

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**YEAR ENDED**

**DECEMBER 31, 2019**

***Oliwa & Company***  
Certified Public Accountants

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**Year Ended December 31, 2019**  
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**STATE OF NEW JERSEY**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
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**STATE OF NEW JERSEY**

**FINANCIAL STATEMENTS**  
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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PART I**

**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

# *Oliwa & Company*

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the Borough Council  
Borough of Bay Head  
County of Ocean  
Bay Head, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and the account group of the Borough of Bay Head, County of Ocean, State of New Jersey (the "Borough") as of December 31, 2019, and the related statement of operations and change in fund balance - regulatory basis for the year then ended, the related statement of fund balance - regulatory basis for the year then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

### **Auditor's Responsibility (continued)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the Borough prepares its financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2019, or changes in its financial position for the year then ended.

### **Basis for Qualified Opinion on the Trust Fund**

The financial statements of the Length of Service Award Program ("LOSAP") Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 30.69% of the assets, liabilities, and reserves of the Borough's Trust Fund as of December 31, 2019.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on the Trust Fund paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheet - regulatory basis of the Trust Fund of the Borough as of December 31, 2019 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets - regulatory basis of the Current Fund, General Capital Fund, Payroll Fund and the General Fixed Assets Account Group of the Borough as of December 31, 2019, the statement of operations and change in fund balance - regulatory basis for the year then ended, the statement of fund balance - regulatory basis for the year then ended, the statement of revenues - regulatory basis for the year ended December 31, 2019 and the statement of expenditures - regulatory basis for the year ended December 31, 2019 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## **Other Matters**

### *Audit of the 2018 Financial Statements*

The Borough's financial statements - regulatory basis as of December 31, 2018, and for the year then ended, were audited by other auditors whose report, dated August 13, 2019, expressed an unmodified opinion on those financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and an adverse opinion as to the conformity of the financial statements with accounting principles generally accepted in the United States of America, due to the differences between those principles and the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### *Required Supplementary Information*

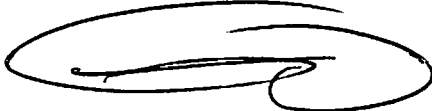
Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the Borough's financial statements. The supplementary schedules and comments section as listed in the table of contents are presented for purposes of additional analysis as required by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

The supplementary schedules and comments section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, based on the accounting principles and practices of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.



**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2020 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.



Robert S. Oliwa  
Certified Public Accountant  
Registered Municipal Accountant #414

*Oliwa & Company*

Freehold, New Jersey  
September 30, 2020

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2019 and 2018**

<u>Assets</u>	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Cash	A-4	\$ 2,448,206.00	\$ 3,048,735.03
Cash - Change Fund		100.00	100.00
Investment in Capital Notes	C-9	610,776.28	706,258.00
		<u>3,059,082.28</u>	<u>3,755,093.03</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	114,540.28	61,453.01
Sewer Charges Receivable	A-7	38,425.65	14,283.23
Revenue Accounts Receivable	A-8	3,632.97	5,978.15
Due from Animal Control Trust Fund			11.20
		<u>156,598.90</u>	<u>81,725.59</u>
		<u>3,215,681.18</u>	<u>3,836,818.62</u>
Federal and State Grant Fund			
Due from Current Fund	A-14	25,336.17	25,853.94
Grants Receivable	A-15	18,603.27	59,817.50
		<u>43,939.44</u>	<u>85,671.44</u>
		<u>\$ 3,259,620.62</u>	<u>\$ 3,922,490.06</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2019 and 2018**

<b><u>Liabilities, Reserves and Fund Balance</u></b>	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Appropriation Reserves	A-3,9	\$ 186,496.01	\$ 235,717.59
Reserve for Encumbrances	A-3,9	31,144.30	25,832.55
Reserve for Tax Appeals		120,000.00	120,000.00
Prepaid Taxes		287,501.65	295,508.97
Sewer Charge Overpayments		1,422.17	218.32
Due to State of New Jersey:			
Chapter 20, P.L. 1971	A-5	500.00	500.00
Fees Collected	A-13	2,270.00	3,258.00
County Taxes Payable	A-10	48,784.24	27,943.58
Local District School Tax Payable	A-11	359,383.38	951,754.38
Other Reserves	A-12	9,370.80	61,104.97
Due to Federal and State Grant Fund	A-14	25,336.17	25,853.94
		<u>1,072,208.72</u>	<u>1,747,692.30</u>
Reserve for Receivables and Other Assets	A	156,598.90	81,725.59
Fund Balance	A-1	1,986,873.56	2,007,400.73
		<u>3,215,681.18</u>	<u>3,836,818.62</u>
Federal and State Grant Fund			
Reserve for Encumbrances	A-16		814.20
Appropriated Reserves	A-16	41,614.38	84,857.24
Unappropriated Reserves	A-17	2,325.06	
		<u>43,939.44</u>	<u>85,671.44</u>
		<u>\$ 3,259,620.62</u>	<u>\$ 3,922,490.06</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2019 and 2018**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized	A-2	\$ 1,228,000.00	\$ 1,021,000.00
Miscellaneous Revenue Anticipated	A-2	1,256,232.73	2,093,507.51
Receipts from Delinquent Taxes	A-2	61,453.01	68,058.44
Receipts from Current Taxes	A-2	13,603,875.42	13,441,601.87
Non-Budget Revenue	A-2	211,904.72	171,080.27
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	195,106.57	194,671.59
Interfunds Returned		11.20	
Cancellation of Appropriated Grant Reserves	A-16	23,537.03	110.00
Accounts Payable Cancelled			24,254.72
Statutory Excess in Animal Control Fund			11.20
Police Special Duty Cancelled			240.00
Reserve for Tax Appeals			121,000.00
Total Income		<u>16,580,120.68</u>	<u>17,135,535.60</u>
<b><u>Expenditures</u></b>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages	A-3	1,930,553.00	1,798,503.00
Other Expenses	A-3	1,467,451.00	1,529,687.40
Deferred Charges and Statutory Expenditures	A-3	501,290.00	425,459.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages	A-3	25,000.00	22,000.00
Other Expenses	A-3	781,177.24	620,954.17
Capital Improvements	A-3	55,000.00	
Municipal Debt Service	A-3	540,342.85	1,408,976.71
County Taxes	A-10	6,576,134.29	6,615,648.22
Due County for Added and Omitted Taxes	A-10	48,784.24	27,943.58
Local District School Taxes	A-11	3,417,801.00	3,354,291.00
Interfunds Advanced			11.20
Grants Receivable Cancelled	A-15	29,114.23	100.00
Total Expenditures		<u>15,372,647.85</u>	<u>15,803,574.28</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2019 and 2018**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Statutory Excess to Fund Balance		\$ 1,207,472.83	\$ 1,331,961.32
Fund Balance January 1	A	<u>2,007,400.73</u>	<u>1,696,439.41</u>
		3,214,873.56	3,028,400.73
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,228,000.00</u>	<u>1,021,000.00</u>
Fund Balance December 31	A	<u>\$ 1,986,873.56</u>	<u>\$ 2,007,400.73</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

		<u>Anticipated</u>			
	<u>Ref.</u>	<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,228,000.00	\$ _____	\$ 1,228,000.00	\$ _____
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	3,000.00		3,346.00	346.00
Other	A-8	1,000.00		530.00	(470.00)
Interest and Costs on Taxes	A-8	20,000.00		29,001.99	9,001.99
Sewer User Fees	A-7	443,000.00		608,338.58	165,338.58
Energy Receipts Tax	A-8	169,935.00		169,935.00	
Uniform Construction Code Fees	A-8	90,000.00		154,457.00	64,457.00
Shared Services:					
Borough of Neptune City:					
Financial Administration	A-8	33,629.40		33,629.40	
Borough of Lakehurst:					
Financial Administration	A-8	80,373.00		80,373.00	
Tax Collector	A-8	18,218.00		18,218.00	
Bay Head Board of Education:					
School Resource Officer	A-8	25,000.00		25,000.00	
Special Items of Revenue:					
Public and Private Revenues Offset with Appropriations:					
Alcohol Education and Rehabilitation Fund	A-14		1,366.37	1,366.37	
Body Armor Grant	A-14	1,227.09		1,227.09	
Clean Communities Program	A-14		5,427.86	5,427.86	
Drunk Driving Enforcement Fund	A-14		9,177.46	9,177.46	
Police Safety Grant	A-14		5,000.00	5,000.00	
Recycling Tonnage Grant	A-14	2,325.06		2,325.06	
UDrive UText UPay	A-14	5,500.00		5,500.00	
Other Special Items:					
General Capital Fund Balance	A-8	7,642.50		7,642.50	
Reserve for Debt Service	A-8	32,000.00		32,000.00	
Reserve for Superstorm Sandy Proceeds - Debt Service	A-8	37,013.07	26,724.35	63,737.42	
Total Miscellaneous Revenues	A-1	<u>969,863.12</u>	<u>47,696.04</u>	<u>1,256,232.73</u>	<u>238,673.57</u>
Receipts from Delinquent Taxes	A-1,7	55,000.00		61,453.01	6,453.01
Subtotal General Revenues		<u>2,252,863.12</u>	<u>47,696.04</u>	<u>2,545,685.74</u>	<u>245,126.58</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2	<u>3,624,985.79</u>	_____	<u>4,185,755.25</u>	<u>560,769.46</u>
Budget Totals		5,877,848.91	47,696.04	6,731,440.99	\$ <u>805,896.04</u>
Non-Budget Revenues	A-2			211,904.72	
		<u>\$ 5,877,848.91</u>	<u>\$ 47,696.04</u>	<u>\$ 6,943,345.71</u>	
	<u>Ref.</u>	<u>A-3</u>	<u>A-3</u>		

