	-
NJ DOT Reconstruction East 17th Avenue	-	175,000.00	175,000.00	-	-
COPS in Shops	1,785.71	1,785.71	1,785.71	-	-
Law and Public Safety Distracted Driver	5,389.11	5,389.11	5,389.11	-	-
Hazardous Waste- Recycling	22,240.11	22,240.11	22,240.11	-	-
Total Public and Private Programs Off-Set by					
Revenues	83,059.02	258,059.02	258,030.02	-	-
Total Operations - Excluded from "CAPS"	3,317,200.02	3,496,352.02	3,491,894.44	-	-
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	3,317,200.02	3,496,352.02	3,491,894.44	-	-

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(C) Capital Improvements					
Capital Improvement Fund	250,000.00	350,000.00	350,000.00	-	-
Reserve for Beach Repairs					
Total Capital Improvements	50,000.00	50,000.00	50,000.00	-	-
	300,000.00	400,000.00	400,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	2,920,000.00	2,920,000.00	2,920,000.00	-	-
Payment of Bond Anticipation Notes	290,000.00	290,000.00	290,000.00	-	-
Interest on Bonds	515,115.00	515,115.00	515,115.00	-	-
Interest on Notes	531,112.50	531,112.50	519,292.50	-	11,820.00
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	7,461.98	7,461.98	7,461.98	-	-
USDA Bonds - Series 2000A	42,634.00	42,634.00	42,634.00	-	-
USDA Bonds - Series 2000B	5,218.00	5,218.00	5,218.00	-	-
USDA Bonds - Series 2004A	31,078.00	31,078.00	31,078.00	-	-
USDA Bonds - Series 2005A	56,072.00	56,072.00	56,072.00	-	-
USDA Bonds - Series 2010A	196,076.00	196,076.00	196,076.00	-	-
USDA Bonds - Series 2012A	221,652.00	221,652.00	221,652.00	-	-
USDA Bonds - Series 2017A	85,180.00	85,180.00	85,180.00	-	-
NJEIT Payments 2002 Issues	241,821.28	241,821.28	234,198.31	-	7,622.97
NJEIT Payments 2018 Issues	538,064.40	538,064.40	537,921.34	-	143.06
Total Debt Service	5,681,485.16	5,681,485.16	5,661,899.13	-	19,586.03
(E) Deferred Charges					
Emergency Authorizations	-	-	-	-	-
Ordinance # 1711	2,500.00	2,500.00	2,500.00	-	-
Ordinance # 1697	97,525.00	97,525.00	97,525.00	-	-
Ordinance # 1624	225,000.00	225,000.00	225,000.00	-	-
Ordinance # 1701	285,000.00	285,000.00	285,000.00	-	-
Special Emergency Authorizations - 5 years	60,000.00	60,000.00	60,000.00	-	-
Total Deferred Charges	670,025.00	670,025.00	670,025.00	-	-
(F) Judgements	-	-	-	-	-

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	9,968,710.18	10,247,862.18	10,223,818.57	4,457.58	19,586.03
SUBTOTAL GENERAL APPROPRIATIONS	29,051,746.56	29,326,746.56	27,393,717.74	493,191.05	19,586.03
(M) Reserve for Uncollected Taxes	523,793.76	523,793.76	523,793.76	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 29,575,540.32</u>	<u>29,850,540.32</u>	<u>27,917,511.50</u>	<u>493,191.05</u>	<u>19,586.03</u>
Budget		29,575,540.32		Cancelled	19,586.03
Appropriations by 40A:4-87		175,000.00		Overexpended	-
Special Emergency Appropriation (5 years)		-			
Emergency Appropriations		100,000.00			
		<u>29,850,540.32</u>			<u>19,586.03</u>
Reserve for Uncollected Taxes		523,793.76			
Federal and State Grants		256,506.02			
Deferred Charges		60,000.00			
Capital Improvement Fund		50,000.00			
Disbursements		27,027,211.72			
		<u>27,917,511.50</u>			

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

EXHIBIT - B
TRUST FUND

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

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
<u>Assessment Fund:</u>		
Cash and Investments	\$ 16,018.30	\$ 15,824.49
Assessments Receivable	3,218.35	3,218.35
	<u>19,236.65</u>	<u>19,042.84</u>
<u>Animal Control Fund</u>		
Cash and Investments	1,138.00	860.00
	<u>1,138.00</u>	<u>860.00</u>
<u>Length of Service Award Programs (LOSAP) (unaudited)</u>		
Investments		
Mutual Funds	435,956.14	449,127.51
Employer Contribution Receivable	4,428.58	11,049.82
	<u>440,384.72</u>	<u>460,177.33</u>
<u>Other Funds</u>		
Cash and Investments	2,218,528.29	2,963,536.91
	<u>2,218,528.29</u>	<u>2,963,536.91</u>
	<u>\$ 2,679,287.66</u>	<u>\$ 3,443,617.08</u>

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

	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Assessment Fund:</u>		
Reserve for Assessments & Liens	\$ 3,218.35	\$ 3,218.35
Fund Balance	15,719.31	15,719.31
Due to Current Fund	298.99	105.18
	<u>19,236.65</u>	<u>19,042.84</u>
<u>Animal Control Fund</u>		
Reserve for Dog Expenditures	666.00	632.00
Due to Current Fund	472.00	228.00
	<u>1,138.00</u>	<u>860.00</u>
<u>Length of Service Award Programs (LOSAP) (unaudited)</u>		
Net Assets Available for Benefits	<u>440,384.72</u>	<u>460,177.33</u>
<u>Other Funds</u>		
Deposits for Redemption of Tax Sale Certificates	36,784.17	136,384.22
Premiums Received at Tax Sale	430,683.26	559,583.26
Due to Current Fund	40,571.03	29,094.73
Due to Grant Fund	4,878.98	4,878.98
Reserve for Tourism Development	31,866.33	21,513.00
Reserve for Recreation	202,173.17	169,306.68
Reserve for Parking Offenses Adjudication Act	29,136.08	27,320.08
Reserve for Public Defender	14,364.52	13,589.52
Reserve for Municipal Alliance	17,171.50	15,509.89
Reserve for D.A.R.E.	2,466.13	466.13
Reserve for HEREFORD Lighthouse	20,577.95	-
Reserve for Forefeiture Trust	6,150.85	5,915.26
Reserve for Flex Savings	1,945.40	1,165.40
Reserve for Off Duty Police	2,618.34	2,618.34
Reserve for Recreation - Junior Lifeguards	2,577.71	4,958.66
Reserve for Lifeguard Pension	220,964.66	244,244.16
Reserve for Fire Prevention	11,351.60	11,216.12
Reserve for Small Cities Escrow	143,941.49	120,277.85
Reserve for Municipal Parking Improvements	8,272.23	8,173.50
Reserve for Developers' Escrow	676,686.15	999,076.21
Reserve for UEZ 2nd Generation Funds	15,000.00	15,000.00
Reserve for Memorials/Beautification Enhancement	34,573.94	94,108.52
Reserve for UCC Third Party	263,772.80	479,136.40
	<u>2,218,528.29</u>	<u>2,963,536.91</u>
	<u>\$ 2,679,287.66</u>	<u>\$ 3,443,617.08</u>

The Accompanying Notes to Financial Statements are an
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EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 3,129,663.11	3,635,648.83
Deferred Charges to Future Taxation -		
Funded	51,806,528.91	40,580,038.99
Unfunded	12,470,000.00	22,215,025.00
Interfunds and Receivables		
NJEIT Receivable - 2017/A	1,946,433.00	7,970,262.00
	<u>69,352,625.02</u>	<u>74,400,974.82</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	1,870,093.53	5,841,012.99
Interfunds:		
Due to Federal & State Grant Fund	4,636.03	4,636.03
Bond Anticipation Notes Payable	9,620,000.00	21,605,000.00
Serial Bonds Payable	26,830,000.00	14,780,000.00
Wastewater Treatment Trust Bonds	4,580,000.00	4,775,000.00
Wastewater Treatment Trust Loan	9,011,615.81	9,415,901.49
Green Trust Loan Payable	45,270.89	51,730.40
U.S.D.A. Bonds Payable	11,339,642.21	11,557,407.10
Improvement Authorizations:		
Funded	335,008.67	650,225.34
Unfunded	4,714,672.54	3,351,135.33
Reserve for Debt Service	108,510.98	1,400,751.78
Capital Improvement Fund	32,630.00	57,630.00
Fund Balance	860,544.36	910,544.36
	<u>\$ 69,352,625.02</u>	<u>74,400,974.82</u>

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

2017	610,025.00
2018	2,850,000.00

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

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 910,544.36	960,544.36
Decreased by:		
2015 Budget - Capital Surplus	50,000.00	50,000.00
	<u> </u>	<u> </u>
Ending Balance December 31	\$ <u>860,544.36</u>	<u>910,544.36</u>

EXHIBIT - D
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2018</u>	<u>2017</u>
<u>General Fixed Assets</u>		
Land and Land Improvements	\$ 100,323,509.00	\$ 99,956,445.00
Buildings	19,013,072.00	18,853,243.00
Machinery and Equipment	8,648,463.00	8,231,897.00
	\$ <u>127,985,044.00</u>	\$ <u>127,041,585.00</u>
 Investment in General Fixed Assets	 \$ 127,985,044.00	 \$ 127,041,585.00
	\$ <u>127,985,044.00</u>	\$ <u>127,041,585.00</u>

The Accompanying Notes to the Financial Statements are an
Integral Part of this Statement

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NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The entity has no component units.

