

**CITY OF ABSECON
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2025**

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CITY OF ABSECON

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Absecon, as of December 31, 2025, the related statement of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. The financial statements of the City of Absecon as of December 31, 2024 were audited by other auditors whose report dated August 7, 2025 expressed an adverse opinion on those statements in accordance with Generally Accepted Accounting Principles and an unmodified opinion on those statements in conformity with the Regulatory Basis of Accounting as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Absecon as of December 31, 2025, or changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2025, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Absecon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Absecon 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Absecon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 City of Absecon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Absecon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Absecon basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the City of Absecon'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 the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Absecon's internal control over financial reporting and compliance.

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

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

June 30, 2026

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EXHIBIT - A
CURRENT FUND

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

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 6,428,636.64	6,101,262.74
Cash - Change	650.00	650.00
Total Cash	<u>6,429,286.64</u>	<u>6,101,912.74</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	350.11	418.06
Total Other Receivables	<u>350.11</u>	<u>418.06</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	90,004.60	189,298.11
Tax Title and Other Liens	145,504.00	174,034.07
Property Acquired for Taxes - at Assessed Valuation	424,900.00	416,200.00
Due from Payroll	1,346.88	
Interfund Receivable:		
State and Federal Grant Fund	-	59,537.80
Animal Control Fund	512.76	174.73
Total Receivables and Other Assets	<u>662,268.24</u>	<u>839,244.71</u>
Total Regular Fund	<u>7,091,904.99</u>	<u>6,941,575.51</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	2,399,392.26	3,232,752.14
Due from Current Fund	296,226.95	
Total Federal and State Grant Fund	<u>2,695,619.21</u>	<u>3,232,752.14</u>
Total Current Fund	<u>\$ 9,787,524.20</u>	<u>10,174,327.65</u>

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

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 491,730.48	663,959.86
Reserve for Encumbrances	381,091.94	227,348.25
Accounts Payable	6,183.30	8,857.43
Prepaid Taxes	587,604.25	489,419.92
Overpaid Taxes	14,551.48	14,551.48
Local School Tax Payable	2,702,557.51	2,582,102.99
County Added Tax Payable	9,429.29	11,344.34
Due to State:		
Vital Statistics	400.00	500.00
DCA Fees	2,081.00	4,067.00
Police Detail Payable	320.00	1,320.00
Interfund Payable:		
Grant Fund	296,226.95	
	<u>4,492,176.20</u>	<u>4,003,471.27</u>
Reserve for Receivables and Other Assets	662,268.24	839,244.71
Fund Balance	<u>1,937,460.55</u>	<u>2,098,859.53</u>
Total Regular Fund	<u>7,091,904.99</u>	<u>6,941,575.51</u>
Federal and State Grant Fund:		
Unappropriated Reserves	-	-
Appropriated Reserves	2,347,790.62	2,751,872.28
Encumbrances Payable	347,828.59	421,342.06
Due to Current Fund	-	59,537.80
Total Federal and State Grant Fund	<u>2,695,619.21</u>	<u>3,232,752.14</u>
Total Current Fund	<u>\$ 9,787,524.20</u>	<u>10,174,327.65</u>

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

	<u>2025</u>	<u>2024</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,500,000.00	1,915,000.00
Miscellaneous Revenue Anticipated	2,147,891.62	4,277,588.83
Receipts from Delinquent Taxes	227,313.88	143,254.65
Receipts from Current Taxes	25,547,649.93	24,181,415.20
Non Budget Revenue	463,819.84	98,348.76
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	421,374.20	480,382.84
Interfund Returned	58,102.69	22,022.72
Tax Overpayment Canceled	-	3,800.71
Miscellaneous Adjustment	30.12	2,207.00
Voided Prior Year Checks	375.00	
Accounts Payable Canceled	385.00	
Total Income	<u>30,366,942.28</u>	<u>31,124,020.71</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	4,237,400.00	4,344,500.00
Other Expenses	4,143,380.00	4,054,100.00
Deferred Charges & Statutory Expenditures	1,424,360.00	1,373,738.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	-	
Other Expenses	792,679.18	2,534,308.70
Capital Improvements	50,000.00	50,000.00
Debt Service	1,246,643.78	1,116,104.89
Deferred Charges	-	
Local District School Tax	12,658,187.00	12,417,278.00
County Tax	4,450,829.45	4,208,635.71
County Share of Added Tax	9,429.29	11,344.34
Interfund Created	-	174.73
Refund of Prior Year's Revenue	11,047.55	-
Other:		
Grants Receivable Cancelled	4,385.01	-
Total Expenditures	<u>29,028,341.26</u>	<u>30,110,184.37</u>
Excess/(Deficit) in Revenue	<u>1,338,601.02</u>	<u>1,013,836.34</u>

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

	<u>2025</u>	<u>2024</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>1,338,601.02</u>	<u>1,013,836.34</u>
Fund Balance January 1	<u>2,098,859.53</u>	<u>3,000,023.19</u>
	3,437,460.55	4,013,859.53
Decreased by:		
Utilization as Anticipated Revenue	<u>1,500,000.00</u>	<u>1,915,000.00</u>
Fund Balance December 31	<u>\$ 1,937,460.55</u>	<u>2,098,859.53</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
		Realized	
Fund Balance Anticipated	\$ 1,500,000.00	1,500,000.00	-
Total Fund Balance Anticipated	1,500,000.00	1,500,000.00	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	10,000.00	10,200.00	200.00
Other	15,000.00	16,061.00	1,061.00
Fees and Permits	50,000.00	51,811.95	1,811.95
Fines and Costs:			
Municipal Court	105,000.00	131,599.95	26,599.95
Interest and Costs on Taxes	46,000.00	64,508.85	18,508.85
Interest Earned on Investments	120,000.00	88,173.14	(31,826.86)
Cable Franchise Fee	35,427.92	35,427.92	-
Communications Tower Rental	125,000.00	99,257.86	(25,742.14)
Total Section A: Local Revenues	506,427.92	497,040.67	(9,387.25)
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	763,461.00	763,461.60	0.60
Watershed Aid	3,337.00	3,337.00	-
Total Section B: State Aid Without Offsetting Appropriations	766,798.00	766,798.60	0.60
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	155,000.00	128,472.00	(26,528.00)
Total Section C: Uniform Construction Code Fees	155,000.00	128,472.00	(26,528.00)
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Recycling Tonnage Grant		11,632.08	-
Sustained Enforcement		2,100.00	-
Clean Communities		26,804.31	-
Drunk Driving Enforcement		9,023.79	-
Community Development Block Grant		69,741.00	-
Local Recreation Improvement Grant		80,000.00	-
NJDOT Pedestrian Safety		4,900.00	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
		Realized	
Click it or Ticket		2,800.00	-
Drive Sober or Get Pulled Over		4,200.00	-
Speed Enforcement Mobilization		4,200.00	-
ACUA Green Team Mini Grant		200.00	-
Atlantic County CARE Grant		2,100.00	-
Distracted Driving	2,800.00	2,800.00	-
Total Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations	2,800.00	217,701.18	-
Section G: Other Special Items			
Utility Operating Surplus	84,000.00	84,000.00	-
Uniform Fire Safety Act	17,000.00	18,732.95	1,732.95
Occupancy Tax	225,000.00	230,393.47	5,393.47
Library Building Rent	31,250.00	31,250.00	-
Community Champions	8,000.00	8,320.00	320.00
PILOT - Conifer Realty	38,000.00	43,674.97	5,674.97
Redevelopment Zone Payments - Fire Stone	20,000.00	21,812.91	1,812.91
Redevelopment Zone Payments - White Horse	67,000.00	71,894.87	4,894.87
General Capital Fund Balance	25,000.00	25,000.00	-
Total Section G: Other Special Items	515,250.00	535,079.17	19,829.17
Total Miscellaneous Revenues:	1,946,275.92	2,147,891.62	(16,085.48)
Receipts from Delinquent Taxes	160,000.00	227,313.88	67,313.88
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	8,516,293.56	8,875,011.89	358,718.33
Library Tax		-	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	8,516,293.56	8,875,011.89	358,718.33
Budget Totals	12,122,569.48	12,750,217.39	409,946.73
Non- Budget Revenues:			
Other Non- Budget Revenues:		463,819.84	463,819.84
	12,122,569.48	13,214,037.23	873,766.57

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	25,547,649.93
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Less: Reserve for Tax Appeals Pending		-
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Net Revenue from Collections		25,547,649.93
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Allocated to:

School, County and Other Taxes		17,118,445.74
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Balance for Support of Municipal Budget Appropriations		8,429,204.19
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		445,807.70
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Amount for Support of Municipal Budget Appropriations		8,875,011.89
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	\$	189,298.11
Tax Title Lien Collections		38,015.77

Total Receipts from Delinquent Taxes		227,313.88
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Senior Citizen and Veterans Administrative Fee	1,203.29
Reimbursements	43,142.79
Administration Fees	28,454.00
Redevelopment Zone Payments	23,007.16
Prior Year Refunds	7,194.51
Auction Proceeds	580.00
Cannabis Tax	10,238.09
Cannabis License Fees	50,000.00
Land Sale	300,000.00

