

OFFICIAL STATEMENT DATED FEBRUARY 20, 2019

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals. Under the laws of the State of New Jersey, as enacted and construed on the date of the original delivery of the Notes, interest on the Notes and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$13,990,000
BOROUGH OF BEACHWOOD
IN THE COUNTY OF OCEAN, NEW JERSEY
BOND ANTICIPATION NOTES
Consisting of:
\$9,633,000 General Improvement Bond Anticipation Notes
and
\$4,357,000 Water Utility Bond Anticipation Notes
Coupon: 3.00%
Yield: 1.85%

Dated: Date of Delivery

Due: March 5, 2020

The \$13,990,000 Bond Anticipation Notes of the Borough of Beachwood, in the County of Ocean, New Jersey (the "Borough") consisting of \$9,633,000 General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$4,357,000 Water Utility Bond Anticipation Notes (the "Water Utility Notes", and together with the General Improvement Notes, the "Notes") will be issued as fully registered Notes in the form of one certificate for the aggregate principal amount of each series of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as Securities Depository. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or greater through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes.

Principal of and interest on the Notes is payable on the due date, as shown above. As long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payment of the principal and interest on the Notes will be made by the Borough directly to DTC or its nominee, Cede & Co. The Notes are not subject to redemption prior to maturity.

The Notes will constitute general obligations of the Borough for the payment of the principal of and interest on which the full faith, credit and taxing power of the Borough is available, and all the taxable real property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purposes.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes are offered when, as and if received by the purchaser and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by GluckWalrath LLP, Trenton, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, serves as Municipal Advisor to the Borough in connection with the issuance of the Notes. It is expected that the Notes, in definitive form, will be available for delivery on or about March 5, 2019.

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IN THE COUNTY OF OCEAN, NEW JERSEY
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No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Notes other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation of warranty by the Purchaser or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this document to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

This document does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this document. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough.

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Official Statement
of
BOROUGH OF BEACHWOOD
in the County of Ocean, New Jersey
\$13,990,000 BOND ANTICIPATION NOTES
Consisting of:
\$9,633,000 General Improvement Bond Anticipation Notes
and
\$4,357,000 Water Utility Bond Anticipation Notes

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Beachwood (the “Borough”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$13,990,000 Bond Anticipation Notes by the Borough consisting of \$9,633,000 General Improvement Bond Anticipation Notes (the “General Improvement Notes”) and \$4,357,000 Water Utility Bond Anticipation Notes (the “Water Utility Notes”, and together with the General Improvement Notes, the “Notes”).

THE NOTES

General Description

The Notes will be dated the date of delivery and will mature on the due date, as shown on the front cover hereof. The interest on the Notes will be payable on the due date as shown on the front cover page. The Notes will be issued in book-entry form only.

The Notes are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and interest thereon. The Borough is obligated to levy *ad valorem* taxes upon all of the taxable property within the Borough for the payment of principal of and interest on the Notes without limitation as to rate or amount.

Denominations and Place of Payment

The Notes are issuable only as fully registered Notes without coupons, and when issued will be in the form of one certificate in the principal amount of the Notes of each series and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Notes. Purchase of the Notes will be made in book entry form, in the denomination of \$5,000 each or greater. Purchasers will not receive certificates representing their interest in Notes purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes. See “Book-Entry-Only System” herein.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal and interest, and other payments on the Notes to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

DTC will act as securities depository for each series of the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Borough or the Paying Agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Borough/paying agent; (ii) the transfer of any Notes may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Borough/paying agent together with the duly executed assignment in form satisfactory to the Borough/paying agent; and (iii) for every exchange or registration of transfer of Notes, the Borough/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft, mailed on the Interest Payment Date.

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

AUTHORIZATION AND USE OF PROCEEDS

The Notes are authorized and being issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1 et seq.), and the acts amendatory thereof and supplemental thereto, and various bond ordinances of the Borough.

The Notes are being issued to: (i) refund, on a current basis, \$12,283,750 of the Borough's bond anticipation notes originally issued in the aggregate principal amount of \$12,556,000, dated March 6, 2018 and maturing March 6, 2019 (the "Prior Notes"), (ii) temporarily finance the cost of new general capital improvements in and by the Borough in the amount of \$1,306,250, (iii) temporarily finance the cost of new water capital improvements in and by the Borough in the amount of \$400,000, and (iii) pay the costs of issuance of the Notes. The remaining \$272,250 of the Prior Notes are being paid from budgeted appropriations or other sources. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described in the following tables by ordinance number, amount of the Prior Notes being refunded with the proceeds of the Notes, and amount of new Notes to be issued:

General Improvement Bond Anticipation Notes

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Prior Notes Being Refunded</u>	<u>Principal Amount of New Notes to be Issued</u>
2010-09	Various Drainage and Roadway Improvements, finally adopted September 15, 2010	\$598,000	\$0
2010-11	Acquisition of Trucks and Equipment, finally adopted November 5, 2010	128,339	0
2011-05	Various General Improvements and Equipment, finally adopted August 17, 2011	233,000	0
2012-05	Various General Improvements, finally adopted July 18, 2012	601,000	0
2013-01	Supplemental Improvements Due to Hurricane Sandy, finally adopted April 17, 2013	165,750	
2013-08	Various Improvements to Streets and Roads, finally adopted August 21, 2013	570,000	0
2014-05	Various Capital Improvements, finally adopted June 18, 2014	635,000	0
2014-06 as amended by 2014-11	Improvements to Mayo Park and Construction of Rec Center, finally adopted December 17, 2014	1,048,256	0
2015-09	Various General Improvements, and Equipment, finally adopted October 7, 2015	2,647,155	0
2016-09	Various Capital Improvements, finally adopted September 21, 2016	1,049,500	0
2017-04	Various Capital Improvements, finally adopted October 4, 2017	650,750	0
2018-02	Acquisition of Real Property, finally adopted March 7, 2018.	0	228,000
2018-07	Various Improvements and Acquisition of Equipment, finally adopted October 3, 2018.	<u>0</u>	<u>1,078,250</u>
Sub-Total:		<u>\$8,326,750</u>	<u>\$1,306,250</u>
Total:			<u>\$9,633,000</u>

Water Utility Bond Anticipation Notes

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Prior Notes Being Refunded</u>	<u>Principal Amount of New Notes to be Issued</u>
2010-10	Replacement of Well 5, Various Water Mains and Related Improvements, finally adopted September 15, 2010	\$1,131,692	0
2012-06	Various Water Improvements, finally adopted July 18, 2012	614,820	0
2013-07	Various Water Improvements, finally adopted August 21, 2013	461,309	0
2014-04	Various Water Mains and Related Improvements and Various Capital Improvements, finally adopted June 18, 2014	474,179	0
2015-08	Various Water Mains and Related Improvements, finally adopted October 7, 2015	475,000	0
2016-10	Various Water Mains and Related Improvements, finally adopted September 21, 2016	500,000	0
2017-05	Various Water Mains and Related Improvements, finally adopted October 4, 2017	300,000	0
2018-06	Various Water System Improvements, finally adopted October 3, 2018.	<u>0</u>	<u>400,000</u>
Sub-Total:		<u>\$3,957,000</u>	<u>\$400,000</u>
Total:			<u>\$4,357,000</u>

SECURITY FOR THE NOTES

The Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Notes. The Borough is required by law to levy *ad valorem* taxes on all taxable real property in the Borough for the payment of the principal, redemption premium, if any, of and the interest on the Notes, without limitation as to rate or amount.

The Borough

The Borough, primarily a residential community, is located in the central, eastern part of the County, along the Toms River. See Appendix "A" for general information regarding the Borough. See Appendix "A" for general information regarding the Borough.

**MUNICIPAL FINANCE –
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the Borough are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "A", the Borough has not exceeded its statutory debt limit as of December 31, 2018.

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

Additionally, legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy ad valorem taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may

contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for each local unit is on file with the Clerk and is available for review during business hours.

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the constituent municipality. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the constituent municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Borough has covenanted to comply with the provisions of the Code applicable to the Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Notes to be included in gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. Bond Counsel will not independently verify the accuracy of those certifications and representations.

Assuming the Borough observes its covenants with respect to compliance with the Code, GluckWalrath LLP, Bond Counsel to the Borough, is of the opinion that, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals. See "Certain Federal Tax Considerations" below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gains from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of the Notes may be greater than the stated redemption price thereof at maturity (the "Premium Notes"). The difference between the initial public offering price for the Premium Notes and the stated redemption price at maturity is "original issue premium." For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Notes through reductions in the holder's tax basis for the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Notes.

Certain Federal Tax Considerations

Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Notes.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRs in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer

identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of counsel other than Bond Counsel.

Section 265 Qualification

The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

The Borough is not designating the Notes as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes of the Borough including the Notes, and such Notes are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the Borough will deliver concurrently with the delivery of the Notes, a Continuing Disclosure Certificate in substantially the form annexed hereto as Appendix C (the "Continuing Disclosure Certificate"). The Borough has covenanted for the benefit of the

Noteholders in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided notices of certain enumerated events to the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access Dataport (“EMMA”).

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, operating data for the fiscal years ending December 31, 2013 and 2017. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of operating data, as described above. Such notices of late filings have since been filed with the MSRB’s EMMA. The Borough hired Phoenix Advisors, LLC in January of 2010 to serve as continuing disclosure agent.

