

CITY OF BEVERLY
County of Burlington

Report of Audit of Financial Statements

For the Year Ended December 31, 2018

CITY OF BEVERLY
COUNTY OF BURLINGTON

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CITY OF BEVERLY

PART I

Report of Audit of Financial Statements

For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Beverly
County of Burlington
Beverly, New Jersey

Report on the Financial Statements

I have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Beverly, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and statement of general fixed assets group of accounts 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 financial reporting provisions of 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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 my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Beverly, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Beverly, in the County of Burlington, State of New Jersey, as of December 31, 2018 and 2017, and the results of its operations and changes in fund balance – regulatory basis of such funds for the years then ended, and the revenues - regulatory basis, expenditures - regulatory basis of the various funds, and general fixed assets, for the year ended December 31, 2018 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the City of Beverly implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended December 31, 2018. My opinions are not modified with respect to this matter.

Other Information

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements

The supplementary financial statements presented for the various funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 19, 2019 on my consideration of the City of Beverly's, in the County of Burlington, State of New Jersey, internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Beverly's internal control over financial reporting.

Respectfully submitted,

INVERSO & STEWART, LLC

Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. Inverso', is positioned above the printed name.

Robert P. Inverso

Certified Public Accountant

Registered Municipal Accountant

Marlton, New Jersey
July 19, 2019

INVERSO & STEWART, LLC

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Beverly
County of Burlington
Beverly, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey of the City of Beverly, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated July 19, 2019. That report indicated that the City of Beverly's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 of Beverly's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. Inverso'.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
July 19, 2019

CITY OF BEVERLY

Current Fund

Statement of Assets, Liabilities, Reserves and Fund Balance - Modified Accrual Basis
For the Years Ended December 31, 2018 and 2017

	<u>REFERENCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:			
Cash - Treasurer	A-4	\$ 1,412,282.78	\$ 1,615,701.27
Cash - Change Fund	A-5	300.00	300.00
Total		<u>1,412,582.78</u>	<u>1,616,001.27</u>
Receivable and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	199,646.67	174,605.15
Tax Title Liens	A-8	210,908.46	190,713.17
Property Acquired for Taxes - Assessed Valuation	A-9	153,940.00	153,940.00
Revenue Accounts Receivable	A-10	2,515.34	2,831.90
Due from Grant Fund	A	33,389.82	280,451.19
Due from General Capital Fund	C	286,469.33	
Due from Animal Control Fund	B	1,718.59	1,970.37
Due from Trust - Other	B	30,590.03	30,590.03
Total		<u>919,178.24</u>	<u>835,101.81</u>
Total Regular Fund		<u>2,331,761.02</u>	<u>2,451,103.08</u>
Federal and State Grant Fund:			
Cash	A-4	14,116.11	222,857.41
Due from Current Fund	A	5,976.81	
Due to General Capital Fund	C		76,553.17
Federal and State Grants Receivable	A-19	150,552.61	414,510.19
Total Federal and State Grant Fund		<u>170,645.53</u>	<u>713,920.77</u>
Total		<u>\$ 2,502,406.55</u>	<u>\$ 3,165,023.85</u>

(Continued)

CITY OF BEVERLY

Current Fund

Statement of Assets, Liabilities, Reserves and Fund Balance - Modified Accrual Basis
For the Years Ended December 31, 2018 and 2017

	<u>REFERENCE</u>	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 181,307.64	\$ 228,409.24
Encumbrances Payable	A-3	6,746.02	4,020.52
Accounts Payable		298.69	298.69
Reserve for Cost of Revaluation		2,009.50	2,009.50
Reserve for Tax Map		16,000.00	16,000.00
Reserve for JIF Safety		2,050.82	2,050.82
Due to State of New Jersey:			
Senior and Vet Deductions	A-7	250.00	250.00
Marriage Licenses	A-12	125.00	175.00
Construction Code Training Fees	A-13	456.00	571.00
Tax Overpayments	A-14	22,352.98	23,724.62
Prepaid Taxes	A-15	79,309.84	134,421.26
Local School Tax Payable	A-16	109,522.00	4,449.12
County Tax Payable	A-17	290.10	637.63
Due to Federal & State Grant Fund	A	5,976.81	
Due to Animal Control Fund	B		200.00
Due to Trust-Other	B	16,644.86	13,615.86
Due General Capital Fund	C		288,427.82
Total Liabilities		<u>443,340.26</u>	<u>719,261.08</u>
Reserve for Receivable and Other Assets	A	919,178.24	835,101.81
Fund Balance	A-1	<u>969,242.52</u>	<u>896,740.19</u>
Total Regular Fund		<u>2,331,761.02</u>	<u>2,451,103.08</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-20	5,718.15	5,468.78
Appropriated Reserves	A-21	131,537.56	394,765.55
Reserve for Encumbrances	A-21	3,000.00	33,235.25
Due to Current Fund	A	<u>33,389.82</u>	<u>280,451.19</u>
Total Federal and State Grant Fund		<u>173,645.53</u>	<u>713,920.77</u>
Total		<u>\$ 2,505,406.55</u>	<u>\$ 3,165,023.85</u>

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

CITY OF BEVERLY

CURRENT FUND

Statement of Operations and Changes in Fund Balance - Regulatory Basis
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 175,000.00	\$ 150,000.00
Miscellaneous Revenue Anticipated	788,432.61	1,199,043.78
Receipts from Delinquent Taxes	193,008.51	220,355.46
Receipts from Current Taxes	5,203,749.28	5,173,953.97
Nonbudget Revenues	40,506.44	27,988.03
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	154,688.69	200,537.60
Liquidation of Reserves for:		
Interfunds and Accounts Receivable		1.00
Total Revenue and Other Income Realized	<u>6,555,385.53</u>	<u>6,971,879.84</u>
Expenditures:		
Operations Within "CAPS":		
Salaries and Wages	1,194,787.00	1,163,010.00
Other Expenses	1,109,195.00	1,140,715.25
Deferred Charges and Statutory Expenditures Within "CAPS"	235,425.34	221,108.00
Operations Excluded from "CAPS":		
Other Expenses	19,829.89	189,136.35
Capital Improvements	13,000.00	230,000.00
Debt Service	75,202.27	73,348.12
Deferred Charges	5,000.00	5,000.00
Fire District Taxes	168,300.00	165,000.00
County Taxes	496,128.19	492,370.99
Local District School Tax	2,956,274.00	2,929,015.00
Refund of Prior Year Revenue		
Prior Year Veterans' and Senior Citizens' Deductions Disallowed	500.00	1,000.00
Creation of Reserves for:		
Interfunds and Accounts Receivable	34,241.51	1,118.55
Total Expenditures	<u>6,307,883.20</u>	<u>6,610,822.26</u>
Excess in Revenue	247,502.33	361,057.58
Fund Balance January 1	<u>896,740.19</u>	<u>685,682.61</u>
Subtotal	1,144,242.52	1,046,740.19
Decreased by Utilization as Anticipated Revenue	<u>175,000.00</u>	<u>150,000.00</u>
Balance December 31	<u>\$ 969,242.52</u>	<u>\$ 896,740.19</u>

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

CITY OF BEVERLY

Current Fund

Statement of Revenues - Regulatory Basis
For the Year Ended December 31, 2018

	<u>BUDGET</u>	<u>SPECIAL NJS 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Fund Balance Anticipated	\$ 175,000.00	\$ -	\$ 175,000.00	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverage	2,876.00		2,938.00	\$ 62.00
Other	3,000.00		1,466.00	(1,534.00)
Fees and Permits	25,000.00		37,158.40	12,158.40
Fines and Costs:				
Municipal Court	50,000.00		42,791.95	(7,208.05)
Interest and Costs on Taxes	20,000.00		29,794.41	9,794.41
Interest Earned on Investments	500.00		1,653.20	1,153.20
Payments in Lieu of Taxes	26,000.00		30,859.00	4,859.00
Rent of Office Space	9,000.00		9,000.00	
Consolidated Municipal Property Tax Relief Aid	304,090.00		284,459.00	(19,631.00)
Energy Receipts Tax	266,240.00		285,871.00	19,631.00
Uniform Construction Code Fees	25,000.00		39,962.00	14,962.00
Miscellaneous Revenues Offset with Appropriations:				
Recycling Tonnage Grant (Prior Year Unappropriated)	5,468.78		5,468.78	
Recycling Tonnage Grant (Current Year)	2,264.30		2,264.30	
Clean Communities Program	5,976.81		5,976.81	
Special Items of General Revenue Anticipated with				
Services - Other Special Items:				
Cable TV Franchise Fees	8,769.76		8,769.76	
Total	754,185.65		788,432.61	34,246.96
Receipts from Delinquent Taxes	225,000.00		193,008.51	(31,991.49)
Amount to be Raised by Taxes for Support of				
Municipal Budget - Local Tax for Municipal Purposes	1,831,863.38		1,915,858.89	83,995.51
Budget Totals	2,986,049.03		3,072,300.01	\$86,250.98
Non-budget Revenues			40,506.44	
Total	\$ 2,986,049.03	\$ -	\$ 3,112,806.45	

(Continued)

CITY OF BEVERLY

CURRENT FUND

**Statement of Revenues - Regulatory Basis
For the Year Ended December 31, 2018**

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Revenue from Collections	\$ 5,203,749.28
Allocated to School, County and Fire District Taxes	3,620,702.19
Balance for Support of Municipal Budget Appropriations	1,583,047.09
Add Appropriation - Reserve for Uncollected Taxes	332,811.80
Amount for Support of Municipal Budget Appropriations	<u>\$ 1,915,858.89</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 169,515.08
Tax Title Lien Collections	<u>23,493.43</u>

Total	<u>\$ 193,008.51</u>
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Analysis of Non-budget Revenues

Miscellaneous - Treasurer:

Tax Collector Miscellaneous Fees	\$ 8,956.38
Planning Board Application Fee	700.00
Miscellaneous	2,133.81
Snow Removal	8,464.00
Vacant Properties	16,500.00
Property Maintenance Fees	508.20
Bid Specs	450.00
Tax Sale Certificates	850.00
Rental Registrations	295.00
Street Openings	900.00
Certificates of Insurance	100.00
OPRA Requests	5.15
Clerk A/R Copies	22.10
Senior & Vet Admin Fee	380.00
Homestead Rebates Admin Fee	<u>241.80</u>
	<u>\$ 40,506.44</u>

Total

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

CITY OF BEVERLY

Current Fund
Statement of Expenditures - Regulatory Basis
For the Year Ended December 31, 2018