B. Description of Funds

The accounting policies of the City of North Wildwood conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of North Wildwood accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- various Trust Funds, including Public Assistance, account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

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

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the entity budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the entity's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected.

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

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$1,000.00 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

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

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

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

Interest on Delinquent Taxes – It is the policy of the City of North Wildwood to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Sewer Charges – The entity does not operate a separate sewer utility fund. However, rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in quarterly installments on December 1, April 1, June 1 and September 1.

Interest on Delinquent Sewer Charges - It is the policy of the entity to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

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

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

D. Required Financial Statements

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

E. Comparative Data

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

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

F. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations". This statement, which is effective for fiscal periods beginning after June 15, 2018, may have an effect on the City's financial reporting.

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

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 "Omnibus 2017". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any an effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86 "Certain Debt Extinguishment Issues". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any an effect on the City's financial reporting.

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

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

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

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

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$523,793.76 and \$515,058.55. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$3,000,000.00 and \$3,000,000.00

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following budget transfers were approved in the 2018 and 2017 calendar years:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
<u>Current Fund:</u>		
Administration		
Other Expenses	-	10,000.00
Public Works		
Salaries and Wages	(19,152.00)	(16,000.00)
Fire		
Salaries and Wages	70,000.00	75,000.00
Fire Safety Act		
Salaries and Wages	(5,000.00)	-
Police		
Salaries and Wages	(30,000.00)	(75,000.00)
Parks and Recreation		
Salaries and Wages	(20,000.00)	-
Municipal Court		
Salaries and Wages	-	6,000.00
Utility Authority - Sewer Charges	4,152.00	-

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018 and 2017, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Rural Development - Rural Development Emergency Vehicle		\$ 20,100.00
Title DCA- Small Cities 16th Avenue & Boardwalk		400,000.00
NJDOT Municipal Aid Program 17th Avenue	175,000.00	-
United States DOJ - Bulletproof Vest Partnership		2,460.56

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. The City did approve any Emergency Appropriation's in 2018 that needed to be raised in the 2019 Budget. However, prior to adoption, the City approved a Temporary Emergency appropriation in the amount of \$100,000.00 for Capital Improvement Fund to cover down payments of Capital Ordinances adopted in 2018.

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

Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The entity approved a special emergency appropriation in 2015 for \$300,000.00. The Special Emergency was for a revaluation in the entity. The unfunded balance as of December 31, 2018 was \$120,000.00.

NOTE 3: INVESTMENTS

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

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

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

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

Unaudited Investments

As more fully described in Note 21, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Investments, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to and \$435,956.14 and \$449,127.51.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018, \$2,235,579.57 of the municipality's bank balance of \$16,774,229.14 was exposed to custodial credit risk.

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

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017:

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Land	\$ 99,842,848.00	113,597.00	-	99,956,445.00
Building	18,853,243.00	-	-	18,853,243.00
Equipment and Machinery	7,290,741.00	1,151,420.00	210,264.00	8,231,897.00
	<u>\$ 125,986,832.00</u>	<u>1,265,017.00</u>	<u>210,264.00</u>	<u>127,041,585.00</u>
	Balance 12/31/2017	Additions	Adjustments/ Retirements	Balance 12/31/2018
Land	\$ 99,956,445.00	367,064.00	-	100,323,509.00
Building	18,853,243.00	159,829.00	-	19,013,072.00
Equipment and Machinery	8,231,897.00	599,168.00	182,602.00	8,648,463.00
	<u>\$ 127,041,585.00</u>	<u>1,126,061.00</u>	<u>182,602.00</u>	<u>127,985,044.00</u>

Note that the City of North Wildwood contracted with TAG Consulting Group to complete a full appraisal of the City's capital assets which were valued at \$1,000.00 or more as of December 31, 2014.

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation				
Notes payable:				
General	<u>\$ 14,670,000.00</u>	<u>21,605,000.00</u>	<u>14,670,000.00</u>	<u>21,605,000.00</u>
	\$ 14,670,000.00	21,605,000.00	14,670,000.00	21,605,000.00
	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Bond Anticipation				
Notes payable:				
General	<u>\$ 21,605,000.00</u>	<u>9,620,000.00</u>	<u>21,605,000.00</u>	<u>9,620,000.00</u>
	\$ 21,605,000.00	9,620,000.00	21,605,000.00	9,620,000.00

There is one note issued by the City of North Wildwood, in the amount of \$9,620,000.00 on 08/22/18 and is due and payable on 08/22/19 with interest at 3.00%.

As of December 31, 2018 the entity has authorized but not issued bonds in the amount of \$2,850,000.00 in the General Capital Fund.

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

NOTE 7: LONG TERM DEBT

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

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within *One Year
Bonds payable:					
General	\$ 30,262,189.89	4,150,000.00	3,299,782.79	31,112,407.10	3,752,910.00
Total	<u>\$ 30,262,189.89</u>	<u>4,150,000.00</u>	<u>3,299,782.79</u>	<u>31,112,407.10</u>	<u>3,752,910.00</u>
Other liabilities:					
Loans Payable	\$ 623,820.32	9,148,515.00	304,703.43	9,467,631.89	410,745.19
Compensated					
Absences Payable	<u>737,233.63</u>	<u>55,987.58</u>	<u>106,139.65</u>	<u>687,081.56</u>	<u>-</u>
Total long-term liabilities	<u>\$ 31,623,243.84</u>	<u>13,354,502.58</u>	<u>3,710,625.87</u>	<u>41,267,120.55</u>	<u>4,163,655.19</u>
	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within *One Year
Bonds payable:					
General	\$ 31,112,407.10	14,970,000.00	3,332,764.89	42,749,642.21	3,737,764.89
Total	<u>\$ 31,112,407.10</u>	<u>14,970,000.00</u>	<u>3,332,764.89</u>	<u>42,749,642.21</u>	<u>3,737,764.89</u>
Other liabilities:					
Loans Payable	\$ 9,467,631.89	-	410,745.19	9,056,886.70	410,382.05
Compensated					
Absences Payable	<u>687,081.56</u>	<u>78,273.13</u>	<u>87,480.25</u>	<u>677,874.44</u>	<u>-</u>
Total long-term liabilities	<u>\$ 41,267,120.55</u>	<u>15,048,273.13</u>	<u>3,830,990.33</u>	<u>52,484,403.35</u>	<u>4,148,146.94</u>

*Excludes USDA Bonds Payable

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

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the entity:

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

\$13,630,000.00 General Improvement Bonds, dated December 1, 2009, due in annual installments through December 1, 2021, bearing interest at various rates. The balance remaining as of December 31, 2018 is \$4,200,000.00.

\$11,400,000.00 General Improvement Bonds, dated August 1, 2013, due in annual installments through August 1, 2025, bearing interest at various rates. The balance remaining as of December 31, 2018 is \$7,660,000.00.

\$14,970,000.00 General Improvement Bonds, dated July 26, 2018, due in annual installments through August 1, 2030, bearing interest at various rates. The balance remaining as of December 31, 2018 is \$14,970,000.00.

\$1,745,000.00 New Jersey Wastewater Treatment Trust Bonds dated October 15, 2002, due in annual installments through August 1, 2022, bearing interest at various rates. The balance remaining as of December 31, 2018 is \$510,000.00.

\$4,150,000.00 New Jersey Wastewater Treatment Trust Bonds dated May 25, 2017, due in annual installments through August 1, 2046, bearing interest at various rates. The balance remaining as of December 31, 2018 is \$4,070,000.00.

\$1,843,735 New Jersey Wastewater Treatment Trust Loan dated October 15, 2002, due in semi-annual installments through August 1, 2022, bearing no interest. The balance remaining as of December 31, 2018 is \$377,062.31.

\$9,148,515.00 New Jersey Wastewater Treatment Trust Loan dated May 25, 2017, due in semi-annual installments through August 1, 2046, bearing no interest. The balance remaining as of December 31, 2018 is \$8,634,553.50.

\$120,000 Green Trust Loan dated April 19, 2005, due in semi-annual installments through November 1, 2025, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2018 is \$45,270.89.

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

Debt Service for U.S.D.A. Bonds and Loans Payable

On September 20, 2000, the City of North Wildwood issued two series of General Improvement Bonds payable to the United States Department of Agriculture. The first, Series 2000A, was issued in the amount of \$698,000 with an interest rate of 4.50%. Principal and interest on this series are to be paid semiannually on March 20 and September 20 in the amount of \$21,317.00 for fifty-nine (59) equal payments, with all outstanding principal and all accrued and unpaid interest due on September 20, 2030. Payment of principal and interest commenced on March 20, 2001. The balance remaining at December 31, 2018, is \$391,589.82.

The second of these two issues, Series 2000B, was issued in the amount of \$85,400 with an interest rate of 4.50%. Principal and interest on this series are to be paid semiannually on March 20 and September 20 in the amount of \$2,609.00 for fifty-nine (59) equal payments, with all outstanding principal and all accrued and unpaid interest due on September 20, 2030. Payment of principal and interest commenced on March 20, 2001. The balance remaining at December 31, 2018, is \$47,863.11.

On November 18, 2004, the City of North Wildwood issued General Improvement Bonds payable to the United States Department of Agriculture. These bonds, Series 2004A, were issued in the amount of \$574,025.00 with an interest rate of 4.50%. Principal and interest on the bonds are to be paid semiannually on May 18 and November 18 in the amount of \$15,539.00 for seventy-nine (79) equal payments, with all outstanding principal and all accrued and unpaid interest due on November 18, 2044. Payment of principal and interest commenced May 18, 2005. The balance remaining at December 31, 2018, is \$473,166.53.