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<u>Ref.</u>	
<b><u>Analysis of Realized Revenues</u></b>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,6	\$ 13,603,875.42
Allocated to:		
School and County Taxes		<u>10,042,719.53</u>
Balance for Support of Municipal Budget Appropriations		3,561,155.89
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>624,599.36</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 4,185,755.25</u>
<b><u>Analysis of Non-Budget Revenue</u></b>		
Miscellaneous Revenue not Anticipated:		
Municipal Court Fines and Costs		\$ 83,806.98
Interest on Deposits		46,732.98
Police Outside Duty Administrative Fee		24,355.00
Sale of Municipal Assets		10,400.00
Cable Franchise Fees		9,892.27
Rental Certifications		8,200.00
Fences - Zoning		7,651.00
Joint Insurance Fund Dividend		5,472.00
Recreation Program		4,990.00
Variances and Subdivisions		3,790.00
Miscellaneous Other		2,474.49
Title Transfer Certification		2,150.00
Marriage License Copies		1,990.00
	A-1,2	<u>\$ 211,904.72</u>
Receipts	A-4	\$ 71,472.49
Revenue Accounts Receivable	A-8	<u>140,432.23</u>
		<u>\$ 211,904.72</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
<b><u>OPERATIONS WITHIN CAPS</u></b>					
<b><u>General Government Functions</u></b>					
Administrative and Executive					
Salaries and Wages	\$ 51,925.00	\$ 51,925.00	\$ 51,240.04	\$ 684.96	\$
Other Expenses	2,400.00	2,400.00	1,763.05	636.95	
Mayor and Council					
Salaries and Wages	12,200.00	12,200.00	12,200.00		
Other Expenses	5,500.00	5,500.00	5,262.19	237.81	
Municipal Clerk					
Salaries and Wages	101,000.00	103,000.00	101,873.47	1,126.53	
Other Expenses:					
Other Expenses	9,000.00	9,000.00	8,055.74	944.26	
Legal Advertising	4,000.00	4,000.00	3,658.70	341.30	
Elections	300.00	300.00	139.72	160.28	
Financial Administration					
Salaries and Wages	108,235.00	108,235.00	107,891.05	343.95	
Other Expenses	10,000.00	10,000.00	9,837.46	162.54	
Information Technology					
Other Expenses	14,500.00	14,900.00	14,626.41	273.59	
Audit Services					
Other Expenses	27,000.00	27,000.00	27,000.00		
Collection of Taxes					
Salaries and Wages	21,325.00	21,325.00	20,488.50	836.50	
Other Expenses	6,000.00	6,000.00	5,677.31	322.69	
Assessment of Taxes					
Salaries and Wages	22,308.00	20,858.00	20,808.06	49.94	
Other Expenses	1,500.00	2,500.00	2,082.51	417.49	

See Accompanying Notes



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
Legal Services and Costs					
Other Expenses	\$ 77,000.00	\$ 77,000.00	\$ 74,654.61	\$ 2,345.39	\$
Tax Appeals	20,000.00	10,850.00	10,801.50	48.50	
Engineering Services and Costs					
Other Expenses	35,000.00	46,800.00	45,651.00	1,149.00	
Planning Board					
Salaries and Wages	28,500.00	28,500.00	27,773.20	726.80	
Other Expenses	5,000.00	5,000.00	3,574.74	1,425.26	
Zoning Officer					
Salaries and Wages	15,650.00	15,650.00	15,605.98	44.02	
Other Expenses	1,250.00	1,250.00	400.00	850.00	
Insurance					
General Liability	75,000.00	78,350.00	74,156.00	4,194.00	
Workers Compensation	60,000.00	60,000.00	59,896.00	104.00	
Medical Waiver	430,000.00	415,000.00	413,551.03	1,448.97	
Employee Group Insurance	15,001.00	15,001.00	13,333.44	1,667.56	
<b><u>Public Safety Functions</u></b>					
Police					
Salaries and Wages:					
Officers	1,070,000.00	1,084,000.00	1,060,410.48	23,589.52	
Police Dispatcher	63,325.00	63,825.00	63,668.11	156.89	
Crossing Guards	18,000.00	18,000.00	15,166.50	2,833.50	
Other Expenses	70,300.00	70,300.00	65,738.60	4,561.40	
Emergency Management					
Salaries and Wages	6,000.00	6,000.00	5,477.95	522.05	
Other Expenses	2,500.00	2,500.00	2,019.77	480.23	
Fire					
Other Expenses	28,000.00	28,000.00	24,002.85	3,997.15	
Fire Hydrant Services	46,000.00	46,000.00	44,424.32	1,575.68	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
Aid to Volunteer Ambulance Companies					
Other Expenses	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$	\$
Municipal Court					
Salaries and Wages	43,400.00	43,400.00	40,218.10	3,181.90	
Other Expenses	3,000.00	3,000.00	2,279.70	720.30	
Public Defender					
Other Expenses	1,500.00	1,500.00	245.80	1,254.20	
Municipal Prosecutor					
Other Expenses	7,500.00	7,500.00	7,500.00		
<b><u>Public Works Functions</u></b>					
Streets and Roads Maintenance					
Other Expenses	12,000.00	12,000.00	11,906.01	93.99	
Other Public Works Functions					
Salaries and Wages	183,000.00	185,000.00	183,764.49	1,235.51	
Traffic Lights	3,800.00	3,800.00	2,479.07	1,320.93	
Vehicle Maintenance					
Other Expenses	42,000.00	39,000.00	31,719.28	7,280.72	
Buildings and Grounds					
Other Expenses	60,000.00	60,000.00	50,375.86	9,624.14	
<b><u>Garbage and Trash Removal</u></b>					
Trash Collection					
Garbage Contract	210,000.00	210,000.00	182,686.74	27,313.26	
Bulk Pickup	16,000.00	16,000.00	8,312.56	7,687.44	
Recycling					
Salaries and Wages	14,000.00	9,000.00	5,849.90	3,150.10	
Other Expenses	2,000.00	2,000.00	506.30	1,493.70	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
<b><u>Health and Human Services</u></b>					
Board of Health					
Other Expenses	\$ 350.00	\$ 350.00	\$ 305.00	\$ 45.00	\$
Environmental Health Services					
Other Expenses	1,500.00	1,500.00	1,364.05	135.95	
Animal Control Services					
Other Expenses	4,000.00	4,000.00	3,325.00	675.00	
<b><u>Park and Recreation Functions</u></b>					
Recreation Services and Programs					
Salaries and Wages	6,450.00	6,450.00	5,641.50	808.50	
Other Expenses	6,300.00	6,300.00	3,087.28	3,212.72	
Beach and Boardwalk Operations					
Other Expenses	1,500.00	1,500.00		1,500.00	
<b><u>Education Functions</u></b>					
Participation in Free County Library					
Other Expenses	3,000.00	3,000.00	925.00	2,075.00	
<b><u>Sewer Department</u></b>					
Sewer					
Salaries and Wages	51,805.00	51,805.00	49,471.08	2,333.92	
Other Expenses	15,000.00	15,000.00	10,980.41	4,019.59	
<b><u>Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u></b>					
Construction Official					
Salaries and Wages	46,030.00	46,030.00	46,026.76	3.24	
Other Expenses	3,000.00	3,000.00	2,918.75	81.25	
Construction Sub-code Officials					
Salaries and Wages	18,500.00	18,100.00	18,053.88	46.12	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
Code Enforcement					
Salaries and Wages	\$ 26,250.00	\$ 25,250.00	\$ 23,450.67	\$ 1,799.33	\$
Other Expenses	1,000.00	1,000.00	303.50	696.50	
<b><u>Unclassified</u></b>					
Utilities:					
Electricity	25,000.00	25,000.00	20,763.46	4,236.54	
Street Lighting	20,000.00	20,000.00	16,287.15	3,712.85	
Telephone	35,000.00	35,000.00	33,931.49	1,068.51	
Water	4,500.00	11,500.00	11,376.86	123.14	
Natural Gas	10,000.00	10,000.00	7,497.38	2,502.62	
Gasoline	34,000.00	29,000.00	27,615.04	1,384.96	
Copier	2,400.00	3,350.00	2,595.18	754.82	
Postage	5,000.00	2,000.00	2,000.00		
Salary and Wage Adjustments	12,000.00	12,000.00		12,000.00	
Contingent	1,000.00	1,000.00		1,000.00	
Total Operations within Caps	<u>3,398,004.00</u>	<u>3,398,004.00</u>	<u>3,231,173.54</u>	<u>166,830.46</u>	
Detail:					
Salaries and Wages	1,919,903.00	1,930,553.00	1,875,079.72	55,473.28	
Other Expenses	<u>1,478,101.00</u>	<u>1,467,451.00</u>	<u>1,356,093.82</u>	<u>111,357.18</u>	
<b><u>STATUTORY EXPENDITURES WITHIN CAPS</u></b>					
Contribution to:					
Social Security System	150,000.00	150,000.00	147,890.80	2,109.20	
Defined Contribution Retirement Program	500.00	500.00		500.00	
Public Employees Retirement System	99,183.00	99,183.00	99,183.00		
Police and Firemen's Retirement System of NJ	251,607.00	251,607.00	251,607.00		
Total Deferred Charges and Statutory Expenditures within Caps	<u>501,290.00</u>	<u>501,290.00</u>	<u>498,680.80</u>	<u>2,609.20</u>	
Total Appropriations within Caps	<u>3,899,294.00</u>	<u>3,899,294.00</u>	<u>3,729,854.34</u>	<u>169,439.66</u>	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
<b><u>OPERATIONS EXCLUDED FROM CAPS</u></b>					
Ocean County Utilities Authority					
Other Expenses	\$ 565,400.00	\$ 565,400.00	\$ 565,363.04	\$ 36.96	\$
Length of Service Awards Program					
Other Expenses	25,000.00	25,000.00	22,352.00	2,648.00	
<b><u>Shared Service Agreements</u></b>					
<b><u>Recipient</u></b>					
Township of Freehold					
Information Technology					
Other Expenses	17,100.00	17,100.00	14,250.00	2,850.00	
Township of Brick					
Sewer					
Other Expenses	11,433.00	11,433.00	11,433.00		
<b><u>Provider</u></b>					
Borough of Neptune City					
Financial Administration					
Other Expenses	33,629.40	33,629.40	32,514.82	1,114.58	
Borough of Lakehurst					
Financial Administration					
Other Expenses	80,373.00	80,373.00	80,279.76	93.24	
Collection of Taxes					
Other Expenses	18,218.00	18,218.00	18,216.93	1.07	
Bay Head Board of Education					
Police					
Salaries and Wages	25,000.00	25,000.00	15,687.50	9,312.50	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2019**