LITIGATION

Upon delivery of the Notes, the Borough shall furnish a certificate of William T. Hering, Esq., Toms River, New Jersey (the “Borough Solicitor”), dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or, to his knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Notes, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors’ rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation

or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Ordinances of the Borough and the Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entirety by express reference to the complete provisions thereof. Copies of the Ordinances will be furnished by the Borough on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by an official of the Borough, that to their knowledge such descriptions and statements, as of the date hereof, and as of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which the Borough considers to be reliable and it makes no warranty, guaranty or other representation which respect to the accuracy and completeness of such information.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

The Notes have not been rated.

PURCHASER

The Notes have been purchased from the Borough, at a public sale, by JP Morgan Securities, LLC, (the "Purchaser") at a price of \$14,140,952.10. The Purchaser is obligated to purchase all of the Notes if any are purchased.

The Purchaser intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Purchaser reserves the right to join with dealers and other Purchaser in offering the Notes to the public. The Purchaser may offer and sell Notes to certain dealers (including dealers depositing Notes into investment trusts) at a yield higher than the public offering yield set forth on the cover page, and such public offering yield may be changed, from time to time, by the Purchaser without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough with respect to the issuance of the Notes (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix "D". Certain legal matters will be passed on for the Borough by the Borough Solicitor.

FINANCIAL STATEMENTS

Appendix "B" contains certain audited financial data of the Borough for the Borough's fiscal year ending December 31, 2017. The audited financial data was extracted from the report prepared by Suplee, Clooney & Company, Westfield, New Jersey, to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough's Chief Financial Officer, 1600 Pinewald Road, Beachwood, New Jersey 08722, telephone (732) 286-6000, or the Borough's Municipal Advisor, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

BOROUGH OF BEACHWOOD, IN THE COUNTY OF OCEAN, NEW JERSEY

/s/ John Mauder

John Mauder
Chief Financial Officer

Dated: February 20, 2019

APPENDIX A
GENERAL INFORMATION REGARDING THE BOROUGH

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INFORMATION REGARDING THE BOROUGH OF BEACHWOOD¹

The following material presents certain economic and demographic information of the Borough of Beachwood (the “Borough”), in the County of Ocean (the “County”), State of New Jersey (the “State”).

General Information

The Borough is located in the central, eastern part of the County and was founded in 1914 on the Toms River as a summer resort. The Borough was founded by Mr. Bertram Chapman Mayo who had successfully founded four (4) other communities between California and New Jersey (Browns Mills) before he came upon the Borough. The Borough encompasses a land area of 2.8 square miles and is primarily a residential community.

Form of Government

The Borough was originally governed under the Walsh Act commission form of government, which was maintained until the mid-1970s. The Borough is now governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council members serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$242,462 for PERS and \$395,999 for PFRS.

¹ Source: The Borough, unless otherwise indicated.

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2017	6,352	6,070	282	4.4%
2016	6,363	6,053	310	4.9%
2015	6,356	5,970	386	6.1%
2014	6,324	5,893	431	6.8%
2013	6,280	5,751	529	8.4%
<u>County</u>				
2017	271,129	258,063	13,066	4.8%
2016	271,477	257,324	14,153	5.2%
2015	268,497	251,911	16,586	6.2%
2014	267,076	247,388	19,688	7.4%
2013	266,921	242,166	24,755	9.3%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2017)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$72,815	\$65,771	\$76,475
Median Family Income	77,007	82,380	94,337
Per Capita Income	29,344	33,312	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	11,248	1.84%	597,943	3.71%	9,005,644	2.43%
2010	11,045	6.46	576,567	12.85	8,791,894	4.49
2000	10,375	11.27	510,916	17.94	8,414,350	8.85
1990	9,324	21.30	433,203	25.19	7,730,188	4.96
1980	7,687	75.10	346,038	65.99	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
CVS Health Corp	\$3,289,900	0.41%
DCTN3 385 Beachwood NJ LLC	2,875,200	0.36%
Clayton, Lewis M.	2,119,000	0.26%
Town & Country Bakery	1,605,500	0.20%
Lipton, David	1,572,300	0.19%
Moorehouse-Speedwell Ltd Ptnship	1,400,900	0.17%
Rite Aid Corp.	1,380,000	0.17%
Stone Fire Grille LLC	1,157,000	0.14%
Federal National Mortgage Association	1,069,200	0.13%
Milas, Peter & Maria	<u>1,046,500</u>	<u>0.13%</u>
Total	<u>\$17,515,500</u>	<u>2.17%</u>

Source: Comprehensive Annual Financial Report of the School District & Municipal Tax Assessor

Largest Employers

The largest employers in the Borough for 2017 are listed below:

<u>Name</u>	<u>Approximate Number of Employees</u>
Intermediate South – Toms River School	130
Borough of Beachwood	88
Sand Castle Diner	24
Quick Check Food Mart	18
Rite Aid Pharmacy	12

Source: Borough

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017	\$19,022,154	\$18,646,784	98.03%
2016	18,833,655	18,385,739	97.62%
2015	18,388,302	17,860,771	97.13%
2014	17,953,574	17,378,788	96.80%
2013	17,906,306	17,293,794	96.58%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017	\$100,185	\$367,727	\$467,912	2.46%
2016	87,159	455,548	542,707	2.88%
2015	69,962	461,477	531,439	2.89%
2014	53,999	489,339	543,338	3.03%
2013	47,493	484,307	531,800	2.97%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$285,731
2016	285,731
2015	285,731
2014	285,731
2013	285,731

Source: Annual Audit Reports of the Borough

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2018	\$0.897	\$1.047	\$0.451	\$2.395
2017	0.873	1.027	0.451	2.351
2016R	0.865	1.033	0.434	2.332
2015	0.673	0.796	0.362	1.831
2014	0.674	0.756	0.353	1.783

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$808,464,500	\$902,002,120	89.63%	\$464,248	902,466,368
2017	806,742,000	881,492,570	91.52	463,944	881,956,514
2016R	803,231,600	869,110,149	108.20	521,083	869,631,232
2015	1,002,554,600	872,014,091	114.97	522,121	872,536,212
2014	1,004,086,500	872,587,555	115.07	514,181	873,101,736

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$808,464,500	\$902,002,120	89.63%	\$464,248	902,466,368
2017	806,742,000	881,492,570	91.52	463,944	881,956,514
2016R	803,231,600	869,110,149	108.20	521,083	869,631,232
2015	1,002,554,600	872,014,091	114.97	522,121	872,536,212
2014	1,004,086,500	872,587,555	115.07	514,181	873,101,736

R = Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$1,384,125	\$1,698,000	\$2,034,000	\$1,800,000	\$1,800,000
Miscellaneous Revenues	1,268,928	2,410,405	1,362,372	1,335,973	1,373,218
Receipts from Delinquent Taxes	475,000	485,000	445,000	445,000	380,000
Amount to be Raised by Taxation	<u>6,766,585</u>	<u>6,752,862</u>	<u>6,952,312</u>	<u>7,048,075</u>	<u>7,259,754</u>
Total Revenue:	<u>\$9,894,638</u>	<u>\$11,346,267</u>	<u>\$10,793,684</u>	<u>\$10,629,048</u>	<u>\$10,812,972</u>
<u>Appropriations</u>					
General Appropriations	\$7,729,228	\$8,060,037	\$8,277,837	\$8,419,362	\$8,538,862
Operations (Excluded from CAPS)	111,360	164,450	168,349	145,850	133,350
Deferred Charges and Statutory Expenditures	6,068	0	250,000	0	0
Capital Improvement Fund	130,000	150,000	100,000	50,000	50,000
Municipal Debt Service	914,870	1,999,854	995,164	1,059,527	1,193,665
Reserve for Uncollected Taxes	<u>1,003,112</u>	<u>971,926</u>	<u>1,002,335</u>	<u>954,309</u>	<u>897,095</u>
Total Appropriations:	<u>\$9,894,638</u>	<u>\$11,346,267</u>	<u>\$10,793,684</u>	<u>\$10,629,048</u>	<u>\$10,812,972</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2017	\$1,848,930	\$1,800,000
2016	1,882,108	1,800,000
2015	2,115,895	2,034,000
2014	1,868,504	1,698,000
2013	1,576,143	1,384,125

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Year</u>	<u>Fund Balance - Water Utility Operating Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2017	\$754,593	\$380,467
2016	754,095	375,000
2015	920,651	573,950
2014	1,126,826	539,950
2013	1,392,379	648,283

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$4,768,000
Bond Anticipation Notes	8,532,750
Bonds and Notes Authorized but Not Issued	1,743,466
Other Bonds, Notes and Loans	<u>333,429</u>
Total:	\$15,377,645

Regional School District Debt

Serial Bonds	\$3,078,605
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$3,078,605

Self-Liquidating Debt

Serial Bonds	\$3,451,324
Bond Anticipation Notes	4,023,250
Bonds and Notes Authorized but Not Issued	429,634
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$7,904,208

TOTAL GROSS DEBT

\$26,360,458

Less: Statutory Deductions	
General Purpose Debt	\$183,058
Regional School District Debt	3,078,605
Self-Liquidating Debt	<u>7,904,208</u>
Total:	\$11,165,870

TOTAL NET DEBT

\$15,194,587

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	45,835,000	6.72%	3,078,605
Beachwood Sewerage Authority County (2017)	0 477,133,277	100.00% 0.88%	0 <u>4,207,758</u>
Net Indirect Debt			\$7,286,363
Net Direct Debt			<u>15,194,587</u>
Total Net Direct and Indirect Debt			<u>\$22,480,950</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$884,201,613
Permitted Debt Limitation (3 1/2%)	30,947,056
Less: Net Debt	<u>15,194,587</u>
Remaining Borrowing Power	<u>\$15,752,469</u>
Percentage of Net Debt to Average Equalized Valuation	1.718%
Gross Debt Per Capita based on 2010 population of 11,045	\$2,387
Net Debt Per Capita based on 2010 population of 11,045	\$1,376

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County. Borough percentage of Regional School District debt is based on Borough's share of total equalized valuation in the Regional School District.