On February 8, 2005, the City of North Wildwood issued General Improvement Bonds payable to the United States Department of Agriculture. These bonds, Series 2005A, were issued in the amount of \$918,000.00 with an interest rate of 4.50%. Principal and interest on the bonds are to be paid semiannually on August 8 and February 8 in the amount of \$28,036.00 for fifty-nine (59) equal payments, with all outstanding principal and all accrued and unpaid interest due on February 8, 2035. Payment of principal and interest commenced August 8, 2005. The balance remaining at December 31, 2018, is \$647,838.03.

On March 10, 2011, the City of North Wildwood issued General Improvement Bonds payable to the United States Department of Agriculture. These bonds, Series 2012A, were issued in the amount of \$3,895,000.00 with an interest rate of 4.00%. Principal and interest on the bonds are to be paid semiannually on September 10 and March 10 in the amount of \$98,038.00 for seventy-nine (79) equal payments, with all outstanding principal and all accrued and unpaid interest due on March 10, 2050. Payment of principal and interest commenced September 10, 2012. The balance remaining at December 31, 2018, is \$3,492,726.26.

On October 25, 2011, the City issued General Improvement Bonds payable to the United States Department of Agriculture. These bonds, Series 2011A, were issued in the amount of \$4,572,000.00 with an interest rate of 3.75%. Principal and interest on the bonds are to be paid semiannually on April 25 and October 25 in the amount of \$110,826.00 for eighty (80) equal payments, with all outstanding principal and all accrued and unpaid interest due on October 25, 2051. Payment of principal and interest commenced in 2012. The balance remaining at December 31, 2018, is \$4,174,328.49.

On March 11, 2015, the City issued General Improvement Bonds payable to the United States Department of Agriculture. These bonds, Series 2015A, were issued in the amount of \$2,238,000.00 with an interest rate of 2.25%. Principal and interest on the bonds are to be paid semiannually on March 11 and September 11 in the amount of \$42,590.00 for eighty (80) equal payments, with all outstanding principal and all accrued and unpaid interest due on September 11, 2055. Payment of principal and interest commenced in 2015. The balance remaining at December 31, 2018, is \$2,112,129.97.

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

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

	<u>General Fund</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	3,520,000.00	1,138,688.33
2020	3,525,000.00	1,040,775.00
2021	3,605,000.00	910,975.00
2022	2,415,000.00	778,075.00
2023-2027	10,330,000.00	2,415,712.50
2028-2032	5,505,000.00	787,587.50
2033-2037	770,000.00	379,381.28
2038-2042	900,000.00	241,925.02
2043-2048	840,000.00	74,725.00
	<u>\$ 31,410,000.00</u>	<u>7,767,844.63</u>

(Amortization schedule is not provided for U.S.D.A. Bonds Payable, due to calculation of interest on a daily basis. Therefore, they are excluded from the above schedule).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	410,382.05	872.63
2020	409,857.20	740.18
2021	409,170.67	605.08
2022	408,322.76	467.26
2023-2027	1,559,992.62	546.85
2028-2032	1,541,884.50	-
2033-2037	1,541,884.50	-
2038-2042	1,541,884.50	-
2043-2048	1,233,507.90	
	<u>9,056,886.70</u>	<u>3,232.00</u>

As of December 31, 2018 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$1,035,407.50.

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

<u>Summary of Municipal Debt</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
Serial Bonds Payable	\$ 26,830,000.00	\$ 14,780,000.00	\$ 17,680,000.00
Notes Payable	9,620,000.00	21,605,000.00	14,670,000.00
NJEIT Bonds Payable	4,580,000.00	4,775,000.00	815,000.00
NJEIT Loans Payable	9,011,615.81	9,415,901.49	565,757.68
U.S.D.A. Loans Payable	11,339,642.21	11,557,407.10	11,767,189.89
Green Trust Loans Payable	45,270.89	51,730.40	58,062.64
Total Issued	<u>61,426,528.91</u>	<u>62,185,038.99</u>	<u>45,556,010.21</u>
<u>Less :</u>			
Funds Temporarily Held to Pay Bonds and Notes General	\$ 108,510.98	\$ 1,400,751.78	\$ 3,040,870.75
Total Deductions :	<u>108,510.98</u>	<u>1,400,751.78</u>	<u>3,040,870.75</u>
Net Debt Issued :	<u>61,318,017.93</u>	<u>60,784,287.21</u>	<u>42,515,139.46</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	\$ 2,850,000.00	\$ 610,025.00	\$ 20,810,000.00
Total Authorized But Not Issued	<u>2,850,000.00</u>	<u>610,025.00</u>	<u>20,810,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 64,168,017.93</u>	<u>\$ 61,394,312.21</u>	<u>\$ 63,325,139.46</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 2.453%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 185,000.00	185,000.00	-
General Debt	64,276,528.91	108,510.98	64,168,017.93
	<u>\$ 64,461,528.91</u>	<u>\$ 293,510.98</u>	<u>\$ 64,168,017.93</u>

Net Debt \$64,461,528.91 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,616,331,847.00 = 2.453%.

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

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	91,571,615.00
Net Debt		64,168,017.93
Remaining Borrowing Power	\$	<u>27,403,597.07</u>

The City of North Wildwood School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

NOTE 8: FUND BALANCES APPROPRIATED

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

		<u>2019</u>	<u>2018</u>
Current Fund	\$	3,000,000.00	3,000,000.00

NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance December 31, 2018	2019 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	\$ 120,000.00	60,000.00	60,000.00
Emergency Appropriation	100,000.00	100,000.00	-
	<u>220,000.00</u>	<u>160,000.00</u>	<u>60,000.00</u>

NOTE 10: SCHOOL TAXES

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Balance of Tax	\$ 1,737,642.16	\$ 1,032,050.48
Deferred	2,479,787.50	2,479,787.50
Tax Payable	<u>\$ 4,217,429.66</u>	<u>\$ 3,511,837.98</u>

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

NOTE 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/18	Balance 12/31/17
Prepaid Taxes	\$ 981,025.58	\$ 1,790,719.54
Cash Liability for Taxes Collected in Advance	\$ 981,025.58	\$ 1,790,719.54

NOTE 12: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

Defined Contribution Retirement Program (DCRP)

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

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.35% of covered payroll. The entity's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$358,957.04, \$361,969.00, and \$347,119.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 24.21% of covered payroll. The entity's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016 were \$747,223.00, \$743,344.00, and \$643,734.00.

The total payroll for the year ended December 31, 2018, 2017 and 2016 was \$8,461,398.04, \$8,247,079.57, and \$7,934,104.44. Payroll covered by PFRS was \$3,086,455.00, \$2,984,518.00, and \$2,836,551.00. Payroll covered by PERS was \$2,906,100.00, \$2,888,626.00, and \$2,608,532.00.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's contributions to the Lifeguard Pension for the years ended December 31, 2018, 2017, and 2016 was \$17,193.10, \$18,500.00, and \$20,000.00. The City's trust for the Lifeguard Pension at December 31, 2018 was \$220,964.66. Currently there are eleven individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2018, 2017 and 2016 were \$60,338.54, \$48,798.60, and \$61,439.87.

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

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three-year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a $\frac{1}{7}$ th of the required amount, beginning in fiscal years 2013.

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

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

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

NOTE 13: PENSION LIABILITIES

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

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

Public Employees' Retirement System

The Municipality has a liability of \$8,001,978.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.04064083450%, which would be an increase of 6.73% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$455,219.00. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 152,599.00	\$ (41,261.00)
Changes of assumptions	1,318,593.00	(2,558,607.00)
Changes in proportion	507,943.00	(362,892.00)
Net difference between projected and actual earnings on pension plan investments		(75,059.00)
Total	<u>\$ 1,979,135.00</u>	<u>\$ (3,037,819.00)</u>

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

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

Year ended June 30,	
2019	\$ 42,717.21
2020	(73,210.87)
2021	(469,570.91)
2022	(420,703.67)
2023	(137,915.75)
Total	<u>\$ (1,058,684.00)</u>

Actuarial Assumptions

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 9,620,401.65	\$ 8,001,978.00	\$ 6,645,040.01

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$12,246,490.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.09050257390%, which would be an increase of 7.19% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$1,132,018.00. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 124,592.00	\$ (50,679.00)
Changes of assumptions	1,051,196.00	(3,138,564.00)
Changes in proportion	1,581,813.00	(836,351.00)
Net difference between projected and actual earnings on pension plan investments		(66,999.00)
Total	<u>\$ 2,757,601.00</u>	<u>\$ (4,092,593.00)</u>

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

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

Year ended June 30,	
2019	\$ 58,847.66
2020	(231,594.76)
2021	(626,248.37)
2022	(406,079.21)
2023	(129,917.32)
Total	<u><u>\$ (1,334,992.00)</u></u>

Actuarial Assumptions

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

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

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

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

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

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

<u>Asset Class</u>	<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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

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

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

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

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

	Decrease (5.51%)	Rate (6.51%)	Increase (7.51%)
District's proportionate share of the net pension liability	\$ 15,952,785.11	\$ 12,246,490.00	\$ 9,190,085.07

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

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

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.09050257390% for 2018. The net pension liability amount allocated to the Municipality was \$1,663,483.00. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$197,037.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

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

NOTE 14: POST-RETIREMENT BENEFITS

Plan Description The City of North Wildwood contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

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. 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 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 to:

<http://www.state.nj.us/treasury/pensions/shbp.htm>

Plan Coverage The entity currently has 3 collective bargaining units as well as several non-union employees. The employee's post employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are:

Firemen's Benevolent Association of New Jersey No. 56 – Individuals who retired with at least 25 years of service to the entity receive hospitalization, major medical coverage, prescription, and Delta Dental coverage for the employee, spouse, and dependents up to the age of 21 that were in effect at the time of retirement. Retirements benefits are only good for 2 years after they retire. Firefighters are entitled to receive benefits through the City until he/she obtains other employment with comparable coverage or until the employee becomes eligible for Medicare, whichever one comes first.