Total Miscellaneous Revenue Not Anticipated:		463,819.84
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	\$ 11,500.00	11,500.00	10,888.80		611.20	-
Other Expenses	65,000.00	65,000.00	50,601.32	3,769.43	10,629.25	-
Mayor and Council						
Salaries and Wages	77,500.00	77,500.00	77,298.00		202.00	-
Other Expenses	3,000.00	3,000.00	1,534.33		1,465.67	-
Municipal Clerk						
Salaries and Wages	67,500.00	67,500.00	66,154.64		1,345.36	-
Other Expenses	8,500.00	8,500.00	4,270.06	423.48	3,806.46	-
Financial Administration						
Salaries and Wages	35,600.00	26,600.00	25,733.67		866.33	-
Other Expenses	14,500.00	14,500.00	11,512.21		2,987.79	-
Audit Services						
Other Expenses	27,000.00	27,000.00	27,000.00		-	-
Collection of Taxes						
Salaries and Wages	88,000.00	88,000.00	75,472.78		12,527.22	-
Other Expenses	8,000.00	8,000.00	4,793.68	50.92	3,155.40	-
Assessment of Taxes						
Salaries and Wages	47,000.00	47,000.00	46,965.36		34.64	-
Other Expenses	7,000.00	7,000.00	5,576.59	50.00	1,373.41	-
Legal Services						
Other Expenses	100,000.00	100,000.00	32,306.50	51,297.50	16,396.00	-
Engineering Services and Costs						
Other Expenses	75,000.00	75,000.00	47,556.25	23,547.50	3,896.25	-
Elections						
Other Expenses	12,500.00	12,500.00	12,167.47		332.53	-
Information Technology						
Salaries and Wages	56,500.00	56,500.00	55,515.75		984.25	-
Other Expenses	118,000.00	118,000.00	80,800.56	15,774.54	21,424.90	-
Municipal Prosecutor						
Other Expenses	27,000.00	27,000.00	24,050.00	1,950.00	1,000.00	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	17,700.00	17,700.00	14,307.73		3,392.27	-
Other Expenses	20,000.00	20,000.00	9,922.87	1,480.06	8,597.07	-
Zoning Board						
Salaries and Wages	6,100.00	6,100.00	4,866.13		1,233.87	-
Other Expenses	1,000.00	1,000.00	307.50		692.50	-
Municipal Court						
Salaries and Wages	104,000.00	107,000.00	105,495.09		1,504.91	-
Other Expenses	11,500.00	11,500.00	5,543.50		5,956.50	-
Public Defender						
Other Expenses	7,200.00	7,200.00	7,200.00		-	-
PUBLIC SAFETY						
Fire Department						
Other Expenses	70,000.00	70,000.00	42,850.44	27,149.56	-	(0.00)
Fire Hydrant Services	120,000.00	123,000.00	112,530.27	10,469.73	-	(0.00)
Police Department						
Salaries and Wages	3,277,000.00	3,277,000.00	3,109,587.07		167,412.93	-
Other Expenses	117,000.00	117,000.00	91,746.58	18,149.61	7,103.81	-
PUBLIC WORKS						
Public Works Department						
Salaries and Wages	267,000.00	267,000.00	261,692.40		5,307.60	-
Other Expenses	230,000.00	230,000.00	167,248.88	32,403.99	30,347.13	-
Street Lighting	265,000.00	265,000.00	219,304.36	43,075.14	2,620.50	-
Sanitation Trash Removal						
Tipping Fees	725,000.00	725,000.00	649,717.11	70,000.00	5,282.89	-
Contractual	169,000.00	169,000.00	153,524.99	15,475.01	-	0.00
Maintenance of Motor Vehicles						
Other Expenses	120,000.00	135,000.00	102,024.41	14,699.14	18,276.45	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
HEALTH AND WELFARE						
Animal Control						
Other Expenses	8,400.00	8,400.00	7,700.00	700.00	-	-
Ambulance Service						
Other Expenses	162,750.00	162,750.00	162,750.00	-	-	-
RECREATION AND EDUCATION						
Recreation						
Salaries and Wages	6,000.00	6,000.00	6,000.00	-	-	-
Other Expenses	32,100.00	32,100.00	32,065.00	35.00	35.00	-
Public Events						
Other Expenses	53,500.00	53,500.00	43,420.39	5,891.97	4,187.64	-
Insurance						
General Liability	76,290.00	76,290.00	76,290.00	-	-	-
Workers Compensation Insurance	379,260.00	379,260.00	377,760.00	1,500.00	1,500.00	-
Employee Group Health	682,380.00	682,380.00	652,525.60	866.00	28,988.40	-
Office of Emergency Management						
Salaries and Wages	4,000.00	4,000.00	4,000.00	-	-	-
Other Expenses	1,000.00	1,000.00	-	1,000.00	1,000.00	-
Uniform Fire Safety Act						
Salaries and Wages	16,000.00	16,000.00	15,758.92	241.08	241.08	-
Other Expenses	3,500.00	3,500.00	3,467.02	32.98	32.98	-
UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	176,000.00	162,000.00	148,878.17	13,121.83	13,121.83	-
Other Expenses	28,000.00	30,000.00	24,585.49	2,500.00	2,914.51	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNCLASSIFIED						
UTILITY EXPENSES AND BULK PURCHASES						
Electric	160,000.00	160,000.00	121,263.86	21,550.75	17,185.39	-
Water	45,000.00	45,000.00	33,522.92	5,602.79	5,874.29	-
Telephone	50,000.00	50,000.00	36,302.65	6,029.95	7,667.40	-
Gas	45,000.00	45,000.00	38,235.05	-	6,764.95	-
Gasoline	75,000.00	75,000.00	56,790.04	8,184.87	10,025.09	-
TOTAL OPERATIONS WITHIN "CAPS"	8,380,780.00	8,380,780.00	7,559,382.41	381,091.94	440,305.65	0.00
Contingent		-	-		-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	8,380,780.00	8,380,780.00	7,559,382.41	381,091.94	440,305.65	0.00
Detail:						
Salaries and Wages	4,257,400.00	4,237,400.00	4,028,614.51	-	208,785.49	-
Other Expenses	4,123,380.00	4,143,380.00	3,530,767.90	381,091.94	231,520.16	0.00
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	163,542.00	163,542.00	163,542.00	-	-	-
Social Security System (O.A.S.I.)	350,000.00	350,000.00	312,654.16		37,345.84	-
Police and Firemen's Retirement System	885,818.00	885,818.00	885,818.00		-	-
Defined Contribution Retirement Program	7,000.00	7,000.00	4,045.85		2,954.15	-
Unemployment Compensation Insurance	18,000.00	18,000.00	15,243.86		2,756.14	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,424,360.00	1,424,360.00	1,381,303.87	-	43,056.13	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	9,805,140.00	9,805,140.00	8,940,686.28	381,091.94	483,361.78	0.00
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"	22,620.00	22,620.00	22,620.00		-	-
Employee Group Health Insurance	26,000.00	26,000.00	17,631.30		8,368.70	-
LOSAP Program	48,620.00	48,620.00	40,251.30	-	8,368.70	-
Shared Service Agreements						
Township of Galloway - Dispatch Services	448,558.00	448,558.00	448,558.00			-
Township of Galloway - CFO	75,000.00	75,000.00	75,000.00			-
Total Shared Services	523,558.00	523,558.00	523,558.00	-	-	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
(A) Public and Private Programs Off-Set by Revenues					
Recycling Tonnage Grant		11,632.08	11,632.08		-
Sustained Enforcement		2,100.00	2,100.00		-
Clean Communities		26,804.31	26,804.31		-
Drunk Driving Enforcement		9,023.79	9,023.79		-
Community Development Block Grant		69,741.00	69,741.00		-
Local Recreation Improvement Grant		80,000.00	80,000.00		-
NJDOT Pedestrian Safety		4,900.00	4,900.00		-
Click it or Ticket		2,800.00	2,800.00		-
Drive Sober or Get Pulled Over		4,200.00	4,200.00		-
Speed Enforcement Mobilization		4,200.00	4,200.00		-
ACUA Green Team Mini Grant		200.00	200.00		-
Atlantic County CARE Grant		2,100.00	2,100.00		-
Distracted Driving	2,800.00	2,800.00	2,800.00		-
Total Public and Private Programs Off-Set by Revenues	2,800.00	220,501.18	220,501.18	-	-
Total Operations - Excluded from "CAPS"	574,978.00	792,679.18	784,310.48	8,368.70	-
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	574,978.00	792,679.18	784,310.48	8,368.70	-
(C) Capital Improvements					
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-
Total Capital Improvements	50,000.00	50,000.00	50,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	785,000.00	785,000.00	785,000.00	-	-
Payment of Bond Anticipation Notes	-	-	-	-	-
Interest on Bonds	461,643.78	461,643.78	461,643.78	-	-
Interest on Notes	-	-	-	-	-
Total Debt Service	1,246,643.78	1,246,643.78	1,246,643.78	-	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(E) Deferred Charges						
Emergency Authorizations	-	-	-	-	-	-
Special Emergency Authorizations - 5 years	-	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	1,871,621.78	2,089,322.96	2,080,954.26	-	8,368.70	-
SUBTOTAL GENERAL APPROPRIATIONS	11,676,761.78	11,894,462.96	11,021,640.54	381,091.94	491,730.48	0.00
(M) Reserve for Uncollected Taxes	445,807.70	445,807.70	445,807.70			-
TOTAL GENERAL APPROPRIATIONS	\$ 12,122,569.48	12,340,270.66	11,467,448.24	381,091.94	491,730.48	0.00
Budget		12,122,569.48			Cancelled	0.00
Appropriations by 40A:4-87		217,701.18			Overexpended	(0.00)
		12,340,270.66				0.00
Reserve for Uncollected Taxes			445,807.70			
Federal and State Grants			220,501.18			
Deferred Charges			-			
Disbursements			10,801,139.36			
			11,467,448.24			