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APPENDIX B
FINANCIAL INFORMATION REGARDING THE BOROUGH

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Beachwood
County of Ocean
Beachwood, New Jersey 08722

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account groups of the Borough of Beachwood, as of December 31, 2017 and 2016, the related statements of operations and changes in fund balances - regulatory basis for the years then ended and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory 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 regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory 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 Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account groups of the Borough of Beachwood as of December 31, 2017 and 2016, or the results of its operations and changes in fund balances for the years then ended or the revenues or expenditures for the year ended December 31, 2017.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial activities of the Length of Service Award Program (LOSAP) are presented in the financial statements of the Borough's Trust Fund. These financial statements of the LOSAP have not been audited and were not required to be in accordance with the regulations of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Borough has omitted disclosures required by Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The amount by which this disclosure would affect the financial position of the Borough is not reasonably determinable.

SUPLEE, CLOONEY & COMPANY

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, that might have been necessary had the LOSAP Fund Financial Statements been audited and the omission of the information on Postemployment Benefits, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account groups as of December 31, 2017 and 2016, the regulatory basis statements of operations and changes in fund balances for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Beachwood's regulatory financial statements. The supplementary information and data listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information listed above and also listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018 on our consideration of the Borough of Beachwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Beachwood's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

August 24, 2018



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and Members
of the Borough Council
Borough of Beachwood
County of Ocean
Beachwood, New Jersey 08722

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various individual funds and the account groups of the Borough of Beachwood, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated August 24, 2018. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Beachwood prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

SUPLEE, CLOONEY & COMPANY

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

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

Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

August 24, 2018

CURRENT FUND

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - CURRENT FUND

Exhibit A

REGULATORY BASIS

Sheet 1 of 2

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	A-4	\$ 5,962,269.69	\$ 5,719,392.00
Cash - Change Fund		500.00	500.00
Cash - Petty Cash		600.00	600.00
Due from State of New Jersey:			
Chapter 20, P.L. 1971	A-6		3,462.84
		<u>5,963,369.69</u>	<u>5,723,954.84</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	367,727.33	455,547.67
Tax Title Liens Receivable	A-8	100,184.85	87,158.87
Property Acquired for Taxes		285,731.00	285,731.00
Revenue Accounts Receivable	A-9	10,263.90	7,596.52
Interfunds:			
Animal Control Trust Fund	A-14	90.40	88.40
Other Trust Fund	A-14	17,906.34	17,906.34
Payroll Fund	A-14	2,003.46	2,003.46
Refunds Receivable	A-1		591.26
		<u>783,907.28</u>	<u>856,623.52</u>
		<u>6,747,276.97</u>	<u>6,580,578.36</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-15	98,865.48	107,039.55
Grants Receivable	A-16	52,490.07	51,843.73
		<u>151,355.55</u>	<u>158,883.28</u>
		<u>\$ 6,898,632.52</u>	<u>\$ 6,739,461.64</u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - CURRENT FUND

Exhibit A

REGULATORY BASIS

Sheet 2 of 2

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3,10	\$ 916,185.61	\$ 834,460.56
Reserve for Encumbrances	A-3,10	314,785.17	298,980.48
Accounts Payable	A-10		878.24
Due to Borough of South Toms River	A-4	2,990.20	7,999.64
Tax Overpayments	A-4,5	75.15	3,050.04
Prepaid Taxes	A-5,7	376,969.27	248,527.46
Due State of New Jersey:			
Construction Fees	A-4	3,144.69	3,268.01
Marriage License Fees	A-4	475.00	375.00
Chapter 20, P.L. 1971	A-6	1,290.81	
County Taxes Payable	A-11	8,566.36	16,782.92
Regional District School Tax Payable	A-12	1,906,417.90	1,910,951.65
Reserve for:			
Proceeds from Sale of Municipal Assets	A-13	61,780.00	61,780.00
Reassessment	A-13		72,753.02
Tax Appeals	A-13	275,000.00	275,000.00
Interfunds:			
General Capital Fund	A-14	147,893.96	
Grant Fund	A-15	98,865.48	107,039.55
		<u>4,114,439.60</u>	<u>3,841,846.57</u>
Reserve for Receivables and Other Assets		783,907.28	856,623.52
Fund Balance	A-1	<u>1,848,930.09</u>	<u>1,882,108.27</u>
		<u>6,747,276.97</u>	<u>6,580,578.36</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-17	150,715.55	157,098.66
Reserve for Encumbrances	A-17	640.00	1,784.62
		<u>151,355.55</u>	<u>158,883.28</u>
		<u>\$ 6,898,632.52</u>	<u>\$ 6,739,461.64</u>

There were deferred school taxes on December 31, 2017 and 2016 of \$2,190,697.00 (Schedule A-12).

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE **Sheet 1 of 2**

REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 1,800,000.00	\$ 2,034,000.00
Miscellaneous Revenue Anticipated	A-2	1,413,489.46	1,447,948.76
Receipts from Delinquent Taxes	A-2	440,026.73	436,324.98
Receipts from Current Taxes	A-2	18,646,784.02	18,385,738.61
Non-Budget Revenues	A-2	147,499.40	168,058.12
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-10	875,039.55	846,660.61
Interfund Loans Returned			127,549.15
Reserve for Refunds Receivable Cancelled	A	591.26	
Grants Appropriated Reserves Cancelled	A-15	15,060.50	15,005.58
Reserve for Reassessment Cancelled	A-13	71,038.08	
Total Income		<u>23,409,529.00</u>	<u>23,461,285.81</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		3,748,000.00	3,615,500.00
Other Expenses		3,806,112.00	3,874,087.00
Deferred Charges and Statutory Expenditures		865,250.00	788,250.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		60,000.00	60,000.00
Other Expenses		135,733.48	166,687.35
Capital Improvements		50,000.00	100,000.00
Municipal Debt Service		1,044,868.34	994,700.49
Deferred Charges			250,000.00
	A-3	<u>9,709,963.82</u>	<u>9,849,224.84</u>
Due to Borough of South Toms River			6,673.29
County Taxes	A-11	3,634,726.03	3,483,128.42
Due County for Added and Omitted Taxes	A-11	8,566.36	16,782.92
Regional District School Taxes	A-12	8,286,584.00	8,305,158.00
Grants Receivable Cancelled	A-15	60.70	105.07
Reimbursement Due to Taxation Audit	A-6	2,213.01	
Refunds Receivable Cancelled	A	591.26	
Interfund Loans Advanced		2.00	
Total Expenditures		<u>21,642,707.18</u>	<u>21,661,072.54</u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE Sheet 2 of 2

REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
Excess in Revenue		\$ <u>1,766,821.82</u>	\$ <u>1,800,213.27</u>
Fund Balance January 1	A	<u>1,882,108.27</u>	<u>2,115,895.00</u>
		<u>3,648,930.09</u>	<u>3,916,108.27</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,800,000.00</u>	<u>2,034,000.00</u>
Fund Balance December 31	A	\$ <u><u>1,848,930.09</u></u>	\$ <u><u>1,882,108.27</u></u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
		\$ 1,800,000.00	\$	\$ 1,800,000.00	\$
Fund Balance Anticipated	A-1				
<u>Miscellaneous Revenues</u>					
Licenses					
Alcoholic Beverages	A-9	3,800.00		3,897.60	97.60
Fees and Permits	A-9	47,000.00		61,443.50	14,443.50
Fines and Costs					
Municipal Court	A-9	128,000.00		121,181.58	(6,818.42)
Interest and Costs on Taxes	A-5	75,000.00		82,262.49	7,262.49
Beach Badges and Parking Decals	A-9	4,000.00		4,325.00	325.00
Mercantile Licenses	A-9	8,500.00		7,770.00	(730.00)
State Aid:					
Consolidated Municipal Property Tax Relief	A-9	51,445.00		48,013.00	(3,432.00)
Energy Receipts Tax	A-9	613,228.00		616,660.00	3,432.00
Uniform Construction Code Fees	A-9	80,000.00		97,968.00	17,968.00
Shared Service Agreements:					
Borough of Island Heights	A-9	12,000.00		12,917.00	917.00
Borough of South Toms River	A-9	25,000.00		31,613.15	6,613.15
Special Items of Revenue:					
Federal and State Revenues Off-Set with Appropriations:					
Body Armor Grant	A-15		1,946.21	1,946.21	
Clean Communities Program	A-15		22,542.27	22,542.27	
Municipal Alliance on Alcoholism and Drug Abuse	A-15		25,395.00	25,395.00	
Safe and Secure Communities Program	A-15	60,000.00		60,000.00	