	<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>	
<b><u>Public and Private Programs Offset by Revenues</u></b>					
Alcohol Education and Rehabilitation Fund	\$	\$ 1,366.37	\$ 1,366.37	\$	\$
Body Armor Fund	1,227.09	1,227.09	1,227.09		
Clean Communities Program		5,427.86	5,427.86		
Drunk Driving Enforcement Fund		9,177.46	9,177.46		
Recycling Tonnage Grant	2,325.06	2,325.06	2,325.06		
Police Safety Grant		5,000.00	5,000.00		
U Drive U Text U Pay	5,500.00	5,500.00	5,500.00		
Total Operations excluded from Caps	<u>785,205.55</u>	<u>806,177.24</u>	<u>790,120.89</u>	<u>16,056.35</u>	
Detail:					
Salaries and Wages	25,000.00	25,000.00	15,687.50	9,312.50	
Other Expenses	760,205.55	781,177.24	774,433.39	6,743.85	
<b><u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u></b>					
Centennial Park Improvements	55,000.00	55,000.00	54,000.00	1,000.00	
<b><u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u></b>					
Payment of Bond Anticipation Notes and Capital Notes	494,000.00	520,724.35	520,724.35		
Interest on Notes	19,750.00	19,750.00	19,618.50		131.50
Total Municipal Debt Service excluded from Caps	<u>513,750.00</u>	<u>540,474.35</u>	<u>540,342.85</u>		<u>131.50</u>
Total General Appropriations excluded from Caps	<u>1,353,955.55</u>	<u>1,401,651.59</u>	<u>1,384,463.74</u>	<u>17,056.35</u>	<u>131.50</u>
Subtotal General Appropriations	5,253,249.55	5,300,945.59	5,114,318.08	186,496.01	131.50
Reserve for Uncollected Taxes	624,599.36	624,599.36	624,599.36		
Total General Appropriations	<u>\$ 5,877,848.91</u>	<u>\$ 5,925,544.95</u>	<u>\$ 5,738,917.44</u>	<u>\$ 186,496.01</u>	<u>\$ 131.50</u>
	<b><u>Ref.</u></b>	A-2	A-1	A:A-1	

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Years Ended December 31, 2019 and 2018**

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget as Adopted	A-3	\$ 5,877,848.91
Appropriation by 40A:4-87	A-2	<u>47,696.04</u>
	A-3	<u>\$ 5,925,544.95</u>
	<u>Ref.</u>	<u>Paid or Charged</u>
Disbursements	A-4	\$ 4,767,425.59
Reserve for:		
Uncollected Taxes	A-2	624,599.36
Encumbrances	A	31,144.30
Investment in Capital Notes	A	285,724.35
Appropriated Reserves for Federal and State Grants	A-14	<u>30,023.84</u>
	A-3	<u>\$ 5,738,917.44</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**DECEMBER 31, 2019 AND 2018**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Animal Control Trust Fund			
Cash	B-1	\$ <u>239.00</u>	\$ <u>340.20</u>
Other Trust Fund			
Cash	B-1	<u>774,563.72</u>	<u>749,795.51</u>
Length of Service Award Program Fund (LOSAP) - Unaudited			
Investments		<u>343,109.04</u>	<u>266,747.06</u>
		<u>\$ 1,117,911.76</u>	<u>\$ 1,016,882.77</u>
 <b><u>Liabilities and Reserves</u></b>			
Animal Control Trust Fund			
Reserve for Expenditures	B-3	\$ 239.00	\$ 329.00
Due to Current Fund			11.20
		<u>239.00</u>	<u>340.20</u>
Other Trust Fund			
Miscellaneous Reserves	B-4	<u>774,563.72</u>	<u>749,795.51</u>
Length of Service Award Program Fund (LOSAP) - Unaudited			
Reserve for Length of Service Award Program (LOSAP)	B-5	<u>343,109.04</u>	<u>266,747.06</u>
		<u>\$ 1,117,911.76</u>	<u>\$ 1,016,882.77</u>

See Accompanying Notes



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2019 and 2018**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Cash	C-2	\$ 319,241.11	\$ 416,295.40
Grants Receivable		484,299.21	290,000.00
Deferred Charges to Future Taxation:			
Unfunded	C-5	<u>3,602,815.47</u>	<u>3,668,134.82</u>
		<u>\$ 4,406,355.79</u>	<u>\$ 4,374,430.22</u>
<b><u>Liabilities and Reserves</u></b>			
Capital Improvement Fund	C-6	\$ 137,794.05	\$ 152,044.05
Improvement Authorizations:			
Funded	C-7	594,848.34	534,583.32
Unfunded	C-7	2,024,575.69	1,784,902.35
Bond Anticipation Notes	C-8	954,000.00	1,189,000.00
Capital Notes	C-9	610,776.28	706,258.00
Fund Balance	C-1	<u>84,361.43</u>	<u>7,642.50</u>
		<u>\$ 4,406,355.79</u>	<u>\$ 4,374,430.22</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$2,038,039.19 and \$1,772,876.82, respectively (Schedule C-10).