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>			<u>Canceled</u>
GENERAL APPROPRIATIONS:						
<i>Operations Within "CAPS":</i>						
General Government						
General Administration						
Salaries and Wages	\$ 57,300.00	\$ 57,300.00	\$ 57,300.00	\$ -	\$ -	\$ -
Other Expenses	27,200.00	23,700.00	17,718.93	1,460.00	4,521.07	
Mayor and City Council						
Other Expenses	300.00	300.00	290.00		10.00	
City Clerk						
Salaries and Wages	91,000.00	91,000.00	87,400.45		3,599.55	
Other Expenses	6,750.00	10,250.00	7,895.95		2,354.05	
Financial Administration						
Salaries and Wages	19,000.00	19,000.00	19,000.00			
Other Expenses	16,600.00	15,035.00	15,035.00			
Audit Services						
Other Expenses	15,000.00	15,000.00	14,900.00		100.00	
Computerized Data Processing						
Other Expenses	6,900.00	6,900.00	6,293.00		607.00	
Collection of Taxes						
Salaries and Wages	17,000.00	17,000.00	17,000.00			
Other Expenses	3,500.00	3,500.00	2,284.35		1,215.65	
Assessment of Taxes						
Salaries and Wages	17,000.00	17,000.00	17,000.00			
Other Expenses	2,100.00	2,100.00	1,950.00	150.00		
Legal Services & Costs						
Other Expenses	80,000.00	80,000.00	31,446.41		48,553.59	
Engineering Services & Costs						
Other Expenses	40,000.00	47,000.00	45,261.75		1,738.25	
Land Use Administration:						
Planning Board						
Salaries & Wages	4,000.00	4,377.00	4,372.76		4.24	
Other Expenses	7,860.00	7,860.00	4,053.22		3,806.78	

(Continued)

CITY OF BEVERLY

Current Fund
Statement of Expenditures - Regulatory Basis
For the Year Ended December 31, 2018

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
General Government (cont'd)						
Liability Insurance	\$ 54,000.00	\$ 52,300.00	\$ 52,285.11	\$ -	\$ 14.89	\$ -
Workers Compensation Insurance	128,000.00	127,500.00	127,090.89		409.11	
Employees Group Health Insurance	286,000.00	286,000.00	258,182.46		27,817.54	
Public Safety Function:						
Police						
Salaries & Wages	751,700.00	751,700.00	746,511.83		5,188.17	
Other Expenses	43,350.00	43,350.00	36,111.84	945.79	6,292.37	
Office of Emergency Management						
Other Expenses	750.00	750.00			750.00	
Prosecutor's Office						
Salaries and Wages	7,200.00	7,200.00	6,300.00		900.00	
Public Works Function						
Streets and Roads						
Salaries and Wages	93,000.00	83,550.00	79,597.34		3,952.66	
Other Expenses	27,650.00	27,650.00	19,039.40	3,651.82	4,958.78	
Solid Waste Collection	67,000.00	67,000.00	60,830.00		6,170.00	
Public Buildings and Grounds						
Other Expenses	19,350.00	19,350.00	14,434.38		4,915.62	
Vehicle Maintenance						
Other Expenses	11,000.00	11,000.00	6,421.91	458.30	4,119.79	
Health and Human Services						
Animal Control						
Other Expenses	6,750.00	6,750.00	6,352.35		397.65	
Parks and Recreation Functions						
Maintenance of Parks and Playgrounds						
Other Expenses	500.00	500.00			500.00	
Aid to Volunteer Emergency Squad						
Other Expenses	17,500.00	17,500.00	17,500.00			
Accumulated Compensated Absences						
Other Expenses	7,500.00	7,500.00	7,500.00			

(Continued)

CITY OF BEVERLY

Current Fund
Statement of Expenditures - Regulatory Basis
For the Year Ended December 31, 2018

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
Utilities						
Electricity	\$ 14,000.00	\$ 16,500.00	\$ 16,100.85	\$ -	\$ 399.15	\$ -
Street Lighting	48,000.00	46,500.00	36,044.36		10,455.64	
Telephone	26,000.00	26,000.00	21,118.75		4,881.25	
Water	1,000.00	1,500.00	1,390.35		109.65	
Fuel Oil	6,000.00	8,700.00	7,992.67		707.33	
Gasoline	15,000.00	15,000.00	11,728.02		3,271.98	
Landfill/Solid Waste Disposal Cost						
Other Expense	87,500.00	87,500.00	83,072.90		4,427.10	
Municipal Court:						
Salaries and Wages	76,460.00	76,460.00	76,460.00			
Other Expenses	9,600.00	9,600.00	4,664.91	80.11	4,854.98	
Public Defender						
Salaries and Wages	3,600.00	4,050.00	4,050.00			
Celebration of Public Events			-			
Other Expenses	500.00	500.00	171.63		328.37	
Aid to Library	1,000.00	1,000.00	1,000.00			
Uniform Construction Code:						
Construction Code Official						
Salaries & Wages	61,150.00	61,150.00	56,937.89		4,212.11	
Other Expenses	1,500.00	1,500.00	294.00		1,206.00	
Inspection of Housing						
Salaries & Wages	5,000.00	5,000.00	538.36		4,461.64	
Other Expenses	16,100.00	16,100.00	13,800.01		2,299.99	
Total Operations Including Contingent - Within "CAPS"	<u>2,305,170.00</u>	<u>2,303,982.00</u>	<u>2,122,724.03</u>	<u>6,746.02</u>	<u>174,511.95</u>	<u>-</u>
Detail:						
Salaries and Wages	1,203,410.00	1,194,787.00	1,172,468.63		22,318.37	
Other Expenses	1,101,760.00	1,109,195.00	950,255.40	6,746.02	152,193.58	

(Continued)

CITY OF BEVERLY

Current Fund
Statement of Expenditures - Regulatory Basis
For the Year Ended December 31, 2018

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
Deferred Charges and Statutory Expenditures -						
Municipal - Within "CAPS":						
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees Retirement System	\$ 43,417.34	\$ 43,829.34	\$ 43,417.62	\$ -	\$ 411.72	\$ -
Social Security System (O.A.S.I.)	87,000.00	87,000.00	87,000.00			
Unemployment Insurance	2,500.00	2,500.00	195.33		2,304.67	
Defined Contribution Retirement Program	500.00	500.00	196.70		303.30	
Police and Firemen's Retirement System	100,820.00	101,596.00	100,820.00		776.00	
Total Deferred Charges and Statutory						
Expenditures - Municipal Within "CAPS"	<u>234,237.34</u>	<u>235,425.34</u>	<u>231,629.65</u>	<u>-</u>	<u>3,795.69</u>	<u>-</u>
Total General Appropriations -						
For Municipal Purposes Within "CAPS"	<u>2,539,407.34</u>	<u>2,539,407.34</u>	<u>2,354,353.68</u>	<u>6,746.02</u>	<u>178,307.64</u>	
GENERAL APPROPRIATIONS:						
Operations Excluded from "CAPS":						
Supplemental Fire Services Program - Fire						
District Payment	1,120.00	1,120.00	1,120.00			
Recycling Tax	5,000.00	5,000.00	5,000.00			
Clean Communities Program	5,976.81	5,976.81	5,976.81			
Recycling Tonnage Grant	7,733.08	7,733.08	7,733.08			
Total Operations - Excluded From "CAPS"	<u>19,829.89</u>	<u>19,829.89</u>	<u>19,829.89</u>	<u>-</u>	<u>-</u>	<u>-</u>
Detail:						
Salaries and Wages						
Other Expenses	<u>19,829.89</u>	<u>19,829.89</u>	<u>19,829.89</u>			
Capital Improvements - Excluded from "CAPS":						
Capital Improvement Fund	10,000.00	10,000.00	10,000.00			
Acquisition of Computers	3,000.00	3,000.00			3,000.00	
Total Capital Improvements - Excluded						
From "CAPS"	<u>13,000.00</u>	<u>13,000.00</u>	<u>10,000.00</u>	<u>-</u>	<u>3,000.00</u>	<u>-</u>

(Continued)

CITY OF BEVERLY
Current Fund
Statement of Expenditures - Regulatory Basis
For the Year Ended December 31, 2018

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
<i>Debt Service - Excluded from "CAPS" :</i>						
Payment of Bond Anticipation Notes	\$ 60,000.00	\$ 60,000.00	\$ 59,917.00	\$ -	\$ -	\$ 83.00
Interest on Notes	16,000.00	16,000.00	15,285.27			714.73
<i>Total Debt Service - Excluded from "CAPS"</i>	<u>76,000.00</u>	<u>76,000.00</u>	<u>75,202.27</u>	<u>-</u>	<u>-</u>	<u>797.73</u>
<i>Deferred Charges - Excluded from "CAPS" :</i>						
Deferred Charges to Future Taxation Unfunded:						
Ordinance 2009-15 Various Capital Improv.	5,000.00	5,000.00	5,000.00			\$ -
<i>Total Deferred Charges - Excluded from "CAPS"</i>	<u>5,000.00</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total General Appropriations for Municipal</i>						
<i>Purposes Excluded From "CAPS"</i>	<u>113,829.89</u>	<u>113,829.89</u>	<u>110,032.16</u>	<u>-</u>	<u>3,000.00</u>	<u>\$ 797.73</u>
Subtotal General Appropriations	2,653,237.23	2,653,237.23	2,464,385.84	6,746.02	181,307.64	797.73
Reserve for Uncollected Taxes	<u>332,811.80</u>	<u>332,811.80</u>	<u>332,811.80</u>			
<i>TOTAL GENERAL APPROPRIATIONS</i>	<u><u>\$ 2,986,049.03</u></u>	<u><u>\$ 2,986,049.03</u></u>	<u><u>\$ 2,797,197.64</u></u>	<u><u>\$ 6,746.02</u></u>	<u><u>\$ 181,307.64</u></u>	<u><u>\$ 797.73</u></u>
Budget		\$ 2,986,049.03				
Appropriation by 40A:4-87		<u>-</u>				
		<u><u>\$ 2,986,049.03</u></u>				
Expended - Paid or Charged:						
Deferred Charges - Future Taxation Unfunded			\$ 5,000.00			
Reserve for Federal and State Grants - Appropriated			13,709.89			
Reserve for Uncollected Taxes			332,811.80			
Disbursed			2,445,675.95			
Total			<u><u>\$ 2,797,197.64</u></u>			

