

BOROUGH OF BAY HEAD

COUNTY OF OCEAN

DECEMBER 31, 2022

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

2807 Hurley Pond Road, Suite 100
P.O. Box 1409
Wall, New Jersey 07719

BOROUGH OF BAY HEAD

COUNTY OF OCEAN

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BOROUGH OF BAY HEAD

COUNTY OF OCEAN

PART I

AUDITOR'S REPORT OF THE BOROUGH'S FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1:

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

Honorable Mayor and Members
of the Board of Commissioners
Borough of Bay Head
County of Ocean
Bay Head, New Jersey 08742

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Bay Head (the "Borough"), as of December 31, 2022 and 2021, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Borough's basis financial statements as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Borough as of December 31, 2022 and 2021, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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 and account group of the Borough as of December 31, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, 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 Borough on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws 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.

In addition, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit the LOSAP fund financial statements as a part of our audit of the Borough's Financial Statements. The LOSAP fund financial statements are included in the Borough's Trust Fund and represent 35% and 42% of the assets and liabilities as of December 31, 2022 and 2021, respectively, of the Borough's Trust Fund.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted auditing standards and *Government Auditing Standards* 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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 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 Borough'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged 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

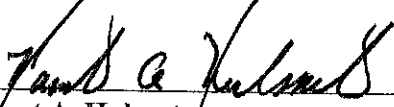
Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund and account group financial statements or to the various fund and account group financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules are fairly stated, in all material respects, in relation to the various fund and account group financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 affection of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY



Robert A. Hulsart
Certified Public Accountant
Registered Municipal Accountant
R.M.A. Number 158
Wall Township, New Jersey

September 27, 2023

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND**

Exhibit A

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND

Sheet 1 of 2

FUND BALANCE - REGULATORY BASIS**DECEMBER 31, 2022 AND 2021**

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Cash	A-4	\$ 2,626,835.57	\$ 2,791,534.12
Cash - Change Fund		100.00	100.00
Investments - Capital Notes	A-4	1,366,087.02	1,076,460.24
		<u>3,993,022.59</u>	<u>3,868,094.36</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	129,452.46	146,520.61
Sewer Charges Receivable	A-7	19,156.53	14,603.19
Revenue Accounts Receivable	A-8	2,913.52	3,098.30
		<u>151,522.51</u>	<u>164,222.10</u>
Deferred Charges:			
Emergency Authorization	A-3		225,000.00
		<u>4,144,545.10</u>	<u>4,257,316.46</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-14	105,447.80	95,449.35
Grants Receivable	A-15	61,584.10	113,532.00
		<u>167,031.90</u>	<u>208,981.35</u>
		<u>\$ 4,311,577.00</u>	<u>\$ 4,466,297.81</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND**

Exhibit A

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND

Sheet 2 of 2

FUND BALANCE - REGULATORY BASIS**DECEMBER 31, 2022 AND 2021**

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3,9	\$ 295,658.26	\$ 477,017.43
Reserve for Encumbrances	A-3,9	51,060.16	29,758.63
Accounts Payable	A-9	1,173.60	
Reserve for Tax Appeals		84,942.35	94,424.35
Prepaid Taxes		330,535.73	372,593.70
Sewer Charge Overpayments	A-4,7	1,701.45	1,011.17
Due State of New Jersey:			
Chapter 20, P.L. 1971	A-5	500.00	500.00
Fees Collected	A-13	3,306.00	3,270.00
County Taxes Payable	A-10		47,094.93
Local District School Tax Payable	A-11	921,832.88	839,064.88
Miscellaneous Reserves:			
Spending	A-12	37,591.01	5,612.84
Trust			1,433.45
Revenue	A-12	21,932.01	109,057.22
Interfunds:			
Other Trust Fund	A-4		1,636.87
Grant Fund	A-14	105,447.80	95,449.35
		<u>1,855,681.25</u>	<u>2,077,924.82</u>
Reserve for Receivables and Other Assets		151,522.51	164,222.10
Fund Balance	A-1	<u>2,137,341.34</u>	<u>2,015,169.54</u>
		<u>4,144,545.10</u>	<u>4,257,316.46</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-16	63,786.86	156,444.31
Reserve for Encumbrances	A-16		1,406.45
Unappropriated Reserves	A-17	103,245.04	51,130.59
		<u>167,031.90</u>	<u>208,981.35</u>
		<u>\$ 4,311,577.00</u>	<u>\$ 4,466,297.81</u>

There were deferred school taxes on December 31, 2022 and 2021 of \$887,760.62 (Schedule A-11).

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND**

Exhibit A-1

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

	<u>Ref.</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 1,225,000.00	\$ 1,225,000.00
Miscellaneous Revenue Anticipated	A-2	1,242,810.47	1,177,327.50
Receipts from Delinquent Taxes	A-2	146,520.61	107,568.97
Receipts from Current Taxes	A-2	14,744,707.52	14,218,493.49
Non-Budget Revenues	A-2	171,987.94	167,117.46
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	177,313.66	260,695.62
Total Income		<u>17,708,340.20</u>	<u>17,156,203.04</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		2,013,032.00	1,963,623.00
Other Expenses		1,778,700.00	1,993,432.00
Deferred Charges and Statutory Expenditures		564,937.06	532,145.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		7,000.00	
Other Expenses		676,098.94	604,896.41
Capital Improvements		85,000.00	25,000.00
Municipal Debt Service		522,047.15	433,028.56
Deferred Charges			100,000.00
	A-3	<u>5,646,815.15</u>	<u>5,652,124.97</u>
County Taxes	A-10	6,909,671.50	6,701,982.50
Due County for Added and Omitted Taxes	A-10	42,182.75	47,094.93
Local District School Taxes	A-11	3,762,499.00	3,365,355.00
CDBG Grant Receivable Cancelled			1,636.87
Prior Year Revenue Refunded			50.00
Tax Appeals Granted			38,257.75
Total Expenditures		<u>16,361,168.40</u>	<u>15,806,502.02</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEANCURRENT FUND

Exhibit A-1

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

	<u>Ref.</u>	<u>Year 2022</u>	<u>Year 2021</u>
Excess in Revenues		\$ 1,347,171.80	\$ 1,349,701.02
Adjustment to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A		225,000.00
Statutory Excess to Fund Balance		1,347,171.80	1,574,701.02
Fund Balance January 1	A	2,015,169.54	1,665,468.52
		<u>3,362,341.34</u>	<u>3,240,169.54</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	1,225,000.00	1,225,000.00
Fund Balance December 31	A	\$ <u>2,137,341.34</u>	\$ <u>2,015,169.54</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

Exhibit A-2
Sheet 1 of 2

	<u>Ref.</u>	<u>Anticipated</u>	<u>N.J.S.</u>	<u>Realized</u>	<u>Excess or</u>
	<u>A-1</u>	<u>Budget</u>	<u>40A:4-87</u>	<u></u>	<u>(Deficit)</u>
		<u>\$ 1,225,000.00</u>	<u>\$</u>	<u>\$ 1,225,000.00</u>	<u>\$</u>
Fund Balance Anticipated					
<u>Miscellaneous Revenues</u>					
Licenses:					
Alcoholic Beverages	A-8	3,000.00		3,586.00	586.00
Other	A-8	430.00		310.00	(120.00)
Interest and Costs on Taxes	A-8	20,570.00		33,503.12	12,933.12
Sewer User Fees	A-7	443,000.00		671,595.66	228,595.66
State Aid:					
Energy Receipts Tax	A-8	169,935.00		169,935.00	
Uniform Construction Code Fees	A-8	90,000.00		165,499.00	75,499.00
Shared Services:					
Borough of Neptune City:					
Financial Administration	A-8	35,690.00		35,690.00	
Bay Head Board of Education:					
School Resource Officer	A-8	25,000.00		25,000.00	
Special Items of Revenue:					
Public and Private Revenues Off-Set with Appropriations:					
Alcohol Education and Rehabilitation Fund					
Body Armor Fund	A-14		947.59	947.59	
Clean Communities Program	A-14	826.42		826.42	
Distracted Driving Grant	A-14		5,212.55	5,212.55	
Homeland Security Grant	A-14		7,000.00	7,000.00	
Recycling Tonnage Grant	A-14		16,500.00	16,500.00	
STEM Program	A-14		3,215.46	3,215.46	
Other Special Items:	A-14		8,000.00	8,000.00	
Reserve for Superstorm Sandy Proceeds:					
Debt Service	A-8	95,989.67		95,989.67	
Total Miscellaneous Revenues	A-1	884,441.09	40,875.60	1,242,810.47	317,493.78
Receipts from Delinquent Taxes	A-1,7	55,000.00		146,520.61	91,520.61
Subtotal General Revenues		2,164,441.09	40,875.60	2,614,331.08	409,014.39
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	4,106,729.12		4,695,532.08	588,802.96
Total General Revenues		6,271,170.21	40,875.60	7,309,863.16	997,817.35
Non-Budget Revenues	A-2			171,987.94	171,987.94
		\$ 6,271,170.21	\$ 40,875.60	\$ 7,481,851.10	\$ 1,169,805.29

Ref. A-3 A-3

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

BOROUGH OF BAY HEAD - COUNTY OF OCEANCURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 2

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,6	\$ 14,744,707.52
Allocated to:		
School and County Taxes	A-10,11	<u>10,714,353.25</u>
Balance for Support of Municipal Budget Appropriations		4,030,354.27
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>665,177.81</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 4,695,532.08</u>
<u>Analysis of Non-Budget Revenue</u>		
Miscellaneous Revenue not Anticipated:		
Cable Franchise Fees		\$ 11,188.26
Copies of Marriage Licenses		2,197.00
Interest on Deposits		53,599.33
Miscellaneous Other		1,449.76
Municipal Court Fines and Costs		47,782.34
Police Outside Duty Administrative Fee		7,136.25
Police Reports		175.00
Polling Place Rental		200.00
Recreation Program		7,300.00
Rental Certifications		11,625.00
Street Opening Permits		13,275.00
Title Transfer Certification		2,800.00
Variances and Subdivisions		2,310.00
Warranty Refund		2,500.00
Zoning		<u>8,450.00</u>
	A-1,2	<u>\$ 171,987.94</u>
Receipts	A-4	\$ 59,418.01
Revenue Accounts Receivable	A-8	<u>112,569.93</u>
		<u>\$ 171,987.94</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

Sheet 1 of 8

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS WITHIN CAPS					
General Government Functions					
Administrative and Executive					
Salaries and Wages	1.00	1.00		1.00	\$
Other Expenses	2,400.00	2,400.00	684.70	1,715.30	\$
Mayor and Council					
Salaries and Wages	12,200.00	12,200.00	12,200.00		
Other Expenses	5,500.00	5,500.00	2,619.04	2,880.96	
Municipal Clerk					
Salaries and Wages	108,000.00	118,000.00	118,000.00		
Other Expenses:					
Other Expenses	9,000.00	9,000.00	7,340.51	1,659.49	
Legal Advertising	4,000.00	4,000.00	3,814.41	185.59	
Elections	300.00	300.00	180.75	119.25	
Financial Administration					
Salaries and Wages	119,500.00	123,000.00	122,555.61	444.39	
Other Expenses	5,000.00	5,000.00	3,559.81	1,440.19	
Information Technology					
Other Expenses	34,000.00	36,500.00	36,263.72	236.28	
Audit Services					
Other Expenses	14,000.00	14,000.00	13,900.00	100.00	
Collection of Taxes					
Salaries and Wages	22,600.00	22,600.00	21,640.24	959.76	
Other Expenses	3,500.00	3,500.00	3,340.63	159.37	
Assessment of Taxes					
Salaries and Wages	22,100.00	22,100.00	22,080.96	19.04	
Other Expenses	1,500.00	1,500.00	859.39	640.61	