EXHIBIT - B
TRUST FUND

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

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
<u>Animal Control Fund</u>		
Cash	\$ 2,610.36	2,559.33
	<u>2,610.36</u>	<u>2,559.33</u>
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Investments		
Mutual Funds	748,212.17	667,781.82
	<u>748,212.17</u>	<u>667,781.82</u>
<u>Other Funds</u>		
Cash - Treasurer	690,501.22	740,187.47
Small Cities Revolving Loan Receivable	77,165.20	105,048.20
	<u>767,666.42</u>	<u>845,235.67</u>
	<u>\$ 1,518,488.95</u>	<u>1,515,576.82</u>

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

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 2,094.00	2,384.60
Due to State of New Jersey	3.60	-
Interfunds:		
Due to Current Fund	512.76	174.73
	<u>2,610.36</u>	<u>2,559.33</u>
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Net Assets Available for Benefits	748,212.17	667,781.82
	<u>748,212.17</u>	<u>667,781.82</u>
<u>Other Funds</u>		
Redemption for Outside Liens	1,172.15	233.57
Premiums Received at Tax Sale	147,900.00	206,000.00
Payroll Deductions Payable	40,462.70	6,212.76
Reserve for Housing Trust	38,439.48	-
Reserve for Planning and Zoning Escrow	52,697.13	61,966.00
Reserve for Disposal of Forfeited Property	50,763.53	50,397.38
Reserve for P.O.A.A.	250.26	232.26
Reserve for Security Deposits	3,500.00	2,500.00
Reserve for Fire Safety Penalty Act	4,119.69	4,119.69
Reserve for Accumulated Leave	118,026.66	208,274.95
Reserve for Revolving Loan Fund	77,165.20	105,048.20
Reserve for Small Cities Grant	46,127.20	45,554.19
Reserve for Performance Bond	35,193.07	34,755.90
Reserve for Recreation Trust	151,849.35	119,940.77
	<u>767,666.42</u>	<u>845,235.67</u>
	<u>\$ 1,518,488.95</u>	<u>1,515,576.82</u>

EXHIBIT - C
GENERAL CAPITAL FUND

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

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Cash	\$ 1,613,477.32	1,185,789.11
Grants Receivable	320,000.00	320,000.00
Deferred Charges to Future Taxation -		
Funded	14,550,000.00	15,335,000.00
Unfunded	3,902,000.00	950,000.00
	<u>20,385,477.32</u>	<u>17,790,789.11</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Encumbrances	758,522.62	1,460,993.15
Bond Anticipation Notes Payable	1,902,000.00	-
Serial Bonds Payable	14,550,000.00	15,335,000.00
Improvement Authorizations:		
Funded	490,881.36	606,442.08
Unfunded	2,656,522.92	340,808.62
Capital Improvement Fund	11,350.00	9,350.00
Fund Balance	16,200.42	38,195.26
	<u>\$ 20,385,477.32</u>	<u>17,790,789.11</u>

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

2024	950,000.00
2025	2,000,000.00

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

	<u>2025</u>	<u>2024</u>
Beginning Balance January 1	\$ 38,195.26	238,195.26
Increased by:		
Premiums on sale of Bonds & Notes	3,005.16	-
Authorizations Canceled	-	-
Decreased by:		
Appropriated to 2025 Budget Revenue	25,000.00	200,000.00
Ending Balance December 31	\$ <u>16,200.42</u>	<u>38,195.26</u>

EXHIBIT - D
SEWER UTILITY FUND

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

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,486,754.31	1,303,055.51
	<u>1,486,754.31</u>	<u>1,303,055.51</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	43,889.90	51,353.48
Utility Liens	-	-
Interfund Receivable:		
Current Fund	-	-
	<u>43,889.90</u>	<u>51,353.48</u>
Total Operating Fund	<u>1,530,644.21</u>	<u>1,354,408.99</u>
Capital Fund:		
Cash - Treasurer	29,917.40	29,917.40
Fixed Capital	3,959,307.36	3,959,307.36
Total Capital Fund	<u>3,989,224.76</u>	<u>3,989,224.76</u>
	<u>\$ 5,519,868.97</u>	<u>5,343,633.75</u>

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

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 346,781.12	262,726.52
Reserve for Encumbrances	31,251.00	141,101.83
Utility Overpayments	13,592.54	12,240.87
Prepaid Rents	469,231.51	442,648.11
	<u>860,856.17</u>	<u>858,717.33</u>
Reserve for Receivables	43,889.90	51,353.48
Fund Balance	625,898.14	444,338.18
Total Operating Fund	<u>1,530,644.21</u>	<u>1,354,408.99</u>
Capital Fund:		
Reserve for Amortization	3,959,307.36	3,959,307.36
Capital Improvement Fund	27,814.11	27,814.11
Fund Balance	2,103.29	2,103.29
Total Capital Fund	<u>3,989,224.76</u>	<u>3,989,224.76</u>
	<u>\$ 5,519,868.97</u>	<u>5,343,633.75</u>

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

2024	-
2025	-

SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
Revenue and Other Income Realized		
Fund Balance Utilized	\$ 173,000.00	250,000.00
Rents	2,072,463.58	2,053,270.94
Miscellaneous Revenue Anticipated	83,078.08	74,079.29
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	199,297.79	80,398.40
Cancelled Accounts Payable	-	1.15
Total Income	<u>2,527,839.45</u>	<u>2,457,749.78</u>
Expenditures		
Operations	2,009,000.00	1,977,000.00
Capital Improvements	50,000.00	190,000.00
Deferred Charges and Statutory Expenditures	114,000.00	83,000.00
Rent Overpayments Refunded	209.49	98.31
Total Expenditures	<u>2,173,209.49</u>	<u>2,250,098.31</u>
Excess/(Deficit) in Revenue	<u>354,629.96</u>	<u>207,651.47</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>354,629.96</u>	<u>207,651.47</u>
Fund Balance January 1	<u>444,268.18</u>	<u>486,616.71</u>
	798,898.14	694,268.18
Decreased by:		
Utilization as Anticipated Revenue	<u>173,000.00</u>	<u>250,000.00</u>
Fund Balance December 31	<u>\$ 625,898.14</u>	<u>444,268.18</u>

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

	<u>2025</u>	<u>2024</u>
Beginning Balance January 1	\$ 2,103.29	2,103.29
Increased by:		
None	-	-
Decreased by:		
None	-	-
Ending Balance December 31	\$ <u>2,103.29</u>	<u>2,103.29</u>

**SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 173,000.00	173,000.00	-
Rents	2,000,000.00	2,072,463.58	72,463.58
Miscellaneous	-	83,078.08	83,078.08
	<u>\$ 2,173,000.00</u>	<u>2,328,541.66</u>	<u>155,541.66</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:

Current Collections	1,618,468.11
Overpayments Applied	11,347.36
Prepayments Applied	442,648.11
	<u>2,072,463.58</u>

Miscellaneous

Interest on Rents	62,165.00
Interest on Investments	18,093.08
Sewer Lateral Fee	2,700.00
Miscellaneous	120.00
	<u>83,078.08</u>

SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Operations:					
Salaries and Wages	\$ 380,000.00	380,000.00	351,570.62	28,429.38	
Other Expenses	1,629,000.00	1,629,000.00	1,332,488.07	31,251.00	285,260.93
	<u>2,009,000.00</u>	<u>2,009,000.00</u>	<u>1,684,058.69</u>	<u>31,251.00</u>	<u>293,690.31</u>
					-
Capital Improvements:					
Capital Outlay	50,000.00	50,000.00	-	50,000.00	
	<u>50,000.00</u>	<u>50,000.00</u>	<u>-</u>	<u>50,000.00</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:					
Social Security System	30,000.00	30,000.00	26,909.19	3,090.81	
	84,000.00	84,000.00	84,000.00	-	
	<u>114,000.00</u>	<u>114,000.00</u>	<u>110,909.19</u>	<u>3,090.81</u>	<u>-</u>
Budgeted Surplus to Current Fund	<u>2,173,000.00</u>	<u>2,173,000.00</u>	<u>1,794,967.88</u>	<u>31,251.00</u>	<u>-</u>

EXHIBIT - E
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
Land and Land Improvements	\$ 30,401,300.00	30,401,300.00
Building and Building Improvements	12,173,575.69	12,173,575.69
Machinery, Equipment and Vehicles	4,941,656.39	4,863,561.59
	<u>47,516,532.08</u>	<u>47,438,437.28</u>
<u>Liabilities, Reserves, and Fund Balance</u>		
Investment in General Fixed Assets	\$ <u>47,516,532.08</u>	<u>47,438,437.28</u>

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CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The City of Absecon is an offshore community located on the eastern section of the County of Atlantic. The population according to a 2010 census is 8,376.