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 3

<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Special Items of Revenue (Continued):				
Other Special Items:				
Uniform Fire Safety Act	\$ 3,000.00	\$	3,298.75	\$ 298.75
Lease for Mobile Telephone Cell Site	225,000.00		212,255.91	(12,744.09)
Total Miscellaneous Revenues	<u>1,335,973.00</u>	<u>49,883.48</u>	<u>1,413,489.46</u>	<u>27,632.98</u>
Receipts from Delinquent Taxes	445,000.00		440,026.73	(4,973.27)
Subtotal General Revenues	<u>3,580,973.00</u>	<u>49,883.48</u>	<u>3,653,516.19</u>	<u>22,659.71</u>
Amount to be Raised by Taxes for Support of Municipal Budget	7,048,074.63		7,671,216.17	623,141.54
Total General Revenues	<u>10,629,047.63</u>	<u>49,883.48</u>	<u>11,324,732.36</u>	<u>645,801.25</u>
Non-Budget Revenues			147,499.40	147,499.40
	<u>\$ 10,629,047.63</u>	<u>\$ 49,883.48</u>	<u>\$ 11,472,231.76</u>	<u>\$ 793,300.65</u>

Ref. A-3 A-3 A-3

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 3

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,7	\$ 18,646,784.02
Allocated to:		
School and County Taxes	A-1	<u>11,929,876.39</u>
Balance for Support of Municipal Budget Appropriations		6,716,907.63
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>954,308.54</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 7,671,216.17</u>
 Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-7	\$ 436,006.29
Tax Title Lien Collections	A-8	<u>4,020.44</u>
	A-1,2	<u>\$ 440,026.73</u>
 <u>Analysis of Non-Budget Revenue</u>		
Miscellaneous Revenue not Anticipated:		
Revenue Accounts Receivable:		
Cable Television Franchise Fee	A-9	\$ 37,740.09
Administration Charge for Off Duty Police		\$ 11,243.25
Administration Fee (Ch. 20, P.L. 1971)		1,935.86
DMV Inspection Fees		14,411.00
Impound Yard Fees		13,275.00
Interest on Deposits		5,422.39
Other		10,381.52
Refunds		33,288.29
Refuse Containers		4,555.00
Sale of Municipal Assets		5,495.00
Shared Services - Borough of Pine Beach		<u>9,752.00</u>
	A-4	<u>109,759.31</u>
	A-2	<u>\$ 147,499.40</u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 8

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<u>OPERATIONS WITHIN CAPS</u>					
<u>General Government Functions</u>					
Administrative and Executive					
Salaries and Wages	\$ 100.00	\$ 100.00	\$	\$ 100.00	\$
Other Expenses	500.00	500.00	37.18	462.82	
Mayor and Council					
Salaries and Wages	115,000.00	115,000.00	112,710.00	2,290.00	
Other Expenses	2,500.00	2,500.00	1,384.00	1,116.00	
Municipal Clerk					
Salaries and Wages	54,500.00	54,500.00	39,838.50	14,661.50	
Other Expenses:					
Advertising and Public Relations	8,500.00	8,500.00	6,941.94	1,558.06	
Postage	14,000.00	14,000.00	13,785.00	215.00	
Miscellaneous Other Expenses	33,325.00	33,325.00	23,338.66	9,986.34	
Elections					
Other Expenses	4,000.00	4,000.00	1,105.49	2,894.51	
Financial Administration					
Salaries and Wages	85,000.00	85,000.00	77,485.73	7,514.27	
Other Expenses	46,100.00	53,100.00	51,314.68	1,785.32	
Audit Services					
Other Expenses	33,000.00	33,000.00	33,000.00		
Collection of Taxes					
Salaries and Wages	77,000.00	86,000.00	86,000.00		
Other Expenses:					
Miscellaneous Other Expenses	6,000.00	6,000.00	5,872.95	127.05	
Tax Sale Costs	1,500.00	1,500.00	1,368.20	131.80	
Liquidation of Tax Title Liens and Foreclosed Property					
Other Expenses	7,000.00	5,000.00		5,000.00	
Assessment of Taxes					
Salaries and Wages	26,000.00	26,000.00	24,289.98	1,710.02	
Other Expenses	2,175.00	2,175.00	2,175.00		

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 8

	Appropriated		Paid or Charged	Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification		Reserved	Reserved	
Legal Services and Costs	\$	\$ 96,000.00	\$	\$ 71,810.60	\$	\$ 24,189.40
Other Expenses						
Engineering Services and Costs		51,000.00		44,175.00		6,825.00
Other Expenses						
Planning Board						
Salaries and Wages		17,000.00		10,302.54		6,697.46
Other Expenses		10,222.00		2,918.07		7,303.93
Environmental Commission						
Other Expenses		1,250.00				1,250.00
Insurance						
General Liability		138,500.00		132,346.88		6,153.12
Workers Compensation		138,000.00		123,200.82		14,799.18
Employee Group Insurance		1,700,000.00		1,446,700.32		253,299.68
Unemployment Insurance		50.00				50.00
<u>Public Safety Functions</u>						
Police						
Salaries and Wages:						
Chiefs and Officers		1,980,000.00		1,908,205.27		71,794.73
Crossing Guards		30,000.00		20,848.98		9,151.02
Other Expenses:						
Police Vehicle Acquisition		45,000.00		42,009.29		2,990.71
Miscellaneous		105,580.00		72,434.40		33,145.60
Office of Emergency Management						
Salaries and Wages		5,200.00		2,871.96		2,328.04
Other Expenses		1,350.00		794.78		555.22
Aid to Volunteer Fire Companies						
Other Expenses		46,170.00		46,155.38		14.62
Aid to Volunteer Ambulance Companies						
Other Expenses		19,000.00		18,999.70		.30
Other Expenses - Training		5,000.00		4,684.50		315.50

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 8

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Court	\$	120,000.00	\$	109,853.49	\$ 10,146.51
Salaries and Wages		8,000.00		5,489.53	2,510.47
Other Expenses					
Uniform Fire Safety Act Fire Official					
Salaries and Wages	21,000.00	21,000.00	14,448.57		6,551.43
Other Expenses	5,950.00	5,950.00	5,055.02		894.98
Fire Services Program					
Fire Hydrant Services	12,600.00	12,600.00	12,600.00		
P.E.O.S.H.A.	19,700.00	19,700.00	19,691.54		8.46
Municipal Prosecutor					
Other Expenses	17,950.00	17,950.00	16,632.00		1,318.00
<u>Public Works Functions</u>					
Streets and Roads Maintenance					
Salaries and Wages	40,000.00	40,000.00	30,165.86		9,834.14
Other Expenses	25,950.00	25,950.00	17,918.28		8,031.72
Snow Removal					
Other Expenses	10,000.00	10,000.00	1,978.86		8,021.14
Other Public Works Functions					
Salaries and Wages	135,200.00	135,200.00	93,212.29		41,987.71
Other Expenses	10,000.00	10,000.00	7,664.87		2,335.13
Solid Waste Collection					
Salaries and Wages	385,500.00	385,500.00	345,487.13		40,012.87
Other Expenses	24,050.00	24,050.00	21,183.63		2,866.37
Recycling Program					
Salaries and Wages	148,000.00	148,000.00	141,930.83		6,069.17
Other Expenses	26,000.00	26,000.00	24,990.08		1,009.92
Buildings and Grounds					
Salaries and Wages	204,000.00	204,000.00	183,746.99		20,253.01
Other Expenses	77,740.00	97,740.00	61,414.10		36,325.90

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 8

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Equipment Maintenance	\$	120,000.00	\$	114,107.45	\$
Salaries and Wages					5,892.55
Other Expenses		75,200.00		67,701.07	7,498.93
P.E.O.S.H.A.					
Public Works					
Other Expenses	1,000.00	1,000.00			1,000.00
<u>Health and Human Services</u>					
Animal Control Services					
Other Expenses	11,000.00	11,000.00	7,032.08		3,967.92
<u>Park and Recreation Functions</u>					
Board of Recreation Commissioners					
Other Expenses	4,000.00	4,000.00	2,413.37		1,586.63
Maintenance of Parks and Playgrounds					
Other Expenses	3,000.00	3,000.00	1,921.75		1,078.25
Lifeguards and Special Officers					
Salaries and Wages	13,000.00	13,000.00	10,822.93		2,177.07
Other Expenses	500.00	500.00	452.40		47.60
Beach Maintenance					
Other Expenses	3,100.00	3,100.00	2,337.16		762.84
<u>Education Functions</u>					
Participation in Free County Library					
Other Expenses	5,000.00	5,000.00			5,000.00
<u>Other Common Operating Functions</u>					
Celebration of Public Events					
Other Expenses	2,500.00	2,500.00	2,199.83		300.17
<u>Solid Waste Disposal Costs</u>					
Disposal Costs					
Other Expenses	517,500.00	466,500.00	389,228.86		77,271.14