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

Sheet 2 of 8

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriated		Paid or Charged	Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification			Reserved	
Legal Services and Costs						
Other Expenses	\$ 148,000.00	\$ 148,000.00	\$ 109,590.95	\$ 38,409.05	\$	
Tax Appeals	25,000.00	25,000.00	8,370.00	16,630.00		
Special Litigation	80,000.00	1,500.00	30.00	1,470.00		
Engineering Services and Costs						
Other Expenses	85,000.00	145,000.00	109,873.00	35,127.00		
Planning Board						
Salaries and Wages	30,800.00	32,800.00	32,339.00	461.00		
Other Expenses	60,000.00	50,000.00	32,036.25	17,963.75		
Zoning Officer						
Salaries and Wages	9,900.00	7,900.00	6,051.03	1,848.97		
Other Expenses	1,250.00	1,250.00	842.38	407.62		
Insurance						
General Liability	92,000.00	92,000.00	90,960.00	1,040.00		
Workers Compensation	62,100.00	62,100.00	62,100.00			
Medical Waiver	10,000.00	10,000.00	5,000.04	4,999.96		
Employee Group Insurance	440,000.00	440,000.00	386,670.16	53,329.84		
<u>Public Safety Functions</u>						
Police						
Salaries and Wages:						
Officers	1,135,000.00	1,185,000.00	1,185,000.00			
Police Dispatcher	70,000.00	70,000.00	66,590.34	3,409.66		
Other Expenses	93,800.00	73,800.00	73,145.55	654.45		
Emergency Management						
Salaries and Wages	6,000.00	6,000.00	6,000.00			
Other Expenses	2,500.00	2,500.00	170.00	2,330.00		

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

Sheet 3 of 8

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Fire	\$	\$	\$	\$	\$
Other Expenses	28,000.00	28,000.00	21,528.19	6,471.81	
Fire Hydrant Services	46,000.00	58,000.00	56,868.04	1,131.96	
Aid to Volunteer Ambulance Companies					
Other Expenses	2,500.00	2,500.00	2,500.00		
Municipal Court					
Salaries and Wages	41,023.00	43,023.00	41,922.96	1,100.04	
Other Expenses	3,000.00	3,500.00	3,339.23	160.77	
Public Defender					
Other Expenses	1,500.00	1,500.00	1,252.52	247.48	
Municipal Prosecutor					
Other Expenses	8,400.00	8,400.00	8,400.00		
Public Works Functions					
Streets and Roads Maintenance					
Other Expenses	12,000.00	12,000.00	8,473.14	3,526.86	
Other Public Works Functions					
Salaries and Wages	225,000.00	225,000.00	218,911.49	6,088.51	
Traffic Lights	3,800.00	3,800.00	3,026.25	773.75	
Vehicle Maintenance					
Other Expenses	42,000.00	42,000.00	35,840.46	6,159.54	
Buildings and Grounds					
Other Expenses	60,000.00	60,000.00	45,254.80	14,745.20	
Garbage and Trash Removal					
Trash Collection					
Garbage Contract	210,000.00	210,000.00	210,000.00		
Bulk Pickup	16,000.00	16,000.00	11,302.54	4,697.46	
Recycling					
Salaries and Wages	9,000.00	9,000.00	1,906.25	7,093.75	
Other Expenses	2,000.00	2,000.00	135.00	1,865.00	

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 8

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Health and Human Services</u>						
Board of Health	\$	350.00	\$	25.00	\$	325.00
Other Expenses						
Environmental Health Services		1,500.00		937.24		562.76
Other Expenses						
Animal Control Services		4,000.00		3,600.00		400.00
Other Expenses						
<u>Park and Recreation Functions</u>						
Recreation Services and Programs		9,000.00		8,745.00		255.00
Salaries and Wages		4,000.00		3,897.51		102.49
Other Expenses						
Beach and Boardwalk Operations		3,000.00				3,000.00
Other Expenses						
<u>Education Functions</u>						
Participation in Free County Library		3,000.00		984.00		2,016.00
Other Expenses						
<u>Sewer Department</u>						
Sewer		56,000.00		52,287.69		3,712.31
Salaries and Wages		12,400.00		8,660.93		3,739.07
Other Expenses						
<u>Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u>						
Construction Official		39,250.00		41,141.54		3,108.46
Salaries and Wages		3,000.00		1,383.23		1,616.77
Other Expenses						
Construction Sub-code Officials		19,158.00		19,157.76		.24
Salaries and Wages						

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 8

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
Code Enforcement	\$	45,000.00	\$	8,000.00	\$	
Salaries and Wages		1,000.00		1,000.00		550.00
Other Expenses						
<u>Unclassified</u>						
Utilities:						
Electricity		25,000.00		22,893.30		2,106.70
Street Lighting		20,000.00		19,052.01		2,447.99
Telephone		38,000.00		38,650.68		1,349.32
Water		17,000.00		16,193.03		806.97
Natural Gas		10,000.00		9,113.13		886.87
Gasoline		48,000.00		44,500.00		
Copier		3,400.00		2,541.61		858.39
Postage		4,500.00		460.96		4,039.04
Total Operations within Caps		<u>3,791,732.00</u>		<u>3,517,143.96</u>		<u>274,588.04</u>
Detail:						
Salaries and Wages		1,979,532.00		1,984,529.87		28,502.13
Other Expenses		<u>1,812,200.00</u>		<u>1,532,614.09</u>		<u>246,085.91</u>

STATUTORY EXPENDITURES WITHIN CAPS

Contribution to:

Social Security System	157,000.00	157,000.00	155,230.00	1,770.00	
Defined Contribution Retirement Program	100.00	100.00		100.00	
Public Employees Retirement System	89,251.00	89,251.00	89,251.00		
Police and Firemen's Retirement System of NJ	318,586.06	318,586.06	318,586.06		
Total Deferred Charges and Statutory Expenditures within Caps	<u>564,937.06</u>	<u>564,937.06</u>	<u>563,067.06</u>	<u>1,870.00</u>	
Total Appropriations within Caps	<u>4,356,669.06</u>	<u>4,356,669.06</u>	<u>4,080,211.02</u>	<u>276,458.04</u>	

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 8

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Ocean County Utilities Authority					
Other Expenses	\$ 444,290.00	\$ 444,290.00	\$ 444,290.00	\$	\$
Length of Service Awards Program					
Other Expenses	40,000.00	40,000.00	25,344.00	14,656.00	
<u>Shared Service Agreements</u>					
<u>Recipient</u>					
Township of Freehold					
Information Technology					
Other Expenses	18,922.92	18,922.92	17,346.01	1,576.91	
Township of Brick					
Sewer					
Other Expenses	12,494.00	12,494.00	12,494.00		
Borough of Point Pleasant					
Administrator					
Other Expenses	65,000.00	65,000.00	65,000.00		
<u>Provider</u>					
Borough of Neptune City					
Financial Administration					
Other Expenses	35,690.00	35,690.00	33,312.23	2,377.77	
Bay Head Board of Education					
Police					
Other Expenses	25,000.00	25,000.00	24,410.46	589.54	
<u>Public and Private Programs Offset by Revenues</u>					
Alcohol Education and Rehabilitation Fund					
Body Armor Fund		947.59	947.59		
Clean Communities Program	826.42	826.42	826.42		
Distracted Driving Grant		5,212.55	5,212.55		
		7,000.00	7,000.00		

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 8

	Appropriated		Budget After Modification	Expended		Unexpended Balance Cancelled
	Budget	Paid or Charged		Reserved	Unexpended Balance Cancelled	
Homeland Security Grant	\$	\$	\$	\$	\$	
Recycling Tonnage Grant			16,500.00	16,500.00		
STEM Program			3,215.46	3,215.46		
Total Operations excluded from Caps			8,000.00	8,000.00		
Detail:			683,098.94	663,898.72	19,200.22	
Salaries and Wages			7,000.00	7,000.00		
Other Expenses			676,098.94	656,898.72	19,200.22	
CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS						
Capital Improvement Fund			25,000.00	25,000.00		
Beach Replenishment			30,000.00	30,000.00		
Fire Truck Acquisition			30,000.00	30,000.00		
Total Capital Improvements excluded from Caps			85,000.00	85,000.00		
MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS						
Payment of Bond Anticipation Notes and Capital Notes			520,700.00	520,700.00		
Interest on Notes			1,400.00	1,347.15		52.85
Total Municipal Debt Service excluded from Caps			522,100.00	522,047.15		52.85
Total General Appropriations excluded from Caps			1,249,323.34	1,270,945.87	19,200.22	52.85
Subtotal General Appropriations			5,605,992.40	5,351,156.89	295,658.26	52.85
Reserve for Uncollected Taxes			665,177.81	665,177.81		
Total General Appropriations			\$ 6,271,170.21	\$ 6,016,334.70	\$ 295,658.26	\$ 52.85
		Ref.	A-1	A-3	A	A-1

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

BOROUGH OF BEACHWOOD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 8 of 8

	<u>Ref.</u>	<u>Appropriated Budget After Modification</u>
Budget as Adopted	A-2	\$ 6,271,170.21
Appropriation by 40A:4-87	A-2	<u>40,875.60</u>
	A-3	<u>\$ 6,312,045.81</u>
	<u>Ref.</u>	<u>Expended Paid or Charged</u>
Disbursements	A-4	\$ 4,961,694.71
Reserve for:		
Uncollected Taxes	A-2	665,177.81
Encumbrances	A	51,060.16
Investment in Capital Notes	A	296,700.00
Interfund - Grant Fund	A-14	<u>41,702.02</u>
	A-3	<u>\$ 6,016,334.70</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**TRUST FUNDS**

Exhibit B

STATEMENT OF ASSETS, LIABILITIES AND RESERVES - REGULATORY BASIS**DECEMBER 31, 2022 AND 2021**

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 364.60	\$ 378.00
<u>Other Trust</u>			
Cash	B-1	430,420.36	334,757.55
Investments	B-1	297,639.48	295,429.26
Interfund - Current Fund	B-1		1,636.87
Due from County of Ocean -Community Development Block Grant	B-5	35,000.00	
		<u>763,059.84</u>	<u>631,823.68</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Funds Held by Trustee	B-7	408,739.25	462,958.37
		<u>\$ 1,172,163.69</u>	<u>\$ 1,095,160.05</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Reserve for Expenditures	B-3	\$ 364.60	\$ 378.00
<u>Other Trust</u>			
Miscellaneous Reserves	B-4	736,564.84	631,823.68
Reserve for Community Development Block Grant	B-6	26,495.00	
		<u>763,059.84</u>	<u>631,823.68</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-7	408,739.25	462,958.37
		<u>\$ 1,172,163.69</u>	<u>\$ 1,095,160.05</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**GENERAL CAPITAL FUND**

Exhibit C

STATEMENT OF ASSETS, LIABILITIES AND RESERVES - REGULATORY BASIS**DECEMBER 31, 2022 AND 2021**

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Cash	C-1	\$ 217,869.85	\$ 233,813.21
Grants Receivable	C-3	1,107,999.21	712,999.21
Deferred Charges to Future Taxation:			
Unfunded	C-5	<u>2,827,244.18</u>	<u>2,930,963.89</u>
		<u>\$ 4,153,113.24</u>	<u>\$ 3,877,776.31</u>
<u>Liabilities and Reserves</u>			
Preliminary Costs		\$ 16,503.50	\$ 16,503.50
Capital Improvement Fund	C-6	152,598.34	147,118.05
Improvement Authorizations:			
Funded	C-7	1,052,405.79	723,829.44
Unfunded	C-7	1,461,157.16	1,469,603.65
Bond Anticipation Notes	C-8		384,900.00
Capital Notes	C-9	1,366,087.02	1,076,460.24
Reserve for:			
Beach Replenishment	C-2	30,000.00	
Acquisition of a Fire Truck	C-2	30,000.00	
Fund Balance	C-1	<u>44,361.43</u>	<u>59,361.43</u>
		<u>\$ 4,153,113.24</u>	<u>\$ 3,877,776.31</u>

There were bonds and notes authorized but not issued on December 31, 2022 and 2021 of \$1,461,157.16 and \$1,469,603.65, respectively (Schedule C-10).