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2019 and 2018**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 7,642.50	\$ -
Increased by:			
Permanently Funded Improvement			
Authorizations Canceled	C-7	144,361.43	7,642.50
		<u>152,003.93</u>	<u>7,642.50</u>
Decreased by:			
Payment to Current Fund as			
Anticipated Revenue	C-2	7,642.50	
Appropriation to Finance Improvement			
Authorization	C-7	60,000.00	
		<u>67,642.50</u>	<u>-</u>
Balance, December 31	C	<u>\$ 84,361.43</u>	<u>\$ 7,642.50</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PAYROLL FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**DECEMBER 31, 2019 AND 2018**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>			
Cash	D-1	\$ <u>0.00</u>	\$ <u>0.00</u>
<b><u>Liabilities</u></b>			
Payroll Deductions Payable	D-2	\$ <u>0.00</u>	\$ <u>0.00</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**DECEMBER 31, 2019 AND 2018**

<b><u>Assets</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
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>2,338,549.50</u>	<u>2,262,964.48</u>
	<u>\$ 10,128,749.51</u>	<u>\$ 10,053,164.49</u>
<b><u>Liabilities</u></b>		
Investment in General Fixed Assets	<u>\$ 10,128,749.51</u>	<u>\$ 10,053,164.49</u>

See Accompanying Notes

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**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") has 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**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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. A modified accrual basis of accounting is followed with minor exceptions. The more significant differences are as follows:

**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**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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.

**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 compensated absence liability at December 31, 2019 and 2018 is set forth in Note 4.

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

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

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

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time of purchase. The costs of inventories are not included on the various balance sheets.

**General Fixed Assets** - In accordance with N.J.A.C. 5:30-5.6, issued by the Local Finance Board, Department of Community Affairs, State of New Jersey, which differs in certain respects from GAAP, the Borough is required to develop a fixed assets accounting and reporting system.

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**COUNTY OF OCEAN**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

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. For fixed assets acquired through December 31, 1985, valuation is required at historical cost or estimated historical cost if actual historical cost is not available. For assets acquired beginning on January 1, 1986, the required basis for valuation is historical cost. Depreciation is not required. GAAP requires fixed assets to be valued at cost and be depreciated. Fixed assets activity for the years ended December 31, 2019 and 2018 was as follows:

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2019</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>2,262,964.48</u>	<u>136,949.02</u>	<u>61,364.00</u>	<u>2,338,549.50</u>
	<u>\$ 10,053,164.49</u>	<u>\$ 136,949.02</u>	<u>\$ 61,364.00</u>	<u>\$ 10,128,749.51</u>
	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2018</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>2,310,835.29</u>	<u>197,568.90</u>	<u>245,439.71</u>	<u>2,262,964.48</u>
	<u>\$ 10,101,035.30</u>	<u>\$ 197,568.90</u>	<u>\$ 245,439.71</u>	<u>\$ 10,053,164.49</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.



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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Impact of Recently Issued Accounting Principles**

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

GASB Statement No. 91, Conduit Debt Obligations, issued in May 2019, 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. In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, that postponed the effective date of the requirements of GASB Statement No. 91 to periods beginning after December 15, 2021. Management does not expect GASB Statement No. 91 to have a material impact upon its financial statements.

**G. Reclassification**

Certain prior year amounts have been reclassified to conform to the current year financial statements presentation.

**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the maturity date.

**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 insures deposits or the State of New Jersey Cash Management Fund.

The Governmental Unit Deposit Protection Act (“GUDPA”) is a supplemental insurance program set forth by the New Jersey Legislature to protect deposits of municipalities and local government agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. GUDPA requires public depositories to pledge collateral for deposit of public funds that exceed insurance limits. GUDPA requires that 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 seventy five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**Deposits (Continued)**

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. Although the Borough does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2019 and 2018, the Borough's bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Uninsured and Uncollateralized	-	-
GUDPA Insured and Collateralized with Securities Held by Pledging Financial Institutions	<u>\$4,011,927.23</u>	<u>\$3,995,836.40</u>
	<u>\$4,011,927.23</u>	<u>\$3,995,836.40</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**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, 2019.

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal investment policy for custodial credit risk for investments. Length of Service Award Program Fund investments were exposed to custodial credit risk and are invested at the discretion of each individual participant and not the Borough. The fair value and book value of the Borough's Length of Service Award Program Fund investments at December 31, 2019 and 2018 were \$343,109.04 and \$266,747.06, respectively.

**Credit Risk**

State law limits investments as described in prior sections of this note to the financial statements. As of December 31, 2019 and 2018 no such investments were held by the Borough.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy for interest rate risk.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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, 2019, the Borough's outstanding Bond Anticipation Notes were as follows:

<b><u>Ordinance Number</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>
2015-06	Construction of New Municipal Building	\$ <u>954,000.00</u>	1.65%

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 3. DEBT (CONTINUED)**

On December 31, 2019, the Borough's outstanding Capital Notes were as follows:

<b><u>Ordinance Number</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	\$ 20,887.20	0.00%
2012-08 (3)	New Computers	1,274.22	0.00%
2014-09 (8)	Acquisition of Police Equipment	1,002.62	0.00%
2015-17 (5)	Acquisition of Police Equipment	28,758.40	0.00%
2015-17 (5)	Acquisition of Police Equipment	15,762.38	0.00%
2016-14 (2)	Roadway Improvements	87,492.00	0.00%
2016-14 (2)	Roadway Improvements	255.00	0.00%
2016-14 (5)	Acquisition of Police Vehicles	111,539.09	0.00%
2017-07 (1), 2018-04	Construction of New Municipal Building	39,750.18	0.00%
2017-07 (1), 2018-04	Construction of New Municipal Building	2,715.01	0.00%
2017-07 (3)	Roadway Improvements	8,414.43	0.00%
2017-07 (3)	Roadway Improvements	5,694.58	0.00%
2017-07 (3)	Roadway Improvements	1,646.25	0.00%
2017-07 (5)	Acquisition of Fire Equipment	10,063.06	0.00%
2017-07 (5)	Acquisition of Fire Equipment	12,528.93	0.00%
2017-07 (7)	Acquisition of Fire Radios	12,395.00	0.00%
2017-07 (8)	Acquisition of Police Vehicle	23,950.00	0.00%
2017-07 (9)	Acquisition of Police Equipment	7,087.95	0.00%
2018-09	Osborne Avenue	19,196.00	0.00%
2018-09	Osborne Avenue	24,298.25	0.00%
2018-12 (1)	Acquisition of Dump Truck	5,325.53	0.00%
2018-12 (1)	Acquisition of Dump Truck	42,379.47	0.00%
2018-12 (2)	Acquisition of Fire Equipment	49,683.00	0.00%
2018-12 (3)	Acquisition of Police Vehicle	15,557.37	0.00%
2019-03 (1)	Administration Vehicle	19,000.00	0.00%
2019-03 (4)	Acquisition of Police Vehicle	39,790.86	0.00%
2019-13	Lake Avenue	<u>4,329.50</u>	0.00%
		<b>\$ <u>610,776.28</u></b>	

**B. Bonds and Notes Authorized but not Issued**

At December 31, 2019 and 2018, the Borough had authorized but not issued bonds and notes as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
General Capital Fund	\$ 2,038,039.19	\$ 1,772,876.82

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 3. DEBT (CONTINUED)**

**C. Borrowing Power**

New Jersey statutes limit the debt of a municipality to 3.500% of the equalized valuation basis. The Borough's net debt expressed as a percentage of the equalized valuation basis as of December 31, 2019 and 2018 was 0.220% and 0.234%, respectively. The net debt of the Borough at December 31, 2019 and 2018 was \$3,602,815.47 and \$3,668,134.82, respectively, and the Borough's remaining borrowing power at December 31, 2019 and 2018 was \$53,677,584.56 and \$51,273,770.98, respectively.

**D. Short-Term Debt Transactions**

Short-term debt transactions for the year ended December 31, 2019 and 2018 are as follows:

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Due within</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 1,189,000.00	\$	\$ 235,000.00	\$ 954,000.00	\$ 954,000.00
Capital Notes	<u>706,258.00</u>	<u>190,242.63</u>	<u>285,724.35</u>	<u>610,776.28</u>	<u>610,776.28</u>
	\$ <u>1,895,258.00</u>	\$ <u>190,242.63</u>	\$ <u>520,724.35</u>	\$ <u>1,564,776.28</u>	\$ <u>1,564,776.28</u>
	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due within</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 1,900,000.00	\$	\$ 711,000.00	\$ 1,189,000.00	\$ 1,189,000.00
Capital Notes	<u>694,034.71</u>	<u>672,000.00</u>	<u>659,776.71</u>	<u>706,258.00</u>	<u>706,258.00</u>
	\$ <u>2,594,034.71</u>	\$ <u>672,000.00</u>	\$ <u>1,370,776.71</u>	\$ <u>1,895,258.00</u>	\$ <u>1,895,258.00</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 \$137,415.03 and \$136,411.14 at December 31, 2019 and 2018, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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>2019</u>	<u>2018</u>
Current Fund	\$ 1,402,000.00	\$ 1,228,000.00

**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>2019</u>	<u>2018</u>
Prepaid Taxes	\$ 287,501.65	\$ 295,508.97

**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.



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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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**

Local 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.