Policemen Benevolent Association Wildwood Local 59 – Depending upon the employee's date of hire, he/she shall be entitled to receive health care benefits provided by the City at the expense of the City of North Wildwood for one of the following periods:

For employees hired on or after January 1, 2016, for a period of 10 (ten) consecutive years. The ten (10) year period may commence immediately upon an employee's retirement. In the alternative, at the time of retirement, an employee may waive retiree group health coverage and retain his/her right to enroll at a later date for an alternate full ten (10) consecutive year period, provided that the employee is covered through other health insurance as either an employee through other employment or as a dependent of the employee's spouse/civil union partner. In the event the "other coverage" is lost, the employee must re-enroll within 60 days of the loss of coverage or the employee forfeits the ability to enroll in the health care program.

For employees hired between June 28, 2011 and December 31, 2015: For a period of fifteen (15) consecutive years. The fifteen (15) year period may commence immediately upon an employee's retirement. In the alternative, at the time of retirement, an employee may waive retiree group health coverage and retain his/her right to enroll at a later date for an alternative full fifteen (15) consecutive year period, provided that the employee is covered through other health insurance as either an employee through other employment or as a dependent of the employee's spouse/civil union partner. In the event the "other coverage" is lost, the employee must re-enroll within 60 days of the loss of coverage or the employee forfeits the ability to enroll in the health care program.

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

For employees hired prior on or before June 27, 2011: For a period of twenty (20) consecutive years. The twenty (20) year period may commence immediately upon an employee's retirement. In the alternative, at the time of retirement, an employee may waive retiree group health coverage and retain his/her right to enroll at a later date for an alternate full twenty (20) consecutive year period, provided that the employee is covered through other health insurance as either an employee through other employment or as a dependent of the employee's spouse/civil union partner. In the event the "other coverage" is lost, the employee must re-enroll within 60 days of the loss of coverage or the employee forfeits the ability to enroll in the health care program.

Effective 1/1/12, individuals with at least 25 years of service to the entity receive hospitalization, major medical coverage, prescription, and Delta Dental coverage for the employee, spouse, and dependents up to the age of 21 that were in effect at the time of retirement. Officers are entitled to receive benefits through the City until he/she obtains other employment with comparable coverage or until the employee becomes eligible for Medicare, which ever one comes first.

United Public Service Employees Union – Individuals with at least 25 years of service to the entity receive hospitalization, major medical coverage, prescription, and Delta Dental coverage for the employee, spouse, and dependents up to the age of 21 that were in effect at the time of retirement. Retirements benefits are only good for 3 years after they retire. Employees are entitled to receive benefits through the City until he/she obtains other employment with comparable coverage or until the employee becomes eligible for Medicare, which ever one comes first.

Non-Affiliated Employees – These individuals receive no post-retirement benefits regardless of time of service.

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 the health premiums of participating retirees in the SHBP are billed to the City of North Wildwood on a monthly basis. The rates charged by the system for the year ended December 31, 2017 vary according to the type of coverage selected by the retiree and range from \$1,298.69 to \$3,220.74 monthly per retiree.

The City of North Wildwood contributions to SHBP for post-retirement benefits for the year ended December 31, 2018, 2017, and 2016 were \$603,195.84, \$639,084.09, and \$576,184.80, respectively, which equaled the required contribution for the year.

NOTE 15 – OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

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

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

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

1) retired on a disability pension;

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

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

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

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

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

Allocation Methodology:

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

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

Special Funding Situation:

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

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

Net OPEB Liability:

Components of Net OPEB Liability

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

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227.00	\$ 12,962,273.00
Plan Fiduciary Net Position	314,485,086.00	255,079.00
Net OPEB Liability	<u>\$ 15,666,618,141.00</u>	<u>\$ 12,707,194.00</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the City's proportionate share of the Collective Net OPEB Liability was \$12,707,194.00. The State's proportionate share for the Special Funding Situation that is associated with the City is \$12,245,748.00. The City's proportion of the Collective Net OPEB Liability was .081110% which was an increase from the prior year of 3.78%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.0197072% which was an increase from the prior year of 1.58%.

City's Proportionate Share of Collective Net OPEB Liability	\$ 12,707,194.00
State's proportionate share that is associated with the City	12,245,748.00
Total	<u>\$ 24,952,942.00</u>

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

For the Year ended June 30, 2018 the City's Total OPEB Expense was \$639,469.00 and the State of New Jersey realized Total OPEB Expense in the amount of \$370,693.00 for its proportionate share of Total OPEB Expense that is associated with the City.

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

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

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

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

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

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

Health Care Trend Assumptions

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

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.

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

		1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Collective				
Net OPEB Liability	\$	18,381,085,096.00	\$ 15,666,618,141.00	\$ 13,498,373,388.00
Proportionate Share				
Net OPEB Liability	\$	14,908,898.15	\$ 12,707,194.00	\$ 10,948,530.68

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:

		1% Decrease	Healthcare Cost Trend Rate	1% Increase
Collective				
Net OPEB Liability	\$	13,068,471,450.00	\$ 15,666,618,141.00	\$ 19,029,006,023.00
Proportionate Share				
Net OPEB Liability	\$	10,599,837.21	\$ 12,707,194.00	\$ 15,434,426.82

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

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

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,180,882,321.00)	\$	\$ (2,580,013.00)
Changes of assumptions		(3,974,042,874.00)		(3,223,346.00)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239.00		6,715.00	
Changes in proportion and differences between contributions and proportionate share of contributions	2,106,728,269.00	(2,106,728,269)	982,081.00	(16,315.00)
Total	\$ 2,115,007,508.00	\$ (9,261,653,464.00)	\$ 988,796.00	\$ (5,819,674.00)

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

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

Year ended June 30,	Collective Totals	Proportionate Share
2019	\$ (1,049,390,011.00)	\$ (709,350.25)
2020	(1,049,390,011.00)	(709,350.25)
2021	(1,049,390,011.00)	(709,350.25)
2022	(1,050,264,681.00)	(709,941.50)
2023	(1,051,678,489.00)	(710,897.18)
Thereafter	(1,896,532,753.00)	(1,281,988.56)
Total	<u>\$ (7,146,645,956.00)</u>	<u>\$ (4,830,878.00)</u>

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

Collective OPEB Expenses reported by the State of New Jersey

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

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

Schedule of City's Share of Net OPEB Liability

	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.081110%
Borough's Share of Net OPEB Liability	\$ 12,707,194.00
Borough's Covered Payroll	2,906,100.00
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	437.26%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

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

NOTE 16: ACCRUED SICK AND VACATION BENEFITS

The entity has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$677,874.45 in 2018 and \$687,081.56 in 2017. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the entity's policy to negotiate the final amount of each payment of accrued sick, comp time, and vacation pay on an individual basis. The final amount of the settlement for sick time cannot exceed the cap amount established by each Union contract even though more may be accrued. The amount shown above represents the total number of days of unpaid compensation taking the cap amount for sick time into account. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The entity does not accrue the liability.

NOTE 17: ECONOMIC DEPENDENCY

The City of North Wildwood is economically dependent on tourism as a major source of tax revenue for the entity.

NOTE 18: RISK MANAGEMENT

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

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

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$500,000 under JIF, which increases to \$4,500,000 under MEL.

NOTE 19: DEFERRED COMPENSATION

Employees of the City of North Wildwood may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the entity. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

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

The Plan is administered by the following service organizations:

Mass Mutual
Great-West Retirement Services
Nationwide Retirement Solutions

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

NOTE 20: CONTINGENT LIABILITIES

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 21: INTERFUND BALANCES

During the most current calendar year ended December 31, 2018, the following inter-funds were included on the balance sheets of the various funds of the City of North Wildwood:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 472.00	-
Trust Operating - Other	40,571.03	-
Trust Operating -POAA	-	-
Trust Assessment	298.99	-
Grant Fund	-	109,777.03
Grant Fund:		
Current Fund	109,777.03	-
General Capital Fund	4,636.03	-
Trust Fund - Body Armor	-	-
Trust Fund - Hereford	4,878.98	-
Trust Fund - Recreation	-	-
Assessment Trust Fund:		
Current Fund	-	298.99
Trust Fund:		
Current - Animal Control Fund	-	472.00
Current - Trust Other Fund	-	40,571.03
Current - POAA	-	-
Grant - Federal & State	-	4,878.98
General Capital Fund:		
Grant Fund	-	4,636.03
	\$ <u>160,634.06</u>	<u>160,634.06</u>

The amount due to the Grant fund from the Current fund is due to the fact that there is only one bank account. The amount due to the Current Fund from the Trust Fund is from several years of interest that is due to the Current Fund. The remaining immaterial inter-funds are due to amounts that should have been transferred to the proper bank accounts from prior years.

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

NOTE 22: RESERVE FOR STATE TAX APPEALS

As a result of the significant increase in the City's total assessed valuation due to the 2006 revaluation of city-wide property tax assessments, a reserve for state tax appeals was established in the amount of \$272,740.80 at December 31, 2006. Due to additional appeals filed in 2007, the balance was adjusted to \$350,000 at December 31, 2007.