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

BOROUGH OF BAY HEAD - COUNTY OF OCEANGENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>Ref.</u>	
Balance December 31, 2021	<u>C</u>	\$ 59,361.43
Decreased by:		
Anticipated as Revenue in Current Fund	C-7	<u>15,000.00</u>
Balance December 31, 2022	C	<u><u>\$ 44,361.43</u></u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEANPAYROLL FUND

Exhibit G

STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASISDECEMBER 31, 2022 AND 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Cash	G-1	\$ <u>300.00</u>	\$ <u>-0-</u>
<u>Liabilities</u>			
Due to Employee	G-2	\$ <u>300.00</u>	\$ <u>-0-</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**GENERAL FIXED ASSETS ACCOUNT GROUP**

Exhibit H

STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
General Fixed Assets:		
Land	\$ 3,921,683.77	\$ 3,921,683.77
Buildings	3,868,516.24	3,868,516.24
Machinery and Equipment	<u>2,563,853.26</u>	<u>2,515,070.70</u>
	<u>\$ 10,354,053.27</u>	<u>\$ 10,305,270.71</u>
<u>Liabilities</u>		
Investment in General Fixed Assets	<u>\$ 10,354,053.27</u>	<u>\$ 10,305,270.71</u>

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The Governmental Accounting Standards Board ("GASB") Statement 14, as amended by GASB Statements No. 39, 61 and 90, established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough has no component units.

B. Descriptions of Funds

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

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

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

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

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

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

C. Basis of Accounting

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

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

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

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

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

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The deferred charges are set forth in Note 16.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2022 and 2021 is set forth in Note 4.

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

School Taxes - The Borough is responsible for levying, collecting, and remitting school taxes for the Borough of Bay Head School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2021 and decreased by the amount deferred at December 31, 2022.

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

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "Local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

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

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

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

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

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

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

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

During 2022 and 2021 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u> <u>Jan. 1, 2022</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>Dec. 31, 2022</u>
General Fixed Assets Account Group:							
Land	\$ 3,921,683.77	\$		\$		\$	\$ 3,921,683.77
Buildings	3,868,516.24						3,868,516.24
Machinery and Equipment	<u>2,515,070.70</u>		<u>48,782.56</u>				<u>2,563,853.26</u>
	\$ <u>10,305,270.71</u>	\$	\$ <u>48,782.56</u>	\$		\$	\$ <u>10,354,053.27</u>

	<u>Balance</u> <u>Jan. 1, 2021</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>Dec. 31, 2021</u>
General Fixed Assets Account Group:							
Land	\$ 3,921,683.77	\$		\$		\$	\$ 3,921,683.77
Buildings	3,868,516.24						3,868,516.24
Machinery and Equipment	<u>2,454,398.70</u>		<u>116,822.00</u>		<u>56,150.00</u>		<u>2,515,070.70</u>
	\$ <u>10,244,598.71</u>	\$	\$ <u>116,822.00</u>	\$	\$ <u>56,150.00</u>	\$	\$ <u>10,305,270.71</u>

D. Financial Statements

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

E. Budgets and Budgetary Accounting

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Impact of Recently Issued Accounting Principles

Recent Accounting Pronouncements

The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB adopts accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The municipalities in the State of New Jersey do not prepare their financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The following GASB pronouncement effective for the current year did have a significant impact on the Borough's financial statements.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management does not expect this Statement to have a material impact to the Municipality's financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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

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

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

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

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

At year-end the carrying amount of the Borough's deposits was \$3,579,703.94 and the bank balance amount was \$3,591,684.47. Of this amount \$250,000.00 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the \$3,341,684.47.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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

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

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Borough had no investments in qualified securities at December 31, 2022.

C. Cash Management Plan

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

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

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

D. Credit Risk Categories

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2021</u>	<u>2021</u>
Insured:		
FDIC	\$ 250,000.00	\$ 250,000.00
GUDPA	<u>3,341,684.47</u>	<u>3,452,212.45</u>
	\$ <u>3,591,684.47</u>	\$ <u>3,702,212.45</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Credit Risk Categories (Continued)

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

NOTE 3. DEBT

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

A. Short-Term Debt

General Capital Fund

On December 31, 2022 the Borough had no short-term debt.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 3. DEBT (CONTINUED)****A. Short-Term Debt (Continued)****General Capital Fund (Continued)**

On December 31, 2022 the Borough's outstanding Capital Notes were as follows:

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Outstanding</u>	<u>Interest Rate</u>
2011-03 (2)	Various Parks	\$ 28,556.00	0.00%
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	159,215.67	0.00%
2014-04, 2015-06	Construction of Municipal Building	370,796.56	0.00%
2014-09 (5)	Municipal Park Improvements	534.94	0.00%
2015-17 (5)	Acquisition of Police Equipment	8,440.81	0.00%
2016-14 (2)	Roadway Improvements	17,650.89	0.00%
2017-07 (7)	2017 Roadway Improvement Program	3,594.36	0.00%
2017-07 (9)	Acquisition of Police Equipment	5,300.91	0.00%
2018-12 (3)	Acquisition of Police Vehicle	1,920.51	0.00%
2019-03 (2)	Fire Department Portable Radios	42,114.45	0.00%
2019-03 (3)	Howe Park Improvements	103,204.24	0.00%
2019-13	Lake Avenue	23,680.09	0.00%
2020-06 (2)	Various Streets	43,283.50	0.00%
2020-10 (2)	Portable Police Radios	40,554.30	0.00%
2020-10 (4)	Police Vehicle	42,750.00	0.00%
2021-01	Loader Truck	104,184.11	0.00%
2021-04 (2)	Lake Avenue and Maple Drive	23,764.21	0.00%
2021-11	Computer Equipment	9,500.00	0.00%
2021-13 (1)	Fire Fighting Equipment	3,613.50	0.00%
2021-13 (2)	Fire Department Mobile Radios	59,583.00	0.00%
2021-13 (3)	Acquisition of Police Equipment	12,489.35	0.00%
2022-02 (1)	Acquisition of Police Vehicle	47,595.62	0.00%
2022-03	Strickland Avenue Pump Station	213,750.00	0.00%
		<u>\$ 1,366,077.02</u>	

B. Bonds and Notes Authorized but not Issued

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

		<u>2022</u>	<u>2021</u>
General Capital Fund	\$	1,461,157.16	\$ 1,469,603.65

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 3. DEBT (CONTINUED)

C. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2022 was .149%. The Borough's remaining borrowing power is 3.351%

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

D. Summary of Debt Service

During 2022 and 2021 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Due within</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 384,900.00	\$ (160,900.00)	\$ 224,000.00	\$ 0.00	\$
Capital Notes	<u>1,076,460.24</u>	<u>586,326.78</u>	<u>296,700.00</u>	<u>1,366,087.02</u>	<u>1,366,087.02</u>
	\$ <u>1,461,360.24</u>	\$ <u>425,426.78</u>	\$ <u>520,700.00</u>	\$ <u>1,366,087.02</u>	\$ <u>1,366,087.02</u>
	<u>Balance</u> <u>Jan. 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Due within</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 513,200.00	\$	\$ 128,300.00	\$ 384,900.00	\$ 384,900.00
Capital Notes	<u>919,625.80</u>	<u>453,534.44</u>	<u>296,700.00</u>	<u>1,076,460.24</u>	<u>1,076,460.24</u>
	\$ <u>1,432,825.80</u>	\$ <u>453,534.44</u>	\$ <u>425,000.00</u>	\$ <u>1,461,360.24</u>	\$ <u>1,461,360.24</u>

NOTE 4. ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$145,811.55 and \$142,406.07 at December 31, 2022 and 2021, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 5. FUND BALANCES APPROPRIATED

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

	<u>2022</u>	<u>2021</u>
Current Fund	\$ 1,225,000.00	\$ 1,225,000.00

NOTE 6. TAXES COLLECTED IN ADVANCE

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

	<u>Balance December 31</u>	
	<u>2022</u>	<u>2021</u>
Prepaid Taxes	\$ 330,535.73	\$ 372,593.70

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

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

NOTE 9. SCHOOL TAXES

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

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

	<u>District School Tax</u>	
	<u>Balance December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance of Tax	\$ 1,809,593.50	\$ 1,726,825.50
Deferred	<u>887,760.62</u>	<u>887,760.62</u>
Tax Payable	\$ <u>921,832.88</u>	\$ <u>839,064.88</u>

NOTE 10. RISK MANAGEMENT

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2022:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$	\$ 105,447.80
Grant Fund	105,447.80	<u>105,447.80</u>
	\$ <u>105,447.80</u>	\$ <u>105,447.80</u>

NOTE 12. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2022, the Borough estimates that no material liabilities will result from such audits.

Pending Litigation

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

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED

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

Annual Contributions - The annual contribution to be made by the Borough for each active volunteer member shall be \$1,000 per year, plus CPI adjustment, for active fire department service, commencing with the year 2005.

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

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

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

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

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 13. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED
(CONTINUED)

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

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

NOTE 14. DEFERRED COMPENSATION

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

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

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

NOTE 15. UNEMPLOYMENT COMPENSATION INSURANCE

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et seq.) The Borough has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. A portion of funds collected from employees are transmitted to the State. The Reserve for Unemployment Trust at December 31, 2022 and 2021 is \$52,933.10 and \$50,087.30, respectively.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2022 the State's pension contribution was more than the actuarial determined amount. For fiscal year 2021 the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2013 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$89,251 for 2022.