The City is incorporated and operates under a Council form of government, where the Council is elected from wards. The Mayor is chosen through a separate election and is the Chief Executive Officer of the City. The City Council is the law making body and passes all Resolutions and Ordinances. The City employs an administrator who is responsible for the day-to-day operations of the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Absecon Public Library, 305 New Jersey Avenue, Absecon, NJ 08201 is a component unit of the City. However, under the regulatory basis of accounting in New Jersey, component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Absecon Public Library has an independent audit performed and a copy is available at the Library.

B. Description of Funds

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

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

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

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

Sewer Operating and Capital Funds -- account for the operations of the sewer utility and acquisition of sewer capital facilities other than those acquired in the Current and General Capital Funds.

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

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

C. Basis of Accounting

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

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

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

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

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

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000 are capitalized.

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
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No depreciation has been provided for in the financial statements.

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

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

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

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

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

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

Levy of Utility Charges – The City operates a sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of City. Charges are billed annually and due in quarterly installments on January 1, April 1, July 1 and October 1.

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

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

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

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

D. Required Financial Statements

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

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, "Financial Reporting Model Improvements". This statement is effective for fiscal years beginning after June 15, 2025 and will not have any effect on the Township's financial reporting.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, "Disclosure of Certain Capital Assets". This statement is effective for fiscal years beginning after June 15, 2025 and will not have any effect on the Township's financial reporting.

In December 2025, the Governmental Accounting Standards Board (GASB) issued Statement No. 105, "Subsequent Events." This statement is effective for fiscal years beginning after June 15, 2026 and will not have any effect on the Borough's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2025 and 2024 statutory budgets included a reserve for uncollected taxes in the amount of \$445,807.70 and \$551,931.46. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2025 and 2024 statutory budgets was \$1,500,000.00 and \$1,915,000.00. In addition, the City operates a self-liquidating sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the City. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2025 and 2024 statutory budgets was \$173,000.00 and \$250,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the City Council. The following significant budget transfers were approved in the 2025 and 2024 calendar years:

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

<u>Budget Category</u>	<u>2025</u>	<u>2024</u>
<u>Current Fund:</u>		
Financial Administration		
Salaries and Wages	\$ (9,000.00)	
Legal Services		(40,000.00)
Engineering Service		
Other Expenses		20,000.00
Public Works Department		
Other Expenses		60,000.00
Health Insurance		(35,000.00)
Street Lighting		15,000.00
Vehicle Maintenance		
Other Expenses	15,000.00	25,000.00

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2025 and 2024, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2025</u>	<u>2024</u>
N.J. Transportation Trust Fund Authority Act	\$	1,003,028.00
Federal Bullet Proof Vest Partnership		4,444.36
Clean Communities Program	26,804.31	27,025.54
Body Armor Grant - State		2,379.41
Drunk Driving Enforcement Fund	9,023.79	
Drive Sober or Get Pulled Over	4,200.00	6,300.00
Click it or Ticket	2,800.00	3,500.00
COPS Hiring Grant		500,000.00
Atlantic County Road Resurfacing		105,500.00
Sustained Enforcement Grant	2,100.00	
Community Development Block Grant	69,741.00	
Recycling Tonnage	11,632.08	12,444.72
Local Recreation Improvement Grant	80,000.00	71,000.00
Pedestrian Safety Project	4,900.00	
Speed Enforcement Mobilization	4,200.00	8,400.00
Green Team Mini Grant	200.00	400.00
CARE Grant	2,100.00	

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The City had no emergencies as of December 31, 2025.

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 3: INVESTMENTS

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

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

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

Unaudited Investments

As more fully described in Note 20, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2025 and 2024 amounted to \$748,212.17 and \$667,781.82, respectively.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2025 and 2024, \$0 of the municipality's bank balance of \$10,342,627.39 and \$9,682,504.75 was exposed to custodial credit risk.

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CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2025 and 2024:

	Balance 12/31/2023	Additions	Retirements	Balance 12/31/2024
Land & Improvments	\$ 30,401,300.00			30,401,300.00
Buildings	12,173,575.69			12,173,575.69
Equipment and Machinery	4,722,002.60	141,558.99		4,863,561.59
	<u>\$ 47,296,878.29</u>	<u>141,558.99</u>	<u>-</u>	<u>47,438,437.28</u>

	Balance 12/31/2024	Additions	Retirements	Balance 12/31/2025
Land & Improvements	\$ 30,401,300.00	-		30,401,300.00
Buildings	12,173,575.69	-		12,173,575.69
Equipment and Machinery	4,863,561.59	78,094.80	-	4,941,656.39
	<u>\$ 47,438,437.28</u>	<u>78,094.80</u>	<u>-</u>	<u>47,516,532.08</u>

Note 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/23	Issued	Retired	Balance 12/31/24
Bond Anticipation Notes payable: General Capital	\$ -		-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Balance 12/31/24	Issued	Retired	Balance 12/31/25
Bond Anticipation Notes payable: General Capital		1,902,000.00	-	1,902,000.00
	<u>\$ -</u>	<u>1,902,000.00</u>	<u>-</u>	<u>1,902,000.00</u>

The \$1,902,000.00 note was issued on 12/23/25 and is due and payable on 12/22/26 with interest at 3.50%. As of December 31, 2025 the City has authorized but not issued bonds in the amount of \$2,000,000.00 and \$0.00 in the General Capital Fund and Utility Capital Fund respectively.

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 7: LONG TERM DEBT

Long-term debt as of December 31, 2025 and 2024 consisted of the following:

	Balance 12/31/23	Issued	Retired	Balance 12/31/24	Amounts Due Within One Year
Bonds payable:					
General	\$ 15,970,000.00		635,000.00	15,335,000.00	785,000.00
Total	15,970,000.00	-	635,000.00	15,335,000.00	785,000.00
Other liabilities:					
Pension	\$ 2,922,218.00		718,460.00	2,203,758.00	
Compensated					
Absences Payable	550,922.76	665,927.32		1,216,850.08	-
Total long-term liabilities	\$ 19,443,140.76	665,927.32	1,353,460.00	18,755,608.08	785,000.00
	Balance 12/31/24	Issued	Retired	Balance 12/31/25	Amounts Due Within One Year
Bonds payable:					
General	\$ 15,335,000.00		785,000.00	14,550,000.00	855,000.00
Total	15,335,000.00	-	785,000.00	14,550,000.00	855,000.00
Other liabilities:					
Pension	2,203,758.00		71,365.00	2,132,393.00	
Compensated					
Absences Payable	1,216,850.08		620,424.99	596,425.09	-
Total long-term liabilities	\$ 18,755,608.08	-	1,476,789.99	17,278,818.09	855,000.00

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

At December 31, 2025, bonds payable in the General Capital Fund consisted of the following individual issues:

\$11,455,000.00 General Bonds dated July 30, 2020 due in annual installments through July 15, 2045 bearing interest at varying rates (2.00%-4.00%) per annum. The balance remaining as of December 31, 2025 is \$9,970,000.00.

\$5,345,000.00 General Bonds dated September 12, 2023 due in annual installments through September 15, 2033 bearing interest at 4.00% per annum. The balance remaining as of December 31, 2016 is \$4,580,000.00.

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

	<u>General Fund</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 855,000.00	430,243.76
2027	890,000.00	396,043.76
2028	930,000.00	360,443.76
2029	1,005,000.00	323,243.76
2030	1,050,000.00	283,043.76
2031-2035	4,480,000.00	878,518.80
2036-2040	2,675,000.00	456,968.80
2040-2045	2,665,000.00	177,431.26
	<u>\$ 14,550,000.00</u>	<u>3,305,937.66</u>

As of December 31, 2025 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year, and the total interest charged to the current budget was \$461,643.78.

<u>Summary of Municipal Debt</u>	<u>Year 2025</u>	<u>Year 2024</u>	<u>Year 2023</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 16,452,000.00	15,335,000.00	15,970,000.00
Sewer Utility - Bonds and Notes	-	-	-
Total Issued	<u>16,452,000.00</u>	<u>15,335,000.00</u>	<u>15,970,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	2,000,000.00	950,000.00	-
Sewer Utility - Bonds and Notes	-	-	-
Total Authorized But Not Issued	<u>2,000,000.00</u>	<u>950,000.00</u>	<u>-</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 18,452,000.00</u>	<u>16,285,000.00</u>	<u>15,970,000.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.747%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 2,060,000.00	2,060,000.00	-
Sewer Utility Debt	-	-	-
General Debt	18,452,000	-	18,452,000.00
	<u>\$ 20,512,000.00</u>	<u>2,060,000.00</u>	<u>18,452,000.00</u>

Net Debt \$18,452,000.00 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,056,406,864.33= 1.747%.