In January 2008, the City was ordered to refund \$270,000 to a property owner as a result of a tax court judgment. Payment was made to the owner in February 2008, reducing the balance in the reserve for state tax appeals by that amount. The balance in the Reserve for State Tax Appeals at December 31, 2018 is \$80,000.00.

NOTE 23: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the 2005 calendar year, the voters of the City of North Wildwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The City appropriated \$35,000.00, and \$40,000.00 in 2018 and 2017 budgets, respectively for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

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

NOTE 24: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through July 19, 2019, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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SUPPLEMENTARY INFORMATION



Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of North Wildwood
Cape May County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated July 19, 2019, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Very truly yours,

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

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

July 19, 2019

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2017	\$ 11,472,480.36	-
Increased by Receipts:		
Tax Collector	36,487,124.00	-
Revenue Accounts Receivable	3,508,760.02	-
Miscellaneous Revenue Not Anticipated	625,206.30	-
Due from State - Veterans and Senior Citizens	69,507.19	-
Payroll Deductions Payable	8,914,380.16	-
Marriage License Fees Due to State	750.00	-
Reserve for 1.85% Room Tax	295,872.96	-
Issuance of Petty Cash	1,300.00	-
Due from Federal and State Grant Fund	197,737.50	-
Due to GWTIDA	3,605.00	-
Due to Current Fund	-	216,338.00
Federal and State Unallocated	-	46,387.50
Federal and State Receivables	-	151,350.00
	<u>50,104,243.13</u>	<u>414,075.50</u>
	61,576,723.49	414,075.50
Decreased by Disbursements:		
Current Year Appropriation	27,027,211.72	-
Prior Year Appropriations	427,414.76	-
County Taxes	7,008,198.67	-
County Added and Omitted Taxes	24,594.86	-
Local District School Taxes	6,526,852.32	-
Special District Taxes	55,000.00	-
Refund of Tax Overpayments	42,265.95	-
Due to State - Marriage Licenses	390.00	-
Due to Federal and State Grant Fund	216,338.00	-
Due to GWTIDA	2,170.00	-
Payroll Deductions Paid	8,903,144.93	-
Return of Petty Cash	1,300.00	-
Due to Current Fund	-	197,737.50
Federal and State Disbursements	-	216,338.00
	<u>50,234,881.21</u>	<u>414,075.50</u>
Balance December 31, 2018	\$ <u><u>11,341,842.28</u></u>	<u><u>-</u></u>

CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR

Balance December 31, 2017		\$	-
Increased by Receipts:			
Prepaid Taxes	981,025.58		
Overpaid Taxes	52,324.40		
Taxes Receivable	31,164,929.01		
Revenue Accounts Receivable	<u>4,235,438.23</u>		
			<u>36,433,717.22</u>
			36,433,717.22
Payments to Treasurer			<u>36,433,717.22</u>
Balance December 31, 2018		\$	<u><u>-</u></u>

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

Year	Balance Dec. 31, 2017	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2018
				2017	2018			
Arrears	\$ 530.79	-	-	-	-	-	-	530.79
2010	319,038.87	-	-	-	-	319,038.24	-	0.63
2011	1,559.34	-	-	-	-	1,558.59	-	0.75
2012	29,369.62	-	-	-	812.38	28,553.20	-	4.04
2013	56,434.80	-	-	-	-	56,411.00	-	23.80
2014	14,430.92	-	-	-	4,887.34	9,479.61	-	63.97
2015	17,837.48	-	-	-	5,007.19	9,712.08	-	3,118.21
2016	26,348.38	-	-	-	7,345.00	(117,919.37)	-	136,922.75
2017	31,082.81	-	-	-	22,390.99	0.01	-	8,691.81
	496,633.01	-	-	-	40,442.90	306,833.36	-	149,356.75
2018	-	33,051,349.55	21,321.90	1,790,719.54	31,197,075.52	65,116.50	9,584.77	10,175.12
\$	496,633.01	33,051,349.55	21,321.90	1,790,719.54	31,237,518.42	371,949.86	9,584.77	159,531.87
Analysis of Current Year Tax Levy								
Tax Yield:								
General Property Tax					33,051,349.55			
Special District Taxes					55,000.00			
Added Taxes (54:4-63.1 et. Seq.)					21,321.90			
						33,127,671.45		
Tax Levy:								
General County Taxes					5,879,445.36			
County Library Taxes					866,416.63			
County Open Space Taxes					262,336.68			
Special District Tax					55,000.00			
County Added and Omitted Taxes					21,321.90			
Total County Taxes						7,084,520.57		
Local School District Tax						7,232,444.00		
Additional Local School District Tax						-		
Local Tax for Municipal Purposes					18,612,110.24			
Add: Additional Tax Levied					198,596.64			
						18,810,706.88		
								33,127,671.45

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

Balance December 31, 2017		\$	280,898.77
Increased by:			
Transfers from Taxes Receivable	9,584.77		
	<hr/>		<hr/>
			9,584.77
			290,483.54
Decreased by:			
2018 Foreclosures	284,876.49		
			<hr/>
			284,876.49
Balance December 31, 2018		\$	<hr/> <hr/> 5,607.05

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2017	Accrued in 2018	Collected by		Balance Dec. 31, 2018
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages	-	58,700.00	-	58,700.00	-
Other	-	124,437.00	-	124,437.00	-
Fees and Permits	-	410,761.87	-	410,761.87	-
Fines and Costs:					
Municipal Court	10,784.19	343,157.65	-	341,678.08	12,263.76
Interest and Costs on Taxes	-	87,238.15	87,238.15	-	-
Interest Earned on Investments	-	192,760.99	-	192,760.99	-
Parking Meters	-	793,150.37	-	793,150.37	-
Emergency Rescue Services	-	272,882.43	-	272,882.43	-
Fire Inspection Fees	-	204,607.00	-	204,607.00	-
County Debt Service	-	290,000.00	-	290,000.00	-
Sewer Rents	418,175.61	4,210,807.94	4,192,151.64	-	436,831.91
Tram Car Lease	-	35,986.57	-	35,986.57	-
Rental of City Property	-	93,640.00	-	93,640.00	-
Energy Receipts Tax	-	442,027.00	-	442,027.00	-
Reserve to Pay Debt Service	-	190,680.80	-	190,680.80	-
Uniform Fire Safety	-	19,118.02	-	19,118.02	-
1.85% Beach Maintenance	-	295,216.26	-	295,216.26	-
Capital Surplus	-	50,000.00	-	50,000.00	-
Miscellaneous Revenue Not Anticipated	-	653,759.45	28,553.15	625,206.30	-
	<u>428,959.80</u>	<u>8,768,931.50</u>	<u>4,307,942.94</u>	<u>4,440,852.69</u>	<u>449,095.67</u>
			Cash	4,133,966.32	
			Interfunds	11,670.11	
			Reserve for 1.85% Beach Maintenance	295,216.26	
			Total	<u>4,440,852.69</u>	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration		969.78	-	969.78	-
Salaries and Wages	9,832.45	9,832.45	5,154.58	4,677.87	-
Other Expenses					
Mayor and Council					
Salaries and Wages	0.05	0.05	-	0.05	-
Other Expenses	2,484.19	2,484.19	-	2,484.19	-
Municipal Clerk					
Salaries and Wages	10,482.47	10,482.47	-	10,482.47	-
Other Expenses	7,083.98	7,083.98	3,870.08	3,213.90	-
Financial Administration					
Salaries and Wages	3,516.74	3,516.74	-	3,516.74	-
Other Expenses	22,677.02	22,677.02	4,321.00	18,356.02	-
Revenue Administration (Tax Collection)					
Salaries and Wages	133.48	133.48	-	133.48	-
Other Expenses	4,761.75	4,761.75	3,008.28	1,753.47	-
Tax Assessment Administration					
Salaries and Wages	2,791.32	2,791.32	-	2,791.32	-
Other Expenses	1,833.29	1,833.29	276.44	1,556.85	-
Legal Services					
Other Expenses	65,835.67	65,835.67	35,758.29	30,077.38	-
Engineering Services and Costs					
Other Expenses	149,854.23	149,854.23	-	149,854.23	-
Ambulance Billing Administration Fee					
Other Expenses	8,828.09	8,828.09	1,266.93	7,561.16	-
LAND USE ADMINISTRATION					
Zoning Board of Adjustment					
Salaries and Wages	827.76	827.76	-	827.76	-
Other Expenses	28,927.16	28,927.16	856.49	28,070.67	-