Net Pension Liability and Pension Expense - At December 31, 2022, the Borough's proportionate share of the PERS net pension liability is valued to be \$938,550. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The Borough's proportion measured as of June 30, 2022, was .00622%, which was a decrease of .00140% from its proportion measured as of June 30, 2021.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****A. Public Employees' Retirement System (PERS) (Continued)****Net Pension Liability and Pension Expense (Continued)****Collective Balances at December 31, 2019 and December 31, 2018**

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Actuarial Valuation Date (including roll forward)	July 1, 2022	July 1, 2021
Deferred Outflows of Resources	\$ 128,167	\$ 213,313
Deferred Inflows of Resources	493,080	808,292
Net Pension Liability	938,550	902,824
Borough's Portion of the Plan's Total Net Pension Liability	0.00622%	0.00762%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2022, the Borough's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2022 measurement date was a net credit of \$115,914. This credit is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$89,251 to the plan in 2022.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,774	\$ 5,974
Changes of assumptions	2,908	140,538
Net difference between projected and actual earnings on pension plan investments	38,846	
Changes in proportion	79,639	346,568
	<u>\$ 128,167</u>	<u>\$ 493,080</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****A. Public Employees' Retirement System (PERS) (Continued)****Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense are as follows:

	<u>Year Ending December 31</u>	<u>PERS</u>		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	2023	\$ (133,894)			
	2024	(94,402)			
	2025	(73,389)			
	2026	(9,747)			
	2027	(53,481)			
		<u>\$ (364,913)</u>			
Difference between Expected and Actual Experience					
Year of Pension Plan Deferral:					
June 30, 2017			5.48	-	
June 30, 2018			-	5.63	
June 30, 2019			5.21	-	
June 30, 2020			5.16	-	
June 30, 2021			-	5.13	
June 30, 2022			-	5.04	
Changes of Assumptions					
Year of Pension Plan Deferral:					
June 30, 2017			-	5.48	
June 30, 2018			-	5.63	
June 30, 2019			-	5.21	
June 30, 2020			-	5.16	
June 30, 2021			5.13	5.04	

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****A. Public Employees' Retirement System (PERS) (Continued)****Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions (Continued)

	<u>PERS</u>
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%
Mortality Rate Table	Pub-2010
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2018 - June 30, 2021

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 disabled 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 a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****A. Public Employees' Retirement System (PERS) (Continued)**

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) 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 PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real estate	8.00%	11.19%
Real assets	3.00%	7.60%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%
	<u>100.00%</u>	

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Municipal bond rates of 2.16% as of June 30, 2021 and 3.54% as of June 30, 2022 were used in the development of the blended GASB discount rate after the Plan's fiduciary net position was no longer sufficient to make future benefit payments, when applicable. As selected by the State Treasurer, the rates are based on the Bond Buyer GO 20-Bond Municipal Bond Index. As of June 30, 2022, based on the assumptions above, the pension Plan's fiduciary net position is expected to be sufficient to make all projected future benefit payments for current Plan members; therefore, the GASB discount rate as of June 30, 2022 is equal to the long-term rate of return of 7.00%.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>(7.00%)</u>	<u>Increase</u> <u>(8.00%)</u>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 1,208,025	\$ 938,550	\$ 709,216

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

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

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

The following represents the membership tiers for PFRS:

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Plan Description (Continued)

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

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

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2022 the State's pension contribution was more than the actuarial determined amount. For fiscal year 2021 the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assts. Borough contributions to PFRS amounted to \$277,582 for 2022.

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Net Pension Liability and Pension Expense - At December 31, 2022, the Borough's proportionate share of the PFRS net pension liability is valued to be \$2,830,263. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The Borough's proportion measured as of June 30, 2022, was .02473%, which was an increase of .00091% from its proportion measured as of June 30, 2021.

Collective Balances at December 31, 2022 and December 31, 2021

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Actuarial Valuation Date (including roll forward)	July 1, 2022	July 1, 2021
Deferred Outflows of Resources	\$ 706,660	\$ 366,010
Deferred Inflows of Resources	871,893	1,921,036
Net Pension Liability	2,830,263	1,740,842
Borough's Portion of the Plan's Total		
Net Pension Liability	0.02473%	0.02382%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2021, the Borough's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2021 measurement date was \$21,268. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$277,582 to the plan in 2022.

At December 31, 2022, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****B. Police and Firemen's Retirement System (PFRS) (Continued)****Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 128,105	\$ 173,392
Changes of assumptions	7,757	356,274
Net difference between projected and actual earnings on pension plan investments	259,169	
Changes in proportion	311,629	342,227
	<u>\$ 706,660</u>	<u>\$ 871,893</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense are as follows:

Year Ending December 31	PFRS
2023	\$ (147,678)
2024	(96,584)
2025	(92,297)
2026	173,892
2027	(4,385)
Thereafter	1,819
	<u>\$ (165,233)</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Pension Expense and Deferred Outflows/Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
June 30, 2020	5.9	-
June 30, 2021	-	6.17
June 30, 2022	6.22	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
June 30, 2020	-	5.9
June 30, 2021	6.17	-
June 30, 2022	-	6.22
Differences between projected and actual investment earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92
June 30, 2020	5.90	5.90
June 30, 2021	6.17	6.17
June 30, 2022	6.22	6.22

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$503,704 as of December 31, 2022. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2022 was .02473%, which was an increase of .00091% from its proportion measured as of June 30, 2021, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 2,830,263
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>503,704</u>
Total Net Pension Liability	\$ <u>3,333,967</u>

At December 31, 2022, the State's proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2022 measurement date was \$48,114.

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2022**NOTE 16. PENSION OBLIGATIONS (CONTINUED)****B. Police and Firemen's Retirement System (PFRS) (Continued)****Actuarial Assumptions (Continued)**

	<u>PFRS</u>
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 - 16.25%
	Based on years of service
Investment Rate of Return	7.00%
Mortality Rate Table	PubS-2010
Period of Actuarial Experience Study upon which Actuarial Assumptions were based	July 1, 2018 - June 30, 2021

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% 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 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) 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, 2022 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on these assumptions, the pension 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.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

NOTE 16. PENSION OBLIGATIONS (CONTINUED)

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

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>(7.00%)</u>	<u>Increase</u> <u>(8.00%)</u>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 4,070,858	\$ 2,830,263	\$ 1,797,461

C. Defined Contribution Retirement Program

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Borough's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

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

NOTE 17. SUBSEQUENT EVENTS

A review of events from December 31, 2022 to audit indicated the following:

Ordinances - The Borough adopted Ordinance 2023-06 for Various Capital Improvement authorizing bonds and notes of \$288,600.00.

BOROUGH OF BAY HEAD

COUNTY OF OCEAN

PART II

SUPPLEMENTARY DATA

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2022

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

Tax Rate	<u>2022</u> \$ <u>.900</u>	<u>2021</u> \$ <u>.878</u>	<u>2020</u> \$ <u>.876</u>
Apportionment of Tax Rate			
Municipal	.250	.244	.231
County	.421	.413	.430
Regional School District	.229	.221	.215
Assessed Valuation			
2022	\$ 1,642,367,500.00		
2021		\$ 1,625,624,100.00	
2020			\$ 1,618,686,600.00

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2022	\$ 14,874,183.09	\$ 14,744,707.52	99.12%
2021	14,375,472.92	14,218,493.49	98.90%
2020	14,250,779.95	14,138,438.38	99.21%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2022	\$ -0-	\$ 129,452.46	\$ 129,452.46	.87%
2021	-0-	146,520.61	146,520.61	1.02%
2020	-0-	107,568.97	107,568.97	.75%

COMPARISON OF WATER UTILITY RENTS

<u>Year</u>	<u>Rents</u>	<u>Prior Year Delinquents</u>	<u>Collections</u>
2022	\$ 676,149.00	\$ 14,603.19	\$ 671,595.66
2021	676,600.00	12,542.81	674,539.62
2020	669,503.00	38,425.65	695,325.84

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2022	\$ 2,137,341.34	\$ 1,217,000.00
2021	2,015,169.54	1,225,000.00
2020	1,665,468.52	1,225,000.00
2019	1,986,873.56	1,402,000.00
2018	2,007,400.73	1,228,000.00

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
<u>Issued</u>			
General:			
Notes	\$ 1,366,087.02	\$ 1,461,360.24	\$ 1,432,825.80
<u>Authorized but not Issued</u>			
General:			
Notes	<u>1,461,157.16</u>	<u>1,469,603.65</u>	<u>1,684,189.67</u>
Net Notes Issued and Authorized but not Issued	\$ <u>2,827,244.18</u>	\$ <u>2,930,963.89</u>	\$ <u>3,117,015.47</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 .149%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 1,750,000.00	\$ 1,750,000.00	\$ -0-
General Debt	<u>2,827,244.18</u>	<u> </u>	<u>2,827,244.18</u>
	<u>\$ 4,577,244.18</u>	<u>\$ 1,750,000.00</u>	<u>\$ 2,827,244.18</u>

Net Debt \$2,827,244.18 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$1,896,451,410.67 = .149%.

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

3.5% of Equalized Valuation Basis (Municipal)	\$ 66,375,799.37
Net Debt	<u>2,827,244.18</u>
Remaining Borrowing Power	<u>\$ 63,548,555.19</u>

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under review.

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
William W. Curtis	Mayor	*
Douglas J. Lyons	Councilmember-President	*
Jennifer Barnes-Gambert	Councilmember	*
Diane M. Cornell	Councilmember	*
Dennis J. Shaning	Councilmember	*
Holly MacPherson	Councilmember	*
James W. Gates	Councilmember	*
Patricia Applegate	Borough Clerk, Registrar	*
John D. Antonides	Tax Collector	*
William E. Antonides, Jr.	Certified Finance Officer	*
Denise L. Mayer	Financial Assistant	*
James Gluck	Magistrate	*
Tracy McCrystal	Court Administrator	*

* The Borough maintains employee dishonesty coverage for all municipal employees through the Ocean County Municipal Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000.00.

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND****Exhibit A-4****SCHEDULE OF CASH - TREASURER**

Balance December 31, 2021		\$ 2,791,534.12
Increased by Receipts:		
Taxes Receivable	\$ 14,507,384.43	
Prepaid Taxes	321,053.73	
Tax Overpayments	20,281.35	
Emergency Funded by Ordinance	225,000.00	
Sewer Charges Receivable	670,584.49	
Sewer Overpayments	3,816.45	
State of New Jersey (Ch. 20, P.L. 1971)	11,250.00	
Revenue Accounts Receivable	543,593.05	
Miscellaneous Reserves	82,909.29	
Due to State	14,417.00	
Interfunds:		
Grant Fund	145,764.37	
Miscellaneous Revenue not Anticipated	59,418.01	
		<u>16,605,472.17</u>
		<u>19,397,006.29</u>
Decreased by Disbursements:		
Budget Appropriations	4,961,694.71	
Appropriation Reserves	328,288.80	
County Taxes Payable	3,679,731.00	
Local School District Tax	6,998,949.18	
Investment in Capital Notes	586,326.78	
Miscellaneous Reserves	41,000.11	
Due to State	14,381.00	
Interfunds:		
Other Trust Fund	1,636.87	
Grant Fund	135,765.92	
Tax Overpayments	20,281.35	
Sewer Overpayments	2,115.00	
		<u>16,770,170.72</u>
Balance December 31, 2022		\$ <u><u>2,626,835.57</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-5

SCHEDULE OF DUE FROM STATE OF NEW JERSEY

(CHAPTER 20, P.L. 1971)

Balance December 31, 2021 - Due To	\$ (500.00)
Increased by:	
2022 Senior Citizens and Veterans Exemptions per Tax Duplicate	<u>11,250.00</u>
	10,750.00
Decreased by:	
Receipts	<u>11,250.00</u>
Balance December 31, 2022 - Due To	\$ <u><u>(500.00)</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2022 Levy	Collections		Due from State	Cancelled	Balance
	Dec. 31, 2021		2021	2022			Dec. 31, 2022
2021	\$ 146,520.61	\$	\$ 372,593.70	\$ 146,520.61	\$ 11,250.00	\$ 23.11	\$ 129,452.46
2022		14,874,183.09		14,360,863.82			
	\$ 146,520.61	\$ 14,874,183.09	\$ 372,593.70	\$ 14,507,384.43	\$ 11,250.00	\$ 23.11	\$ 129,452.46
Tax Levies		\$ 14,871,472.86					
Penalties		2,710.23					
		\$ 14,874,183.09					