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	36,974,240.25
Net Debt		18,452,000.00
Remaining Borrowing Power	\$	<u>18,522,240.25</u>

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

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2025 and 2024, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Current Fund	\$ 1,500,000.00	1,915,000.00
Sewer Utility	173,000.00	250,000.00

Note 9: SCHOOL TAXES

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

	<u>12/31/2025</u>	<u>12/31/2024</u>
Balance of Tax	\$ 6,329,093.45	6,208,638.93
Deferred	3,626,535.94	3,626,535.94
Tax Payable	<u>\$ 2,702,557.51</u>	<u>2,582,102.99</u>

Note 10: TAXES AND SEWER COLLECTED IN ADVANCE

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

	<u>Balance 12/31/25</u>	<u>Balance 12/31/24</u>
Prepaid Taxes	\$ 587,604.25	489,419.92
Sewer Prepaid Rents	469,231.51	442,648.11
Cash Liabilities Collected in Advance	<u>\$ 1,056,835.76</u>	<u>932,068.03</u>

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 11: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.5% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The City's contributions to PERS for the years ended December 31, 2025 and 2024 were \$163,542.00 and \$153,349.00, respectively.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2025 and 2024 were \$885,818.00 and \$863,389.00, respectively.

The total payroll for the year ended December 31, 2025 was \$4,701,737.99. Payroll covered by PFRS was \$2,524,444.00. Payroll covered by PERS was \$1,064,094.00.

Significant Legislation

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

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2014, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to $\frac{1}{60}$ th from $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a $\frac{1}{7}$ th of the required amount, beginning in fiscal years 2012.

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

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

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Note 12: PENSION LIABILITIES

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

The following represents the municipality's pension liabilities as June 30, 2024:

Public Employees' Retirement System

The Municipality has a liability of \$2,132,393 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 that was rolled forward to June 30, 2024. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the Municipality's proportion would be 0.01569315700%, which would be an increase of 3.14% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2025, the Municipality would have recognized pension expense of \$5,655.00. At December 31, 2025, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 42,716	(5,677)
Changes of assumptions	2,649	(24,262)
Changes in proportion	132,535	(419,239)
Net difference between projected and actual earnings on pension plan investments	-	(98,873)
Total	<u>\$ 177,900</u>	<u>(548,051)</u>

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

Year ended June 30,	
2025	\$ (1,187,092)
2026	1,573,413
2027	(452,872)
2028	(318,994)
2029	15,393
Total	<u>\$ (370,151)</u>

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Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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, 2024 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.63%
Non-U.S. developed markets equity	12.75%	8.85%
International small cap equity	1.25%	8.85%
Emerging markets equity	5.50%	10.66%
Private equity	13.00%	12.40%
Real estate	8.00%	10.95%
Real assets	3.00%	8.20%
High yield	4.50%	6.74%
Private credit	8.00%	8.90%
Investment grade credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk mitigation strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Municipality's proportionate share of the net pension liability	\$ 2,594,261	2,132,393	1,739,705

Pension plan fiduciary net position.

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

CITY OF ABSECON
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Police and Firemen's Retirement System

The Municipality has a liability of \$6,613,091 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2023 that was rolled forward to June 30, 2024. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the Municipality's proportion would be 0.06403938%, which would be an decrease of 1.26% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2025, the Municipality would have recognized pension expense of \$471,390. At December 31, 2023, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 416,620	(226,395)
Changes of assumptions	10,454	(194,216)
Changes in proportion	177,953	(98,421)
Net difference between projected and actual earnings on pension plan investments		(51,759)
Total	<u>\$ 605,027</u>	<u>(570,791)</u>

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

Year ended June 30,	
2025	\$ (530,765)
2026	671,462
2027	(136,642)
2028	(50,134)
2029	74,127
Thereafter	6,187
Total	<u>\$ 34,236</u>

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% - 16.25% (based on years of service)
Investment rate of return:	7.00%

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Employee mortality rates were based on the Pub-2010 Safety Employee mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for males and 100% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for females, projected generationally from 2010 with scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid -Cap Equity	4.00%	7.40%
Non - U.S. Developed Large-Cap Equity	9.50%	6.70%
Non - U.S. Developed Small-Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those

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assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Municipality's proportionate share of the net pension liability	\$ 9,002,647.88	6,613,091.00	4,622,877.88

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2024 State special funding situation net pension liability amount of \$2,035,866,994 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2024 State special funding situation pension expense of \$234,210,000 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2024. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2024, the State contributed an amount more than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.06403938% for 2024. The net pension liability amount allocated to the Municipality was \$1,303,757. For the fiscal year ending June 30, 2024 State special funding situation pension expense of \$149,987 is allocated to the Municipality.

Pension plan fiduciary net position.

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

Note 13: POST-RETIREMENT BENEFITS

General Information about the Plan:

The Municipality offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information

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about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at:

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

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

1) retired on a disability pension;

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

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

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

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

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

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the Municipality these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2024 were \$4,833,833,875 and \$12,914,432,673, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer

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to the total members of the Plan's non special funding situation during the measurement period July 1, 2023 through June 30, 2024. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

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

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

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2024 is as follows:

	<u>June 30, 2024</u>
	Collective Total
Total OPEB Liability	\$ 17,748,257,548
Plan Fiduciary Net Position (Deficit)	(157,187,957)
Net OPEB Liability	<u>\$ 17,905,445,505</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.89%

At June 30, 2024 the State's proportionate share attributable to the Municipality of the Collective Net OPEB Liability for the Special Funding Situation was 0.233531% which was a decrease from the prior year of 8.04%.

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Municipality's Proportionate Share of Collective Net OPEB Liability	\$ -
State's proportionate share that is associated with the Municipality	11,388,478
Total	\$ <u>11,388,478</u>

For the Year ended June 30, 2024 the State's proportion share that is associated with the Municipality is \$4,745,219.

For the Year ended June 30, 2024 the State of New Jersey realized Total OPEB Expense (Benefit) in the amount of \$(1,103,351) for its proportionate share of Total OPEB Expense that is associated with the Municipality.

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary increases*:

<u>PERS</u>	
Rate for all future years	2.75% to 6.55% based on years of service
<u>PFRS</u>	
Rate for all future years	3.25% to 16.25% based on years of service

* Salary increases are based on years of service within their respective plan.

Pre-Retirement Healthy Mortality:

PERS: Pub-2010 "General" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS: Pub-2010 "Safety" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Post-Retirement Healthy Mortality

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disable Retiree Mortality:

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.5% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2024 was 3.93%. The discount rate will change each year 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

		1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Collective				
Net OPEB Liability	\$	20,857,914,273	17,905,445,505	15,540,780,410
Proportionate Share				
Net OPEB Liability	\$	13,266,349	11,388,478	9,884,470

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

The following presents the net OPEB liability as of June 30, 2024, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		<u>1% Decrease</u>	<u>Healthcare cost Trend Rate</u>	<u>1% Increase</u>
Collective				
Net OPEB Liability	\$	15,144,352,142	17,905,445,505	21,455,435,620
Proportionate Share				
Net OPEB Liability	\$	9,632,328	11,388,478	13,646,394

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

At June 30, 2024, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	<u>Collective Totals</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 906,784,304	(3,033,798,337)
Changes of assumptions	2,993,451,517	(2,972,190,924)
Net difference between projected and actual earnings on OPEB plan investments	-	(8,105,194)
Changes in proportion and differences between contributions and proportionate share of contributions	-	
Total	<u>\$ 3,900,235,821</u>	<u>(6,014,094,455)</u>

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

<u>Year Ended June 30,</u>	<u>Collective Totals</u>
2025	\$ (1,123,975,872.00)
2026	(483,903,543.00)
2027	(83,156,324.00)
2028	(443,334,965.00)
2029	(282,447,899.00)
Thereafter	302,959,969.00
Total	<u>\$ (2,113,858,634.00)</u>

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

CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense (Benefit) related to specific liabilities of individual employers for the year ending June 30, 2023 are as follows:

Service cost	\$ 545,086,159
Interest on Total OPEB Liability	554,448,470
Expected Investment Return	5,026,265
Administrative Expenses	11,119,284
Changes of Benefit Terms	107,670,542
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(847,755,885)
Changes in Assumptions	(583,228,782)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	(1,033,536)
Total Collective OPEB Expense	\$ <u>(208,667,483)</u>

Note 14: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$596,425.09 in 2025 and \$1,216,850.08 in 2024. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable.

Note 15: ECONOMIC DEPENDENCY

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

Note 16: RISK MANAGEMENT

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

Property and Liability Insurance - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2025 and 2024 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

**CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Note 17: DEFERRED COMPENSATION

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

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

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

The plans are administered by Valic and Equitable.

Note 18: CONTINGENT LIABILITIES

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

Note 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2025, the following interfunds were included on the balance sheets of the various funds of the City of Absecon:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 512.76	
Grant Fund		296,226.95
Grant Fund:		
Current Fund	296,226.95	
Trust Fund:		
Animal Control Fund		512.76
	\$ <u>296,739.71</u>	<u>296,739.71</u>

The amount due to the Grant fund from the Current fund is due to the fact that there is only one bank account. The amount due to the Current Fund from the Sewer Operating Fund represents amounts collected in the Current Fund and not turned over prior to year end.

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CITY OF ABSECON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Note 20: LENGTH OF SERVICE AWARD PROGRAM

During the 2000 calendar year, the voters of the City of Absecon approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The City appropriated \$26,000 in both the 2025 and 2024 budgets, for contributions to the LOSAP for volunteers who have met the established criteria.

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

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

The City of Absecon issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the City of Absecon, 500 Mill Road, Absecon, New Jersey 08201.

Note 21: LEASE OF CITY PROPERTY

The City is party to a lease agreement of the former City Library Building with the County of Atlantic. Under the lease agreement, the County will pay semi-annual payments in the amount of \$15,625.00 until October 1, 2031. The estimated lease receivable at December 31, 2025 was \$156,250.00. The City recognized revenue during the year ended December 31, 2025 of \$31,250.00.