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
INSURANCE					
General Liability		-		-	-
Workers Compensation Insurance	2,222.00	2,222.00	(2,004.00)	4,226.00	-
Employee Group Health Insurance	190,148.87	190,148.87	-	190,148.87	-
Health Benefit Waiver					
Salaries and Wages	2,000.00	2,000.00	-	2,000.00	-
PUBLIC SAFETY					
Fire Department					
Salaries and Wages	4,128.78	4,128.78	-	4,128.78	-
Other Expenses	48,042.49	48,042.49	39,186.64	8,855.85	-
Fire Safety Act					
Salaries and Wages	39,613.42	39,613.42	-	39,613.42	-
Other Expenses	17,416.83	17,416.83	14,183.31	3,233.52	-
Aid to Volunteer Fire Company					
Other Expenses	3,800.00	3,800.00	1,150.00	2,650.00	-
Police Department					
Salaries and Wages	200,528.44	200,528.44	-	200,528.44	-
Other Expenses	88,943.61	88,943.61	84,431.75	4,511.86	-
Office of Emergency Management					
Salaries and Wages	46.04	46.04	-	46.04	-
Other Expenses	8,617.67	8,617.67	8,399.54	218.13	-
Municipal Court					
Salaries and Wages	1,672.96	1,672.96	-	1,672.96	-
Other Expenses	3,590.90	3,590.90	448.60	3,142.30	-
PUBLIC WORKS					
Public Works Department					
Salaries and Wages	32,835.81	32,835.81	-	32,835.81	-
Other Expenses	139,245.05	139,245.05	89,632.43	49,612.62	-
Garbage and Trash					
Other Expenses	16,025.50	16,025.50	-	16,025.50	-
Public Buildings and Grounds					
Salaries and Wages	25,253.96	25,253.96	-	25,253.96	-
Other Expenses	64,062.61	64,062.61	49,199.31	14,863.30	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
HEALTH AND HUMAN SERVICES					
Dog Regulation	9,043.00	9,043.00	-	9,043.00	-
Other Expenses					
PARKS AND RECREATION					
Lifeguards					
Salaries and Wages	10,278.71	10,278.71	-	10,278.71	-
Other Expenses	3,028.77	3,028.77	2,500.00	528.77	-
Recreation Center					
Salaries and Wages	11,481.38	11,481.38	-	11,481.38	-
Other Expenses	22,446.16	22,446.16	1,339.17	21,106.99	-
UNIFORM CONSTRUCTION CODE					
Construction Official					
Salaries and Wages	870.12	870.12	-	870.12	-
Other Expenses	8,278.75	8,278.75	233.74	8,045.01	-
UNCLASSIFIED					
Celebration of Public Events, Anniversary or Holiday					
Salaries and Wages	3,801.11	3,801.11	-	3,801.11	-
Other Expenses	34,255.95	34,255.95	1,399.80	32,856.15	-
UTILITY EXPENSES AND BULK PURCHASES					
Electric	7,560.04	7,560.04	7,560.04	-	-
Street Lighting	38,013.87	38,013.87	28,514.26	9,499.61	-
Telephone	39,881.04	39,881.04	256.25	39,624.79	-
Natural Gas	24,617.92	24,617.92	4,983.82	19,634.10	-
Water	22,784.01	22,784.01	7,433.81	15,350.20	-
Gasoline	60,143.20	60,143.20	-	60,143.20	-
Traffic Lights	1,759.04	1,759.04	1,709.24	49.80	-
LANDFILL / SOLID WASTE DISPOSAL COSTS					
Cape May County MUA Tipping Fees	54,555.03	54,555.03	32,614.94	21,940.09	-
Contingent	500.00	500.00	-	500.00	-
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (O.A.S.I.)	24,844.44	24,844.44	-	24,844.44	-
Unemployment Compensation Insurance	6,661.78	6,661.78	-	6,661.78	-
Lifeguard Pension	943.52	943.52	-	943.52	-
Retirement Reserve	39,000.00	39,000.00	-	39,000.00	-
Defined Contribution Retirement Program	242.08	242.08	-	242.08	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS EXCLUDED FROM "CAPS"					
Payments to Cape May County Municipal					
Utilities Authority - Sewer Charges	2,961.00	2,961.00	-	2,961.00	-
Length of Service Award Program (LOSAP)	11,049.82	11,049.82	-	11,049.82	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Municipal Alliance - Local Share	14.50	14.50	-	14.50	-
\$	<u>1,648,049.61</u>	<u>1,648,049.61</u>	<u>427,684.74</u>	<u>1,220,364.87</u>	<u>-</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Balance December 31, 2017			
School Tax Payable	\$	1,032,050.48	
School Tax Deferred		<u>2,479,787.50</u>	
			\$ 3,511,837.98
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>7,232,444.00</u>
			10,744,281.98
Decreased by:			
Payments			<u>6,526,852.32</u>
Balance December 31, 2018			
School Tax Payable		1,737,642.16	
School Tax Deferred		<u>2,479,787.50</u>	
			<u>4,217,429.66</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			6,526,852.32
Tax Payable Ending			<u>1,737,642.16</u>
			8,264,494.48
Less: Tax Payable Beginning			<u>1,032,050.48</u>
Amount charged to Current Year Operations			<u>\$ 7,232,444.00</u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Purpose	Balance Dec. 31, 2017	Transferred From 2018 Revenues	Received	Adjustments	Balance Dec. 31, 2018
FEDERAL GRANTS:					
Small Cities Block Grant					
CDBG 2011 - Community Center ADA Impr.	\$ 67,845.00	-	-	67,845.00	-
CDBG 2013 - ADA Curb Cuts and Sidewalks	10,418.00	-	-	10,418.00	-
FHA TEA - Hereford Lighthouse - 2009	65,028.13	-	-	65,028.13	-
FEMA - Assistance to Firefighters Grant - 2011	591.00	-	-	591.00	-
FEMA - Assistance to Firefighters Grant - 2013	110,480.00	-	-	110,480.00	-
USDA Rural Development Emergency Vehicle - 2017	20,100.00	-	20,100.00	-	-
USDOJ Bulletproof Vest - 2016	1,020.56	-	-	-	1,020.56
Total Federal	275,482.69	-	20,100.00	254,362.13	1,020.56
STATE GRANTS:					
N.J. Transportation Trust Fund					
2013 - Pedestrian Multi-Modal Olde NJ Ave & Spruce	450,000.00	-	-	-	450,000.00
2018 - East 17th Avenue	-	175,000.00	131,250.00	-	43,750.00
Body Worn Camera Assistance Program - 2016	10,000.00	-	-	10,000.00	-
Click It or Ticket - 2008	944.88	-	-	944.88	-
Think Safety Pedestrian Mobilization - 2009	2,145.29	-	-	2,145.29	-
Total State	463,090.17	175,000.00	131,250.00	13,090.17	493,750.00
\$	738,572.86	175,000.00	151,350.00	267,452.30	494,770.56
		Cash	151,350.00		
			151,350.00		

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CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred To 2018 Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2018</u>
FEDERAL GRANTS:					
COPS in Shops 2017-2018	-	-	2,160.88	-	2,160.88
COPS in Shops 2016-2017	1,785.71	1,785.71	-	-	-
Total Federal	1,785.71	1,785.71	2,160.88	-	2,160.88
STATE GRANTS:					
Body Armor Replacement Fund 2016-2017	\$ 2,830.01	2,830.01	-	-	-
Clean Communites 2017-2018	-	-	34,098.22	-	34,098.22
Clean Communites 2016- 2017	35,624.52	35,624.52	-	-	-
Law and Public Safety - Distracted Driver	5,389.11	5,389.11	-	-	-
Law and Public Safety - Distracted Driver	-	-	6,385.60	-	6,385.60
Recycling - Hazardous Waste 2016-2017	22,240.11	22,240.11	-	-	-
Seat Belt Initiative 2017-2018	-	-	3,742.80	-	3,742.80
Tonnage Grant 2016-2017	13,636.56	13,636.56	-	-	-
Total State	79,720.31	79,720.31	44,226.62	-	44,226.62
	\$ 81,506.02	81,506.02	46,387.50	-	46,387.50

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2017		\$	860.00
Increased By Receipts:			
Dog Licenses Fees - City Share	\$	278.00	
Dog Licenses Fees Collected - State Share		199.80	
			<u>477.80</u>
			1,337.80
Decreased By Disbursements:			
State of New Jersey		199.80	
			<u>199.80</u>
Balance December 31, 2018		\$	<u><u>1,138.00</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	Other \$	2,963,536.91	Assessment \$	15,824.49
Balance December 31, 2017				
Increased By Receipts:				
Tourism Development	\$			
Recreation	42,232.92			
Parking Offenses Adjudication Act	205,326.61			
Public Defender	2,636.00			
Municipal Alliance	775.00			
HEREFORD Lighthouse	24,877.59			
Memorials/Beautification Enhancement	27,475.00			
D.A.R.E. Deposits	40,050.00			
Recreation - Junior Lifeguards	2,000.00			
Fire Prevention	4,565.00			
Lifeguard Pension	135.48			
Forfeited Trust	37,059.04			
Tax Premiums	235.59			
Tax Title Liens	226,900.00			
Small Cities Escrow Deposits	393,647.23			
Developers Escrow	35,713.64			
Municipal Parking Capital Improvement Account	205,102.14			
UCC Third Party	98.73			
Flex Savings	303,072.00			
Due to Current - TTL Premium	780.00			
Due to Current - TTL Redemption	3,876.28			
Interest Earned - Due to Current	556.34			
	11,476.30			
		1,568,590.89		193.81
		4,532,127.80		16,018.30
Decreased by Disbursements:				
Tourism Development				
Recreation	31,879.59			
Parking Offenses Adjudication Act	172,460.12			
Municipal Alliance	820.00			
Recreation - Junior Lifeguards	23,215.98			
HEREFORD Lighthouse	6,945.95			
Memorials/Beautification Enhancement	6,897.05			
UCC Third Party	99,584.58			
Lifeguard Pension	518,435.60			
Small Cities	60,338.54			
Developers Escrow	12,050.00			
Tax Premiums	527,492.20			
Tax Title Liens	355,800.00			
Due to Current - TTL Premium	493,247.28			
Due to Current - TTL Redemption	3,876.28			
	556.34			
		2,313,599.51		
		2,218,528.29		
Balance December 31, 2018	\$		\$	16,018.30

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TRUST FUND
SCHEDULE OF RESERVE/(DEFICIT) FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2017		\$ 632.00
Increased By:		
Dog Licenses Fees Collected - City Share	\$ 278.00	
Dog Licenses Fees Collected - State Share	199.80	
	<hr/>	<hr/>
		477.80
		1,109.80
Decreased By:		
Statutory Excess Due to Current Fund	138.98	
Payments to Current Fund	105.02	
Paid to State of New Jersey	199.80	
	<hr/>	<hr/>
		443.80
Balance December 31, 2018		\$ <u><u>666.00</u></u>