Analysis of 2022 Property Tax Yield and Tax Levy

Tax Yield:			
General Purpose Tax		\$ 14,781,307.50	
Added and Omitted Taxes		90,165.36	\$ 14,871,472.86
Tax Levy:			
Local District School Tax (Abstract)			
County Taxes:		\$ 3,762,499.00	
County Tax (Abstract)	\$ 5,817,967.83		
County Library Tax (Abstract)	572,375.19		
County Health Tax (Abstract)	302,475.62		
County Open Space Tax (Abstract)	216,852.86		
Due County for Added and Omitted Taxes	42,182.75		
Total County Taxes		6,951,854.25	
Local Tax for Municipal Purposes			
Add: Additional Tax Levied		4,157,119.61	\$ 14,871,472.86

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-7

SCHEDULE OF SEWER CHARGES RECEIVABLE

Balance December 31, 2021			\$ 14,603.19
Increased by:			
Sewer Billings			<u>676,149.00</u>
			690,752.19
Decreased by:			
Receipts	\$ 670,584.49		
Overpayments Applied		<u>1,011.17</u>	
			<u>671,595.66</u>
Balance December 31, 2022			\$ <u>19,156.53</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-8

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2021</u>	<u>Accrued in 2022</u>	<u>Collected by Treasurer</u>	<u>Balance Dec. 31, 2022</u>
Anticipated Revenues:				
Alcoholic Beverages Licenses	\$	\$ 3,586.00	\$ 3,586.00	\$
Other Licenses		310.00	310.00	
Interest and Costs on Taxes		33,503.12	33,503.12	
Energy Receipts Tax		169,935.00	169,935.00	
Uniform Construction Code Fees		165,499.00	165,499.00	
Shared Service Agreements:				
Borough of Neptune City:				
Financial Administration		35,690.00	35,690.00	
Bay Head Board of Education:				
School Resource Officer		25,000.00	25,000.00	
Reserve for Superstorm Sandy Proceeds		95,989.67	95,989.67	
Unanticipated Revenues:				
Municipal Court	3,098.30	47,597.56	47,782.34	2,913.52
Cable Franchise Fees		11,188.26	11,188.26	
Interest on Deposits		53,599.33	53,599.33	
	<u>\$ 3,098.30</u>	<u>\$ 641,897.94</u>	<u>\$ 642,082.72</u>	<u>\$ 2,913.52</u>
Receipts			\$ 543,593.05	
Revenue Reserves			<u>98,489.67</u>	
			<u>\$ 642,082.72</u>	

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 5

APPROPRIATIONS WITHIN CAPS

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Administrative and Executive					
Salaries and Wages	\$ 36.98	\$	\$ 36.98		\$ 36.98
Other Expenses	369.06		369.06	95.94	273.12
Mayor and Council					
Other Expenses	2,570.22		2,570.22	95.00	2,475.22
Municipal Clerk					
Salaries and Wages	719.04		719.04		719.04
Other Expenses:					
Other Expenses	3,647.56		3,647.56	3,647.56	
Legal Advertising	503.16		503.16	81.86	421.30
Elections	123.34		123.34		123.34
Financial Administration					
Other Expenses	504.49	648.00	1,152.49	298.00	854.49
Information Technology					
Other Expenses	812.17	159.35	971.52	971.52	
Audit Services					
Other Expenses	100.00		100.00		100.00
Collection of Taxes					
Salaries and Wages	9.40		9.40		9.40
Other Expenses	1,584.60	348.00	1,932.60	348.00	1,584.60
Assessment of Taxes					
Salaries and Wages	51.94		51.94		51.94
Other Expenses	824.84		824.84		824.84
Legal Services and Costs					
Other Expenses	6,387.25		11,387.25	10,157.50	1,229.75
Tax Appeals	6,893.00		6,893.00	1,005.00	5,888.00
Special Litigation	17,376.21		3,776.21	(1,848.94)	5,625.15

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 2 of 5

	<u>Balance Dec. 31, 2021</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Engineering Services and Costs					
Other Expenses	\$ 22,979.25	\$	\$ 22,979.25	\$ 22,979.25	\$
Planning Board					
Salaries and Wages	66.07		66.07		66.07
Other Expenses	12,038.54		1,538.54	1,538.54	
Zoning Officer					
Salaries and Wages	9.97		9.97		9.97
Other Expenses	554.30		554.30		554.30
Insurance					
General Liability	34.00		34.00		34.00
Workers Compensation	168.00		168.00		168.00
Medical Waiver	1,258.26		1,258.26		1,258.26
Employee Group Insurance	26,845.49		1,145.49		1,145.49
Police					
Salaries and Wages:					
Police Dispatcher	1,373.41		1,373.41		1,373.41
Crossing Guards	3,481.30		3,481.30		3,481.30
Other Expenses	15,557.99	3,678.85	19,236.84	11,359.33	7,877.51
Emergency Management					
Other Expenses	2,408.26		2,408.26		2,408.26
Fire					
Other Expenses	5,604.12	13,914.55	19,518.67	14,614.75	4,903.92
Fire Hydrant Services	669.55		669.55	669.55	
Municipal Court					
Salaries and Wages	2,621.07		2,621.07		2,621.07
Other Expenses	372.29		372.29	27.30	344.99
Public Defender					
Other Expenses	395.69		395.69		395.69

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 3 of 5

	<u>Balance Dec. 31, 2021</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Municipal Prosecutor					
Other Expenses			\$ 700.00	\$ 700.00	\$
Streets and Roads Maintenance					
Other Expenses	2,790.28	448.35	3,238.63	2,491.13	747.50
Other Public Works Functions					
Salaries and Wages	7,870.87		7,870.87		7,870.87
Traffic Lights	1,199.35	57.08	1,256.43	224.07	1,032.36
Vehicle Maintenance					
Other Expenses	554.85	5,329.19	12,884.04	3,430.14	9,453.90
Buildings and Grounds					
Other Expenses	12,555.61	732.68	1,288.29	1,044.56	243.73
Trash Collection					
Garbage Collection	27,583.36		27,583.36	16,583.34	11,000.02
Bulk Pickup	9,294.55		9,294.55		9,294.55
Recycling					
Salaries and Wages	7,290.62		7,290.62		7,290.62
Other Expenses	1,872.16		1,872.16		1,872.16
Board of Health					
Other Expenses	300.00		300.00		300.00
Environmental Health Services					
Other Expenses	482.97		482.97		482.97
Animal Control Services					
Other Expenses	700.00		700.00		700.00
Recreation Services and Programs					
Salaries and Wages	12.00		12.00		12.00
Other Expenses	1,130.61		1,130.61		1,130.61
Beach and Boardwalk Operations					
Other Expenses	3,000.00		3,000.00		3,000.00

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 5

	<u>Balance Dec. 31, 2021</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Participation in Free County Library					
Other Expenses	\$ 2,293.00	\$	\$ 2,293.00	\$	\$ 2,293.00
Sewer					
Salaries and Wages	670.46		670.46		670.46
Other Expenses	232,400.29		232,400.29	183,366.85	49,033.44
Construction Official					
Other Expenses	764.96	336.98	1,101.94	116.98	984.96
Code Enforcement					
Salaries and Wages	4,579.65		4,579.65		4,579.65
Other Expenses	525.00		525.00		525.00
Utilities:					
Electricity	2,368.91	568.27	2,937.18	1,463.77	1,473.41
Street Lighting	850.93	1,682.19	2,533.12	1,703.19	829.93
Telephone	171.03		1,671.03	1,531.50	139.53
Water	432.86		432.86	432.86	
Natural Gas	2,641.19		2,641.19	1,088.17	1,553.02
Gasoline	45.68	1,685.16	1,730.84	1,685.16	45.68
Copier	147.11		247.11	215.36	31.75
Postage	141.29	169.98	311.27		311.27
Contribution to:					
Social Security System	3,683.80		3,683.80		3,683.80
Defined Contribution Retirement Program	100.00		100.00		100.00
Total Appropriations within Caps	<u>467,404.21</u>	<u>29,758.63</u>	<u>449,662.84</u>	<u>282,117.24</u>	<u>167,545.60</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 5 of 5

	<u>Balance Dec. 31, 2021</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<u>APPROPRIATIONS EXCLUDED FROM CAPS</u>					
Ocean County Utilities Authority	\$		\$ 47,500.00	\$ 47,345.16	\$ 154.84
Other Expenses					
Length of Service Awards Program					
Other Expenses	1,816.00		1,816.00		1,816.00
Township of Freehold					
Information Technology					
Other Expenses	1,509.00		1,509.00		1,509.00
Borough of Neptune City					
Financial Administration					
Other Expenses	.15		.15		.15
Bay Head Board of Education					
Police					
Other Expenses	6,288.07		6,288.07		6,288.07
Total Appropriations excluded from Caps	<u>9,613.22</u>		<u>57,113.22</u>	<u>47,345.16</u>	<u>9,768.06</u>
Total General Appropriations	\$ <u>477,017.43</u>	\$ <u>29,758.63</u>	\$ <u>506,776.06</u>	\$ <u>329,462.40</u>	\$ <u>177,313.66</u>
Disbursements				\$ 328,288.80	
Accounts Payable				<u>1,173.60</u>	
				\$ <u>329,462.40</u>	

BOROUGH OF BAY HEAD - COUNTY OF OCEANCURRENT FUND

Exhibit A-10

SCHEDULE OF COUNTY TAXES PAYABLE

Balance December 31, 2021		\$ 47,094.93
Increased by:		
County Tax	\$ 5,817,967.83	
County Library Tax	572,375.19	
County Health Tax	302,475.62	
County Open Space Tax	216,852.86	
Added and Omitted Taxes	<u>42,182.75</u>	
		<u>6,951,854.25</u>
		<u>6,998,949.18</u>
Decreased by:		
Payments		\$ <u><u>6,998,949.18</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND****Exhibit A-11****SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

Balance December 31, 2021:		
School Tax Payable	\$ 839,064.88	
School Tax Deferred	<u>887,760.62</u>	\$ 1,726,825.50
Increased by:		
Levy - School Year July 1, 2022 to June 30, 2023		<u>3,762,499.00</u>
		5,489,324.50
Decreased by:		
Payments		<u>3,679,731.00</u>
Balance December 31, 2022:		
School Tax Payable	921,832.88	
School Tax Deferred	<u>887,760.62</u>	\$ 1,809,593.50
		<u>1,809,593.50</u>
<u>2022 Liability for Local District School Tax</u>		
Tax Paid		\$ 3,679,731.00
Tax Payable December 31, 2022		<u>921,832.88</u>
		4,601,563.88
Less: Taxes Payable December 31, 2021		<u>839,064.88</u>
Amount Charged to 2022 Operations		<u>\$ 3,762,499.00</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF OTHER RESERVES

	<u>Balance Dec. 31, 2021</u>	<u>Receipts</u>	<u>Disbursed</u>	<u>Utilized as Revenue in Budget</u>	<u>Balance Dec. 31, 2022</u>
Spending Reserves:					
Police Special Duty	\$ 280.00	\$ 63,892.50	\$ 34,232.50	\$	\$ 29,940.00
Recycling	5,332.84	4,556.17	2,238.00		7,651.01
Trust Reserves:					
Third Party Lien Redemption	1,433.45	3,096.16	4,529.61		
Revenue Reserves:					
FEMA Proceeds	10,567.55				10,567.55
Municipal Relief Fund Aid		8,864.46			8,864.46
School Resource Officer	2,500.00	2,500.00		2,500.00	2,500.00
Superstorm Sandy Proceeds	95,989.67			95,989.67	
	<u>\$ 116,103.51</u>	<u>\$ 82,909.29</u>	<u>\$ 41,000.11</u>	<u>\$ 98,489.67</u>	<u>\$ 59,523.02</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF FEES COLLECTED