	<b>Local District School Tax</b>	
	<b>Balance December 31</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Balance of Tax	\$ 1,022,144.00	\$ 1,614,515.00
Deferred	<u>662,760.62</u>	<u>662,760.62</u>
Tax Payable	\$ <u><u>359,383.38</u></u>	\$ <u><u>951,754.38</u></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**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The balances of interfund receivables and payables at December 31, 2019 and 2018, are presented below:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b><u>Receivables</u></b>		
Current Fund		\$11.20
Federal and State Grant Fund	\$25,336.17	25,853.94
	<u>\$25,336.17</u>	<u>\$25,865.14</u>
<b><u>Payables</u></b>		
Current Fund	\$25,336.17	\$25,853.94
Animal Control Trust Fund		11.20
	<u>\$25,336.17</u>	<u>\$25,865.14</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. The Borough's administration anticipates 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 Borough's administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

In the opinion of the Borough's administration, 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 debt or other obligations. In addition, Borough officials believe that negligence and other types of liability suits, of which the Borough is aware, appear to be within stated policy limits and would be deferred by the respective carriers.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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.

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**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 reserves for unemployment compensation insurance at December 31, 2019 and 2018 were \$44,556.67 and \$41,155.27, respectively.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**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/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.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:

<b><u>Tier</u></b>	<b><u>Definition</u></b>
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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 43:15A* 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 the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. In 2019, the Borough's contractually required contribution to PERS plan was \$99,183.

**Net Pension Liability and Pension Expense** - At December 31, 2019, the Borough's proportionate share of the PERS net pension liability is valued to be \$1,337,254. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The Borough's proportion measured as of June 30, 2019, was .00742%, which was a decrease of .00253% from its proportion measured as of June 30, 2018.

**Collective Balances at December 31, 2019 and December 31, 2018**

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Actuarial Valuation Date (including roll forward)	July 1, 2019	July 1, 2018
Deferred Outflows of Resources	\$ 596,648	\$ 960,758
Deferred Inflows of Resources	1,057,686	825,941
Net Pension Liability	1,337,254	1,958,386
Borough's Portion of the Plan's Total		
Net Pension Liability	0.00742%	0.00995%

For the year ended December 31, 2019, the Borough had an allocated pension expense of \$46,914.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 24,002	\$ 5,907
Changes of assumptions	133,530	464,157
Net difference between projected and actual earnings on pension plan investments		21,109
Changes in proportion	<u>439,116</u>	<u>566,513</u>
	<u>\$ 596,648</u>	<u>\$ 1,057,686</u>

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

<b><u>Year Ending December 31</u></b>	<b><u>PERS</u></b>
2020	\$ (64,093)
2021	(150,742)
2022	(137,331)
2023	(78,000)
2024	<u>(30,872)</u>
	<u>\$ (461,038)</u>

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**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 Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2015	-	5.00
June 30, 2016	-	5.00
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
Changes in Proportion and Differences between		
Borough Contributions and Proportionate		
Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21



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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**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:

	<b><u>PERS</u></b>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% 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, 2014 - June 30, 2018

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-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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.

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**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, 2019) 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, 2019 are summarized in the following table:

	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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%
	<b><u>100.00%</u></b>	

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**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 6.28% as of June 30, 2019. This single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	<b><u>Decrease</u></b> <b><u>(5.28%)</u></b>	<b><u>Discount</u></b> <b><u>(6.28%)</u></b>	<b><u>Increase</u></b> <b><u>(7.28%)</u></b>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 1,689,169	\$ 1,337,254	\$ 1,040,716

**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](http://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.

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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

The following represents the membership tiers for PFRS:

<b><u>Tier</u></b>	<b><u>Definition</u></b>
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 contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2019, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$251,607 for 2019. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Net Pension Liability and Pension Expense** - At December 31, 2019, the Borough's proportionate share of the PFRS net pension liability is valued to be \$2,940,402. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019. The Borough's proportion measured as of June 30, 2019, was .02403%, which was a decrease of .00171% from its proportion measured as of June 30, 2018.

**Collective Balances at December 31, 2019 and December 31, 2018**

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Actuarial Valuation Date (including roll forward)	July 1, 2019	July 1, 2018
Deferred Outflows of Resources	\$ 398,505	\$ 743,939
Deferred Inflows of Resources	1,359,247	1,151,370
Net Pension Liability	2,940,402	3,482,501
Borough's Portion of the Plan's Total		
Net Pension Liability	0.02403%	0.02574%

For the year ended December 31, 2019, the Borough had an allocated pension expense of \$253,912.

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2019, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,821	\$ 18,616
Changes of assumptions	100,754	950,311
Net difference between projected and actual earnings on pension plan investments		39,841
Changes in proportion	<u>272,930</u>	<u>350,479</u>
	\$ <u>398,505</u>	\$ <u>1,359,247</u>

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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

<b><u>Year Ending December 31</u></b>	<b><u>PFRS</u></b>		
2020	\$ (169,662)		
2021	(339,100)		
2022	(244,679)		
2023	(128,475)		
2024	<u>(78,826)</u>		
	\$ <u>(960,742)</u>		
		<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>Differences between Expected and Actual Experience</b>			
<b>Year of Pension Plan Deferral:</b>			
June 30, 2014	-	-	-
June 30, 2015	-	-	5.53
June 30, 2016	-	-	5.58
June 30, 2017	5.59	-	-
June 30, 2018	5.73	-	-
June 30, 2019	-	-	5.92
<b>Changes of Assumptions</b>			
<b>Year of Pension Plan Deferral:</b>			
June 30, 2014	6.17	-	-
June 30, 2015	5.53	-	-
June 30, 2016	5.58	-	-
June 30, 2017	-	-	5.59
June 30, 2018	-	-	5.73
June 30, 2019	-	-	5.92

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net Difference between Projected and Actual Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2015	-	5.00
June 30, 2016	-	5.00
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	-	5.00
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92

**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.

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Special Funding Situation (Continued)**

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$464,295 as of December 31, 2019. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. 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, 2019 was .02403%, which was a decrease of .00171% from its proportion measured as of June 30, 2018, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 2,940,402
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>464,295</u>
Total Net Pension Liability	\$ <u>3,404,697</u>

For the year ended December 31, 2019, the Borough's total allocated pension expense was \$307,859.

**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:

	<b><u>PERS</u></b>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25% - 15.25%
	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, 2013 - June 30, 2018



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

**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, 2019) 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, 2019 are summarized in the following table:

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. PENSION OBLIGATIONS (CONTINUED)**

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

**Long-Term Expected Rate of Return (Continued)**

	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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 6.85% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**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 (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	<b><u>Decrease</u></b> <b><u>(5.85%)</u></b>	<b><u>Discount</u></b> <b><u>(6.85%)</u></b>	<b><u>Increase</u></b> <b><u>(7.85%)</u></b>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 3,974,352	\$ 2,940,402	\$ 2,084,659

**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**

**Coronavirus (COVID-19) Pandemic** - Subsequent to year-end, the Coronavirus (COVID-19) pandemic has caused significant economic volatility and uncertainty throughout the United States and the world, and continues to evolve. As of September 30, 2020, the date of issuance of these financial statements, the impact of the Coronavirus (COVID-19) pandemic upon the Borough's 2020 operations cannot be reasonably estimated, but may negatively affect some revenues.