The City is party to a lease agreement for the lease of a communication tower located on City Property. The City leases these towers for an initial signing bonus of \$50,000 and monthly payments until December 1, 2028. The estimated lease receivable at December 31, 2025 was \$115,200.00. The total rent received in 2025 was \$99,257.86.

Note 22: SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 30, 2026, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY INFORMATION

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FORD - SCOTT

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements – regulatory basis, as listed in the accompanying table of contents, of the City of Absecon, State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2026, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the City of Absecon 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 (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

June 30, 2026

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2024	\$	6,101,262.74
Increased by Receipts:		
Current Year Taxes	24,998,129.36	
Delinquent Taxes	189,298.11	
Revenue Accounts Receivable	1,927,390.44	
Miscellaneous Revenue	463,819.84	
Due from State of N.J. Senior & Veterans	60,168.60	
Due to Grant Fund	1,077,499.30	
Prepaid Taxes	587,604.25	
Due from Animal Control Fund	-	
Due to State:		
Vital Statistics	1,050.00	
DCA Fees	7,649.00	
	-	
		<u>29,312,608.90</u>
		35,413,871.64
Decreased by Disbursements:		
Current Year Appropriation	10,801,139.36	
Prior Year Appropriations	469,933.91	
County Taxes	4,462,173.79	
Local District School Taxes	12,537,732.48	
Accounts Payable	8,427.17	
Due to State:		
Vital Statistics	1,150.00	
DCA Fees	9,635.00	
Refunds	10,831.98	
Due from Grant Fund	684,211.31	
		<u>28,985,235.00</u>
Balance December 31, 2025	\$	<u><u>6,428,636.64</u></u>

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

Year	Balance Dec. 31, 2024	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2025
				2024	2025				
2021	\$ 3,398.26				3,398.26				0.00
2022	5,167.28				5,167.28				0.00
2023	5,193.85				5,193.85				(0.00)
2024	175,538.72				175,538.72		-		-
	<u>189,298.11</u>	-	-	-	189,298.11	-	-	-	0.00
2025		25,682,895.70	-	489,419.92	25,058,230.01	31,424.67	13,816.50		90,004.60
	<u>189,298.11</u>	<u>25,682,895.70</u>	-	<u>489,419.92</u>	<u>25,247,528.12</u>	<u>31,424.67</u>	<u>13,816.50</u>	-	<u>90,004.60</u>
Analysis of Current Year Tax Levy									
Tax Yield:									
General Property Tax									
Added Taxes (54:4-63.1 et. Seq.)									
					25,682,895.70				
					<u>-</u>				
						25,682,895.70			
Tax Levy:									
General County Taxes									
County Library Taxes									
County Open Space Taxes									
County Health Taxes									
County Added and Omitted Taxes									
Total County Taxes									
					9,429.29				
					<u>4,460,258.74</u>				
Local School District Tax									
					12,658,187.00				
Local Tax for Municipal Purposes									
Add: Additional Tax Levied									
					8,516,293.56				
					<u>48,156.40</u>				
						8,564,449.96			
						<u>25,682,895.70</u>			

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

Balance December 31, 2024		\$	174,034.07
Increased by:			
Transfers from Taxes Receivable	13,816.50		
Interest and Costs Accrued by Sale of March 19, 2025	-		
			13,816.50
			187,850.57
Decreased by:			
Collections	38,015.77		
Transfer to Foreclosed Property	4,330.80		
			42,346.57
Balance December 31, 2025		\$	<u><u>145,504.00</u></u>

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration					
Other Expenses	\$ 1,542.58	1,542.58	1,037.00	505.58	-
All Departments Purchasing					
Other Expenses	6,175.59	6,175.59	5,832.61	342.98	-
Municipal Clerk					
Other Expenses	3,049.70	3,049.70	225.40	2,824.30	-
Financial Administration					
Other Expenses	1,167.56	1,167.56	1,114.70	52.86	-
Legal Services					
Other Expenses	9,538.21	9,538.21	2,998.30	6,539.91	-
Engineering Services and Costs					
Other Expenses	90,200.00	100,200.00	97,227.25	2,972.75	-
Information Technology					
Other Expenses	29,374.22	22,059.22	10,873.79	11,185.43	-
LAND USE ADMINISTRATION					
Zoning Board of Adjustment					
Other Expenses	720.00	720.00	-	720.00	-
Municipal Court					
Other Expenses	1,215.06	1,215.06	531.26	683.80	-
PUBLIC SAFETY					
Fire Department					
Other Expenses	25,979.99	27,594.99	20,611.79	6,983.20	-
Fire Hydrant Service	19,882.74	19,882.74	10,362.99	9,519.75	-
Police					
Salaries and Wages	261,269.49	261,269.49	78,517.21	182,752.28	-
Other Expenses	24,808.69	24,808.69	22,084.54	2,724.15	-
Public Defender					
Other Expenses	600.00	600.00	600.00	-	-

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Municipal Prosecutor Other Expenses	6,000.00	6,000.00	1,800.00	4,200.00	-
Municipal Court Other Expenses	1,215.06	1,215.06		1,215.06	-
Uniform Fire Safety Act Other Expenses	631.30	631.30	595.26	36.04	-
PUBLIC WORKS					
Public Works Department Salaries and Wages	11,346.60	1,346.60	-	1,346.60	-
Other Expenses	66,989.49	66,989.49	54,973.48	12,016.01	-
Street Lighting		-	-	-	-
Sanitation and Trash Removal Tipping Fees	61,914.71	61,914.71	59,984.00	1,930.71	-
Recycling Collection	14,122.39	14,122.39	13,906.38	216.01	-
Vehicle Maintenance Other Expenses	17,426.97	22,226.97	21,743.87	483.10	-
Animal Control Services Other Expenses	700.00	700.00	700.00	-	-
RECREATION AND EDUCATION					
Recreation Other Expenses	7,105.00	7,105.00	620.00	6,485.00	-
Public Events Other Expenses	17,101.04	17,101.04	8,907.41	8,193.63	-
Insurance Employee Group Health	1,020.10	1,020.10	352.75	667.35	-
UNIFORM CONSTRUCTION CODE					
Appropriations Offset by Dedicated Revenues Construction Code Official Other Expenses	4,607.69	4,607.69	350.00	4,257.69	-
UNCLASSIFIED					
UTILITY EXPENSES AND BULK PURCHASES					
Electric	19,580.27	19,580.27	10,277.18	9,303.09	-
Water	6,098.71	6,098.71	1,579.66	4,519.05	-
Telephone	6,495.35	6,495.35	2,548.32	3,947.03	-
Street Lighting	27,901.75	28,801.75	28,723.45	78.30	-
Gas	18,810.08	18,810.08	4,643.83	14,166.25	-
Gasoline	25,063.29	25,063.29	6,211.48	18,851.81	-
All Other Accounts - No Change	101,654.48	101,654.48		101,654.48	
\$	891,308.11	891,308.11	469,933.91	421,374.20	-

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

Balance December 31, 2024		
School Tax Payable	\$ 2,582,102.99	
School Tax Deferred	<u>3,626,535.94</u>	
		\$ 6,208,638.93
Increased by:		
Levy - School Year July 1, 2016 to June 30, 2017		<u>12,658,187.00</u>
		18,866,825.93
Decreased by:		
Payments		<u>12,537,732.48</u>
Balance December 31, 2025		
School Tax Payable	2,702,557.51	
School Tax Deferred	<u>3,626,535.94</u>	
		<u>6,329,093.45</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		12,537,732.48
Tax Payable Ending		<u>2,702,557.51</u>
		15,240,289.99
Less: Tax Payable Beginning		<u>2,582,102.99</u>
Amount charged to Current Year Operations		<u>\$ 12,658,187.00</u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance Dec. 31, 2024</u>	<u>Transferred From 2016 Revenues</u>	<u>Received</u>	<u>Cancellation Adjustments</u>	<u>Balance Dec. 31, 2025</u>
FEDERAL GRANTS:					
Community Development Block Grant	\$ 50,900.00	69,741.00	50,900.00		69,741.00
Federal Bulletproof Vest Partnership	8,365.88				8,365.88
Total Federal	<u>59,265.88</u>	<u>69,741.00</u>	<u>50,900.00</u>	<u>-</u>	<u>78,106.88</u>
STATE GRANTS:					
Sustained Enforcement	-	2,100.00	1,960.00	140.00	-
Pedestrian Safety - Police		4,900.00	4,900.00		-
Pedestrian Safety Improvements	619,000.00	-	619,000.00		-
Stormwater Grant	10,000.00				10,000.00
Local Recreation Improvement Grant	71,000.00	80,000.00	71,000.00		80,000.00
Recycling Tonnage	0.01	11,632.08	11,632.08	0.01	0.00
Clean Communities		26,804.31	26,804.31		-
Driving Sober or Get Pulled Over	8,750.00	4,200.00	1,610.00	7,140.00	4,200.00
CARE		2,100.00	1,400.00	700.00	-
COPS Hiring Grant	500,000.00	-	140,743.80		359,256.20
N.J. Transportation Trust Fund Authority Act	698,685.00			(41,908.25)	740,593.25
Streetscape Improvement Phase 4	132,551.25		119,839.11		12,712.14
Click it or Ticket	2,590.00	2,800.00	910.00	4,480.00	-
Distracted Driving Statewide Crackdown	3,500.00	-		3,500.00	-
Speed/Aggressive Driving Enforcement		4,200.00	3,430.00	770.00	-
Fire Grant SCBA	21,000.00		21,000.00		-
U Drive/U Text/U Pay	665.00	2,800.00	2,170.00	1,295.00	-
NJ Shore Pedestrian Awareness Campaign	245.00			245.00	-
Drunk Driving Enforcement		9,023.79			9,023.79
Total State	<u>2,067,986.26</u>	<u>150,560.18</u>	<u>1,026,399.30</u>	<u>(23,638.24)</u>	<u>1,215,785.38</u>
LOCAL GRANTS:					
Atlantic County Shore Road Grant	1,000,000.00				1,000,000.00
ACUA Green Team Mini Grant	-	200.00	200.00		-
County of Atlantic Road Resurfacing	105,500.00				105,500.00
	<u>1,105,500.00</u>	<u>200.00</u>	<u>200.00</u>	<u>-</u>	<u>1,105,500.00</u>
\$	<u>3,232,752.14</u>	<u>220,501.18</u>	<u>1,077,499.30</u>	<u>(23,638.24)</u>	<u>2,399,392.26</u>