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 8

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u>					
Code Enforcement and Zoning Officer					
Salaries and Wages	\$ 60,000.00	\$ 60,000.00	\$ 44,566.71	\$ 15,433.29	\$
Other Expenses	2,650.00	2,650.00	607.96	2,042.04	
Construction Official					
Salaries and Wages	102,500.00	102,500.00	86,516.57	15,983.43	
Other Expenses	2,000.00	2,000.00	410.96	1,589.04	
<u>Unclassified</u>					
Utilities:					
Electricity	130,000.00	130,000.00	111,607.65	18,392.35	
Street Lighting	70,000.00	70,000.00	67,294.43	2,705.57	
Telephone and Telegraph	40,000.00	40,000.00	29,456.75	10,543.25	
Natural Gas	38,000.00	38,000.00	25,714.48	12,285.52	
Gasoline, Diesel Fuel and Oil	125,000.00	145,000.00	143,912.32	1,087.68	
Cell Telephones	13,000.00	13,000.00	12,321.16	678.84	
Sick Leave Trust	15,000.00	15,000.00	15,000.00		
Total Operations within Caps	<u>7,555,112.00</u>	<u>7,554,112.00</u>	<u>6,678,194.76</u>	<u>875,917.24</u>	
Detail:					
Salaries and Wages	3,739,000.00	3,748,000.00	3,457,411.78	290,588.22	
Other Expenses	3,816,112.00	3,806,112.00	3,220,782.98	585,329.02	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Public Employees Retirement System	194,000.00	194,000.00	193,449.73	550.27	
Social Security System	300,000.00	300,000.00	261,870.73	38,129.27	
Police and Fireman's Retirement System	369,000.00	369,000.00	368,331.65	668.35	
Defined Contribution Retirement System	1,250.00	2,250.00	1,980.77	269.23	
Total Statutory Expenditures within Caps	<u>864,250.00</u>	<u>865,250.00</u>	<u>825,632.88</u>	<u>39,617.12</u>	
Total Appropriations within Caps	<u>8,419,362.00</u>	<u>8,419,362.00</u>	<u>7,503,827.64</u>	<u>915,534.36</u>	

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 8

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
LOSAP					
Other Expenses	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00		\$
Disposal Costs (P.L. 2007, Ch 311)					
Other Expenses	1,850.00	1,850.00	1,850.00		
<u>Shared Services Agreements</u>					
Borough of Island Heights					
Sub-Code Official Services	12,000.00	12,000.00	12,000.00		
Borough of South Toms River					
Sub-Code Official Services	25,000.00	25,000.00	25,000.00		
<u>Public and Private Programs Offset by Revenues</u>					
Matching Funds for Grants	651.25	651.25		651.25	
Body Armor Fund (40A:4-87 + 1,946.21)		1,946.21	1,946.21		
Clean Communities Program (40A:4-87 + 22,542.27)		22,542.27	22,542.27		
Municipal Alliance Grant					
State Share (40A:4-87 + 25,395.00)		25,395.00	25,395.00		
Local Share	6,348.75	6,348.75	6,348.75		
Safe and Secure Communities Program	60,000.00	60,000.00	60,000.00		
Total Operations Excluded from Caps	<u>145,850.00</u>	<u>195,733.48</u>	<u>195,082.23</u>	<u>651.25</u>	
Detail:					
Salaries and Wages	60,000.00	60,000.00	60,000.00		
Other Expenses	85,850.00	135,733.48	135,082.23	651.25	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>		

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 8

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	\$ 675,000.00	\$ 675,000.00	\$ 675,000.00	\$	\$
Payment of Bond Anticipation Notes and Capital Notes	95,813.36	95,813.36	95,813.36		336.25
Interest on Bonds	216,000.00	216,000.00	215,663.75		622.50
Interest on Notes	48,000.00	48,000.00	47,377.50		
New Jersey Economic Development Authority Municipal Infrastructure Fund Loan Principal	11,013.73	11,013.73	11,013.73		
Municipal Infrastructure Trust Loan Principal	5,000.00	5,000.00			5,000.00
Interest	8,700.00	8,700.00			8,700.00
Ⓜ Total Municipal Debt Service Excluded from Caps	<u>1,059,527.09</u>	<u>1,059,527.09</u>	<u>1,044,868.34</u>		<u>14,658.75</u>
Ⓢ Total General Appropriations Excluded from Caps	<u>1,255,377.09</u>	<u>1,305,260.57</u>	<u>1,289,950.57</u>	<u>651.25</u>	<u>14,658.75</u>
Subtotal General Appropriations Reserve for Uncollected Taxes	9,674,739.09 954,308.54	9,724,622.57 954,308.54	8,793,778.21 954,308.54	916,185.61	14,658.75
Total General Appropriations	<u>\$ 10,629,047.63</u>	<u>\$ 10,678,931.11</u>	<u>\$ 9,748,086.75</u>	<u>\$ 916,185.61</u>	<u>\$ 14,658.75</u>
<u>Ref.</u>		A-1	A-3	A	A-1
Budget		\$ 10,629,047.63			
Appropriation by 40A:4-87		49,883.48			
		<u>\$ 10,678,931.11</u>			

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 8 of 8

	<u>Ref.</u>	<u>Expended Paid or Charged</u>
Disbursements	<u>A-4</u>	\$ 8,362,760.81
Reserve for:		
Uncollected Taxes	A-2	954,308.54
Encumbrances	A	314,785.17
Interfunds:		
Grant Fund	A-15	<u>116,232.23</u>
	A-3	<u>\$ 9,748,086.75</u>

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

TRUST FUND

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - TRUST FUNDS

Exhibit B

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 2,854.04	\$ 3,040.23
<u>Other Trust</u>			
Cash	B-1	2,024,388.30	1,976,322.49
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Funds Held by Trustee	B-5	248,970.07	221,834.24
		\$ 2,276,212.41	\$ 2,201,196.96
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Prepaid Animal Control Licenses	B-1,3	\$ 965.60	\$ 1,067.60
Due State of New Jersey	B-2	172.20	233.40
Reserve for Expenditures	B-3	1,625.84	1,650.83
Interfund - Current Fund		90.40	88.40
		2,854.04	3,040.23
<u>Other Trust</u>			
Interfund - Current Fund		17,906.34	17,906.34
Miscellaneous Reserves	B-4	2,006,481.96	1,958,416.15
		2,024,388.30	1,976,322.49
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-5	248,970.07	221,834.24
		\$ 2,276,212.41	\$ 2,201,196.96

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

GENERAL CAPITAL FUND

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - GENERAL CAPITAL FUND

Exhibit C

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	C-2	\$ 3,450,942.59	\$ 2,683,149.58
NJEIT Loan Receivable	C-3	101,905.00	101,905.00
Deferred Charges to Future Taxation:			
Funded	C-4	5,812,442.54	6,531,247.27
Unfunded	C-5	9,471,716.00	9,156,216.00
Interfunds:			
Current Fund	C-7	147,893.96	
Water Utility Operating Fund	C-7	132,786.71	40,000.00
		<u>\$ 19,117,686.80</u>	<u>\$ 18,512,517.85</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-6	\$ 58,769.75	\$ 43,019.75
Interfund - Water Utility Capital Fund	C-7	53.71	519,040.56
Improvement Authorizations:			
Funded	C-8	253,374.70	257,530.78
Unfunded	C-8	2,904,942.28	3,468,737.17
Reserve for Encumbrances	C-8	619,734.28	397,077.26
Serial Bonds	C-9	5,463,000.00	6,138,000.00
NJEIT Loan Payable:			
Trust Loan	C-10	190,000.00	195,000.00
Fund Loan	C-11	159,442.54	198,247.27
Bond Anticipation Notes	C-12	8,383,750.00	6,490,000.00
Reserve for Retirement of Debt	C-2	571,945.92	364,436.14
Fund Balance	C-1	512,673.62	441,428.92
		<u>\$ 19,117,686.80</u>	<u>\$ 18,512,517.85</u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$1,087,966.00 for general improvements (Schedule C-13) and on December 31, 2016 of \$2,666,216.00 for general improvements.

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 441,428.92
Increased by:		
Premium on Sale of Notes	C-2	<u>71,244.70</u>
Balance December 31, 2017	C	<u>\$ 512,673.62</u>

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

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WATER UTILITY FUND

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - WATER UTILITY FUND

Exhibit D

REGULATORY BASIS

Sheet 1 of 2

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	\$ 1,188,729.02	\$ 1,181,735.09
Cash - Change Fund		200.00	200.00
		<u>1,188,929.02</u>	<u>1,181,935.09</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	208,879.86	223,337.88
Total Operating Fund		<u>1,397,808.88</u>	<u>1,405,272.97</u>
Capital Fund:			
Cash	D-5	1,313,258.51	545,434.44
Fixed Capital	D-8	13,401,304.13	13,401,304.13
Fixed Capital Authorized and Uncompleted	D-9	2,300,000.00	2,000,000.00
Interfund - General Capital Fund	D-14	53.71	519,040.56
Deferred Charges - Unfinanced Costs	D-16		29,634.42
Total Capital Fund		<u>17,014,616.35</u>	<u>16,495,413.55</u>
		<u>\$ 18,412,425.23</u>	<u>\$ 17,900,686.52</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4,10	\$ 94,589.31	\$ 184,543.04
Reserve for Encumbrances	D-4,10	98,660.09	87,507.76
Interfund - General Capital Fund	D-13	132,786.71	40,000.00
Prepaid Rents	D-5,7	46,082.49	46,724.47
Accrued Interest on Bonds, Loans and Notes	D-11	62,217.53	69,064.66
		<u>434,336.13</u>	<u>427,839.93</u>
Reserve for Receivables		208,879.86	223,337.88
Fund Balance	D-1	754,592.89	754,095.16
Total Operating Fund		<u>1,397,808.88</u>	<u>1,405,272.97</u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - WATER UTILITY FUND