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

CITY OF BEVERLY

TRUST FUND

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
For the Years Ended December 31, 2018 and 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash	B-1	\$ 5,575.64	\$ 5,544.12
Due from Current Fund	A	-	200.00
Total		<u>5,575.64</u>	<u>5,744.12</u>
Other Funds:			
Cash - Treasurer	B-1	686,207.18	927,943.83
Accounts Receivable		5,493.64	5,493.64
Due From Current Fund	A	<u>16,644.86</u>	<u>13,615.86</u>
Total		<u>708,345.68</u>	<u>947,053.33</u>
Total Assets		<u>\$ 713,921.32</u>	<u>\$ 952,797.45</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Department of Health		\$ 15.60	\$ 9.60
Encumbrances Payable	B-2	151.35	\$ 143.15
Due Current Fund	A	1,718.59	1,970.37
Reserve for Animal Control Fund Expenditures	B-2	<u>3,690.10</u>	<u>3,621.00</u>
Total		<u>5,575.64</u>	<u>5,744.12</u>
Other Funds:			
Due to Current Fund	A	30,590.03	30,590.03
Payroll Deductions Payable	B-3	15,559.49	21,530.40
Reserve for Tax Sale Premiums	B-4	153,911.14	363,097.29
Reserve for Escrow Deposits	B-5	22,288.14	17,042.34
Reserve for Municipal Law Enforcement Fund	B-6	979.84	3,029.18
Reserve for Regional Contribution Agreements	B-7	404,060.08	439,120.99
Reserve for Community Day Events	B-8	7,848.13	10,210.68
Reserve for Community Development Block Grant Funds:	B-8	60,670.79	55,594.42
Reserve for Police Off Duty Employment	B-10	3,393.79	3,049.00
Reserve for Public Defender	B-11	6,716.00	3,707.00
Reserve for POAA	B-12	102.00	82.00
Reserve for Snow Recovery		<u>2,226.25</u>	
Total		<u>708,345.68</u>	<u>947,053.33</u>
Total Liabilities and Reserves		<u>\$ 713,921.32</u>	<u>\$ 952,797.45</u>

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

CITY OF BEVERLY

GENERAL CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
For the Year Ended December 31, 2018 and 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash	C-2	\$ 702,922.52	\$ 50,925.78
Deferred Charges to Future Taxation:			
Unfunded	C-4	951,000.00	1,363,617.00
Federal and State Grants Receivable	C-5	454,900.75	368,000.00
Due from Current Fund	C-10		288,427.82
Total		<u>\$ 2,108,823.27</u>	<u>\$ 2,070,970.60</u>
<u>LIABILITIES, RESERVES</u>			
<u>AND FUND BALANCE</u>			
Due to Current Fund	A/C-10	\$ 286,469.33	\$ -
Due to Federal and State Grant Fund	A		76,553.17
Improvement Authorizations:			
Funded	C-6	201,451.54	18,784.75
Unfunded	C-6	373,248.57	620,615.03
Bond Anticipation Notes Payable	C-8	821,000.00	880,917.00
Encumbrance Payable	C-6	300,749.35	395,196.17
Reserve for Payment of Notes	C-3	93,181.49	72,381.49
Capital Improvement Fund	C-7	12,167.50	4,667.50
Fund Balance	C-1	20,555.49	1,855.49
Total		<u>\$ 2,108,823.27</u>	<u>\$ 2,070,970.60</u>

There were Bonds and Notes Authorized but not Issued of \$130,000.00 as of December 31, 2018.

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

CITY OF BEVERLY

General Capital Fund

Statement of Fund Balance - Regulatory Basis
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 1,855.49
Increased by:	
Cancellation of Improvement Authorizations	<u>18,700.00</u>
Balance December 31, 2018	<u>\$ 20,555.49</u>

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

CITY OF BEVERLY

ACCOUNT GROUP

**Statement of General Fixed Assets Group of Accounts
For the Year Ended December 31, 2018**

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2018</u>
General Fixed Assets:				
Land	\$ 472,300.00	\$ -	\$ -	\$ 472,300.00
Buildings	1,095,400.00			1,095,400.00
Vehicles and Equipment	410,711.00			410,711.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total General Fixed Assets	<u>\$ 1,978,411.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,978,411.00</u>
Total Investment in General Fixed Assets	<u>\$ 1,978,411.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,978,411.00</u>

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

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The City of Beverly (hereafter referred to as the "City") is located in the western portion of the County of Burlington, State of New Jersey. The present population according to the 2010 census is 2,572.

The City was incorporated in 1857 and is governed by a Mayor/Common Council form of government which consists of five members elected at large by the voters. Per the City of Beverly's Charter Amendment, Ordinance 2010-2, approved by the Governor of the State of New Jersey on January 14, 2010 beginning with the 2012 Municipal election, three persons shall be elected as members of the Common Council for "Transitional Terms" of five years. Thereafter, as terms expire, the Mayor and the members of the Common Council shall be elected for terms of four (4) years. The Mayor acts as the Chief Executive Officer of the City. The legislative powers rest with the Common Council. The City Administrator, City Chief Finance Officer and the City Clerk are appointed by the Common Council and monitor the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an Amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Based on the application of these criteria, the following organization is considered to be a component unit; however, the City has determined that it is not significant and, therefore, has not been included in the basic financial statements:

Beverly City Sewerage Authority
Municipal Building - Broad Street
Beverly, NJ 08010

Requests for financial information should be addressed to the organization listed above.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the City contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the "Requirements" are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the City accounts for its financial transactions through the use of separate funds which are described as follows.

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

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

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting, Measurement Focus and Basis of Presentation (Continued)

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

Budgets and Budgetary Accounting - The City must adopt an annual budget for its current fund in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the City. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to the adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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 costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balances.

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000 the maximum amount allowed by the Circular.

Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the City's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft. No depreciation of general fixed assets is recorded.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the City until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund Balance included in the Current Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year end 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.

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences and Postemployment Benefits - Compensated absences for vacation and sick leave are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the Beverly City School District, Beverly City Fire District, and the County of Burlington. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The City is responsible for levying, collecting and remitting school taxes for the Beverly City School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the year.

County Taxes - The City is responsible for levying, collecting and remitting county taxes for the County of Burlington. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Fire District - The City is responsible for levying, collecting and remitting the fire district taxes to the Beverly City Fire District. Operations is charged for the full amount required to be raised from taxation to support the fire district for the year.

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the City's annual budget protects the City from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Outstanding encumbrances are offset by an account entitled "Reserve for Encumbrances". The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

Long-Term Debt - Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest on Delinquent Taxes – It is the policy of the City to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after the due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten (10) day grace period.

Comparative Data – Comparative total data for the prior year have been presented in the accompanying statements of assets, liabilities, reserves and fund balance and statement of operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues – regulatory basis and the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Municipality's deposits may not be recovered. Although the Municipality does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected 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 or funds that may pass to the Municipality relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized. Of the Municipality's amount on deposit of \$2,906,469 as of December 31, 2018, \$250,753 was insured under FDIC and the remaining balance of \$2,655,716 was collateralized under GUDPA.

NOTE 3. PROPERTY TAXES

The following is a comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years ending December 31.

<u>Comparative Schedule of Tax Rates</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Tax Rate	\$ 4.558	\$ 4.502	\$ 4.439	\$ 4.389	\$ 4.184
Apportionment of Tax Rate:					
Municipal	\$ 1.531	\$ 1.507	\$ 1.472	\$ 1.445	\$ 1.406
County	0.416	0.412	0.399	0.392	0.371
Local School	2.470	2.445	2.430	2.425	2.288
Fire District	0.141	0.138	0.138	0.127	0.119

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 3. PROPERTY TAXES (Continued)

Assessed Valuation

2018	\$	119,641,597
2017		119,798,696
2016		120,348,300
2015		119,964,000
2014		121,033,423

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 5,456,341	\$ 5,203,749	95.37%
2017	5,404,366	5,173,954	95.74%
2016	5,360,651	5,065,746	94.50%
2015	5,267,428	4,989,288	94.72%
2014	5,079,683	4,785,258	94.20%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 210,908	\$ 199,647	\$ 410,555	7.52%
2017	190,713	174,605	365,318	6.76%
2016	349,980	229,354	579,334	10.81%
2015	327,815	214,438	542,253	10.29%
2014	290,518	232,508	523,026	10.30%

The following comparison is made of the number of tax title liens receivable on December 31, of the current year and previous four years.

<u>Year</u>	<u>Number</u>
2018	21
2017	24
2016	21
2015	21
2014	16

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 153,940
2017	153,940
2016	16,940
2015	16,940
2014	16,940

NOTE 5. FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets.

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>			
2018	\$ 969,243	\$ 255,500	26.36%
2017	896,740	175,000	19.52%
2016	685,683	150,000	21.88%
2015	389,236	125,000	32.11%
2014	99,208	30,000	30.24%

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balances as of December 31, 2018:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Current Fund	\$ 352,168	\$ 22,622
Federal and State Grant Fund	5,977	33,390
Trust Fund:		
Animal Control Fund		1,719
Other Trust Funds	16,645	30,590
General Capital Fund		286,469
	<u>\$ 374,790</u>	<u>\$ 374,790</u>

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 7. PENSION PLANS

Substantially all of the City's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Police and Firemen's Retirement System (PFRS), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Police and Firemen's Retirement System (PFRS)

Plan Description - The Police and Firemen's Retirement System is a cost sharing multiple-employer defined benefit pension plan established in 1944. The PFRS provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

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

The following represents the membership tiers for PERS:

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

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

Contributions - The contribution requirements of plan members are determined by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Special Funding Situation Component - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to record in the government-wide financial statements or to disclose in the notes to the financial statements of the local participating employer related to this legislation.

The City's contractually required contribution rate for the year ended December 31, 2018 was 28.09% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

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

Based on the most recent PFRS measurement date of June 30, 2018, the City's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$161,728 and is payable by April 1, 2019. Due to the basis of accounting described in Note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2017, the City's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$100,820, which was paid by April 1, 2018. Employee contributions to the pension plan during the year ended December 31, 2018 were \$58,766.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2018 was 3.13% of the City's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2018 is \$18,008 and is payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2017 was \$9,850, which was paid on April 1, 2018.

The City is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Fiscal Year	Normal Contributions	Accrued Liability	Non Contributory Life	Total Liability Paid by City
2018	\$ 31,393	\$ 65,353	\$ 4,074	\$ 100,820
2017	30,605	55,401	3,909	89,915
2016	29,407	54,397	3,910	87,714

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PFRS and additions to/deductions from PFRS fiduciary net position have been determined on the same basis as they are reported by PFRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended December 31, 2018, the City's proportionate share of pension expense is \$36,016. This expense is not recognized by the City because of the regulatory basis of accounting as described in Note 1. At December 31, 2018, the City proportionate share of the net pension liability is \$2,238,483 and deferred outflows of resources related to PFRS from the following sources

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 7. PENSION PLANS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,774	\$ 9,263
Changes of assumptions	192,144	573,684
Net Difference between projected and actual earnings on pension plan investments		12,247
Changes in proportion	738,304	34,445
City contributions subsequent to the measurement date	161,728	
Total	\$ 1,114,950	\$ 629,639

\$161,728 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 72,013
2020	72,013
2021	72,013
2022	7,261
2023	100,283
Total	\$ 323,583

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

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

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	5.00
June 30, 2015	5.00	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	5.00
June 30, 2018	5.00	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	-	6.17
June 30, 2015	-	5.53
June 30, 2016	-	5.58

Additional Information

Collective balances at June 30, 2018 and 2017 are as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$ 1,988,215,695	\$ 2,941,952,753
Collective deferred inflows of resources	\$ 4,286,994,294	\$ 3,262,432,093
Collective net pension liability	\$ 15,369,699,278	\$ 17,167,260,198
City's Proportion	.0165425706%	.0113918528%

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 actuarial assumptions:

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

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

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%

Additional Information

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement 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 and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirement 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 scale thereafter. Disability mortality rates were based on a custom mortality 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.