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024		2025		Encumbrances	Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2025
	Appropriated	Reserve for Encumbrances	Appropriations	Appropriations					
FEDERAL GRANTS:									
Community Development Block Grant				69,741.00	49,487.50	9,055.12			20,253.50
Federal Bulletproof Vest Partnership	\$ 7,492.72	2,110.67							548.27
Total Federal	7,492.72	2,110.67	69,741.00	69,741.00	49,487.50	9,055.12	-	-	20,801.77
STATE GRANTS:									
Local Recreation Improvement Grant									
CARE			80,000.00			1,400.00		700.00	80,000.00
Stormwater Grant	25,000.00		2,100.00						-
Clean Communities	14,303.16								25,000.00
Recycling Tonnage	11,325.27	1,325.00	26,804.31			19,835.62			21,442.20
COPS Hiring Grant	500,000.00		11,632.08		1,154.65	16,171.83			6,785.52
Click It or Ticket	1,855.00					140,743.80			359,256.20
Drive Sober or Get Pulled Over	6,780.00		2,800.00			910.00		3,745.00	-
Distracted Driving	525.00		4,200.00			2,870.00		5,590.00	2,520.00
Speed/Aggressive Driving Enforcement	525.00							525.00	-
U Drive/U Text/U Pay	455.00		4,200.00			3,430.00		1,295.00	-
NJ DCA LEAP Implementation Program	176,398.72		2,800.00			2,170.00		1,085.00	-
Streetscape Improvements Phase 4		5,200.00				13,800.00			162,598.72
NJ DOT Trust Fund Authority Act	1,003,028.00	269,340.00				(7,512.14)	278,532.74		12,712.14
NJ Shore Pedestrian Awareness Campaign	805.00		-			340,720.26		805.00	653,115.00
Body Armor State	2,379.41								-
Body Worn Cameras		426.39				2,805.80			(0.00)
Sustained Enforcement		37,440.00				18,832.50	18,607.50		-
Pedestrian Safety Project			2,100.00			1,960.00		140.00	-
Drunk Driving Enforcement			4,900.00			4,900.00			-
Total State	1,743,379.56	313,731.39	150,560.18	150,560.18	298,294.89	568,907.67	13,885.00	3,153.79	1,326,583.57
LOCAL:									
Atlantic County Shore Road Grant									1,000,000.00
ACUA Mini Grant	1,000,000.00				46.20	453.80			(0.00)
ACUA Green Team Mini Grant	500.00		200.00			294.72			405.28
County of Atlantic Road Resurfacing		105,500.00				105,500.00			-
Total Local	1,001,000.00	105,500.00	200.00	200.00	46.20	106,248.52	-	-	1,000,405.28
\$	2,751,872.28	421,342.06	220,501.18	220,501.18	347,828.59	684,211.31	13,885.00	2,347,790.62	

CURRENT FUND

SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	Balance Dec. 31, 2024	Transferred To 2016 Appropriations	Received	Balance Dec. 31, 2025
FEDERAL GRANTS:				
None	\$			-
Total Federal	-	-	-	-
STATE GRANTS:				
None	-	-		-
Total State	-	-	-	-
\$	-	-	-	-

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2024		\$	2,559.33
Increased By Receipts:			
Licenses Fees	\$	959.60	
State License Fees		149.40	
Late Fees		90.00	
			<u>1,199.00</u>
			3,758.33
Decreased By Disbursements:			
Animal Control Expenditures		827.44	
Due to Current Fund		174.73	
Due to State of New Jersey		145.80	
			<u>1,147.97</u>
Balance December 31, 2025		\$	<u><u>2,610.36</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2024 - Treasurer		\$ 740,187.47
Increased By Receipts:		
Redemption of Outside Liens	\$ 419,178.40	
Tax Premiums Received	166,100.00	
Reserve for Recreation	65,006.39	
Payroll Deductions Payable	40,462.70	
Reserve for Housing Trust	38,439.48	
Reserve for Planning and Zoning Escrow	70,050.80	
Reserve for Disposal of Forfeited Property	12,194.64	
Reserve for Fire Safety Penalty Act	-	
Reserve for Small Cities Grant	573.01	
Reserve for Performance Bond	437.17	
Reserve for Accumulated Leave	-	
Reserve for P.O.A.A.	18.00	
Reserve for Security Bonds and Deposits	4,500.00	
		<u>816,960.59</u>
Decreased By Disbursements:		
Reserve for Outside Liens	418,239.82	
Reserve for Tax Premiums	224,200.00	
Reserve for Recreation	33,097.81	
Reserve for Small Cities Grant	-	
Payroll Deductions Payable	6,212.76	
Reserve for Housing Trust	-	
Reserve for Planning and Zoning Escrow	79,319.67	
Reserve for Disposal of Forfeited Property	11,828.49	
Reserve for Accumulated Leave	90,248.29	
Reserve for Performance Bond	-	
Reserve for Security Bonds and Deposits	3,500.00	
		<u>866,646.84</u>
Balance December 31, 2025		\$ <u><u>690,501.22</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2024		\$ 2,384.60
Increased By:		
Dog License Fees Collected	\$ 809.60	
Cat License Fees Collected	150.00	
Late Fees Collected	90.00	
	<u> </u>	<u>1,049.60</u>
		3,434.20
Decreased By Disbursements:		
Animal Control Expenditures	827.44	
Due to Current Fund - Statutory Excess	512.76	
	<u> </u>	<u>1,340.20</u>
Balance December 31, 2025		\$ <u><u>2,094.00</u></u>

License Fees Collected	<u>Year</u>	
	2023	870.60
	2024	1,223.40
		<u> </u>
	\$	<u><u>2,094.00</u></u>

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

Balance December 31, 2024	\$	174.73
Increased By:		
Statutory Excess in Reserves for Expenditures	512.76	
		512.76
		687.49
Decreased By:		
Cash Disbursements	174.73	
		174.73
Balance December 31, 2025	\$	<u>512.76</u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2024	\$	-
Increased By:		
Collected in 2025	149.40	
		149.40
		149.40
Decreased By:		
Paid to State of New Jersey	145.80	
		145.80
Balance December 31, 2025	\$	<u>3.60</u>

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

Balance December 31, 2024		\$	1,185,789.11
Increased by:			
Bond Anticipation Notes Issued	\$	1,902,000.00	
Capital Improvement Fund		50,000.00	
Premium on BANs Issued		<u>3,005.16</u>	
			<u>1,955,005.16</u>
			3,140,794.27
Decreased by:			
Improvement Authorizations		1,502,316.95	
Appropriated to Current Fund		<u>25,000.00</u>	
			<u>1,527,316.95</u>
Balance December 31, 2025		\$	<u><u>1,613,477.32</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2024	Receipts		Debt Issued	Disbursements		Transfers		Balance Dec. 31, 2025
		Miscellaneous	Miscellaneous		Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 38,195.26		3,005.16			25,000.00			16,200.42
Capital Improvement Fund	9,350.00	50,000.00					48,000.00	-	11,350.00
Reserve for Encumbrances	1,460,993.15						1,460,993.15	758,522.62	758,522.62
Due to Current Fund		300,000.00				300,000.00			-
Grants Receivable	(320,000.00)							-	(320,000.00)
Improvement Authorizations:									
2-2019/11-2019/5-2020	5,540.46				-		1,350.00	1,350.00	5,540.46
6-2019/6-2020	1,691.16						29,903.62	29,903.62	1,691.16
7-2021/4-2022	39,280.00				(9,551.80)		88,267.00	107,975.20	88,540.00
5-2022/8-2024	537,930.46	2,100.00			455,932.95		50,920.00	336,923.84	370,101.35
10-2023	22,000.00	4,676.30			327,842.02		340.00	326,514.11	25,008.39
13-2024	(609,191.38)			950,000.00	730,170.08		18,272.00	658,326.38	250,692.92
05-2025				952,000.00	4,700.00		589,470.00	48,000.00	405,830.00
	<u>\$ 1,185,789.11</u>	<u>359,781.46</u>		<u>1,902,000.00</u>	<u>1,509,093.25</u>	<u>325,000.00</u>	<u>2,267,515.77</u>	<u>2,267,515.77</u>	<u>1,613,477.32</u>