License Fees Collected

Year

2016	\$ 348.00
2017	<u>318.00</u>
	<u><u>\$ 666.00</u></u>

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

Balance December 31, 2017		\$	228.00
Increased By:			
Statutory Excess	\$	138.98	
Due from Current Fund		105.02	
		<hr/>	<hr/>
			244.00
			<hr/>
Balance December 31, 2018		\$	<u><u>472.00</u></u>

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

Balance December 31, 2017		\$	-
Increased By:			
Collected in 2018	\$	199.80	
		<hr/>	<hr/>
			199.80
			<hr/>
			199.80
Decreased By:			
Paid to State of New Jersey		199.80	
		<hr/>	<hr/>
			199.80
			<hr/>
Balance December 31, 2018		\$	<u><u>-</u></u>

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

Balance December 31, 2017		\$ 3,635,648.83
Increased by:		
Due from Current Fund		
Budget Appropriation :		
Capital Improvement Fund	350,000.00	
Ordinance 1624	225,000.00	
Ordinance 1653/1697	97,525.00	
Ordinance 1701	285,000.00	
Ordinance 1711	2,500.00	
Proceeds from Bond Sale	15,970,000.00	
Proceeds from Bond Anticipation Notes	9,620,000.00	
NJEIT Receivable	6,023,829.00	
Premium Received on Sale of Notes	98,440.00	
Improvement Authorization Reimbursements	2,486.25	
	<hr/>	<hr/>
		32,674,780.25
		36,310,429.08
Decreased by:		
Improvement Authorizations	11,625,085.17	
Refund FEMA Grant - Beach Replenishment Project# 4048	190,680.80	
Bond Anticipation Notes Payable - Ordinance 1576	21,315,000.00	
Capital Surplus - General Budget	50,000.00	
	<hr/>	<hr/>
		33,180,765.97
Balance December 31, 2018		\$ <u><u>3,129,663.11</u></u>

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

Balance December 31, 2017		\$	57,630.00
Increased by:			
Current Fund Budget Appropriation	350,000.00		
	<hr/>		<hr/>
			350,000.00
			407,630.00
Decreased by:			
Improvement Authorizations Funded	375,000.00		
	<hr/>		<hr/>
			375,000.00
Balance December 31, 2018		\$	<u><u>32,630.00</u></u>

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

Balance December 31, 2017		\$ 40,580,038.99
Increased by:		
Bonds Issued - 2018	15,970,000.00	
	<hr/>	<hr/>
		15,970,000.00
		56,550,038.99
Decreased by:		
Serial Bonds Paid	2,920,000.00	
Wastewater Bonds Paid	195,000.00	
Wastewater Loan Payments	404,285.68	
Green Trust Loan Payments	6,459.51	
Premium Applied to Bonds issued	1,000,000.00	
USDA Bonds Paid	217,764.89	
	<hr/>	<hr/>
		4,743,510.08
Balance December 31, 2018		\$ <u><u>51,806,528.91</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Intro Ord. Date	Amount	Authorizations					Paid or Charged/ Canceled	Balance December 31, 2018	
				Balance December 31, 2017		Capital Improvement Fund	Other Funding	Deferred Charges to Future Taxation		Funded	Unfunded
				Funded	Unfunded						
1553	Sanitary Sewer Improvements	10/21/2008	6,100,000.00	\$ 1,089.09	-	-	-	-	-	1,089.09	-
1571	Acquisition of Property	9/1/2009	940,000.00	7,298.15	-	-	-	-	-	7,298.15	-
1576	Sanitary Sewer Improvements	11/17/2009	3,650,000.00	46,642.47	-	-	-	-	(17,534.46)	64,176.93	-
1600	Various Improvements	10/4/2011	1,200,000.00	-	-	-	-	-	(640.00)	640.00	-
1611	Various Improvements	6/6/2012	2,540,000.00	-	-	-	-	-	-	-	-
1617	Various Improvements	12/4/2012	2,000,000.00	-	-	-	-	-	-	-	-
1624	Beach Replenishment	5/7/2013	3,500,000.00	-	-	-	-	-	-	-	-
1648	Various Improvements	5/6/2014	600,000.00	19,424.65	-	-	-	-	-	2,239.65	-
1652	Various Improvements	6/17/2014	4,000,000.00	125,103.65	-	-	-	-	125,103.65	-	-
1653/1697	NJ/EIT Project	6/17/2014	10,500,000.00	575,770.98	97,525.00	-	-	-	665,369.28	7,926.70	-
1667	Various Improvements	3/3/2015	1,500,000.00	-	-	-	-	-	-	-	-
1692	Various Capital Improvements	3/15/2016	1,900,000.00	-	52,295.22	-	-	-	51,495.22	800.00	-
1707	Various Capital Improvements	11/15/2016	4,000,000.00	-	880,451.02	-	-	-	876,438.20	4,012.82	-
1711	Various Capital Improvements	2/21/2017	3,850,000.00	-	2,195,760.44	-	-	-	1,645,047.31	-	550,713.13
1738	Various Capital Improvements	2/6/2018	4,500,000.00	-	-	225,000.00	-	4,275,000.00	2,835,440.59	-	1,664,559.41
1746	Various Capital Improvements	4/10/2018	1,200,000.00	-	-	-	150,000.00	-	953,174.67	246,825.33	-
1760	Various Capital Improvements	9/4/2018	3,000,000.00	-	-	-	-	2,850,000.00	500,600.00	-	2,499,400.00
				\$ 650,225.34	3,351,135.33	375,000.00	1,200,000.00	7,125,000.00	7,651,679.46	335,008.67	4,714,672.54
				Paid							
				Refund							
				Encumbrances Payable 12/31/17							
				Encumbrances Payable 12/31/16							
				7,651,679.46							

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
General Obligation Bonds of 2004	12/1/2004	8,000,000.00				580,000.00		580,000.00	-
General Obligation Bonds of 2009	12/1/2009	13,630,000.00	12/1/2019	1,400,000.00	3.500%	5,600,000.00		1,400,000.00	4,200,000.00
			12/1/2020	1,400,000.00	3.750%				
			12/1/2021	1,400,000.00	3.750%				
General Obligation Bonds of 2013	8/1/2013	11,400,000.00	8/1/2019	980,000.00	4.000%	8,600,000.00		940,000.00	7,660,000.00
			8/1/2020	980,000.00	3.000%				
			8/1/2021	1,000,000.00	3.000%				
			8/1/2022	1,150,000.00	3.000%				
			8/1/2023	1,150,000.00	3.250%				
			8/1/2024	1,200,000.00	3.500%				
General Obligation Bonds of 2018	7/26/2018	14,970,000.00	8/1/2025	1,200,000.00	3.625%	-	14,970,000.00		14,970,000.00
			8/1/2019	935,000.00	2.000%				
			8/1/2020	935,000.00	4.000%				
			8/1/2021	985,000.00	4.000%				
			8/1/2022	1,035,000.00	5.000%				
			8/1/2023	1,125,000.00	5.000%				
			8/1/2024	1,170,000.00	5.000%				
			8/1/2025	1,220,000.00	5.000%				
			8/1/2026	1,310,000.00	4.000%				
			8/1/2027	1,405,000.00	4.000%				
			8/1/2028	1,455,000.00	3.000%				
			8/1/2029	1,640,000.00	3.000%				
			8/1/2030	1,755,000.00	3.000%				
						\$ 14,780,000.00	14,970,000.00	2,920,000.00	26,830,000.00

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF WASTEWATER TREATMENT TRUST BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Wastewater Treatment Fund Bonds of 2003A	10/15/2002	1,745,000.00	8/1/2019	120,000.00	5.000%	625,000.00		115,000.00	510,000.00
			8/1/2020	125,000.00	5.000%				
			8/1/2021	130,000.00	5.000%				
			8/1/2022	135,000.00	5.000%				
Wastewater Treatment Fund Bonds of 2017A		4,150,000.00	8/1/2019	85,000.00	5.000%	4,150,000.00		80,000.00	4,070,000.00
			8/1/2020	85,000.00	5.000%				
			8/1/2021	90,000.00	5.000%				
			8/1/2022	95,000.00	5.000%				
			8/1/2023	100,000.00	5.000%				
			8/1/2024	105,000.00	5.000%				
			8/1/2025	110,000.00	5.000%				
			8/1/2026	115,000.00	3.000%				
			8/1/2027	120,000.00	3.000%				
			8/1/2028	125,000.00	3.000%				
			8/1/2029	125,000.00	3.000%				
			8/1/2030	130,000.00	3.000%				
			8/1/2031	135,000.00	3.000%				
			8/1/2032	140,000.00	3.000%				
			8/1/2033	145,000.00	3.125%				
			8/1/2034	150,000.00	3.250%				
			8/1/2035	155,000.00	3.250%				
			8/1/2036	155,000.00	3.375%				
			8/1/2037	165,000.00	3.375%				
			8/1/2038	170,000.00	3.375%				
			8/1/2039	175,000.00	3.375%				
			8/1/2040	180,000.00	3.375%				
			8/1/2041	185,000.00	3.500%				
			8/1/2042	190,000.00	3.500%				
8/1/2043	200,000.00	3.500%							
8/1/2044	205,000.00	3.500%							
8/1/2045	215,000.00	3.500%							
8/1/2046	220,000.00	3.500%							
						\$ 4,775,000.00	-	195,000.00	4,580,000.00