Long-Term Expected Rate of Return - 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 PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	05.00%	05.51%
Cash equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real assets	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	<u>100.00%</u>	

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 7. PENSION PLANS (Continued)

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

Discount rate. The discount rate used to measure the State's 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 nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. That state employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's and State's proportionate share of the net pension liability measured as of June 30, 2018, calculated using the discount rate of 6.51%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.51%) or 1 percentage point higher (7.51%) than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
City's proportionate share of the net pension liability	\$ 2,995,932	\$ 2,238,483	\$ 1,613,726
State's proportionate share of the net pension liability associated with the City	357,508	304,061	260,046
	<u>\$ 3,353,440</u>	<u>\$ 2,542,544</u>	<u>\$ 1,873,772</u>

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Public Employees' Retirement System (PERS)

Plan Description - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting Membership in the PERS is mandatory for substantially all full-time employees of the City, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

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

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The City's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2018 was 14.91% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the City's contractually required contribution to the pension plan for the fiscal year ended December 31 2018 was \$44,739 and is payable by April 1, 2019. Based on the PERS measurement date of June 30, 2017, the City's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$41,389, which was paid by April 1, 2018. Employee contributions to the pension plan during the year ended December 31, 2018 were \$22,627.

The City is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Fiscal Year	Normal Contributions	Accrued Liability	Non Contributory Life	Long-Term Disability	Employer Retro	Total Liability Paid by City
2018	\$ 5,448	\$ 33,924	\$ 2,017	\$ 1,610	\$ 418	\$ 43,417
2017	5,861	29,826	1,781	725		38,193
2016	5,737	26,427	1,722			33,886

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At December 31, 2018, the City's proportionate share of the PERS net pension liability was \$885,603. 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. The City's proportion of the of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended December 31, 2018, the City's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2018 measurement date is \$39,990. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

At December 31, 2018, the City proportionate share of the PERS net pension liability was \$885,603 and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,889	\$ 4,566
Changes of assumptions	145,933	283,169
Net Difference between projected and actual earnings on pension plan investments		8,307
Changes in proportion	67,327	54,647
City contributions subsequent to the measurement date	44,739	
Total	\$ 274,888	\$ 350,689

\$44,739 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflows (Inflows) of Resources
2019	\$ (17,243)
2020	(17,243)
2021	12,306
2022	(57,864)
2023	(40,496)
Total	\$ (120,540)

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Additional Information

Collective balances at June 30, 2018 and 2017 are as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$ 4,684,852,302	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 7,646,736,226	\$ 5,700,625,981
Collective net pension liability	\$ 19,689,501,539	\$ 23,278,401,588
City's Proportion	.0000449784%	.0044677573%

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 actuarial assumptions, applied to all periods in the measurement:

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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 Pre-retirement Mortality Table for male and female active employees. 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. 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 Disables 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 the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (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	05.00%	05.51%
Cash equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real assets	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	<u>100.00%</u>	

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's 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 their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability measured as of June 30, 2018, calculated using the discount rate of 5.66%, as well as what the City'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%)
City's proportionate share of the net pension liability	\$ 1,113,544	\$ 885,603	\$ 694,375

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Divisions of Pensions and Benefits. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the City's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 7. PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP) (Continued)

The City's contributions, equal to the required contribution for each fiscal year, were as follows:

	<u>Employer</u>
2018	\$ 197
2017	173
2016	140

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

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City contributes to the State Health Benefit Program (SHBP), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) administered by the State of New Jersey Division of Pensions and Benefits. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of (GASB Statement No. 75), therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey {the State}, Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 197 4 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Plan Description (Continued)

The Municipality has adopted a resolution to participate in the SHBP.

Funding policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement 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 Municipality monthly. Premiums are funded entirely by the Municipality and are based on the type of coverage selected by the employee. The Municipality's contributions to the SHBP for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$61,243, \$61,186 and \$64,222 respectively, which equaled the required benefit contribution for each year.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 and June 30, 2017 were \$1,512,768 and \$1,945,829, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

Components of net OPEB liability

The components of the collective net OPEB liability of the participating employers in the SHBP as of December 31, 2018 and 2017 were as follows:

	2018	2017
Total OPEB liability	\$ 1,543,135	\$ 1,966,154
Plan fiduciary net position	30,367	20,325
Net OPEB liability	<u>\$ 1,512,768</u>	<u>\$ 1,945,829</u>

Plan fiduciary net position as a percentage of the
total OPEB liability

1.97%

1.03%

Actuarial assumptions and other imputes - The total OPEB liability as of the 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 enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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 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 – June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

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%.

Discount Rate - The discount rate for June 30, 2018 was 3.87%. This represent 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.

Retirees' Share of Benefit Related Costs - 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 retirees will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Sensitivity of the Net OPEB liability to changes in the discount rate - The following presents the collective net OPEB liability to the Municipality as of December 31, 2018 and December 31, 2017, calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

December 31, 2018	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Proportionate Share Attributable to the Municipality	\$ 1,774,877	\$ 1,512,768	\$ 1,303,402
December 31, 2017	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Proportionate Share Attributable to the Municipality	\$ 2,295,163	\$ 1,945,829	\$ 1,668,638

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability as of June 30, 2018, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

December 31, 2018	<u>1% Decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% Increase</u>
Proportionate Share Attributable to the Municipality	\$ 1,261,891	\$ 1,512,768	\$ 1,837,440

December 31, 2017	<u>1% Decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% Increase</u>
Proportionate Share Attributable to the Municipality	\$ 2,295,163	\$ 1,945,829	\$ 1,668,638

At December 31, 2018 and 2017, the Municipality reported deferred outflows of resources and referred inflows of resources related to OPEB from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net differences between projected and actual investment earnings on OPEB plan investments	\$ 799	\$ -	\$ 333	\$ -
Changes in proportion	24,865			
Differences between expected and actual experience		307,146		
Changes of assumptions		383,734		215,970
Changes in proportion		163,477		190,543
Total	<u>\$ 25,664</u>	<u>\$ 854,357</u>	<u>\$ 333</u>	<u>\$ 406,513</u>

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended:	
2019	\$ 121,682
2020	121,682
2021	121,682
2022	121,784
2023	121,948
Thereafter	219,915
Total	\$ 828,693

The components of allocable plan OPEB expense, which exclude OPEB expense related to specific liabilities of individual employers, and total OPEB expense for the year ended December 31, 2018 and 2017 are as follows:

	2018	2017
Service cost	\$ 86,540	\$ 101,460
Interest on total OPEB liability	73,780	61,801
Expected investment return	(907)	(492)
Administrative expense	792	848
Current period recognition (amortization) of deferred inflows/outflows of resources	(43,018)	
Changes of assumptions	(58,532)	(30,678)
Differences between projected and actual investment earnings on OPEB plan investments	221	83
Total Allocable Plan OPEB expense	58,876	133,022
Net amortization of deferred amounts from changes in proportion	(23,583)	(27,066)
Total OPEB expense	\$ 35,293	\$ 105,956

This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

Special Funding Situation - Under N.J.S.A. 43:3C-24 the City is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of 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. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Special Funding Situation (Continued) - At December 31, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the City for the OPEB special funding situation is \$1,968,049 and \$2,811,488 respectively. For the years ended December 31, 2018 and 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the City for the OPEB special funding situation is \$59,575 and \$201,207 respectively. The State's proportionate share attributable to the City was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

NOTE 9. COMPENSATED ABSENCES

All full-time employees are entitled to fifteen paid sick leave days each year. All unused sick leave may be accumulated and carried forward to the subsequent year. Vacation days are earned based on years of service. Unused vacation days may only be carried forward to the subsequent year with the permission of City Council.

Upon retirement employees will be compensated on 50% of all accumulated sick days at their current rate with a maximum pay-out of \$7,500.00.

The City does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$79,096.

Actual payment for compensated absences occurs through the Current Fund budget at the time the employee terminates employment.

NOTE 10. DEFERRED COMPENSATION SALARY ACCOUNT

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and which have been approved by the Director of the Division of Local Government Services. The plan, available to all full-time employees at their option, permits them to defer a portion of their salary to future years. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the City or its creditors. Since the City does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the City's financial statements.

NOTE 11. JOINT INSURANCE POOL

The City is a member of the Burlington County Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

- Public Employees Bond
- Public Official Bonds
- Business Automobile
- Workers' Compensation and Employer's Liability
- Environmental Liability
- Property Damage

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 11. JOINT INSURANCE POOL (CONTINUED)

Annual contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund publishes its own financial report for December 31, 2018, which can be obtained by writing to:

Burlington County Municipal Joint Insurance Fund
P.O. Box 489
Marlton, New Jersey 08053.

NOTE 12. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the City is required to annually appropriate funds to pay for the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for these benefits for the years ended December 31, 2018, 2017 and 2016 was \$4,591, \$4,439 and \$4,141 respectively.

NOTE 13. CAPITAL DEBT

Summary of Municipal Debt

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General Bonds and Notes	\$ 821,000	\$ 880,917	\$ 935,605
Total Issued	<u>821,000</u>	<u>880,917</u>	<u>935,605</u>
<u>Authorized But Not Issued:</u>			
General Bonds and Notes	<u>130,000</u>	<u>482,700</u>	<u>92,500</u>
Net Debt	<u><u>\$ 951,000</u></u>	<u><u>\$ 1,363,617</u></u>	<u><u>\$ 1,028,105</u></u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.027%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 865,000	\$ 865,000	\$ -
General Debt	<u>1,346,200</u>	<u>72,381</u>	<u>1,273,819</u>
Total	<u><u>\$ 2,211,200</u></u>	<u><u>\$ 937,381</u></u>	<u><u>\$ 1,273,819</u></u>

Net Debt, \$1,273,819 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2, as amended, \$124,078,476 equals 1.027%.