Exhibit D

REGULATORY BASIS

Sheet 2 of 2

DECEMBER 31, 2017 AND 2016

<u>Liabilities, Reserves and Fund Balance (Continued)</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Capital Fund:			
Capital Improvement Fund	D-12	\$ 43,950.00	\$ 41,050.00
Improvement Authorizations:			
Funded	D-15		25,000.00
Unfunded	D-15	612,523.01	1,075,327.01
Reserve for Encumbrances	D-15	674,016.13	133,952.07
Reserve for Retirement of Debt	D-16		511,856.29
Reserve for Amortization	D-16	7,757,785.14	6,911,196.64
Deferred Reserve for Amortization	D-17	37,870.00	25,000.00
Serial Bonds	D-18	1,805,000.00	1,920,000.00
N.J. Environmental Infrastructure:			
Trust Loan	D-19	1,165,774.68	1,260,774.68
Fund Loan	D-20	799,989.89	899,332.81
Bond Anticipation Notes	D-21	3,805,250.00	3,410,000.00
Fund Balance	D-2	312,457.50	281,924.05
Total Capital Fund		<u>17,014,616.35</u>	<u>16,495,413.55</u>
		<u>\$ 18,412,425.23</u>	<u>\$ 17,900,686.52</u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$329,634.42 for utility improvements (Schedule D-22) and on December 31, 2016 of \$975,000.00 for utility improvements.

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

WATER UTILITY OPERATING FUND

Exhibit D-1

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

REGULATORY BASIS

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	D-3	\$ 375,000.00	\$ 573,950.00
Water Rents	D-3	1,743,691.84	1,674,150.93
Fire Hydrant Services	D-3	12,600.00	12,600.00
Miscellaneous Revenue Anticipated	D-3	44,474.58	43,087.17
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-10	187,174.47	191,758.83
Total Income		<u>2,362,940.89</u>	<u>2,495,546.93</u>
<u>Expenditures</u>			
Operating	D-4	1,362,100.00	1,440,550.00
Capital Improvements	D-4	5,400.00	27,900.00
Debt Service	D-4	518,843.16	520,392.44
Deferred Charges and Statutory Expenditures	D-4	101,100.00	99,100.00
Refund of Prior Year Revenue	D-5		210.00
Total Expenditures		<u>1,987,443.16</u>	<u>2,088,152.44</u>
Excess in Revenue		375,497.73	407,394.49
Fund Balance January 1	D	754,095.16	920,650.67
		<u>1,129,592.89</u>	<u>1,328,045.16</u>
Decreased by:			
Utilization by Water Operating Budget	D-1	<u>375,000.00</u>	<u>573,950.00</u>
Fund Balance December 31	D	<u>\$ 754,592.89</u>	<u>\$ 754,095.16</u>

WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Exhibit D-2

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 281,924.05
Increased by:		
Premium on Sale of Notes	D-5	<u>30,533.45</u>
Balance December 31, 2017	D	<u>\$ 312,457.50</u>

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

WATER UTILITY OPERATING FUND

Exhibit D-3

STATEMENT OF REVENUES - REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	<u>D-1</u>	\$ <u>375,000.00</u>	\$ <u>375,000.00</u>	\$ _____
Miscellaneous	D-1,3	30,000.00	44,474.58	14,474.58
Fire Hydrant Service	D-1,5	12,600.00	12,600.00	
Rents	D-1,7	<u>1,600,000.00</u>	<u>1,743,691.84</u>	<u>143,691.84</u>
		<u>1,642,600.00</u>	<u>1,800,766.42</u>	<u>158,166.42</u>
		\$ <u>2,017,600.00</u>	\$ <u>2,175,766.42</u>	\$ <u>158,166.42</u>
	<u>Ref.</u>	D-4		
<u>Analysis of Miscellaneous Revenue</u>				
Fire Protection Services			\$ 1,247.50	
Connection Fees			4,800.00	
Interest on Deposits			728.21	
Interest on Delinquent Accounts			<u>37,698.87</u>	
	D-3,5		\$ <u>44,474.58</u>	

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

WATER UTILITY OPERATING FUND

Exhibit D-4

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating					
Salaries and Wages	\$ 635,000.00	\$ 635,000.00	\$ 620,025.00	\$ 14,975.00	\$
Other Expenses	727,100.00	727,100.00	655,880.36	71,219.64	
Capital Improvements					
Capital Improvement Fund	2,900.00	2,900.00	2,900.00		
Capital Outlay	2,500.00	2,500.00	1,325.02	1,174.98	
Debt Service					
Payment of Bond Principal	115,000.00	115,000.00	115,000.00		
Payment of Bond Anticipation Notes	68,000.00	68,000.00	67,893.71		106.29
Interest on Bonds	73,000.00	73,000.00	70,589.46		2,410.54
Interest on Notes	25,000.00	25,000.00	25,000.00		
Infrastructure Loans:					
Principal	195,000.00	195,000.00	194,342.92		657.08
Interest	73,000.00	73,000.00	46,017.07		26,982.93
Deferred Charges and Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	49,000.00	49,000.00	48,362.18	637.82	
Social Security System	52,000.00	52,000.00	45,518.13	6,481.87	
Unemployment Compensation Insurance	100.00	100.00		100.00	
	<u>\$ 2,017,600.00</u>	<u>\$ 2,017,600.00</u>	<u>\$ 1,892,853.85</u>	<u>\$ 94,589.31</u>	<u>\$ 30,156.84</u>
Ref.	D-3	D-1		D	D-1
Reserve for Encumbrances			\$ 98,660.09		
Disbursements			1,645,292.73		
Accrued Interest on Bonds, Loans and Notes			148,901.03		
			<u>\$ 1,892,853.85</u>		

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

PAYROLL FUND

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - PAYROLL FUND

Exhibit G

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	G-1	\$ 433.89	\$ 3,866.04
Due from State of New Jersey	G-2	<u>3,101.64</u>	<u> </u>
		<u>\$ 3,535.53</u>	<u>\$ 3,866.04</u>
<u>Liabilities</u>			
Interfunds:			
Current Fund	G-2	\$ 2,003.46	\$ 2,003.46
Payroll Deductions Payable	G-2	<u>1,532.07</u>	<u>1,862.58</u>
		<u>\$ 3,535.53</u>	<u>\$ 3,866.04</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

BALANCE SHEET - GENERAL FIXED ASSETS ACCOUNT GROUP

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
General Fixed Assets:		
Land	\$ 20,288,400.00	\$ 20,288,400.00
Buildings	3,584,608.00	3,570,658.00
Improvements - Other than Buildings	1,693,568.00	1,693,568.00
Machinery and Equipment	<u>7,188,012.00</u>	<u>6,752,860.00</u>
	<u>\$ 32,754,588.00</u>	<u>\$ 32,305,486.00</u>
<u>Liabilities</u>		
Investment in General Fixed Assets	<u>\$ 32,754,588.00</u>	<u>\$ 32,305,486.00</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Governmental Accounting Standards Board (“GASB”) Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The financial statements of the Beachwood Sewerage Authority are reported separately.

B. Descriptions of Funds

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

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles (“GAAP”):

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

Animal Control Trust Fund - animal control license revenues and expenditures

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Water Utility Operating Fund - revenues and expenditures necessary to operate a municipally-owned water supply system from user fees

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

Payroll Fund - receipt and disbursement for payroll costs and payroll taxes

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

C. Basis of Accounting

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

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

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

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

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2017 is set forth in Note 4.

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

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

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

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 balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

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

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

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

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

During 2017 and 2016 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Expended from</u> <u>Current or</u> <u>Capital Fund</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
General Fixed Assets Account Group:			
Land	\$ 20,288,400	\$	\$ 20,288,400
Buildings	3,570,658	13,950	3,584,608
Improvements - Other than Buildings	1,693,568		1,693,568
Machinery and Equipment	6,752,860	435,152	7,188,012
Water Utility Fund:			
Fixed Capital	13,401,304		13,401,304
Fixed Capital Authorized and Uncompleted	<u>2,000,000</u>	<u>300,000</u>	<u>2,300,000</u>
	<u>\$ 47,706,790</u>	<u>\$ 749,102</u>	<u>\$ 48,455,892</u>

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Expended from</u> <u>Current or</u> <u>Capital Fund</u>	<u>Deletions or</u> <u>Authorizations</u> <u>Cancelled</u>	<u>Transfers</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Fixed Assets Account Group:					
Land	\$ 20,288,400	\$	\$	\$	\$ 20,288,400
Buildings	3,570,658				3,570,658
Improvements - Other than Buildings	1,693,568				1,693,568
Machinery and Equipment	6,456,572	296,288			6,752,860
Water Utility Fund:					
Fixed Capital	6,208,075		223,106	7,416,335	13,401,304
Fixed Capital Authorized and Uncompleted	<u>10,220,000</u>	<u>500,000</u>	<u>1,303,665</u>	<u>(7,416,335)</u>	<u>2,000,000</u>
	<u>\$ 48,437,273</u>	<u>\$ 796,288</u>	<u>\$ 1,526,771</u>	<u>\$</u>	<u>\$ 47,706,790</u>

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Impact of Recently Issued Accounting Pronouncements

Adopted Accounting Pronouncements

The following GASB Statements became effective for the year ended December 31, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement will be effective for the year ended December 31, 2018. The adoption of this Statement had no impact on the Borough's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. The adoption of this Statement had no impact on the Borough's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The adoption of this Statement had no impact on the Borough's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the Borough's financial statements.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Impact of Recently Issued Accounting Pronouncements (Continued)

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Borough's financial statements.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Impact of Recently Issued Accounting Pronouncements (Continued)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This statement will be effective for the year ended December 31, 2020. Management does not expect this Statement to have a material impact on the Borough's financial statements.