**Capital Ordinances** - Subsequent to December 31, 2019, the Borough adopted Ordinance 2020-06 authorizing bonds and notes of \$60,000.00 for road improvements, and Ordinance 2020-10 authorizing bonds and notes of \$129,200.00 for various capital improvements

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PART II**

**SUPPLEMENTARY SCHEDULES**  
**YEAR ENDED DECEMBER 31, 2019**

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF CASH**  
**Year Ended December 31, 2019**

Balance December 31, 2018	Ref. A		\$ 3,048,735.03
Increased by Receipts:			
Taxes Receivable	A-5	\$ 13,357,319.46	
Prepaid Taxes		287,501.65	
Tax Overpayments		2,497.46	
Sewer Charges Receivable		608,120.26	
Sewer Overpayments		1,422.17	
State of New Jersey (Ch. 20, P.L. 1971)	A-6	12,500.00	
Revenue Accounts Receivable	A-9	689,565.12	
Miscellaneous Reserves		155,367.94	
Due to State		9,524.00	
Interfunds:			
Grant Fund		44,448.90	
Animal Control Trust Fund		11.20	
Miscellaneous Revenue not Anticipated	A-2	71,472.49	
		<u>15,239,750.65</u>	<u>18,288,485.68</u>
Decreased by Disbursements:			
Budget Appropriations	A-3	4,767,425.59	
Appropriation Reserves	A-11	66,443.57	
County Taxes Payable	A-12	6,604,077.87	
Local School District Tax	A-13	4,010,172.00	
Investment in Capital Notes		190,242.63	
Miscellaneous Reserves		138,364.69	
Due to State		10,512.00	
Interfund - Grant Fund		50,543.87	
Tax Overpayments	A	2,497.46	
		<u>15,840,279.68</u>	
Balance December 31, 2019	A		<u>\$ 2,448,206.00</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF DUE TO STATE OF NEW JERSEY**  
**(CHAPTER 20, P.L. 1971)**  
**Year Ended December 31, 2019**

Balance December 31, 2018	\$	500.00
Increased by:		
2019 Senior Citizens and Veterans Exemptions per Tax Duplicate		12,500.00
		<u>13,000.00</u>
Decreased by:		
Receipts		<u>12,500.00</u>
Balance December 31, 2019	\$	<u><u>500.00</u></u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**  
**Year Ended December 31, 2019**

<b>Year</b>	<b>Balance</b>	<b>2019 Levy</b>	<b>Collections</b>		<b>Due from State</b>	<b>Cancelled</b>	<b>Balance</b>
	<b>Dec. 31, 2018</b>		<b>2018</b>	<b>2019</b>			
2018	\$ 61,453.01	\$	\$	\$ 61,453.01	\$	\$	\$
2019		13,724,275.54	295,508.97	13,295,866.45	12,500.00	5,859.84	114,540.28
	<u>\$ 61,453.01</u>	<u>\$ 13,724,275.54</u>	<u>\$ 295,508.97</u>	<u>\$ 13,357,319.46</u>	<u>\$ 12,500.00</u>	<u>\$ 5,859.84</u>	<u>\$ 114,540.28</u>
Tax Levy		\$ 13,723,393.88					
Penalties		881.66					
		<u>\$ 13,724,275.54</u>					

**Analysis of 2019 Property Tax Levy**

<b>Tax Yield:</b>			
General Purpose Tax		\$ 13,622,977.40	
Added and Omitted Taxes		100,416.48	
		<u>100,416.48</u>	\$ <u>13,723,393.88</u>
<b>Tax Levy:</b>			
Local District School Tax (Abstract)			\$ 3,417,801.00
<b>County Taxes:</b>			
County Tax (Abstract)	\$ 5,508,886.20		
County Library Tax (Abstract)	606,610.02		
County Health Tax (Abstract)	267,345.60		
County Open Space Tax (Abstract)	193,292.47		
Due County for Added and Omitted Taxes	48,784.24		
Total County Taxes			6,624,918.53
Local Tax for Municipal Purposes	3,624,985.79		
Add: Additional Tax Levied	55,688.56		
Local Tax for Municipal Purposes Levied			<u>3,680,674.35</u>
			\$ <u>13,723,393.88</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF SEWER CHARGES RECEIVABLE**  
**Year Ended December 31, 2019**

Balance December 31, 2018		\$ 14,283.23
Increased by:		
Sewer Billings		<u>632,481.00</u>
		646,764.23
Decreased by:		
Receipts	\$ 608,120.26	
Overpayments Applied	<u>218.32</u>	
		<u>608,338.58</u>
Balance December 31, 2019		<u><u>\$ 38,425.65</u></u>



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**  
**Year Ended December 31, 2019**

	<u>Balance Dec. 31, 2018</u>	<u>Accrued in 2019</u>	<u>Collected by Treasurer</u>	<u>Balance Dec. 31, 2019</u>
Anticipated Revenues:				
Alcoholic Beverages Licenses	\$	\$ 3,346.00	\$ 3,346.00	\$
Other Licenses		530.00	530.00	
Interest and Costs on Taxes		29,001.99	29,001.99	
Energy Receipts Tax		169,935.00	169,935.00	
Uniform Construction Code Fees		154,457.00	154,457.00	
Shared Service Agreements:				
Borough of Neptune City:				
Financial Administration		33,629.40	33,629.40	
Borough of Lakehurst:				
Financial Administration		80,373.00	80,373.00	
Tax Collector		18,218.00	18,218.00	
Bay Head Board of Education:				
School Resource Officer		25,000.00	25,000.00	
Reserve for Superstorm Sandy Proceeds:				
Debt Service		63,737.42	63,737.42	
General Capital Fund:				
Fund Balance		7,642.50	7,642.50	
Reserve for Debt Service		32,000.00	32,000.00	
Unanticipated Revenues:				
Municipal Court	5,978.15	81,461.80	83,806.98	3,632.97
Cable Franchise Fees		9,892.27	9,892.27	
Interest on Deposits		46,732.98	46,732.98	
	<u>\$ 5,978.15</u>	<u>\$ 755,957.36</u>	<u>\$ 758,302.54</u>	<u>\$ 3,632.97</u>
Receipts			\$ 689,565.12	
Revenue Reserves			68,737.42	
			<u>\$ 758,302.54</u>	

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
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**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**  
**Year Ended December 31, 2019**

	<u>Balance Dec. 31, 2018</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<b><u>APPROPRIATIONS WITHIN CAPS</u></b>					
Administrative and Executive					
Salaries and Wages	\$ 19.92	\$	\$ 19.92	\$	\$ 19.92
Other Expenses	82.45		82.45	20.00	62.45
Mayor and Council					
Salaries and Wages	133.33		133.33		133.33
Other Expenses	29.27		29.27	20.00	9.27
Municipal Clerk					
Salaries and Wages	277.54		277.54		277.54
Other Expenses:					
Other Expenses	82.34	1,979.77	2,062.11	1,979.77	82.34
Legal Advertising	513.46	62.22	575.68	152.09	423.59
Elections	160.49		160.49		160.49
Financial Administration					
Salaries and Wages	.06		.06		.06
Other Expenses	432.72		432.72	62.99	369.73
Information Technology					
Other Expenses	247.00		247.00		247.00
Collection of Taxes					
Salaries and Wages	4.98		4.98		4.98
Other Expenses	1,200.24	70.00	1,270.24	70.00	1,200.24
Assessment of Taxes					
Salaries and Wages	199.88		199.88		199.88
Other Expenses	3,304.62		3,304.62		3,304.62
Legal Services and Costs					
Other Expenses	5,403.72		8,803.72	7,810.24	993.48
Tax Appeals	8,831.83		5,431.83	930.00	4,501.83
Engineering Services and Costs					
Other Expenses	12,015.34	450.00	12,465.34	1,490.00	10,975.34

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**  
**Year Ended December 31, 2019**

	<u>Balance</u> <u>Dec. 31, 2018</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>
Planning Board					
Salaries and Wages	\$ 184.73	\$	\$ 184.73	\$	\$ 184.73
Other Expenses	668.40	15.99	2,434.39	1,305.38	1,129.01
Zoning Officer					
Salaries and Wages	83.24		83.24		83.24
Other Expenses	123.50		123.50		123.50
Insurance					
General Liability	574.41		574.41		574.41
Workers Compensation	959.02		959.02		959.02
Medical Waiver	.88		.88		.88
Employee Group Insurance	1,484.55		1,484.55		1,484.55
Police					
Salaries and Wages:					
Officers	10,712.46		10,712.46	(1,842.00)	12,554.46
Police Dispatcher	25.50		25.50		25.50
Crossing Guards	716.00		716.00		716.00
Other Expenses	6,584.69	9,690.35	16,275.04	9,639.46	6,635.58
Emergency Management					
Salaries and Wages	27.82		27.82		27.82
Other Expenses	1,531.39	250.00	1,781.39		1,781.39
Fire					
Other Expenses	3,793.44	8,883.44	12,676.88	9,484.69	3,192.19
Fire Hydrant Services	7,452.83		7,452.83	3,511.89	3,940.94
Municipal Court					
Salaries and Wages	2,530.78		2,530.78		2,530.78
Other Expenses	2,038.41		2,038.41		2,038.41
Public Defender					
Other Expenses	1,500.00		1,500.00		1,500.00
Municipal Prosecutor					
Other Expenses	2,200.00		2,200.00		2,200.00