City of Beverly
Notes to Financial Statements
December 31, 2018

NOTE 13. CAPITAL DEBT (CONTINUED)

Equalized Valuation Basis:

2016	\$	124,764,877
2017		123,835,642
2018		<u>123,634,908</u>
Average	\$	<u><u>124,078,476</u></u>

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	4,342,747
Net Debt		<u>1,273,819</u>
Remaining Borrowing Power	\$	<u><u>3,068,928</u></u>

Bond Anticipation Notes Payable

The City issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the Notes cannot exceed one year from the date of issuance, however the Notes may be renewed from time to time for a period not to exceed one year. Generally, such Notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original Notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original Note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such Notes were issued be paid or retired. A second and third legal installment must be paid if the Notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

As of December 31, 2018, the City had an outstanding bond anticipation note as follows:

<u>Fund</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
General Capital	\$ 821,000	2.2480%	June 4, 2019

NOTE 14. CONTINGENCIES

The City participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

NOTE 15. COMMITMENTS – TAX APPEALS

The City has one tax appeal pending in New Jersey State Tax Court as of December 31, 2018. However, it appears that the net potential loss of the tax appeal will not be material to the financial statements.

**City of Beverly
Notes to Financial Statements
December 31, 2018**

NOTE 16. REGIONAL CONTRIBUTION AGREEMENT

The Fair Housing Act, N.J.S.A. 52:27D-301 to 329, allows municipalities to enter into a contractual agreement, known as a regional contribution agreement, for transfer for up to 50% of a sending municipality's fair share obligation to a receiving municipality within its housing region. The City of Beverly has entered into an agreement with five other municipalities (sending municipalities) to transfer low and moderate-income housing units in accordance with the above stated statute. The sending municipalities paid a total of \$5,300,100 for their fair share obligation to the City of Beverly. At December 31, 2018 the City has unexpended funds held in trust for the regional contribution agreement in the amount of \$404,060.

SUPPLEMENTAL EXHIBITS

CURRENT FUND

CITY OF BEVERLY

CURRENT FUND

Statement of Cash - Treasurer
For the Year Ended December 31, 2018

	<u>Current Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2017	\$ 1,615,701.27	\$ 222,857.41
Receipts:		
Taxes Receivable	\$ 5,204,601.88	
Tax Overpayments	18,090.50	
Tax Tilt Liens Receivable	23,493.43	
Prepaid Taxes	79,309.84	
Revenue Accounts Receivable	774,722.72	
Petty Cash	100.00	
Due from Federal and State Grant Fund	280,451.19	
Due from Animal Control Fund	1,770.37	
Collected for Trust Other Fund:		
POAA	20.00	
Public Defender	3,009.00	
Due to Current Fund - Interest		\$ 154.57
Due General Capital Fund		76,553.17
Due to Federal and State Grant Fund	5,976.81	
Due from State of New Jersey:		
Senior Citizen and Veteran Deductions	19,000.00	
Marriage License Fees	425.00	
Construction Code Training Fees	1,475.00	
Miscellaneous Revenue Not Anticipated	40,506.44	
Contra	57,725.12	
Federal & State Grants Receivable		70,560.00
Total Receipts	<u>6,510,677.30</u>	<u>152,985.89</u>
Total Funds Available	<u>8,126,378.57</u>	<u>375,843.30</u>
Disbursements:		
2018 Appropriations	2,445,675.95	
Appropriation Reserves and Encumbrances Payable	77,741.07	
Refund of Prior Year Revenue		
Due to General Capital Fund	579,855.64	
Disbursed on Behalf of Federal and State Grant Fund	30,235.25	
Petty Cash	100.00	
Refund Tax Overpayments	4,720.92	
Due State of New Jersey:		
Construction Code Training Fees	1,590.00	
Marriage License Fees	475.00	
Fire District Tax	168,300.00	
County Taxes	496,475.72	
Local District School Tax	2,851,201.12	
Contra	57,725.12	
Due Current Fund		280,451.19
Reserve for Federal & State Grants - Appropriated		81,276.00
Total Disbursements	<u>6,714,095.79</u>	<u>361,727.19</u>
Balance December 31, 2018	<u>\$ 1,412,282.78</u>	<u>\$ 14,116.11</u>

Schedule of Change Funds
For the Year Ended December 31, 2018

<u>OFFICE</u>	<u>Amount</u>
City Clerk	\$ 200.00
Municipal Court Clerk	<u>100.00</u>
Total	<u><u>\$ 300.00</u></u>

CITY OF BEVERLY

CURRENT FUND

Schedule of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2018

<u>Year</u>	<u>Balance December 31, 2017</u>	<u>2018 Levy</u>	<u>Added Taxes</u>	<u>Treasurer Collections by Cash</u> <u>2017</u>	<u>2018</u>	<u>State Share of 2018 Senior Citizens and Veterans Deductions Allowed/(Disallowed)</u>	<u>Transfer to Tax Title Liens</u>	<u>Overpayments Applied</u>	<u>Canceled</u>	<u>Balance December 31, 2018</u>
2017	\$ 174,605.15	\$ -	\$ 500.00	\$ -	\$ 169,515.08	\$ -	\$ 5,279.66	\$ -	\$ 60.41	\$ 250.00
2018		5,456,340.52		134,421.26	5,035,086.80	19,500.00	37,281.15	14,741.22	15,913.42	199,396.67
Total	\$ 174,605.15	\$ 5,456,340.52	\$ 500.00	\$ 134,421.26	\$ 5,204,601.88	\$ 19,500.00	\$ 42,560.81	\$ 14,741.22	\$ 15,973.83	\$ 199,646.67

Analysis of Property Taxes

Tax Yield:

General Purpose Tax	\$ 5,284,960.42
Fire Tax	168,300.00
Added and Omitted Taxes (54:4-63.1 et seq.)	<u>3,080.10</u>
Total	<u>\$ 5,456,340.52</u>

Tax Levy:

Local School District Tax (Abstract)	\$ 2,956,274.00
Fire District Tax (Abstract)	168,300.00
County Tax (Abstract)	\$ 427,166.66
County Library Tax (Abstract)	37,689.61
County Open Space Tax (Abstract)	30,981.82
Due County for Added Taxes	<u>290.10</u>
Local Tax for Municipal Purposes	1,831,863.38
Additional Taxes Levied	<u>3,774.95</u>
Total	<u>\$ 5,456,340.52</u>

CITY OF BEVERLY

CURRENT FUND

**Schedule of Due From State of New Jersey -
Senior Citizen and Veterans' Deductions
For the Year Ended December 31, 2018**

Balance December 31, 2017 (Due to State)		\$ 250.00
Increased by - Accrued to City in 2018:		
Senior Citizen's and Veteran's Deductions per Original Tax Billings	\$ 19,250.00	
Senior Citizen's and Veteran's Deductions Allowed - 2018 Taxes	<u>250.00</u>	
	19,500.00	
Less - Senior Citizen's and Veteran Deductions Disallowed - 2017 Taxes	<u>(500.00)</u>	
		<u>19,000.00</u>
Total		19,250.00
Decreased by Cash Received		<u>19,000.00</u>
Balance December 31, 2018 (Due to State)		<u><u>\$ 250.00</u></u>

CITY OF BEVERLY

CURRENT FUND

Schedule of Tax Title Liens
For the Year Ended December 31, 2018

Balance December 31, 2017		\$ 190,713.17
Increased by:		
Transfers from Taxes Receivable	\$ 42,560.81	
Interest on Tax Sale	<u>1,127.91</u>	
		<u>43,688.72</u>
Total		234,401.89
Decreased by:		
Collections	23,493.43	
Cancellations	<u>-</u>	
		<u>23,493.43</u>
Balance December 31, 2018		<u><u>\$ 210,908.46</u></u>

Schedule of Property Acquired for Taxes
(At Assessed Valuation)
For the Year Ended December 31, 2018

Balance December 31, 2017 and 2018	<u><u>\$ 153,940.00</u></u>
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CITY OF BEVERLY

CURRENT FUND

**Schedule of Revenue Accounts Receivable
For the Year Ended December 31, 2018**

	Balance December 31, <u>2017</u>	Accrued in 2018	<u>Collected</u>	Balance December 31, <u>2018</u>
City Clerk:				
Licenses:				
Alcoholic Beverages	\$ -	\$ 2,938.00	\$ 2,938.00	\$ -
Other		1,466.00	1,466.00	
Fees and Permits		37,158.40	37,158.40	
Rent of Office Space		9,000.00	9,000.00	
Construction Code Official Fees		39,962.00	39,962.00	
Payments in Lieu of Taxes		30,859.00	30,859.00	
Municipal Court - Fines and Costs	2,831.90	42,475.39	42,791.95	2,515.34
Interest and Costs on Taxes		29,794.41	29,794.41	
Interest Earned on Investments		1,653.20	1,653.20	
Consolidated Municipal Property Tax Relief Aid		284,459.00	284,459.00	
Energy Receipts Tax		285,871.00	285,871.00	
Cable TV Franchise Fees		8,769.76	8,769.76	
Total	<u>\$ 2,831.90</u>	<u>\$ 774,406.16</u>	<u>\$ 774,722.72</u>	<u>\$ 2,515.34</u>

CITY OF BEVERLY
CURRENT FUND
Statement of 2017 Appropriation Reserves
For The Year Ended December 31, 2018