E. Financial Statements

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

F. Budgets and Budgetary Accounting

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

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

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

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

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

At year-end the carrying amount of the Borough's deposits was \$13,942,876 and the bank balance amount was \$14,153,640. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the \$13,857,415. An amount of \$46,225 was on deposit in the name of various developers for escrow and is insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the depository.

B. Investments

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

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States
- (2) Government money market mutual funds
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a. (6) Municipal investment pools
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed

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

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

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Borough had no investments in qualified securities at December 31, 2017.

C. Cash Management Plan

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

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Credit Risk Categories

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
GUDPA	13,857,415	11,917,131
Escrow Deposits	<u>46,225</u>	<u>42,466</u>
	\$ <u>14,153,640</u>	\$ <u>12,209,597</u>

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

NOTE 3. DEBT

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt

The Borough's long-term debt is summarized as follows:

General Capital Fund

Serial Bonds

3.00% to 4.00% General Improvement Bonds issued April 28,
2010, installment maturities to April 1, 2024 \$ 5,463,000

The bonds mature serially to 2024. Aggregate debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 695,000	\$ 193,376
2019	720,000	168,614
2020	750,000	142,513
2021	775,000	114,967
2022	810,000	84,720
2023-24	<u>1,713,000</u>	<u>69,180</u>
	\$ <u>5,463,000</u>	\$ <u>773,370</u>

New Jersey Environmental Infrastructure Program

The Borough has two loans with the New Jersey Environmental Infrastructure Program to fund stormwater outflows. The first loan from the New Jersey Environmental Infrastructure Fund amounting to \$209,261 is payable semi-annually until 2034 with no interest. The second loan from the New Jersey Environmental Infrastructure Trust amounting to \$200,000 is payable semi-annually until 2034 with interest from 4% to 5%. A portion of the fund loan of \$27,791 was cancelled in 2017.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

General Capital Fund (Continued)

New Jersey Environmental Infrastructure Program (Continued)

* <u>Year</u>	<u>Infrastructure Fund</u>		<u>Infrastructure Trust</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,014	\$ -0-	\$ 5,000	\$ 8,450
2019	11,013	-0-	10,000	8,200
2020	11,014	-0-	10,000	7,700
2021	11,014	-0-	10,000	7,200
2022	11,013	-0-	10,000	6,700
2023-27	55,069	-0-	50,000	26,000
2028-32	49,306	-0-	65,000	14,400
2033-34		-0-	30,000	1,800
Total	\$ <u>159,443</u>	\$ <u>None</u>	\$ <u>190,000</u>	\$ <u>80,450</u>

* The amounts reflected above may be offset by income credits.

Water Utility Capital Fund

Serial Bonds

3.00% to 4.15% Water Utility Bonds issued April 28,
2010, installment maturities to April 1, 2029

\$ 1,805,000

The bonds mature serially to the year 2029. Aggregate debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 120,000	\$ 68,651
2019	125,000	64,364
2020	130,000	59,836
2021	135,000	55,049
2022	140,000	49,803
2023-27	620,000	168,412
2028-29	<u>535,000</u>	<u>33,305</u>
	\$ <u>1,805,000</u>	\$ <u>499,420</u>

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

Water Utility Capital Fund (Continued)

New Jersey Environmental Infrastructure Program

The Borough has four loans with the New Jersey Environmental Infrastructure Program to fund water system improvements. The first loan from the New Jersey Environmental Infrastructure Fund amounting to \$292,644 is payable semi-annually until 2024 with no interest. The second loan from the New Jersey Environmental Infrastructure Trust amounting to \$290,000 is payable semi-annually until 2024 with interest from 4% to 5%. The third and fourth loans were issued during 2008. The balance as of December 31, 2017, for the Trust and Fund Loans was \$1,540,000 and \$1,240,625, respectively. The Trust and Fund Loans are payable semi-annually until 2028 with interest from 5% to 5.5% for the Trust Loan and no interest for the Fund Loan. The aggregate debt service requirements are as follows:

*	Infrastructure Fund		Infrastructure Trust	
Year	Principal	Interest	Principal	Interest
2018	\$ 99,441	\$ -0-	\$ 100,000	\$ 69,719
2019	102,595	-0-	110,000	64,719
2020	102,113	-0-	115,000	58,994
2021	101,343	-0-	120,000	52,768
2022	100,414	-0-	105,775	46,269
2023-27	294,084	-0-	605,000	128,050
2028	_____	-0-	10,000	6,750
Total	\$ <u>799,990</u>	\$ <u>None</u>	\$ <u>1,165,775</u>	\$ <u>427,269</u>

* The amounts reflected above may be offset by income credits.

B. Short-Term Debt

On December 31, 2017 the Borough's outstanding Bond Anticipation Notes were as follows:

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 3. DEBT (CONTINUED)

B. Short-Term Debt (Continued)

General Capital Fund

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
2010-09	Various Drainage Improvements and Roadway Repairs	\$ 635,000	2.00%
2010-11	Various Capital Improvements	148,000	2.00%
2011-05	Various Capital Improvements	292,500	2.00%
2012-05	Various Capital Improvements	561,000	2.00%
2013-01	Repairs Due to Hurricane Sandy	302,250	2.00%
2013-08	Various Capital Improvements	600,000	2.00%
2014-05	Various Capital Improvements	635,000	2.00%
2014-06, 2014-11	Improvements to Mayo Park and Construction of a Recreation Center	1,106,000	2.00%
2015-09	Various Capital Improvements	1,750,000	2.00%
2015-09	Various Capital Improvements	957,500	2.00%
2016-09	Various Capital Improvements	<u>1,396,500</u>	2.00%
		\$ <u>8,383,750</u>	

Water Utility Capital Fund

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
2010-10	Well Number 5 and Related Improvements	\$ 1,194,300	2.00%
2012-06	Water Utility Improvements	648,820	2.00%
2013-07	Water Utility Improvements	487,130	2.00%
2014-04	Water Utility Improvements	500,000	2.00%
2015-08	Water Utility Improvements	475,000	2.00%
2016-10	Water Utility Improvements	<u>500,000</u>	2.00%
		\$ <u>3,805,250</u>	

C. Bonds and Notes Authorized But Not Issued

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

	<u>2017</u>	<u>2016</u>
General Capital Fund	\$ 1,087,966	\$ 2,666,216
Water Utility Capital Fund	329,634	975,000

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 3. DEBT (CONTINUED)

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2017 was 1.683%. The Borough's remaining borrowing power is 1.817%.

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

E. Summary of Debt Service

During 2017 and 2016 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due within</u> <u>One Year</u>
General Debt:						
Serial Bonds	\$ 6,138,000	\$	\$ 675,000	\$	\$ 5,463,000	\$ 695,000
Bond Anticipation Notes	6,490,000	2,354,000	460,250		8,383,750	8,383,750
Loans Payable	393,247		16,013	27,791	349,443	16,014
Water Utility Fund Debt:						
Serial Bonds	1,920,000		115,000		1,805,000	120,000
Bond Anticipation Notes	3,410,000	975,000	579,750		3,805,250	3,805,250
Loans Payable	2,160,108		194,343		1,965,765	199,441
	<u>\$ 20,511,355</u>	<u>\$ 3,329,000</u>	<u>\$ 2,040,356</u>	<u>\$ 27,791</u>	<u>\$ 21,772,208</u>	
	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due within</u> <u>One Year</u>
General Debt:						
Serial Bonds	\$ 6,788,000	\$	\$ 650,000	\$	\$ 6,138,000	\$ 675,000
Bond Anticipation Notes	5,000,000	1,750,000	260,000		6,490,000	6,490,000
Loans Payable	409,261		16,014		393,247	16,014
Water Utility Fund Debt:						
Serial Bonds	2,035,000		115,000		1,920,000	115,000
Bond Anticipation Notes	3,470,000		60,000		3,410,000	3,410,000
Loans Payable	2,780,625		189,004	431,513	2,160,108	194,343
	<u>\$ 20,482,886</u>	<u>\$ 1,750,000</u>	<u>\$ 1,290,018</u>	<u>\$ 431,513</u>	<u>\$ 20,511,355</u>	

NOTE 4. COMPENSATED ABSENCES

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$753,126 and \$730,290 at December 31, 2017 and 2016, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements. The Borough had in reserve, in its' Sick Leave Trust, \$83,031 and \$80,298 at December 31, 2017 and 2016 respectively to partially fund this liability.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 5. FUND BALANCES APPROPRIATED

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

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 1,800,000	\$ 1,800,000
Water Utility Fund	380,467	375,000