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**  
**Year Ended December 31, 2019**

	<u>Balance</u> <u>Dec. 31, 2018</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>
Streets and Roads Maintenance					
Other Expenses	\$ 12,068.64	\$	\$ 12,068.64	\$ 2,106.71	\$ 9,961.93
Other Public Works Functions					
Salaries and Wages	1,804.05		1,804.05		1,804.05
Traffic Lights	1,331.84		1,331.84	238.02	1,093.82
Vehicle Maintenance					
Other Expenses	4,593.46	601.25	5,194.71	121.08	5,073.63
Buildings and Grounds					
Other Expenses	13,670.96	3,598.75	17,269.71	2,139.61	15,130.10
Trash Collection					
Garbage Collection	26,353.18		26,353.18	16,583.34	9,769.84
Bulk Pickup	6,608.21		6,608.21		6,608.21
Recycling					
Salaries and Wages	4,183.30		4,183.30		4,183.30
Other Expenses	1,275.22		1,275.22	50.00	1,225.22
Board of Health					
Other Expenses	102.25		102.25		102.25
Environmental Health Services					
Other Expenses	4,299.70		4,299.70		4,299.70
Animal Control Services					
Other Expenses	368.00		368.00		368.00
Recreation Services and Programs					
Salaries and Wages	1,033.50		1,033.50		1,033.50
Other Expenses	461.64		461.64		461.64
Beach and Boardwalk Operations					
Other Expenses	500.00		500.00		500.00
Participation in Free County Library					
Other Expenses	2,074.00		2,074.00		2,074.00

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**  
**Year Ended December 31, 2019**

	<u>Balance Dec. 31, 2018</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Sewer					
Salaries and Wages	\$ 11,851.93	\$	\$ 11,851.93	\$	\$ 11,851.93
Other Expenses	5,601.67		5,601.67		5,601.67
Construction Official					
Salaries and Wages	134.97		134.97		134.97
Other Expenses	466.03	40.53	506.56	40.53	466.03
Construction Sub-code Officials					
Salaries and Wages	1,517.04		1,517.04		1,517.04
Code Enforcement					
Salaries and Wages	2,992.25		1,242.25		1,242.25
Other Expenses	1,165.00		1,165.00		1,165.00
Utilities:					
Electricity	2,762.28		2,762.28	2,543.43	218.85
Street Lighting	4,500.95		4,500.95	1,968.46	2,532.49
Telephone	2,193.26	190.25	2,383.51	1,471.82	911.69
Water	1,502.39		1,502.39	626.85	875.54
Natural Gas	5,633.81		5,633.81	794.28	4,839.53
Gasoline	3,474.79		3,474.79	1,440.03	2,034.76
Copier	300.90		300.90	300.90	
Postage	50.40		50.40		50.40
Salary and Wage Adjustments	12,000.00		12,000.00		12,000.00
Contingent	1,000.00		1,000.00		1,000.00
Contribution to:					
Social Security System	3,090.66		3,090.66		3,090.66
Defined Contribution Retirement Program	500.00		500.00		500.00
Public Employees Retirement System	601.89		601.89		601.89
Total Operations within Caps	<u>218,199.41</u>	<u>25,832.55</u>	<u>244,031.96</u>	<u>65,059.57</u>	<u>178,972.39</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**  
**Year Ended December 31, 2019**

	<u>Balance Dec. 31, 2018</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<b><u>APPROPRIATIONS EXCLUDED FROM CAPS</u></b>					
Ocean County Utilities Authority					
Other Expenses	\$ 4,480.00	\$	\$ 4,480.00	\$	\$ 4,480.00
Township of Freehold					
Information Technology					
Other Expenses	3,554.00		3,554.00	1,384.00	2,170.00
Township of Brick					
Sewer					
Other Expenses	4,525.00		4,525.00		4,525.00
Borough of Neptune City					
Financial Administration					
Other Expenses	1,137.00		1,137.00		1,137.00
Borough of Lakehurst					
Financial Administration					
Other Expenses	64.83		64.83		64.83
Borough of Lakehurst (Continued)					
Collection of Taxes					
Other Expenses	49.85		49.85		49.85
Bay Head Board of Education					
Police					
Other Expenses	3,707.50		3,707.50		3,707.50
Total Operations excluded from Caps	<u>17,518.18</u>		<u>17,518.18</u>	<u>1,384.00</u>	<u>16,134.18</u>
Total General Appropriations	<u>\$ 235,717.59</u>	<u>\$ 25,832.55</u>	<u>\$ 261,550.14</u>	<u>\$ 66,443.57</u>	<u>\$ 195,106.57</u>

See Independent Auditor's Report

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF COUNTY TAXES PAYABLE**  
**Year Ended December 31, 2019**

Balance December 31, 2018		\$	27,943.58
Increased by:			
County Tax	\$ 5,508,886.20		
County Library Tax	606,610.02		
County Health Tax	267,345.60		
County Open Space Tax	193,292.47		
Added and Omitted Taxes	<u>48,784.24</u>		
			<u>6,624,918.53</u>
			<u>6,652,862.11</u>
Decreased by:			
Payments			<u>6,604,077.87</u>
Balance December 31, 2019		\$	<u><u>48,784.24</u></u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**  
**Year Ended December 31, 2019**

Balance December 31, 2018:		
School Tax Payable	\$ 951,754.38	
School Tax Deferred	<u>662,760.62</u>	\$ 1,614,515.00
Increased by:		
Levy - School Year July 1, 2019 to June 30, 2020		<u>3,417,801.00</u>
		5,032,316.00
Decreased by:		
Payments		<u>4,010,172.00</u>
Balance December 31, 2019:		
School Tax Payable	359,383.38	
School Tax Deferred	<u>662,760.62</u>	\$ <u>1,022,144.00</u>
<b><u>2019 Liability for Local District School Tax</u></b>		
Tax Paid		\$ 4,010,172.00
Tax Payable December 31, 2019		<u>359,383.38</u>
		4,369,555.38
Less: Taxes Payable December 31, 2018		<u>951,754.38</u>
Amount Charged to 2019 Operations		<u>\$ 3,417,801.00</u>



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF OTHER RESERVES**  
**Year Ended December 31, 2019**

	<b><u>Balance</u></b> <b><u>Dec. 31, 2018</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursed</u></b>	<b><u>Anticipated</u></b> <b><u>as Revenue</u></b> <b><u>in Budget</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2019</u></b>
Spending Reserves:					
Police Special Duty	\$ 2,600.00	\$ 105,890.00	\$ 108,490.00	\$	\$
Recycling	16,491.90	1,997.90	9,762.08		8,727.72
Trust Reserves:					
Third Party Lien Redemption		15,556.54	14,913.46		643.08
Revenue Reserves:					
School Resource Officer	5,000.00			5,000.00	
Superstorm Sandy Proceeds	<u>37,013.07</u>	<u>31,923.50</u>	<u>5,199.15</u>	<u>63,737.42</u>	
	<u>\$ 61,104.97</u>	<u>\$ 155,367.94</u>	<u>\$ 138,364.69</u>	<u>\$ 68,737.42</u>	<u>\$ 9,370.80</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF FEES COLLECTED DUE TO STATE OF NEW JERSEY**  
**Year Ended December 31, 2019**

	<b><u>Balance</u></b> <b><u>Dec. 31, 2018</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursed</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2019</u></b>
Marriage License Fees	\$ 100.00	\$ 200.00	\$ 300.00	\$
Construction Fees	<u>3,158.00</u>	<u>9,324.00</u>	<u>10,212.00</u>	<u>2,270.00</u>
	<u>\$ 3,258.00</u>	<u>\$ 9,524.00</u>	<u>\$ 10,512.00</u>	<u>\$ 2,270.00</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF INTERFUND**  
**Year Ended December 31, 2019**

Balance December 31, 2018 - Due To		\$ (25,853.94)
Increased by:		
Grant Expenditures:		
Current Fund	\$ 50,543.87	
2019 Budget Revenue	30,023.84	
Cancel Appropriated Reserves	<u>23,537.03</u>	
		<u>104,104.74</u>
		78,250.80
Decreased by:		
Receipts:		
Grants Received by Current Fund	42,123.84	
Unappropriated Reserves Received in Current Fund	<u>2,325.06</u>	
	44,448.90	
Cancel Grants Receivable	29,114.23	
Transferred from 2019 Budget Appropriations	<u>30,023.84</u>	
		<u>103,586.97</u>
Balance December 31, 2019 - Due To		\$ <u><u>(25,336.17)</u></u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**  
**Year Ended December 31, 2019**