	<u>Balance December 31, 2017</u>		Appropriation		
	Reserve for	Appropriation	Reserve		Balance
	Encumbrance	Reserve	Balance	Paid or	Balance
	<u>Payable</u>	<u>Reserve</u>	<u>After</u>	<u>Charged</u>	<u>Lapsed</u>
			<u>Transfers</u>		
Inside CAPS:					
Salaries and Wages:					
General Administration	\$ -	\$ 1,150.04	\$ 1,150.04	\$ -	\$ 1,150.04
City Clerk		10,373.17	10,373.17		10,373.17
Collection of Taxes		1,317.58	1,317.58		1,317.58
Assessment of Taxes		58.95	58.95		58.95
Planning Board		816.83	816.83		816.83
Police		8,188.25	8,188.25		8,188.25
Streets and Roads		6,758.61	6,758.61		6,758.61
Municipal Court		6,987.50	6,987.50		6,987.50
Construction Code Official		3,270.62	3,270.62		3,270.62
Inspection of Buildings		2,340.97	2,340.97		2,340.97
Other Expenses:					
General Administration	1,959.04	3,826.33	5,785.37	655.24	5,130.13
Mayor and City Council		10.00	10.00		10.00
City Clerk		658.46	658.46	285.66	372.80
Financial Administration	267.78	483.14	750.92	445.78	305.14
Audit Services		400.00	400.00		400.00
Computerized Data Processing		600.00	600.00		600.00
Assessment of Taxes		209.93	209.93		209.93
Legal Services & Costs		37,607.74	23,857.74	2,140.25	21,717.49
Engineering Services & Costs		1,179.73	13,279.73	13,244.25	35.48
Planning Board	160.00	2,240.50	2,400.50	1,404.00	996.50
Insurance					
Worker's Compensation Insurance		25,504.05	25,504.05	350.00	25,154.05
Employees Group Health Insurance		29,373.76	29,373.76	25,244.57	4,129.19
Health Benefit Waivers		1,041.00	1,041.00		1,041.00
Police	1,195.00	7,628.84	8,823.84	3084.79	5,739.05
Office of Emergency Management		690.00	690.00		690.00
Prosecutor's Office		300.00	300.00		300.00
Streets and Roads	330.30	5,112.23	5,442.53	2,755.17	2,687.36
Solid Waste Collection		9,506.00	9,506.00	5530.00	3,976.00
Public Buildings and Grounds	79.00	8,350.57	8,429.57	3914.58	4,514.99
Vehicle Maintenance		9,387.41	9,387.41	512.65	8,874.76
Municipal Court	29.40	1,328.44	1,357.84	280.31	1,077.53
Celebration of Public Events		189.00	189.00		189.00
Construction Code Official		1,450.00	1,450.00		1,450.00
Animal Control		347.76	347.76	120.00	227.76
Maintenance of Parks and Playgrounds		318.73	318.73		318.73
Aid to Volunteer Emergency Squad		7,697.32	7,697.32		7,697.32
Inspection of Buildings		2,574.80	2,574.80		2,574.80
Gasoline		4,354.69	4,354.69	1,379.61	2,975.08
Electricity		3,570.89	3,570.89	1,315.29	2,255.60
Street Lighting		7,388.75	9,038.75	9,002.04	36.71
Telephone		218.34	218.34	217.96	0.38
Water		183.17	183.17	183.17	
Fuel Oil		171.23	171.23		171.23
Landfill Solid Waste Disp. Cost		8,174.08	8,174.08	5,675.75	2,498.33
Contribution to:					
Social Security System (O.A.S.I.)		2,437.97	2,437.97		2,437.97
Unemployment Insurance		2,304.54	2,304.54		2,304.54
Defined Contribution Retirement Program		327.32	327.32		327.32
Total	<u>\$ 4,020.52</u>	<u>\$ 228,409.24</u>	<u>\$ 232,429.76</u>	<u>\$ 77,741.07</u>	<u>\$ 154,688.69</u>
			Disbursed	<u>\$ 77,741.07</u>	

EXHIBIT A-12

CITY OF BEVERLY
Current Fund
Schedule of Due to State of NJ - Marriage Licenses
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 175.00
Increased by:	
Receipts - State Portion of Marriage Licenses	<u>425.00</u>
	600.00
Decreased by:	
Disbursements	<u>475.00</u>
Balance December 31, 2018	<u><u>\$ 125.00</u></u>

EXHIBIT A-13

Schedule of Due to State of NJ - UCC Fees
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 571.00
Increased by:	
State Portion of UCC Fees	<u>1,475.00</u>
	2,046.00
Decreased by:	
Disbursements	<u>1,590.00</u>
Balance December 31, 2018	<u><u>\$ 456.00</u></u>

CITY OF BEVERLY
Current Fund
Schedule of Tax Overpayments
For the Year Ended December 31, 2018

Balance December 31, 2017		\$ 23,724.62
Increased by:		
Collected		<u>18,090.50</u>
Subtotal		41,815.12
Decreased by:		
Refunds	\$ 4,720.92	
Applied to 2018 Taxes	<u>14,741.22</u>	<u>19,462.14</u>
Balance December 31, 2018		<u><u>\$ 22,352.98</u></u>

Schedule of Prepaid Taxes
For the Year Ended December 31, 2018

Balance December 31, 2017		\$ 134,421.26
Increased by:		
Collected		<u>79,309.84</u>
Subtotal		213,731.10
Decreased by:		
Applied to 2018 Taxes		<u>134,421.26</u>
Balance December 31, 2018		<u><u>\$ 79,309.84</u></u>

**CITY OF BEVERLY
CURRENT FUND
Schedule of Local School District Taxes Payable
For the Year Ended December 31, 2018**

Balance December 31, 2017:	\$ 4,449.12
Increased by:	
Levy - January 1, 2018 to December 31, 2018	<u>2,956,274.00</u>
Total	2,960,723.12
Decreased by:	
Payments	<u>2,851,201.12</u>
Balance December 31, 2018:	<u><u>\$ 109,522.00</u></u>

CITY OF BEVERLY
Current Fund
Schedule of County Taxes Payable
For the Year Ended December 31, 2018

Balance December 31, 2017		\$ 637.63
Increased by:		
2018 Levy:		
General County	\$ 427,166.66	
County Library	37,689.61	
County Open Space	30,981.82	
Added and Omitted Taxes	<u>290.10</u>	
		<u>496,128.19</u>
Subtotal		496,765.82
Decreased by:		
Payments		<u>496,475.72</u>
Balance December 31, 2018		<u><u>\$ 290.10</u></u>

Schedule of Fire District Taxes Payable
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ -
Increased by:	
Levy - January 1, 2018 to December 31, 2018	<u>168,300.00</u>
	168,300.00
Decreased by:	
Payments	<u>168,300.00</u>
Balance December 31, 2018	<u><u>\$ -</u></u>

CITY OF BEVERLY
FEDERAL AND STATE GRANT FUND
Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2018

	Balance December 31, <u>2017</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance December 31, <u>2018</u>
Federal Grants:					
Transportation Authority Trust Fund:					
2010 Allotment - Pine Street	\$ 7,994.75	\$ -	\$ -	\$ 2,050.44	\$ 5,944.31
Small Cities CDBG Grant	175,000.00		70,560.00		104,440.00
Total Federal Grants	182,994.75	-	70,560.00	2,050.44	110,384.31
State Grants:					
Transportation Authority Trust Fund:					
2013 Allotment - Northwest Roads Improvement	43,515.44			43,515.44	
Recycling Tonnage		7,733.08	5,468.78		2,264.30
Clean Communities		5,976.81	5,976.81		
Total State Grants	43,515.44	13,709.89	11,445.59	43,515.44	2,264.30
Local Grants:					
Burlington County Park Improvement Grant - 2013	137,690.00			99,786.00	37,904.00
Burlington County Park Improvement Grant - 2015	50,310.00			50,310.00	
Total Local Grants	188,000.00	-	-	150,096.00	37,904.00
Total All Grants	\$ 414,510.19	\$ 13,709.89	\$ 82,005.59	\$ 195,661.88	\$ 150,552.61
Original Budget		\$ 13,709.89			
Transferred from Unappropriated Grants			\$ 5,468.78		
Due from Current Fund			5,976.81		
Receipts			70,560.00		
		\$ 13,709.89	\$ 82,005.59		

CITY OF BEVERLY
FEDERAL AND STATE GRANT FUND
Schedule of Reserve for Federal and State Grants - Unappropriated
For the Year Ended December 31, 2018

	Balance December 31, <u>2017</u>	<u>Received</u>	Realized as Revenue in 2018	Balance December 31, <u>2018</u>
State Grants:				
Recycling Tonnage Grant	\$ 5,468.78	\$ -	\$ 5,468.78	\$ -
Clean Communities Grant		5,718.15		5,718.15
Total State Grants	5,468.78	5,718.15	5,468.78	5,718.15
Total All Grants	\$ 5,468.78	\$ 5,718.15	\$ 5,468.78	\$ 5,718.15

CITY OF BEVERLY
FEDERAL AND STATE GRANT FUND
Schedule of Reserve for Federal and State Grants - Appropriated
For the Year Ended December 31, 2018

	Balance December 31, <u>2017</u>	Transferred From 2018 Budget <u>Appropriation</u>	Prior Year Encumbrances <u>Reclassified</u>	Paid or Charged	<u>Canceled</u>	Balance December 31, <u>2018</u>
Federal Grants:						
Small Cities CDBG Grant	\$ 145,100.00	\$ -	\$ -	\$ 80,391.00	\$ -	\$ 64,709.00
Transportation Trust Fund:						
2010 Allotment - Pine Street	2,050.44				2,050.44	
Body Worn Camera Assistance			3,000.00	3,000.00		
Click It or Ticket	<u>1,462.68</u>					<u>1,462.68</u>
Total Federal Grants	<u>148,613.12</u>		<u>3,000.00</u>	<u>83,391.00</u>	<u>2,050.44</u>	<u>66,171.68</u>
State Grants:						
Clean Communities Grant	15,990.84	5,976.81				21,967.65
Drunk Driving Enforcement Fund	1,190.97					1,190.97
Body Armor Grant	981.19			885.00		96.19
Alcohol Rehabilitation Grant	8,079.39					8,079.39
Municipal Alliance Grant	14,362.29					14,362.29
Clean Shores	468.31					468.31
Recycling Tonnage Grant	10,874.56	7,733.08				18,607.64
Transportation Trust Fund:						
2013 Allotment - Northwest Roads Improvement	43,515.44				43,515.44	
2015 Allotment - Northwest Roads Phase III						
Total State Grants	<u>95,462.99</u>	<u>13,709.89</u>		<u>885.00</u>	<u>43,515.44</u>	<u>64,772.44</u>
Other Grants:						
Comcast Technology Grant	593.44					593.44
Burlington County Park Improvement Grant - 2013	99,786.00		30,235.25	30,235.25	99,786.00	
Burlington County Park Improvement Grant - 2015	<u>50,310.00</u>				<u>50,310.00</u>	
Total Local Grants	<u>150,689.44</u>	<u>-</u>	<u>30,235.25</u>	<u>30,235.25</u>	<u>150,096.00</u>	<u>593.44</u>
Total All Grants	<u>\$ 394,765.55</u>	<u>\$ 13,709.89</u>	<u>\$ 33,235.25</u>	<u>\$ 114,511.25</u>	<u>\$ 195,661.88</u>	<u>\$ 131,537.56</u>
Original Budget		\$ 13,709.89				
Disbursed - Federal and State Grant Fund				\$ 81,276.00		
Disbursed by Current Fund on Behalf of Federal and State Grant Fund				30,235.25		
Due to Current Fund				<u>3,000.00</u>		
		<u>\$ 13,709.89</u>		<u>\$ 114,511.25</u>		