DUE TO STATE OF NEW JERSEY

	<u>Balance Dec. 31, 2021</u>	<u>Receipts</u>	<u>Disbursed</u>	<u>Balance Dec. 31, 2022</u>
Marriage License Fees	\$ 50.00	\$ 325.00	\$ 375.00	\$
Construction Fees	3,220.00	14,092.00	14,006.00	3,306.00
	<u>\$ 3,270.00</u>	<u>\$ 14,417.00</u>	<u>\$ 14,381.00</u>	<u>\$ 3,306.00</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEANCURRENT FUND

Exhibit A-14

SCHEDULE OF INTERFUNDGRANT FUND

Balance December 31, 2021 - Due To		\$ (95,449.35)
Increased by:		
Grant Expenditures:		
Current Fund	\$ 135,765.92	
2022 Budget Revenue	<u>41,702.02</u>	
		<u>177,467.94</u>
		82,018.59
Decreased by:		
Receipts:		
Grants Received by Current Fund	93,649.92	
Unappropriated Reserves Received in Current Fund	<u>52,114.45</u>	
	<u>145,764.37</u>	
Transferred from 2022 Budget Appropriations	<u>41,702.02</u>	
		<u>187,466.39</u>
Balance December 31, 2022 - Due To		\$ <u>(105,447.80)</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-15

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2021</u>	<u>2022 Budget Revenue</u>	<u>Realized</u>	<u>Balance Dec. 31, 2022</u>
2021 Grants Awards:				
Alcohol Education and Rehabilitation Fund	\$	\$ 947.59	\$ 947.59	\$
Body Armor Fund		826.42	826.42	
Clean Communities Program		5,212.55	5,212.55	
Distracted Driving Crackdown		7,000.00	7,000.00	
Homeland Security Grant		16,500.00		16,500.00
Recycling Tonnage Grant		3,215.46	3,215.46	
STEM Summer Series		8,000.00	8,000.00	
2021 Grants Awards:				
Body Worn Camera Grant	28,532.00		25,678.80	2,853.20
2020 Grants Awards:				
DEP - Water Quality Grant	85,000.00		42,769.10	42,230.90
	<u>\$ 113,532.00</u>	<u>\$ 41,702.02</u>	<u>\$ 93,649.92</u>	<u>\$ 61,584.10</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

SCHEDULE OF APPROPRIATED RESERVES

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2021</u>	<u>Transfer from 2022 Budget Appropriation</u>	<u>Reserve for Encumbrances</u>	<u>Expended</u>	<u>Balance Dec. 31, 2022</u>
2022 Grants Awards:	\$	\$	\$	\$	\$
Clean Communities Program		5,212.55			5,212.55
Distracted Driving Crackdown		7,000.00		7,000.00	
Homeland Security Grant		16,500.00		15,248.28	1,251.72
Recycling Tonnage Grant		3,215.46			3,215.46
STEM Summer Series		8,000.00		6,739.50	1,260.50
2021 Grants Awards:					
Clean Communities	5,209.11				1,792.30
Body Worn Camera Grant	28,532.00			12,480.00	16,052.00
Recycling Tonnage Grant	2,769.27				2,769.27
2020 Grants Awards:					
Clean Communities	3,921.88			2,391.31	1,530.57
DEP - Water Quality Grant	83,593.55		1,406.45	84,352.50	647.50
Recycling Tonnage Grant	2,325.06				2,325.06
2019 Grants Awards:					
Recycling Tonnage Grant	2,325.06				2,325.06
2018 Grants Awards:					
Recycling Tonnage Grant	2,158.56				2,158.56
2017 Grants Awards:					
Recycling Tonnage Grant	2,624.36				2,624.36
Recycling Tonnage Grant	3,996.60				3,996.60
2015 Grants Awards:					
Recycling Tonnage Grant	1,093.65				1,093.65
Combined Grant Years:					
Alcohol Education and Rehabilitation	9,433.08	947.59		1,785.52	8,595.15
Body Armor	2,138.73	826.42		2,352.00	613.15
Drunk Driving Enforcement Fund	4,765.76				4,765.76
Prior Periods Grant Awards:					
Recycling Tonnage Grant	1,557.64				1,557.64
	<u>\$ 156,444.31</u>	<u>\$ 41,702.02</u>	<u>\$ 1,406.45</u>	<u>\$ 135,765.92</u>	<u>\$ 63,786.86</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**CURRENT FUND**

Exhibit A-17

SCHEDULE OF UNAPPROPRIATED RESERVES**GRANT FUND**

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
American Rescue Plan Act	\$ 51,130.59	\$ 51,130.59	\$ 102,261.18
Body Armor Fund		983.86	983.86
	<u>\$ 51,130.59</u>	<u>\$ 52,114.45</u>	<u>\$ 103,245.04</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

TRUST FUNDS

Exhibit B-1

SCHEDULE OF CASH - TREASURER

	<u>Animal Control Trust</u>	<u>Other Trust</u>
Balance December 31, 2021	\$ 378.00	\$ 630,186.81
Increased by Receipts:		
Due State of New Jersey	\$ 31.20	
Animal License Fees	112.00	
Interfund - Current Fund		7,593.71
Miscellaneous Reserves	<u>143.20</u>	<u>173,167.26</u>
	521.20	803,354.07
Decreased by Disbursements:		
Due State of New Jersey	31.20	
Statutory Excess to Current Fund	125.40	
Interfund - Current Fund		5,956.84
Miscellaneous Reserves		60,832.39
Community Development Block Grant		<u>8,505.00</u>
	<u>156.60</u>	<u>75,294.23</u>
Balance December 31, 2022	<u>\$ 364.60</u>	<u>\$ 728,059.84</u>
Analysis of Balance December 31, 2022:		
Cash	\$ 364.60	\$ 430,420.36
Investments		<u>297,639.48</u>
	<u>\$ 364.60</u>	<u>\$ 728,059.84</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**ANIMAL CONTROL TRUST FUND****Exhibit B-2****SCHEDULE OF DUE STATE OF NEW JERSEY**

Increased by:	
Receipts	\$ <u>31.20</u>
Decreased by:	
Fees Paid to State	\$ <u><u>31.20</u></u>

SCHEDULE OF RESERVE FOR EXPENDITURES**Exhibit B-3**

Balance December 31, 2021	\$ 378.00
Increased by:	
2022 Animal License Fees:	
Receipts	<u>112.00</u>
	490.00
Decreased by:	
Statutory Excess to Current Fund	<u>125.40</u>
Balance December 31, 2022	\$ <u><u>364.60</u></u>

Animal License Fees Collected

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 168.00</u>
2021	<u>196.60</u>
	<u><u>\$ 364.60</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-4

SCHEDULE OF MISCELLANEOUS RESERVES

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Increased by</u> <u>Receipts</u>	<u>Decreased by</u> <u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
Affordable Housing	\$ 325,734.29	\$ 3,098.56		\$ 328,832.85
Confiscated Funds		346.00		346.00
Developers' Escrow Funds	12,280.13	59,466.25	37,214.75	34,531.63
Parking Offenses Adjudication Act	2,752.00	124.00		2,876.00
Public Defender	48.00	400.00	448.00	
Recreation Trust		89,140.00	5,711.39	83,428.61
Sick Leave Trust	156,754.52			156,754.52
Storm Trust Reserve	51,667.44	7,297.79	8,403.10	50,562.13
Tax Sale Premiums	32,500.00	2,100.00	8,300.00	26,300.00
Unemployment Compensation	50,087.30	3,600.95	755.15	52,933.10
	\$ 631,823.68	\$ 165,573.55	\$ 60,832.39	\$ 736,564.84

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-5

SCHEDULE OF COMMUNITY DEVELOPMENT

BLOCK GRANT FUNDS RECEIVABLE

Increased by:

Awards:

2022 Grant Award

\$ 35,000.00

Balance December 31, 2022

\$ 35,000.00

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT APPROPRIATIONS

Exhibit B-6

Increased by:

Awards:

2022 Grant Award

\$ 35,000.00

Decreased by:

Disbursements

8,505.00

Balance December 31, 2022

\$ 26,495.00

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

LOSAP FUND

Exhibit B-7

SCHEDULE OF RESERVE FOR LENGTH OF

SERVICE AWARDS PROGRAM (LOSAP)

(UNAUDITED)

Balance December 31, 2021		\$ 462,958.37
Increased by:		
Borough Contributions to Trustee	\$ <u>25,344.00</u>	<u>25,344.00</u>
		488,302.37
Decreased by:		
Loss on Contributions	78,663.12	
Account Maintenance Charges	<u>900.00</u>	<u>79,563.12</u>
Balance December 31, 2022		\$ <u><u>408,739.25</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEANGENERAL CAPITAL FUND

Exhibit C-2

SCHEDULE OF CASH - TREASURER

Balance December 31, 2021		\$	233,813.21
Increased by Receipts:			
Interfund - Current Fund	\$	507,702.80	
Capital Improvement Fund		25,000.00	
Reserve for:			
Beach Replenishment		30,000.00	
Acquisition of a Fire Truck		30,000.00	
Capital Notes		425,426.78	
			<u>1,018,129.58</u>
			<u>1,251,942.79</u>
Decreased by Disbursements:			
Interfund - Current Fund		507,702.80	
Improvement Authorizations		526,370.14	
			<u>1,034,072.94</u>
Balance December 31, 2022		\$	<u><u>217,869.85</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**GENERAL CAPITAL FUND**

Exhibit C-4

SCHEDULE OF INTERFUND - CURRENT FUND

Increased by Receipts:

Interest Earned on Deposits
Interfund Loans Advanced\$ 7,702.80
500,000.00

\$ 507,702.80

Decreased by Disbursements:

Interest to Current Fund
Interfund Loans Returned7,702.80
500,000.00

\$ 507,702.80

**BOROUGH OF BAY HEAD - COUNTY OF OCEAN
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance Number	Improvement Description	Balance	2022	Notes Paid	Ordinances	Balance	Capital	Unexpended
		Dec. 31, 2021	Authorizations	by Budget	Cancelled	Dec. 31, 2022	and Bond	Improvement
		\$	\$	Appropriation	\$	\$	Anticipation	Authorizations
				\$			Notes	
2011-03 (2)	Various Parks	52,250.00		27,719.57		52,250.00	28,566.00	23,684.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	211,925.50				184,205.93	159,215.67	24,990.26
2013-12 (2)	North Street Walkover and Street End Repairs	362,425.00			362,425.00			
2013-12 (3)	Roadway Rock Revetment	217,075.00			217,075.00			
2014-04,	Construction of New Municipal Building							
2015-06		706,501.08		265,337.28		441,163.80	370,796.56	70,367.24
2014-09 (5)	Municipal Park Improvements	534.94				534.94	534.94	
2015-17 (5)	Acquisition of Police Equipment	52,753.66		28,547.88	15,764.97	8,440.81	8,440.81	
2016-14 (2)	Roadway Improvements	43,832.00		2,307.29		41,524.71	17,650.89	23,873.82
2016-14 (3)	Sidewalk and Curbing	40,009.47				40,009.47		40,009.47
2017-07 (1),								
2018-04,								
2017-07 (3)	Clayton Avenue Sidewalks	94,882.25				94,882.25		94,882.25
2017-07 (3)	Roadway Improvements	111,237.85				111,237.85		107,643.49
2017-07 (4)	Sidewalk and Curbing	47,500.00				47,500.00	3,594.36	47,500.00
2017-07 (5)	Acquisition of Fire Equipment	7,383.84			7,383.84			
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	15,907.98				15,907.98	5,300.91	10,607.07
2018-09 (2)	Osborne Avenue	20,221.02		19,730.27		490.75		490.75
2018-12 (1)	Acquisition of Public Works Dump Truck	27,379.47		27,379.47				
2018-12 (3)	Acquisition of Police Vehicle	4,937.87						
2019-03 (1)	Administration Vehicle	13,000.00				1,920.51	1,920.51	
2019-03 (2)	Fire Department Portable Radios	56,152.60				42,114.45	42,114.45	
2019-03 (3)	Howe Park Improvements	153,900.00				123,490.22	103,204.24	20,285.98
2019-03 (4)	Acquisition of Police Vehicle	29,790.86						
2019-13	Lake Avenue	180,670.50		11,449.50		169,221.00	23,680.09	145,540.91
2020-06	Reconstruction of Bayberry Lane, Egbert Street and Club Drive - Local Share	60,000.00		16,716.50		43,283.50	43,283.50	
2020-10 (1)	Fire Department Mobile Radios	643.00			643.00			
2020-10 (2)	Police Department Portable Radios	57,000.00		13,518.10		43,481.90	40,554.30	2,927.60
2020-10 (3)	Police Department Radios	22,800.00		20,755.35	2,044.65			
2020-10 (4)	Police Vehicle	42,750.00				42,750.00	42,750.00	
2021-01	Acquisition of Loader Truck	109,250.00				104,184.11	104,184.11	
2021-04 (2)	Lake Avenue and Maple Drive - Local Share	63,800.00			5,065.89	63,800.00	23,764.21	40,035.79
2021-11	Computer Equipment	9,500.00				9,500.00	9,500.00	
2021-13 (1)	Fire Fighting Equipment	12,350.00				12,350.00	3,613.50	8,736.50
2021-13 (2)	Fire Department Mobile Radios	63,650.00				63,650.00	59,583.00	4,067.00
2021-13 (3)	Acquisition of Police Equipment - Non Vehicular	38,950.00				38,950.00	12,489.35	26,460.65
2022-02 (1)	Acquisition of Police Vehicle		54,150.00			54,150.00	47,595.62	6,554.38
2022-02 (2)	Municipal Building Improvements	427,500.00				427,500.00		427,500.00
2022-03	Strickland Avenue Pump Station	213,750.00				213,750.00	213,750.00	
2022-10 (2)	Lake Drive North	335,000.00				335,000.00		335,000.00
		\$ 2,930,963.89	\$ 1,030,400.00	\$ 520,700.00	\$ 613,419.71	\$ 2,827,244.18	\$ 1,366,087.02	\$ 1,461,157.16

BOROUGH OF BAY HEAD - COUNTY OF OCEANGENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2021		\$ 147,118.05
Increased by:		
Budget Appropriation:		
Receipts	\$ 25,000.00	
Improvement Authorizations Cancelled	<u>17,080.29</u>	
		<u>42,080.29</u>
		189,198.34
Decreased by:		
Appropriations to Finance Improvement Authorizations		<u>36,600.00</u>
Balance December 31, 2022		\$ <u><u>152,598.34</u></u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Sheet 1 of 2

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2021		Downpayment	Deferred Charges to Future Taxation	Paid or Charged	Cancelled	Balance Dec. 31, 2022	
				Funded	Unfunded					Funded	Unfunded
				\$	\$					\$	\$
2000-08	Fair Housing	12/06/2000	66,800.00		63,905.40					63,905.40	
2009-07 (8)	Howe Park	5/18/2009	50,000.00		1,984.00		1,984.00				23,684.00
2011-03 (2)	Various Parks	5/02/2011	55,000.00				19,316.00				24,990.26
2011-03 (6)	Rehabilitation and Replacement of Sewer Means	5/02/2011	250,000.00								
2013-12 (2)	North Street Walkover and Street End Repairs	9/03/2013	381,500.00		11,326.04		7,345.00				
2013-12 (3)	North Street Rock Removal	9/03/2013	228,500.00		5,734.25				373,751.04		
2014-04	Construction of New Municipal Building	4/07/2014	1,500,000.00						222,829.25		
2015-16		7/06/2015	2,500,000.00								
2015-17 (5)	Acquisition of Police Equipment	7/06/2015	152,000.00		78,355.24		7,988.00		15,764.97		70,367.24
2016-14 (2)	Roadway Improvements	7/05/2016	200,000.00		17,534.63		1,789.66				23,873.82
2016-14 (3)	Sidewalk and Curbing	7/05/2016	50,000.00		41,524.71		17,650.89				40,009.47
2017-07 (1)		7/10/2017	190,000.00								
2018-04	Clayton Avenue Sidewalks	7/10/2017	150,000.00		94,882.25						94,882.25
2017-07 (3)	Roadway Improvements	7/10/2017	50,000.00		111,237.85						107,643.49
2017-07 (4)	Sidewalk and Curbing	7/10/2017	102,000.00		47,500.00					139.50	47,500.00
2017-07 (5)	Acquisition of Fire Equipment	7/10/2017	41,000.00		7,383.84				7,383.84		
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	7/10/2017	240,000.00		11,338.37						10,607.07
2018-09 (1)	Osborne Avenue Sidewalks - NJDOT	5/07/2018	60,000.00		490.75						490.75
2018-12 (3)	Acquisition of Police Vehicle	6/04/2018	40,000.00		3,943.15						3,943.15
2019-03 (3)	Howe Park Improvements	5/06/2019	12,000.00								
2019-04 (1)	Updated Fuel Delivery System	5/06/2019	15,000.00								
2019-04 (2)	Dock on Twilight Lake	5/06/2019	15,000.00								
2019-04 (5)	Portable Police Radios	5/06/2019	6,000.00								
2019-04 (6)	Fire Fighting Equipment	5/06/2019	395,000.00		367,032.50						
2019-13	Lake Avenue Improvements - NJDOT	8/19/2019	185,000.00		156,778.01						145,540.91
2020-06	Reconstruction of Bayberry Lane, Egbert Street and Club Drive - Local Share	6/01/2020	60,000.00								
2020-10 (1)	Fire Department Mobile Radios	8/03/2020	7,000.00		12,573.14						
2020-10 (2)	Police Department Portable Radios	8/03/2020	60,000.00		643.00				643.00		
2020-10 (3)	Police Department Radios	8/03/2020	24,000.00		2,927.60						2,927.60
2020-12	First Aid Squad Ambulance	8/03/2020	25,000.00		2,044.65				2,044.65		
2021-01	Acquisition of Loader Truck	3/01/2021	115,000.00		5,065.89				5,065.89		
2021-04 (1)	Lake Avenue and Maple Drive - NJDOT	3/01/2021	196,200.00		196,200.00						
2021-04 (2)	Lake Avenue and Maple Drive - Local Share	3/01/2021	63,800.00		51,945.00						40,035.79
2021-11	Computer Equipment	7/12/2021	10,000.00		6,574.55						
2021-13 (1)	Fire Fighting Equipment	8/02/2021	15,000.00		650.00						8,736.50
2021-13 (2)	Fire Department Mobile Radios	8/02/2021	67,000.00		3,350.00						4,067.00
2021-13 (3)	Acquisition of Police Equipment - Non Vehicular	8/02/2021	41,000.00		26,636.10						26,460.65
2022-01	Information Technology Improvements	2/07/2022	15,000.00								
2022-02 (1)	Acquisition of Police Vehicle	2/07/2022	57,000.00		15,000.00						6,554.38
2022-02 (2)	Municipal Building Improvements	2/07/2022	450,000.00		2,850.00						427,500.00
2022-03	Strickland Avenue Pump Station	2/07/2022	225,000.00		11,250.00						427,500.00
2022-10 (1)	Lake Drive North - NJDOT Grant	9/19/2022	395,000.00		395,000.00						
2022-10 (2)	Lake Drive North - Local Share	9/19/2022	335,000.00		335,000.00						335,000.00
					\$ 723,829.44		\$ 1,050,400.00	\$ 526,370.14	\$ 630,500.00	\$ 1,052,405.79	\$ 1,461,157.16

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Sheet 2 of 2

	2022
	<u>Authorizations</u>
	<u>Downpayments</u>
Capital Improvement Fund	\$ 36,600.00
General Capital Fund - Fund Balance	15,000.00
Grants Receivable	<u>395,000.00</u>
	\$ <u>446,600.00</u>
	<u>Cancelled</u>
Capital Improvement Fund	\$ 17,080.29
Deferred Charge to Future Taxation - Unfunded	<u>613,419.71</u>
	\$ <u>630,500.00</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**GENERAL CAPITAL FUND****Exhibit C-8****SCHEDULE OF BOND ANTICIPATION NOTES**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2021</u>	<u>Decreased by Paid by Budget Appropriation</u>	<u>Transfer to Capital Note</u>
2014-04, 2015-16	Construction of New Municipal Building	\$ <u>384,900.00</u>	\$ <u>224,000.00</u>	\$ <u>160,900.00</u>

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL NOTES

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity*	Interest Rate	Balance Dec. 31, 2021	Issued	Paid by Budget Appropriation	Balance Dec. 31, 2022
						\$	\$	\$	\$
2011-03 (2)	Various Parks	12/07/2021	12/06/2022	12/05/2023	0.00%	9,250.00	19,316.00		9,250.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	12/06/2022		12/05/2023	0.00%				19,316.00
2014-04, 2015-06		12/09/2019	12/06/2022	12/05/2023	0.00%	16,887.20		16,887.20	
		12/09/2020	12/06/2022	12/05/2023	0.00%	32,497.10		10,832.37	21,664.73
		12/07/2021	12/06/2022	12/05/2023	0.00%	130,205.94			130,205.94
		12/06/2022	12/06/2022	12/05/2023	0.00%		7,345.00		7,345.00
2014-04, 2015-06		5/25/2015	12/06/2022	12/05/2023	0.00%		160,900.00		160,900.00
	Construction of Municipal Building	12/09/2020	12/06/2022	12/05/2023	0.00%	165,349.11	41,337.28		124,011.83
		12/07/2021	12/06/2022	12/05/2023	0.00%	77,896.73			77,896.73
2014-09 (5)	Municipal Park Improvements	12/06/2022	12/06/2022	12/05/2023	0.00%		7,988.00		7,988.00
2015-17 (5)	Acquisition of Police Equipment	12/07/2021	12/06/2022	12/05/2023	0.00%	534.94			534.94
		12/09/2020	12/06/2022	12/05/2023	0.00%	35,199.03		28,547.88	6,651.15
2016-14 (2)	Roadway Improvements	12/06/2022	12/06/2022	12/05/2023	0.00%		1,789.66		1,789.66
2017-07 (3)	2017 Roadway Improvement Program	12/06/2022	12/06/2022	12/05/2023	0.00%	2,307.29	2,307.29		17,650.89
2017-07 (9)	Acquisition of Police Equipment	12/07/2021	12/06/2022	12/05/2023	0.00%	4,569.61			3,594.36
		12/06/2022	12/06/2022	12/05/2023	0.00%		731.30		4,569.61
2018-09	Osborne Avenue	12/09/2019	12/06/2022	12/05/2023	0.00%	19,730.27	19,730.27		17,650.89
2018-12 (1)	Acquisition of Dump Truck	12/09/2020	12/06/2022	12/05/2023	0.00%	27,379.47	27,379.47		3,594.36
2018-12 (3)	Acquisition of Police Vehicle	12/07/2021	12/06/2022	12/05/2023	0.00%	1,920.51			4,569.61
2019-03 (1)	Administration Vehicle	12/09/2019	12/06/2022	12/05/2023	0.00%	13,000.00			731.30
2019-03 (2)	Fire Department Portable Radios	12/09/2020	12/06/2022	12/05/2023	0.00%	56,152.60		13,000.00	1,920.51
2019-03 (3)	Howe Park Improvements	12/07/2021	12/06/2022	12/05/2023	0.00%	121,639.12		13,000.00	42,114.45
		12/07/2021	12/06/2022	12/05/2023	0.00%	11,974.90		30,409.78	91,229.34
2019-03 (4)	Acquisition of Police Vehicle	12/09/2019	12/06/2022	12/05/2023	0.00%	29,790.86		29,790.86	11,974.90
2019-13	Lake Avenue	12/09/2020	12/06/2022	12/05/2023	0.00%	11,449.50		11,449.50	
		12/07/2021	12/06/2022	12/05/2023	0.00%	12,442.99			12,442.99
2020-06 (2)	Various Streets	12/06/2022	12/06/2022	12/05/2023	0.00%		11,237.10		11,237.10
		12/09/2020	12/06/2022	12/05/2023	0.00%	16,716.50		16,716.50	
2020-10 (2)	Portable Police Radios	12/06/2022	12/06/2022	12/05/2023	0.00%	30,710.36			30,710.36
2020-10 (3)	Radios - Police Department	12/09/2020	12/06/2022	12/05/2023	0.00%	54,072.40		13,518.10	12,573.14
2020-10 (4)	Police Vehicle	12/09/2020	12/06/2022	12/05/2023	0.00%	20,755.35		20,755.35	40,554.30
		12/07/2021	12/06/2022	12/05/2023	0.00%	42,750.00			42,750.00