NOTE 6. TAXES COLLECTED IN ADVANCE

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

	<u>Balance December 31</u>	
	<u>2017</u>	<u>2016</u>
Prepaid Taxes	\$ 376,969	\$ 248,527
Prepaid Water Rents	46,082	46,724

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$237,416 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Net Pension Liability and Pension Expense - At June 30, 2017, the State reported a net pension liability of \$6,040,393 for the Borough's proportionate share of the total PERS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough's proportion was 0.02595 percent, which was a decrease of 0.00077 percent from its proportion measured as of June 30 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Actuarial Valuation Date	July 1, 2017	July 1, 2016
Net Pension Liability	\$ 6,040,393	\$ 7,915,009
Borough's Portion of the Plans Total		
Net Pension Liability	0.02595%	0.02672%

For the year ended December 31, 2017, the Borough had an allocated pension expense of \$438,198.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25%	3.08%
Salary Increases:		
Through 2026	1.65 - 4.15%	1.65 - 4.15%
Thereafter	2.65 - 5.15%	2.65 - 5.15%
Investment Rate of Return	7.00%	7.65%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>Decrease</u> <u>(4.00%)</u>	<u>Discount</u> <u>(5.00%)</u>	<u>Increase</u> <u>(6.00%)</u>
Borough Proportionate Share of the Net Pension Liability	\$ 7,493,517	\$ 6,040,393	\$ 4,829,760

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

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

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

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

The following represents the membership tiers for PFRS:

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$367,949 for 2017.

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

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

Net Pension Liability and Pension Expense - At June 30, 2017, the State reported a net pension liability of \$6,907,719 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough's proportion was 0.04474 percent, which was a decrease of 0.00038 percent from its proportion measured as of June 30 2016.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Net Pension Liability and Pension Expense (Continued)

Collective Balances at December 31, 2017 and December 31, 2016

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Actuarial Valuation Date	July 1, 2017	July 1, 2016
Net Pension Liability	\$ 6,907,719	\$ 8,620,651
Borough's Portion of the Plans Total		
Net Pension Liability	0.04474%	0.04513%

For the year ended December 31, 2017, the Borough had an allocated pension expense of \$367,949.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$773,723 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2017 was .04474%, which was a decrease of .00038% from its proportion measured as of June 30, 2016, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 6,907,719
State's Proportionate Share of the Net Pension Liability	
Associated with the Borough	<u>773,723</u>
Total Net Pension Liability	\$ <u>7,681,442</u>

For the year ended December 31, 2017, the Borough's total allocated pension expense was \$799,377.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25%	3.08%
Salary Increases:		
Through 2026	2.10 - 8.98%	2.10 - 8.98%
Thereafter	3.10 - 9.98%	3.10 - 9.98%
Investment Rate of Return	7.00%	7.65%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be either be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 8. PENSION OBLIGATIONS (CONTINUED)

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

Sensitivity of the Borough's Proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	<u>Decrease</u> <u>(5.14%)</u>	<u>Discount</u> <u>(6.14%)</u>	<u>Increase</u> <u>(7.14%)</u>
Borough Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the Borough	\$ 9,101,489	\$ 6,907,719	\$ 5,105,288

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by *N.J.S.A.43:15C-1 et. seq.*

The 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. In addition to the employee contributions, the Borough's contribution amounts 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.

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

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the Borough provides postretirement health care benefits to full-time employees who retire from the Borough with twenty years of service or police who retire on disability. Currently, seventy retirees meet those requirements. Expenditures for postretirement health care benefits are recognized when the insurance premiums are charged to the budget. During 2017 and 2016, expenditures, net of contributions, of \$172,766 and \$164,290, respectively, were recognized for postretirement health care.

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 10. SCHOOL TAXES

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

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

	<u>Regional District School Tax</u>	
	<u>Balance December 31</u>	
	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 4,097,115	\$ 4,101,649
Deferred	<u>2,190,697</u>	<u>2,190,697</u>
Tax Payable	\$ <u>1,906,418</u>	\$ <u>1,910,952</u>

NOTE 11. RISK MANAGEMENT

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 20,000	\$ 246,759
Grant Fund	98,865	
Animal Control Trust Fund		90
Other Trust Fund		17,906
General Capital Fund	280,680	54
Water Utility Operating Fund		132,787
Water Utility Capital Fund	54	
Payroll Fund	<u> </u>	<u>2,003</u>
	\$ <u>399,599</u>	\$ <u>399,599</u>

All balances resulted from the time lag between the dates that payments between the funds are made.

NOTE 13. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2017, the Borough estimates that no material liabilities will result from such audits.

Pending Litigation

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

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 14. SERVICE CONTRACT - SEWERAGE AUTHORITY

The Borough adopted an ordinance dated September 6, 1972, providing for a service contract between the Borough and the Beachwood Sewerage Authority (the "Authority"), which, among other things, obligates the Borough to pay to the Authority such sums of money as may be necessary to provide for deficits which result from failure of the Authority to provide adequate revenues from the operations of the Authority.

The Authority has been self-sustaining since its inception resulting in no payments having ever been made by the Borough to the Authority to cover operating deficits.

NOTE 15. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED

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

Annual Contributions - The annual contribution to be made by the Borough for each active volunteer member shall be \$750 per year of active fire department service, commencing with the year 2003.

Appropriations - Appropriations for the purpose of funding the Borough's LOSAP shall be included as a separate line item in the Borough's budget, commencing with the year 2003.

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

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

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 15. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED
(CONTINUED)

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

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

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

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

NOTE 16. DEFERRED COMPENSATION

The Borough has instituted a Deferred Compensation Plan (“Plan”) pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Borough has engaged a private contractor to administer the Plan.

NOTE 17. SUBSEQUENT EVENT - DEBT AUTHORIZED

At the audit date the Township had adopted the following ordinance in 2018 authorizing the issuance of additional debt:

<u>Ordinance</u> <u>Number</u>	<u>Project</u>	<u>Amount of</u> <u>Debt Authorized</u>
2018-02	Acquisition of Real Property	\$ 228,000

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APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Beachwood, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its General Improvement Bond Anticipation Notes in the aggregate principal amount of \$9,633,000 (the "General Improvement Notes") and its Water Utility Bond Anticipation Notes in the aggregate principal amount of \$4,357,000 (the "Water Utility Notes", and together with the General Improvement Notes, the "Notes"). The Notes are being issued pursuant to various bond ordinances duly adopted by the Issuer. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the credit or liquidity providers or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;

9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Noteholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon

materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____, 2019

BOROUGH OF BEACHWOOD, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
John Mauder, Chief Financial Officer

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APPENDIX D
FORM OF BOND COUNSEL'S OPINION

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*An opinion in substantially the following form
will be delivered at Closing, assuming
no material changes of fact or law.*

_____, 2019

Mayor and Borough Council of the
Borough of Beachwood, in the
County of Ocean, New Jersey

Re: Borough of Beachwood, in the County of Ocean, New Jersey
\$9,633,000 General Improvement Bond Anticipation Notes
\$4,357,000 Water Utility Bond Anticipation Notes

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Beachwood, in the County of Ocean, New Jersey (the "Issuer") of its General Improvement Bond Anticipation Notes in the aggregate principal amount of \$9,633,000 (the "General Improvement Notes") and its Water Utility Bond Anticipation Notes in the aggregate principal amount of \$4,357,000 (the "Water Utility Notes", and together with the General Improvement Notes, the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer is available to pay the principal of and interest on the Notes. The Notes are dated their date of delivery, are issued in registered form, mature on March 5, 2020 are not subject to redemption prior to maturity and bear interest at a rate of 3.00 percent per annum payable at maturity.

The Notes will be initially issued in fully registered book-entry form only in the form of one certificate for the aggregate amount of each of the General Improvement Notes and the Water Utility Notes, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Notes. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be

responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or greater through book-entries on the books and records of DTC and its participants.

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the "Act"), and bond ordinances of the Issuer numbered 2010-09, 2010-10, 2010-11, 2011-05, 2012-05, 2012-06, 2013-01, 2013-07, 2013-08, 2014-04, 2014-05, 2014-06 as amended by 2014-11, 2015-08, 2015-09, 2016-09, 2016-10, 2017-04, 2017-05, 2018-02, 2018-06 and 2018-07 (collectively, the "Ordinances"). The Notes are issued for the purpose of providing funds to finance and refinance various capital and water utility improvements as described in the Ordinances (collectively, the "Project"). The Project was authorized by the Ordinances.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Notes, including (a) a copies of the Ordinances; (b) such matters of law, including *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Notes as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the forms of the proceedings and other certifications of public officials to be executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming that the Notes and other documents and certificates are executed and delivered as instructed by us, we are of the opinion that:

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinances have been duly authorized and adopted by the Issuer; and the Notes and the Ordinances are legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

2. Assuming the Issuer observes its covenants with respect to compliance with the Code, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In addition, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals.

Mayor and Borough Council of the
Borough of Beachwood, in the
County of Ocean, New Jersey

_____, 2019

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3. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Issuer to pay the Notes is unlimited, and the Issuer shall have the power and be obligated to levy ad valorem taxes upon all the taxable real property within the Issuer for the payment of the Notes and interest thereon, without limitation of rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

GLUCKWALRATH LLP

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