TRUST FUND

CITY of BEVERLY

Trust Fund

Schedule of Cash - Treasurer
For the Year Ended December 31, 2018

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2017	\$ 5,544.12	\$ 927,943.83
Receipts:		
Animal Control Fund:		
Reserve for Animal Control Fund	2,597.39	
State Registration Fees	333.60	
Payroll Account:		
Net Payroll		745,365.65
Payroll Withholdings		871,726.63
Interest Earned		21.04
Reserve for Escrow Deposits		11,452.05
Reserve for Snow Recovery		2,226.25
Reserve for Trust - Tax Premium		295,040.97
Reserve for Community Day Events		4,186.58
Reserve for Regional Contribution Agreement		279.23
Reserve for Police Outside		1,254.79
Reserve for Municipal Law Enforcement		0.66
Reserve for Community Development Block Grant Funds		5,076.37
Total Receipts	<u>2,930.99</u>	<u>1,936,630.22</u>
Subtotal	<u>8,475.11</u>	<u>2,864,574.05</u>
Disbursements:		
Animal Control Account:		
State of New Jersey	327.60	
Reserve for Animal Control Fund	801.50	
Due Current Fund	1,770.37	
Reserve for Escrow Deposits		6,206.25
Reserve for Community Day Events		6,549.13
Payroll Account:		
Net Payroll		745,365.65
Payment to Withholding Agencies		877,718.58
Reserve for Tax Sale Premium		504,227.12
Reserve for Police Outside		910.00
Reserve for Municipal Law Enforcement		2,050.00
Reserve for Regional Contribution Agreement		35,340.14
Total Disbursements	<u>2,899.47</u>	<u>2,178,366.87</u>
Balance December 31, 2018	<u>\$ 5,575.64</u>	<u>\$ 686,207.18</u>

CITY OF BEVERLY

TRUST FUND

**Schedule of Reserve for Animal Control Fund Expenditures
For the Year Ended December 31, 2018**

Balance December 31, 2017		\$ 3,621.00
Increased by:		
Animal License Fees	2,597.39	
Prior Year Encumbrances Cancelled	<u>143.15</u>	
		<u>2,740.54</u>
		6,361.54
Decreased by:		
Expenditures Under R.S. 4:19-15.11	801.50	
Encumbrances	151.35	
Statutory Excess Due Current Fund	<u>1,718.59</u>	
		<u>2,671.44</u>
Balance December 31, 2018		<u><u>\$ 3,690.10</u></u>

LICENSE FEES COLLECTED

<u>Year</u>	
2016	\$ 1,687.20
2017	<u>2,002.90</u>
Total	<u><u>\$ 3,690.10</u></u>

EXHIBIT B-3**CITY OF BEVERLY****TRUST FUND**

**Schedule of Payroll Deductions Payable
For the Year Ended December 31, 2018**

Balance December 31, 2017		\$ 21,530.40
Increased by:		
Net Payroll	\$ 745,365.65	
Payroll Deductions Withheld	871,726.63	
Interest Earned	<u>21.04</u>	
		<u>1,617,113.32</u>
Total		1,638,643.72
Decreased by:		
Net Payroll	745,365.65	
Payroll Deductions Paid	877,718.58	
Due to Current Fund	<u>-</u>	
		<u>1,623,084.23</u>
Balance December 31, 2018		<u><u>\$ 15,559.49</u></u>

EXHIBIT B-4

**Schedule of Reserve for Tax Sale Premiums
For the Year Ended December 31, 2018**

Balance December 31, 2017	\$ 363,097.29
Increased by - Cash Received	<u>295,040.97</u>
	658,138.26
Decreased by:	
Returned to Lienholder	<u>504,227.12</u>
Balance December 31, 2018	<u><u>\$ 153,911.14</u></u>

Note - An analysis of the balance at December 31, 2018 is on file with the Tax Collector.

EXHIBIT B-5**CITY OF BEVERLY****TRUST FUND**

**Schedule of Reserve for Escrow Deposits
For the Year Ended December 31, 2018**

Balance December 31, 2017		\$ 17,042.34
Increased by:		
Escrow Receipts	<u>\$ 11,452.05</u>	<u>11,452.05</u>
Total		28,494.39
Decreased by:		
Paid or Charged	<u>6,206.25</u>	<u>6,206.25</u>
Balance December 31, 2018		<u><u>\$ 22,288.14</u></u>

Note - An analysis of the balance at December 31, 2018 is on file.

EXHIBIT B-6

**Schedule of Reserve for Municipal Law Enforcement
For the Year Ended December 31, 2018**

Balance December 31, 2017		\$ 3,029.18
Increased by:		
Receipts		<u>0.66</u>
Total		3,029.84
Decreased by:		
Disbursements		<u>2,050.00</u>
Balance December 31, 2018		<u><u>\$ 979.84</u></u>

CITY OF BEVERLY

TRUST FUND

**Schedule of Reserve for Regional Contribution Agreements
For the Year Ended December 31, 2018**

	<u>Mount Laurel</u>	<u>Evesham #1</u>	<u>Moorestown</u>	<u>Springfield</u>	<u>Evesham #2</u>	<u>Total</u>
Balance December 31, 2017	\$ 113,642.15	\$ 37,140.56	\$ 16,975.68	\$ 204,644.47	\$ 66,718.13	\$ 439,120.99
Increased by:						
Cash Receipts	<u>77.55</u>	<u>25.34</u>	<u>11.60</u>	<u>135.64</u>	<u>29.10</u>	<u>279.23</u>
Total	<u>113,719.70</u>	<u>37,165.90</u>	<u>16,987.28</u>	<u>204,780.11</u>	<u>66,747.23</u>	<u>439,400.22</u>
Decreased by:						
Cash Disbursed:						
Housing Rehabilitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,408.14</u>	<u>27,932.00</u>	<u>35,340.14</u>
Balance December 31, 2018	<u>\$ 113,719.70</u>	<u>\$ 37,165.90</u>	<u>\$ 16,987.28</u>	<u>\$ 197,371.97</u>	<u>\$ 38,815.23</u>	<u>\$ 404,060.08</u>

EXHIBIT B-8**CITY OF BEVERLY****Trust Fund****Schedule of Reserve for Community Day Activities
For the Year Ended December 31, 2018**

Balance December 31, 2017			\$ 10,210.68
Increased by:			
Community Parade	\$ 2,511.00		
Community Events	1,665.00		
Interest Earned	<u>10.58</u>		
			<u>4,186.58</u>
			14,397.26
Decreased by:			
Disbursed for Activities			<u>6,549.13</u>
Balance December 31, 2018			<u><u>\$ 7,848.13</u></u>

EXHIBIT B-9**Schedule of Reserve For Community Development Block Grants
For the Year Ended December 31, 2018**

	Balance December 31, <u>2017</u>	<u>Receipts</u>	<u>Interest</u>	Balance December 31, <u>2018</u>
Public Facilities:				
Housing Rehabilitation	<u>\$ 55,594.42</u>	<u>\$ 5,035.00</u>	<u>\$ 41.37</u>	<u>\$ 60,670.79</u>
Total	<u><u>\$ 55,594.42</u></u>	<u><u>\$ 5,035.00</u></u>	<u><u>\$ 41.37</u></u>	<u><u>\$ 60,670.79</u></u>

EXHIBIT B-10**CITY OF BEVERLY****Trust Fund****Schedule of Reserve for Police Off Duty Employment
For the Year Ended December 31, 2018**

Balance December 31, 2017	\$ 3,049.00
Increased by:	
Receipts	<u>1,254.79</u>
	4,303.79
Decreased by:	
Due Current Fund	<u>910.00</u>
Balance December 31, 2018	<u><u>\$ 3,393.79</u></u>

EXHIBIT B-11**Trust Fund****Schedule of Reserve for Public Defender
For the Year Ended December 31, 2018**

Balance December 31, 2017	\$ 3,707.00
Increased by:	
Due From Current Fund	<u>3,009.00</u>
Balance December 31, 2018	<u><u>\$ 6,716.00</u></u>

EXHIBIT B-12**Trust Fund****Schedule of Reserve for POAA
For the Year Ended December 31, 2018**

Balance December 31, 2017	\$ 82.00
Increased by:	
Due from Current Fund	<u>20.00</u>
Balance December 31, 2018	<u><u>\$ 102.00</u></u>

GENERAL CAPITAL FUND

CITY OF BEVERLY

GENERAL CAPITAL FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2018

Balance December 31, 2017		\$	50,925.78
Receipts:			
Interest Earnings	\$	401.06	
Due Current Fund		589,855.64	
Refund of Improvement Authorization		61,241.25	
Grant Receivable		363,099.25	
Reserve for Payment of Notes		20,800.00	
NJ DOT Grant Received		395,200.00	
Contra		39,159.25	
			<u>1,469,756.45</u>
Total			1,520,682.23
Disbursements:			
Improvement Authorizations		701,687.74	
Due to Current Fund		359.55	
Due to Federal & State Grant Fund		76,553.17	
Contra		39,159.25	
			<u>817,759.71</u>
Balance December 31, 2018		\$	<u><u>702,922.52</u></u>

CITY OF BEVERLY

General Capital Fund

**Analysis of General Capital Fund Cash
For the Year Ended December 31, 2018**

Fund Balance		\$ 20,555.49
Capital Improvement Fund		12,167.50
Due to Current Fund		286,469.33
Reserve for Payment of Notes		93,181.49
Improvement Authorizations:		
Ord. 2009-15	Various Capital Improvements	(2,500.00)
Ord. 2011-8	Multi-purpose:	
	Pine Street Improvements	13.81
	Improvements to Municipal Facilities	323.00
	Acquisition of Land	131,476.82
	Various Improvements to the Municipal Building and Grounds	271,081.38
Ord. 2012-4	Multi-purpose:	
	Improvements to Municipal Facilities	18,526.55
	Reconstruction of Cooper Street	92,491.19
Ord. 2015-06	Multi-purpose:	
	Improvements to Northwest Project	7,285.82
	Improvements to Lauinger Park	8,802.50
Ord. 2016-08	Acquisition of Two Police Vehicles	(73,986.00)
Ord. 2017-07	Improvements to Lauinger Field	(3,014.75)
Ord. 2017-13	Completion of the 2015 and 2016 Road Improvements	44,137.50
Ord. 2018-05	Road Improvements	(204,089.11)
Total		<u>\$ 702,922.52</u>

CITY OF BEVERLY

General Capital Fund

Schedule of Deferred Charges to Future Taxation - Unfunded
For the Year Ended December 31, 2018