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

Balance December 31, 2024		\$	9,350.00
Increased by:			
Current Fund Budget Appropriation	50,000.00		
			50,000.00
			59,350.00
Decreased by:			
Financed Improvement Authorization	48,000.00		
			48,000.00
Balance December 31, 2025		\$	<u><u>11,350.00</u></u>

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

Balance December 31, 2024		\$	15,335,000.00
Increased by:			
None	-		
			-
			15,335,000.00
Decreased by:			
Serial Bonds Paid	785,000.00		
			785,000.00
Balance December 31, 2025		\$	<u><u>14,550,000.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Raised in 2025 Budget	Debt Issued	Balance Dec. 31, 2025	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
13-2024	2024 Road Improvement Program					950,000.00	950,000.00		
05-2025	Various Capital Improvements	\$	952,000.00	-		952,000.00	952,000.00		
17-2025	Drainage Improvements - Absecon Estates		2,000,000.00			2,000,000.00			2,000,000.00
		<u>\$</u>	<u>2,952,000.00</u>	<u>-</u>	<u>-</u>	<u>3,902,000.00</u>	<u>1,902,000.00</u>	<u>-</u>	<u>2,000,000.00</u>
Improvement Authorizations Unfunded							2,656,522.92		
Less:									
Unexpended Proceeds of Bond									
Anticipation Notes Issued:									
<u>Ord. Number</u>									
13-2024							2024 Road Improvement	250,692.92	
05-2025							Drainage Improvements	405,830.00	
							<u>(656,522.92)</u>		
							\$ 2,000,000.00		

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GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2025		Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
			Date	Amount					
General Obligation Bonds	7/30/2020	\$ 11,455,000.00	7/15/2026	365,000.00	4.000%	\$ 10,310,000.00			
			7/15/2027	390,000.00	4.000%				
			7/15/2028	415,000.00	4.000%				
			7/15/2029	440,000.00	4.000%				
			7/15/2030	460,000.00	3.000%				
			7/15/2031	485,000.00	3.000%				
			7/15/2032	500,000.00	2.000%				
			7/15/2033	515,000.00	2.000%				
			7/15/2034	525,000.00	2.000%				
			7/15/2035	535,000.00	2.000%				
			7/15/2036	535,000.00	2.000%				
			7/15/2037	535,000.00	2.000%				
			7/15/2038	535,000.00	2.000%				
			7/15/2039	535,000.00	2.000%				
			7/15/2040	535,000.00	2.125%				
			7/15/2041	535,000.00	2.125%				
			7/15/2042	535,000.00	2.125%				
			7/15/2043	535,000.00	2.250%				
			7/15/2044	535,000.00	2.250%				
			7/15/2045	525,000.00	2.250%				
General Obligation Bonds	9/12/2023	\$ 5,345,000.00	9/15/2026	490,000.00	4.000%	5,025,000.00		445,000.00	4,580,000.00
			9/15/2027	500,000.00	4.000%				
			9/15/2028	515,000.00	4.000%				
			9/15/2029	565,000.00	4.000%				
			9/15/2030	590,000.00	4.000%				
			9/15/2031	640,000.00	4.000%				
			9/15/2032	640,000.00	4.000%				
			9/15/2033	640,000.00	4.000%				
						\$ 15,335,000.00	-	785,000.00	14,550,000.00

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
2024 Road Improvement Program	13-2024	12/23/2025	12/23/2025	12/22/26	3.50%	\$	950,000.00		950,000.00
Various Capital Improvements	05-2025	12/23/2025	12/23/2025	12/22/26	3.50%		952,000.00		952,000.00
						\$	1,902,000.00	-	1,902,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Debt Issued	Balance Dec. 31, 2025
13-2024	2024 Road Improvement Program	\$ 950,000.00		950,000.00	-
05-2025	Various Capital Improvements		952,000.00	952,000.00	-
17-2025	Drainage Improvements - Absecon Estates		2,000,000.00		2,000,000.00
		<u>\$ 950,000.00</u>	<u>2,952,000.00</u>	<u>1,902,000.00</u>	<u>2,000,000.00</u>

**SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2024	\$ 1,303,055.51	29,917.40
Increased by Receipts:		
Collector	1,618,468.11	
Miscellaneous Revenue	83,078.08	
Prepaid Rents	469,231.51	
Sewer Overpayments	12,419.54	
	<u>2,183,197.24</u>	<u>-</u>
	3,486,252.75	29,917.40
Decreased by Disbursements:		
Current Year Appropriation	1,794,967.88	
Prior Year Appropriations	204,530.56	
	<u>1,999,498.44</u>	<u>-</u>
Balance December 31, 2025	\$ <u><u>1,486,754.31</u></u>	<u><u>29,917.40</u></u>

**SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2024	Receipts		Disbursements		Transfers		Balance Dec. 31, 2025
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance								
Capital Improvement Fund	\$ 2,103.29							2,103.29
	27,814.11							27,814.11
<u>Improvement Authorizations:</u>								
None	-							-
	\$ 29,917.40	-	-	-	-	-	-	29,917.40

**SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2024		\$ 51,353.48
Increased by :		
Consumer Accounts Charges and Levies	\$ 2,065,000.00	
	<u> </u>	<u>2,065,000.00</u>
		2,116,353.48
Decreased by:		
Collections	1,618,468.11	
Overpayments Applied	11,347.36	
Prepayments Applied	442,648.11	
	<u> </u>	<u>2,072,463.58</u>
Balance December 31, 2025		<u><u>\$ 43,889.90</u></u>

**SEWER UTILITY OPERATING FUND
SCHEDULE OF UTILITY LIENS**

Balance December 31, 2024		\$
Increased by Receipts:		
No Current Year Activity	-	
	<u> </u>	<u>-</u>
		-
Decreased by Disbursements:		
No Current Year Activity	-	
	<u> </u>	<u>-</u>
		-
Balance December 31, 2025		<u><u>\$ -</u></u>

**SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 10,557.53	10,557.53		10,557.53	-
Other Expenses	208,275.69	208,275.69	23,880.56	184,395.13	-
Capital Improvements					
Sewer System Improvements	55,800.00	55,800.00	52,750.00	3,050.00	-
Capital Outlay	127,900.00	127,900.00	127,900.00	-	-
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	1,295.13	1,295.13		1,295.13	-
	<u>403,828.35</u>	<u>403,828.35</u>	<u>204,530.56</u>	<u>199,297.79</u>	<u>-</u>

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CITY OF ABSECON

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. Due to the City having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

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

Our examination of expenditures did not reveal payments in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

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

- Pedestrian Safety Improvements
- City Hall ADA Accessible Ramp
- 2025 Road Program
- Road Reconstruction

Collection of Interest on Delinquent Taxes and Assessments

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

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

"BE IT RESOLVED" by the City Council of the City of Absecon, in accordance with Chapter 435, New Jersey Laws of 1979, and N.J.S.A 54:4-67, 54:5-32, 54:5-24 and 54:5-35, which authorizes the Governing Body to fix the rate of interest to be charged, in the City of Absecon, for the nonpayment of taxes and assessments, said rate of interest shall be and is hereby fixed at 8 percent per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes and assessments become delinquent. In addition, a 6% penalty is authorized for delinquencies in excess of \$10,000 at the end of the year.

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

Delinquent Taxes and Tax Title Liens

The tax sale was held March 19, 2025 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2025	32
2024	32
2023	32

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

Verification of Delinquent Taxes and Other Charges

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

<u>Type:</u>	<u>Number Mailed</u>
Payments of 2025 and 2026 Taxes	5
Delinquent Taxes	5
Current Sewer Rents	5
Delinquent Sewer Rents	5
Total	<u>20</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently Cash Collections</u>	<u>Percentage of Collections</u>
2025 \$	25,682,895.70	25,547,649.93	99.47%
2024	24,392,789.99	24,181,415.20	99.13%
2023	24,083,840.10	23,893,940.12	99.21%
2022	23,894,845.40	23,691,315.29	99.15%
2021	23,769,283.36	23,574,594.49	99.18%

Comparative Schedule of Tax Rate Information

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tax Rate	\$ 3.517	3.346	3.323	3.306	3.296
Apportionment of Tax Rate:					
Municipal	1.169	1.059	1.019	1.019	1.051
County	0.611	0.579	0.587	0.562	0.511
Local School	1.737	1.708	1.717	1.725	1.734
Assessed Valuation	728,706,800	727,055,300	723,339,500	720,397,500	716,356,000

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2025	\$ 145,504.00	90,004.60	235,508.60	0.92%
2024	174,034.07	189,298.11	363,332.18	1.49%
2023	159,913.94	149,226.48	309,140.42	1.29%
2022	150,246.73	172,102.56	322,349.29	1.35%
2021	135,991.69	148,186.06	284,177.75	1.20%

Deposit of Municipal Funds

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

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

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

Our examination has revealed that municipal funds were deposited within the mandated time.

FINDINGS AND RECOMMENDATIONS

None

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the City Council in response to comments, if any.

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

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

Leon P. Costello

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

June 30, 2026