GENERAL CAPITAL FUND
SCHEDULE OF WASTEWATER TREATMENT TRUST LOANS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Wastewater Treatment Fund Loan of 2003A	10/15/2002	1,843,735.00	2/1/2019	8,269.69	N/A	472,971.09		95,908.78	377,062.31
			8/1/2019	87,146.11					
			2/1/2020	6,297.78					
			8/1/2020	88,460.72					
			2/1/2021	4,243.71					
			8/1/2021	89,693.16					
			2/1/2022	2,107.47					
			8/1/2022	90,843.67					
			2/1/2019	102,792.30					
			8/1/2019	205,584.60					
Wastewater Treatment Fund Loan of 2014A		9,148,515.00	2/1/2020	102,792.30	N/A	8,942,930.40		308,376.90	8,634,553.50
			8/1/2020	205,584.60					
			2/1/2021	102,792.30					
			8/1/2021	205,584.60					
			2/1/2022	102,792.30					
			8/1/2022	205,584.60					
			2/1/2023	102,792.30					
			8/1/2023	205,584.60					
			2/1/2024	102,792.30					
			8/1/2024	205,584.60					
			2/1/2025	102,792.30					
			8/1/2025	205,584.60					
			2/1/2026	102,792.30					
			8/1/2026	205,584.60					
			2/1/2027	102,792.30					
			8/1/2027	205,584.60					
			2/1/2028	102,792.30					
			8/1/2028	205,584.60					
			2/1/2029	102,792.30					
			8/1/2029	205,584.60					
			2/1/2030	102,792.30					
			8/1/2030	205,584.60					
			2/1/2031	102,792.30					
			8/1/2031	205,584.60					
			2/1/2032	102,792.30					
			8/1/2032	205,584.60					
			2/1/2033	102,792.30					
			8/1/2033	205,584.60					
			2/1/2034	102,792.30					
			8/1/2034	205,584.60					
			2/1/2035	102,792.30					
			8/1/2035	205,584.60					
			2/1/2036	102,792.30					
			8/1/2036	205,584.60					
			2/1/2037	102,792.30					
			8/1/2037	205,584.60					

GENERAL CAPITAL FUND
SCHEDULE OF WASTEWATER TREATMENT TRUST LOANS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2018			Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount						
Wastewater Treatment Fund Loan of 2014A (cont)			2/1/2038	102,792.30						
			8/1/2038	205,584.60						
			2/1/2039	102,792.30						
			8/1/2039	205,584.60						
			2/1/2040	102,792.30						
			8/1/2040	205,584.60						
			2/1/2041	102,792.30						
			8/1/2041	205,584.60						
			2/1/2042	102,792.30						
			8/1/2042	205,584.60						
			2/1/2043	102,792.30						
			8/1/2043	205,584.60						
			2/1/2044	102,792.30						
			8/1/2044	205,584.60						
			2/1/2045	102,792.30						
			8/1/2045	205,584.60						
			2/1/2046	102,792.30						
			8/1/2046	205,584.90						
							\$ 9,415,901.49	-	404,285.68	9,011,615.81

GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Skateboard Park	4/19/2005	120,000.00	2019	6,589.35	2.000%	\$ 51,730.40	-	6,459.51	45,270.89
			2020	6,721.80					
			2021	6,856.90					
			2022	6,994.72					
			2023	7,135.32					
			2024	7,278.74					
			2025	3,694.06					
						\$ 51,730.40	-	6,459.51	45,270.89

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
Various Improvements	1611	8/27/2013	8/23/2017	8/23/2018	2.250%	1,360,000.00	-	1,360,000.00	-
Various Improvements	1617	8/27/2013	8/23/2017	8/23/2018	2.250%	1,750,000.00	-	1,750,000.00	-
Beach Replenishment	1624	8/27/2013	8/23/2017	8/23/2018	2.250%	250,000.00	-	250,000.00	-
8th Street Field	1628	8/27/2013	8/23/2017 8/22/2018	8/23/2018 8/22/2019	2.250% 3.000%	1,980,000.00 -	- 1,690,000.00	1,980,000.00 -	- 1,690,000.00
Various Improvements	1652	1/27/2015	8/23/2017	8/23/2018	2.250%	3,280,000.00	-	3,280,000.00	-
Various Improvements	1652	5/10/2016	5/9/2017	5/9/2018	2.250%	400,000.00	-	400,000.00	-
Various Capital Improvements	1667	5/10/2016	5/9/2017	5/9/2018	2.250%	1,425,000.00	-	1,425,000.00	-
Various Capital Improvements	1691	5/10/2016	5/9/2017	5/9/2018	2.250%	1,900,000.00	-	1,900,000.00	-
Various Capital Improvements	1692	5/10/2016	5/9/2017	5/9/2018	2.250%	1,805,000.00	-	1,805,000.00	-
Various Capital Improvements	1707	N/A	8/23/2017	8/23/2018	2.250%	3,800,000.00	-	3,800,000.00	-
Various Capital Improvements	1711	8/23/2017	8/23/2017 8/22/2018	8/23/2018 8/22/2019	2.250% 3.000%	3,655,000.00 -	- 3,655,000.00	3,655,000.00 -	- 3,655,000.00
Various Capital Improvements	1738	N/A	8/22/2018	8/22/2019	3.000%	-	4,275,000.00	-	4,275,000.00
						<u>\$ 21,605,000.00</u>	<u>9,620,000.00</u>	<u>21,605,000.00</u>	<u>9,620,000.00</u>

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Debt Issued	Canceled	Balance Dec. 31, 2018
1624	Beach Replenishment	\$ 225,000.00	-	225,000.00	-	-
1697	Emergency Road Improvements	97,525.00	-	97,525.00	-	-
1701	Emergency Beach Replenishment	285,000.00	-	285,000.00	-	-
1711	Various Capital Improvements	2,500.00	-	2,500.00	-	-
1738	Various Capital Improvements	-	4,275,000.00	4,275,000.00	-	-
1760	Various Capital Improvements	-	2,850,000.00	-	-	2,850,000.00
		<u>\$ 610,025.00</u>	<u>7,125,000.00</u>	<u>4,885,025.00</u>	<u>-</u>	<u>2,850,000.00</u>
				\$ 4,275,000.00	New Notes Issued	
				610,025.00	Budget Appropriation	
				<u>\$ 4,885,025.00</u>		

See Accompanying Auditor's Report

CITY OF NORTH WILDWOOD

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2018

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Effective January 1, 2011, the bid threshold was \$17,500. However, effective July 1, 2015, pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (C.40A:11-9), the governing body can establish the bid threshold at \$40,000.00 with the appointment of a qualified purchasing agent. The City adopted the bid threshold of \$40,000.00.

The governing body of the City of North Wildwood has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in a violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

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

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body adopted the following resolution on January 2, 2018 authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the City Council of the City of North Wildwood, in the County of Cape May that pursuant to N.J.S.A. 54:4-67, the following interest rates be and are hereby fixed for property taxes and other municipal claims, which may be or may hereafter become delinquent, at 8% per annum on the first \$1,500.00 of the aggregate delinquency and 18% per annum on any amount in excess of \$1,500.00 of the aggregate delinquency.

BE IT FURTHER RESOLVED that there be accorded to the taxpayer a ten (10) day grace period for the payment of property taxes from the date when due, after which the payments on said municipal assessments shall become delinquent and interest payable there under as fixed by this resolution shall be calculated from the due date of said municipal claims and assessments.

It appears from an examination of the collector's records that interest was charged in accordance with the forgoing resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held on December 27, 2018 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2018	4
2017	14
2016	11

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

Verification of Delinquent Taxes and Other Charges

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

<u>Type:</u>	<u>Number Mailed</u>
Payments of 2018 and 2019 Taxes	10
Delinquent Taxes	5
Current Water and Sewer Utility Rents	10
Delinquent Water and Sewer Rents	5
Total	<u>30</u>

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

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently Cash Collections</u>	<u>Percentage of Collections</u>
2018 \$	33,127,671.45	32,987,795.06	99.58%
2017	32,296,325.16	32,117,396.22	99.45%
2016	31,625,769.98	31,459,646.77	99.47%
2015	30,535,487.33	30,314,195.55	99.28%
2014	30,005,531.03	29,779,366.54	99.25%

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$ 1.269	1.242	1.218	1.128	1.101
Apportionment of Tax Rate:					
Municipal	0.718	0.708	0.698	0.644	0.625
County	0.272	0.261	0.252	0.239	0.243
Local School	0.279	0.273	0.268	0.245	0.233
Assessed Valuation	2,594,025,877	2,582,085,857	2,582,103,357	2,694,567,728	2,717,153,370

Delinquent Taxes and Tax Title Liens

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

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2018 \$	5,607.05	159,531.87	165,138.92	0.50%
2017	280,898.77	496,633.01	777,531.78	2.41%
2016	275,359.24	489,051.76	764,411.00	2.42%
2015	267,856.05	451,978.30	719,834.35	2.36%
2014	4,090.16	421,667.80	425,757.96	1.42%

Uniform Construction Code

The City of North Wildwood construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b) 2 and NJAC 5:23.4.17(b) 3.

Deposit of Municipal Funds

N.J.S.A. 40A:5-15 states:

“All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository.”

Our examination revealed that municipal funds were deposited within the mandated time with some exceptions relating to deposits made on behalf of the Police Department.

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RECOMMENDATIONS

None.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comment or recommendation, or should you desire assistance in implementing my recommendation, please do not hesitate to contact me.

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

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

July 19, 2019