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL NOTES

Exhibit C-9

Sheet 2 of 2

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Maturity*	Interest Rate	Balance Dec. 31, 2021	Issued	Paid by Budget Appropriation	Balance Dec. 31, 2022
2021-01	Loader Truck	12/07/2021	12/06/2022	12/05/2023	0.00%	\$ 104,184.11			\$ 104,184.11
2021-04 (2)	Lake Avenue and Maple Drive	12/07/2021	12/06/2022	12/05/2023	0.00%	11,855.00			11,855.00
2021-11	Computer Equipment	12/07/2021	12/06/2022	12/05/2023	0.00%	2,925.45	11,909.21		11,909.21
2021-13 (1)	Fire Fighting Equipment	12/06/2022	12/06/2022	12/05/2023	0.00%		6,574.55		6,574.55
2021-13 (2)	Fire Department Mobile Radios	12/06/2022	12/06/2022	12/05/2023	0.00%		3,613.50		3,613.50
2021-13 (3)	Acquisition of Police Equipment	12/07/2021	12/06/2022	12/05/2023	0.00%	12,313.90	59,583.00		59,583.00
2022-02 (1)	Acquisition of Police Vehicle	12/06/2022	12/06/2022	12/05/2023	0.00%		175.45		175.45
2022-03	Strickland Avenue Pump Station	12/06/2022	12/06/2022	12/05/2023	0.00%		47,595.62		47,595.62
						<u>\$ 1,076,460.24</u>	<u>\$ 586,326.78</u>	<u>\$ 296,700.00</u>	<u>\$ 1,366,087.02</u>
							<u>\$ 160,900.00</u>		
							<u>425,426.78</u>		
							<u>\$ 586,326.78</u>		

Bond Anticipation Note Rollover Receipts

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Capital Notes Issued	Ordinances Cancelled	Balance Dec. 31, 2022
		\$	\$	\$	\$	\$
2011-03 (2)	Various Parks	43,000.00		19,316.00		23,684.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	32,335.26		7,345.00		24,990.26
2013-12 (2)	North Street Walkover and Street End Repairs	362,425.00			362,425.00	
2013-12 (3)	North Street Rock Revetment	217,075.00			217,075.00	
2014-04,						
2015-16	Construction of New Municipal Building	78,355.24		7,988.00		70,367.24
2015-17 (5)	Acquisition of Police Equipment	17,554.63		1,789.66		15,764.97
2016-14 (2)	Roadway Improvements	41,524.71		17,650.89		23,873.82
2016-14 (3)	Sidewalk and Curbing	40,009.47				40,009.47
2017-07 (3)	Roadway Improvements	111,237.85		3,594.36		107,643.49
2017-07 (1),						
2018-04	Clayton Avenue Sidewalks	94,882.25			7,383.84	87,498.41
2017-07 (4)	Sidewalk and Curbing	47,500.00		731.30		46,768.70
2017-07 (5)	Acquisition of Fire Equipment	7,383.84				7,383.84
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	11,338.37				11,338.37
2018-09 (2)	Osborne Avenue Sidewalks	490.75				490.75
2018-12 (3)	Acquisition of Police Vehicle	3,017.36			3,017.36	
2019-03 (3)	Howe Park Improvements	20,285.98				20,285.98
2019-13	Lake Avenue Improvements - Local Share	156,778.01		11,237.10		145,540.91
2020-06	Reconstruction of Bayberry Lane, Egbert Street and Club Drive - Local Share	12,573.14		12,573.14		
2020-10 (1)	Acquisition of Mobile Radios - Fire Department	643.00			643.00	
2020-10 (2)	Acquisition of Portable Radios - Fire Department	2,927.60				2,927.60
2020-10 (3)	Acquisition of Radios - Police Department	2,044.65				2,044.65
2021-01	Acquisition of Loader Truck	5,065.89			5,065.89	
2021-04 (2)	Lake Avenue and Maple Drive - Local Share	51,945.00		11,909.21		40,035.79
2021-11	Computer Equipment	6,574.55		6,574.55		
2021-13 (1)	Fire Fighting Equipment	12,350.00		3,613.50		8,736.50
2021-13 (2)	Fire Department Mobile Radios	63,650.00		59,583.00		4,067.00
2021-13 (3)	Acquisition of Police Equipment - Non Vehicular	26,636.10		175.45		26,460.65
2022-02 (1)	Acquisition of Police Vehicle		54,150.00	47,595.62		6,554.38
2022-02 (2)	Municipal Building Improvements		427,500.00			427,500.00
2022-03	Strickland Avenue Pump Station		213,750.00	213,750.00		
2022-10 (2)	Lake Drive North		335,000.00			335,000.00
		\$ 1,469,603.65	\$ 1,030,400.00	\$ 425,426.78	\$ 613,419.71	\$ 1,461,157.16

BOROUGH OF BAY HEAD - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G-1

SCHEDULE OF CASH - TREASURER

Increased by:

Deposits for Net Pay	\$ 1,328,868.39
Payroll Deductions	921,843.09
Interfund - Current Fund	1,543.41
Other	300.00
	<u>300.00</u>

\$ 2,252,554.89

Decreased by:

Net Pay	1,328,868.39
Payroll Deductions Payable	921,843.09
Interfund - Current Fund	1,543.41
	<u>1,543.41</u>

2,252,254.89

Balance December 31, 2022

\$ 300.00

BOROUGH OF BAY HEAD - COUNTY OF OCEAN**PAYROLL FUND**

Exhibit G-2

ANALYSIS OF CASH

	Increased by Payroll Deductions	Decreased by Payments	Balance Dec. 31, 2022
Deferred Compensation and Insurance	\$ 61,289.13	\$ 61,289.13	\$
Employee Health Benefits Deductions	54,072.94	54,072.94	
Federal Taxes	560,920.34	560,920.34	
Garnishment	5,905.24	5,905.24	
Net Payroll	1,328,868.39	1,328,868.39	
Police and Firemen's Retirement System	107,401.64	107,401.64	
Public Employees' Retirement System	44,642.60	44,642.60	
State Taxes	87,611.20	87,611.20	
Other:			
Interfund - Current Fund	1,543.41	1,543.41	
Due to Employee	300.00		300.00
	<u>\$ 2,252,554.89</u>	<u>\$ 2,252,254.89</u>	<u>\$ 300.00</u>

BOROUGH OF BAY HEAD

COUNTY OF OCEAN

PART III

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2022

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS BASED ON

AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the Board of Commissioners
Borough of Bay Head
County of Ocean
Bay Head, New Jersey 08742

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated September 27, 2023, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

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

Robert A. Hulsart and Company
Independent Auditors

September 27, 2023

BOROUGH OF BAY HEAD

COUNTY OF OCEAN

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

GENERAL COMMENTS

Scope of Audit

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

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

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

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

Internal Control and Operations

Fees collected by the Building Inspector are turned over to the Treasurer. A clerk receives cash and records the transaction.

The Court Clerk maintains a separate bank account and pays over fines and costs to the Borough Treasurer and applicable County and State agencies on a monthly basis.

Dog license fees are collected and held by the Borough Clerk, then turned over to the Treasurer for deposit.

Taxes and other revenues are received and deposited promptly by the Collector-Treasurer in exact cashbook amounts. Bank statements are reconciled on a monthly basis by the Borough C.F.O.

State aid is received by direct deposit.

Vouchers are approved for payment by the Mayor and the Finance Committee and include certification of an employee as to receipt of goods or services and the signed affidavit of the claimant.

Payrolls are prepared by the C.F.O. and time sheets for hourly employees are approved by the department heads.

Our review of procedures for handling of receipts and payment of claims indicates that reasonable care and proper procedure is being exercised.

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

N.J.S. 40A:113(C) states “Every contract or agreement, for the performance of any work or the furnishing or hiring of any material or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate amount set forth in, or the amount calculated by the governor pursuant to, Section 3 of P.L. 1971, c. 198 (c.40A:11-2), except by contract or agreement”. Effective July 1, 2020, the public contracts law was amended to change the bid threshold to \$44,000.00 if there is a certified purchasing agent. Effective July 1, 2020, if there is no Qualified Purchasing Agent the bid threshold was adjusted to \$17,500.00 and \$2,625.00 for quotes and \$6,600 with a qualified purchasing agent.

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

Where expenditures of \$2,625.00 or more are made on applicable items, the governing body has the responsibility of securing quotations as defined under the statute, or higher if the municipality has a qualified purchasing agent (\$6,600.00 with a qualified purchasing agent).

The minutes indicate that bids were requested by public advertising where applicable on the items examined.

Contracts for professional services, which were on file, were examined and appointments were advertised according to statute.

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 on January 3, 2022 adopted the following resolution authorizing interest to be charged on delinquent taxes:

“NOW THEREFORE BE IT RESOLVED, that a grace period not exceeding ten (10) days be permitted after each quarterly due date, February 1, May 1, August 1, November 1, and the rate of eight percent (8%) per annum be charged on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on the amount in excess of \$1,500.00 with delinquent interest rate retroactive to the aforesaid due dates for the year 2022”.

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

Delinquent Taxes and Tax Title Liens

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 of Liens</u>
2022	None
2021	None
2020	None

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current taxes 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>
Delinquent Taxes	5
Delinquent Sewer Charges	5

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

Unemployment Insurance

The Borough elected to adopt the reimbursement plan for unemployment insurance as provided by statute. These funds were deposited in a trust savings account to be held specifically until needed for any claims presented. The Borough has contributed an additional 1% of all eligible salaries paid to this trust account. This account had a balance of \$52,933.10 at December 31, 2022. Unemployment withholdings are turned over to the State. Excess claims paid are billed by the State to the Borough and paid from the trust account.

Follow-Up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year findings:

None reported in 2021.

Current Year Recommendations

None

Appreciation

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

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.