Analysis of Balance December 31, 2018										
Ord. Number	Improvement Description	Balance December 31, 2017	2018 Authorizations	Funded by Budget Appropriation	Funded by Grant Receipts	Notes Paid by Budget Appropriation	Balance December 31, 2018	Expenditures	Financed by Bond Anticipation Notes	Unexpended Improvement Authorizations
2009-15	Various Capital Improvements	\$ 7,500.00	\$ -	\$ 5,000.00	\$ -	\$ -	\$ 2,500.00	\$ 2,500.00	\$ -	\$ -
2011-08	Multi-Purpose:									
	Acquisition of Land	148,145.00					148,145.00		148,145.00	
	Various Improvements to the Municipal Buildings and Grounds	285,000.00				35,145.00	249,855.00		249,855.00	
2012-04	Multi-Purpose:									
	Improvements to Municipal Facilities	132,372.00					132,372.00		132,372.00	
	Reconstruction of Cooper Street	228,000.00				19,872.00	208,128.00		208,128.00	
2015-06	Multi-Purpose:									
	Improvements to Northwest Project	87,400.00				4900	82,500.00		82,500.00	
2016-08	Acquisition of Two Police Vehicles	80,000.00					80,000.00	80,000.00		
2017-13	Road Improvement Programs	395,200.00			395,200.00		-			
2018-05	Road Improvement Programs		47,500.00				47,500.00			47,500.00
		<u>\$ 1,363,617.00</u>	<u>\$ 47,500.00</u>	<u>\$ 5,000.00</u>	<u>\$ 395,200.00</u>	<u>\$ 59,917.00</u>	<u>\$ 951,000.00</u>	<u>\$ 82,500.00</u>	<u>\$ 821,000.00</u>	<u>\$ 47,500.00</u>
Improvement Authorizations - Unfunded										\$ 373,248.57
Less - Unexpended Proceeds from Bond										
Anticipation Notes:										
	Ordinance 2011-08	\$	207,445.01							
	Ordinance 2012-04		111,017.74							
	Ordinance 2015-06		<u>7,285.82</u>							
										<u>(325,748.57)</u>
										<u>\$ 47,500.00</u>

CITY OF BEVERLY

General Capital Fund

Statement of Federal and State Grants Receivable
For the Year Ended December 31, 2018

Balance December 31, 2017		
2015 Burlington County Municipal Park Development Program	\$ 188,000.00	
2017 Burlington County Municipal Park Development Program	<u>180,000.00</u>	
		\$ 368,000.00
Increased by:		
NJDOT Grant		<u>450,000.00</u>
		818,000.00
Decreased by:		
Cash Received		<u>363,099.25</u>
Balance December 31, 2018		<u><u>\$ 454,900.75</u></u>

Analysis of Balance:

2018 NJDOT Grant	\$ 450,000.00
2017 Burlington County Municipal Park Development Program	<u>4,900.75</u>
	<u><u>\$ 454,900.75</u></u>

CITY OF BEVERLY

General Capital Fund

Statement of Improvement Authorizations
For the Year Ended December 31, 2018

Ord. Number	Improvement Description	Date	Ordinance Amount	Balance December 31, 2017		2018 Authorizations	Prior Year Encumbrances	Paid or Charged	Canceled	Balance December 31, 2018	
				Funded	Unfunded					Funded	Unfunded
2006-17	Public Works Truck	11/28/06	\$ 70,000.00	\$ 18,700.00	\$ -	\$ -	\$ -	\$ -	\$ 18,700.00	\$ -	\$ -
2011-08/ 2015-13	Multi-purpose:	6/14/2011/ 11/24/15									
	Pine Street Improvements		250,000.00		13.81						13.81
	Improvements to Municipal Facilities		65,000.00		323.00						323.00
	Acquisition of Land		650,000.00		174,199.28			42,722.46			131,476.82
	Various Improvements to the Municipal Building and Grounds				271,081.38			195450			75,631.38
2012-04	Multi-purpose:	04/10/12									
	Improvements to Municipal Facilities		260,000.00		18,526.55						18,526.55
	Reconstruction of Cooper St		240,000.00		92,491.19						92,491.19
2015-06	Multi-purpose:										
	Improvements to Northwest Project		487,000.00		7,285.82						7,285.82
	Improvements to Lauinger Park		188,000.00					(8,802.50)		8,802.50	
2016-08	Acquisition of Two Police Vehicles	08/23/16	100,000.00				6,014.00	6,014.00		-	-
2017-07	Improvements to Lauinger Field	05/09/17	180,000.00	84.75			29,876.17	28,074.92		1,886.00	
2017-13	Completion of the 2015 and 2016 Road Improvement Programs	12/07/17	416,000.00		56,694.00		359,306.00	371,862.50		44,137.50	
2018-05	Road Improvements	07/10/18	500,000.00			500,000.00		305,874.46		146,625.54	47,500.00
Total				<u>\$ 18,784.75</u>	<u>\$ 620,615.03</u>	<u>\$500,000.00</u>	<u>\$ 395,196.17</u>	<u>\$ 941,195.84</u>	<u>\$ 18,700.00</u>	<u>\$ 201,451.54</u>	<u>\$ 373,248.57</u>
	Capital Improvement Fund					\$ 2,500.00					
	Due from NJDOT Grants					450,000.00					
	Deferred Charges to Future Taxation - Unfunded					47,500.00					
	Canceled to Surplus								\$ 18,700.00		
	Refunded							\$ (61,241.25)			
	Disbursed							701,687.74			
	Encumbered							300,749.35			
						<u>\$ 500,000.00</u>		<u>\$ 941,195.84</u>	<u>\$ 18,700.00</u>		

CITY OF BEVERLY

General Capital Fund

Schedule of Capital Improvement Fund
For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 4,667.50
Increased by:	
Current Fund Budget Appropriation	<u>10,000.00</u>
	14,667.50
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>2,500.00</u>
Balance December 31, 2018	<u><u>\$ 12,167.50</u></u>

CITY OF BEVERLY

General Capital Fund

Schedule of Bond Anticipation Notes
For the Year Ended December 31, 2018

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance December 31, 2017	Increased	Decreased	Balance December 31, 2018
2011-8	Multi-Purpose	06/21/11	06/07/17	06/06/18	1.73999%	\$ 433,145.00	\$ -	\$ 433,145.00	\$ -
2011-8	Multi-Purpose	06/21/11	06/05/18	06/04/19	2.24800%		398,000.00		398,000.00
2012-4	Multi-Purpose	08/15/12	06/07/17	06/06/18	1.73999%	360,372.00		360,372.00	-
2012-4	Multi-Purpose	08/15/12	06/05/18	06/04/19	2.24800%		340,500.00		340,500.00
2015-06	Multi-Purpose	08/13/15	06/07/17	06/06/18	1.73999%	87,400.00		87,400.00	-
2015-06	Multi-Purpose	08/13/15	06/05/18	06/04/19	2.24800%		82,500.00		82,500.00
						<u>\$ 880,917.00</u>	<u>\$ 821,000.00</u>	<u>\$ 880,917.00</u>	<u>\$ 821,000.00</u>
						Renewed	\$ 821,000.00	\$ 821,000.00	
						Paid by Budget Appropriation		59,917.00	
							<u>\$ 821,000.00</u>	<u>\$ 880,917.00</u>	

CITY OF BEVERLY

General Capital Fund

Statement of Bonds and Notes Authorized But not Issued
For the Year Ended December 31, 2018

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2017</u>	<u>2018 Authorizations</u>	<u>Paid from Budget Appropriation</u>	<u>Grant Received</u>	<u>Balance December 31, 2018</u>
2009-15	Various Capital Improvements	\$ 7,500.00	\$ -	\$ 5,000.00	\$ -	\$ 2,500.00
2016-08	Two Police Vehicles	80,000.00				80,000.00
2017-13	Road Improvement Programs	395,200.00			395,200.00	-
2018-05	Road Improvement Programs		47,500.00			47,500.00
	Total	<u>\$ 482,700.00</u>	<u>\$ 47,500.00</u>	<u>\$ 5,000.00</u>	<u>\$ 395,200.00</u>	<u>\$ 130,000.00</u>

CITY OF BEVERLY

GENERAL CAPITAL FUND

**Schedule of Amount Due From Current Fund
For the Year Ended December 31, 2018**

Balance December 31, 2017		\$ 288,427.82
Increased by:		
Budget Appropriation - Deferred Charges Unfunded Ord. 2009-15	\$ 5,000.00	
Budget Appropriation - Capital Improvement Fund	10,000.00	
Disbursed - Interest Earnings Turned Over	<u>359.55</u>	
		<u>15,359.55</u>
		303,787.37
Decreased by:		
Receipts - Interest Earnings	401.06	
Interfund Receipts	<u>589,855.64</u>	
		<u>590,256.70</u>
Balance December 31, 2018		<u><u>\$ (286,469.33)</u></u>

CITY OF BEVERLY

GENERAL CAPITAL FUND

Schedule of Reserve for Payment of Notes

For the Year Ended December 31, 2018

Balance December 31, 2017	\$ 72,381.49
Increased by:	
Receipts	<u>20,800.00</u>
Balance December 31, 2018	<u><u>\$ 93,181.49</u></u>

CITY OF BEVERLY

PART II

Schedule of Findings and Recommendations

For the Year Ended December 31, 2018

**CITY OF BEVERLY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section 1 -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: _____ Unmodified _____

Internal control over financial reporting:

1) Material weaknesses identified? _____ yes _____ X no

2) Were reportable conditions identified that were
not considered to be material weaknesses? _____ yes _____ X none reported

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

A Federal Single Audit was not required

State Awards

A State Single Audit was not required

CITY OF BEVERLY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None noted.

CITY OF BEVERLY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

CITY OF BEVERLY
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal and state grant awards that are required to be reported in accordance with *Government Auditing Standards* and New Jersey OMB's Circular 15-08.

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings in the prior year.

FEDERAL AWARDS

A Federal Single Audit was not required.

STATE AWARDS

A State Single Audit was not required.

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Randy H. Miller	Mayor		
Robert H. Bancroft	President of Council		
Robert E. Lowden, Jr.	Councilperson		
Grace M. Heron	Councilperson		
Robert D. Thibault	Councilperson		
Mark Schwedes	Councilperson		
Richard Wolbert	City Administrator	\$ 50,000	(B)
Sheri L. Medina	Acting Municipal Clerk, Municipal Improvement Search Officer, Registrar of Vital Statistics	50,000	(B)
Yvonne Bullock	Chief Financial Officer/Treasurer	1,000,000	(A)
Shari Phillips	Tax Collector	1,000,000	(A)
Donna Wojculewski	Court Administrator	1,000,000	(A)
Peter C. Lange, Jr.	Municipal Magistrate	1,000,000	(A)
Richard Wolbert	Safety Director	50,000	(B)
Pete Carbone	Construction Code Official	50,000	(B)
Joseph Robinson	Assessor		
Pete Carbone	Zoning Officer		

All Bonds were examined and properly executed.

(A) Burlington County Municipal Excess Liability Joint Insurance Fund - Separate Bond.

(B) Burlington County Municipal Joint Insurance Fund - Public Employees Honesty Blanket Bond.

ACKNOWLEDGMENT

I express my appreciation for the assistance and courtesies extended to the audit team by the City Officials during the course of our audit.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountant



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

July 19, 2019