<u>Grant</u>	<u>Balance Dec. 31, 2018</u>	<u>2019 Budget Revenue</u>	<u>Realized</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2019</u>
2019 Grant Awards:					
Alcohol Education and Rehabilitation	\$	\$ 1,366.37	\$ 1,366.37	\$	\$
Body Armor		1,227.09	1,227.09		
Clean Communities		5,427.86	5,427.86		
Drunk Driving Enforcement Fund		9,177.46	9,177.46		
Police Safety Grant		5,000.00	5,000.00		
Recycling Tonnage Grant		2,325.06	2,325.06		
UDrive UText UPay		5,500.00	5,500.00		
2018 Grant Awards:					
Drive Sober or Get Pulled Over - Holiday	5,500.00		5,500.00		
Homeland Security Grant	19,000.00			396.73	18,603.27
Pedestrian Safety Grant	6,600.00		6,600.00		
2016 Grants Awards:					
Community Development Block Grants (Post Sandy):					
Master Plan Update	13,048.25			13,048.25	
Code Ordinance Standards	1,929.50			1,929.50	
Neighborhood Plan - Bay Front Area	6,784.00			6,784.00	
Neighborhood Plan - Twilight Lake Area	6,930.75			6,930.75	
Prepare Hazard Mitigation Plan	25.00			25.00	
	<u>\$ 59,817.50</u>	<u>\$ 30,023.84</u>	<u>\$ 42,123.84</u>	<u>\$ 29,114.23</u>	<u>\$ 18,603.27</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATED RESERVES**  
**Year Ended December 31, 2019**

<u>Grant</u>	<u>Balance Dec. 31, 2018</u>	<u>Transfer from 2019 Budget Appropriation</u>	<u>Reserve for Encumbrances</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2019</u>
2019 Grant Awards:						
Clean Communities	\$	\$ 5,427.86	\$	\$	\$	\$ 5,427.86
Police Safety Grant		5,000.00		5,000.00		
Recycling Tonnage Grant		2,325.06				2,325.06
UDrive UText Upay		5,500.00		5,500.00		
2018 Grant Awards:						
Clean Communities	4,930.52					4,930.52
Drive Sober or Get Pulled Over - Holiday	2,035.00			2,035.00		
Homeland Security Grant	19,000.00			18,603.27	396.73	
Pedestrian Safety Grant	6,600.00			6,600.00		
Recycling Tonnage Grant	2,158.56					2,158.56
2017 Grant Awards:						
Clean Communities	4,677.96			3,960.13		717.83
Recycling Tonnage Grant	2,624.36					2,624.36
Recycling Tonnage Grant	3,996.60					3,996.60
2016 Grant Awards:						
Clean Communities	785.98			785.98		
Community Development Block Grants (Post Sandy):						
Master Plan Update	10,568.25				10,568.25	
Code Ordinance Standards	1,177.00				1,177.00	
Neighborhood Plan - Bay Front Area	5,456.50				5,456.50	
Neighborhood Plan - Twilight Lake Area	5,913.25				5,913.25	
Prepare Hazard Mitigation Plan	25.30				25.30	
2015 Grant Awards:						
Recycling Tonnage Grant	1,093.65					1,093.65
Combined Grant Years:						
Alcohol Education and Rehabilitation	8,096.09	1,366.37		1,400.00		8,062.46
Body Armor	2,726.99	1,227.09	814.20	814.20		3,954.08
Drunk Driving Enforcement Fund	1,433.59	9,177.46		5,845.29		4,765.76
Prior Period Grant Awards:						
Recycling Tonnage Grant	1,557.64					1,557.64
	<u>\$ 84,857.24</u>	<u>\$ 30,023.84</u>	<u>\$ 814.20</u>	<u>\$ 50,543.87</u>	<u>\$ 23,537.03</u>	<u>\$ 41,614.38</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF UNAPPROPRIATED RESERVES**  
**Year Ended December 31, 2019**

<b><u>Grant</u></b>	<b><u>Received in 2019</u></b>	<b><u>Balance Dec. 31, 2019</u></b>
Recycling Tonnage Grant	\$ <u>2,325.06</u>	\$ <u>2,325.06</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**TRUST FUND**  
**SCHEDULE OF CASH**  
**Year Ended December 31, 2019**

	<u>Animal Control Trust</u>		<u>Other Trust</u>
Balance December 31, 2018	\$ 340.20		\$ 749,795.51
Increased by Receipts:			
Due State of New Jersey	\$ 57.00		\$
Animal License Fees	210.00		
Interfund - Current Fund	6.09		5,627.55
Miscellaneous Reserves			<u>106,646.46</u>
	<u>273.09</u>		<u>112,274.01</u>
	613.29		862,069.52
Decreased by Disbursements:			
Due State of New Jersey	57.00		
Animal Control Fund Expenditures	300.00		
Interfund - Current Fund	17.29		5,627.55
Miscellaneous Reserves			<u>81,878.25</u>
	<u>374.29</u>		<u>87,505.80</u>
Balance December 31, 2019	<u>\$ 239.00</u>		<u>\$ 774,563.72</u>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**TRUST FUND**  
**SCHEDULE OF DUE TO STATE OF NEW JERSEY**  
**ANIMAL CONTROL TRUST FUND**  
**Year Ended December 31, 2019**

Increased by:		
Receipts		\$ <u>57.00</u>
Decreased by:		
Fees Paid to State		\$ <u><u>57.00</u></u>

**SCHEDULE OF RESERVE FOR EXPENDITURES**  
**ANIMAL CONTROL TRUST FUND**  
**Year Ended December 31, 2019**

Balance December 31, 2018		\$ 329.00
Increased by:		
2019 Animal License Fees:		
Receipts		210.00
		<u>539.00</u>
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Cash		300.00
Balance December 31, 2019		\$ <u><u>239.00</u></u>

**Animal License Fees Collected**

<u>Year</u>	<u>Amount</u>
2018	\$ <u>164.00</u>
2017	<u>140.00</u>
	<u><u>\$ 304.00</u></u>



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**OTHER TRUST FUND**  
**SCHEDULE OF MISCELLANEOUS RESERVES**  
**Year Ended December 31, 2019**

	<b><u>Balance</u></b> <b><u>Dec. 31, 2018</u></b>	<b><u>Increases</u></b> <b><u>Receipts</u></b>	<b><u>Decreased</u></b> <b><u>Disbursements</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2019</u></b>
Affordable Housing	\$ 308,387.14	\$ 3,592.53	\$ 1,328.25	\$ 310,651.42
Developers' Escrow Funds	12,131.60	16,896.53	15,676.50	13,351.63
Parking Offenses Adjudication Act	2,380.00	164.00		2,544.00
Public Defender	941.50	590.00	1,271.50	260.00
Sick Leave Trust	160,000.00			160,000.00
Storm Trust Reserve	110,000.00			110,000.00
Tax Sale Premiums	114,800.00	81,900.00	63,500.00	133,200.00
Unemployment Compensation	41,155.27	3,503.40	102.00	44,556.67
	<b><u>\$ 749,795.51</u></b>	<b><u>\$ 106,646.46</u></b>	<b><u>\$ 81,878.25</u></b>	<b><u>\$ 774,563.72</u></b>

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**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**LENGTH OF SERVICE AWARD PROGRAM FUND**  
**SCHEDULE OF RESERVE FOR LENGTH OF**  
**SERVICE AWARD PROGRAM (LOSAP)**  
**(UNAUDITED)**  
**Year Ended December 31, 2019**

Balance December 31, 2018		\$ 266,747.06
Increased by:		
Municipal Contributions	\$ 22,352.00	
Change in Market Value	<u>61,647.81</u>	83,999.81
		<u>350,746.87</u>
Decreased by:		
Distributions	\$ 6,762.83	
Administrative Charges	<u>875.00</u>	7,637.83
		<u>7,637.83</u>
Balance December 31, 2019		<u>\$ 343,109.04</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**SCHEDULE OF CASH**  
**Year Ended December 31, 2019**

Balance December 31, 2018		\$ 416,295.40
Increased by Receipts:		
Grants Receivable	\$ 200,700.79	
Interfund - Current Fund	4,011.89	
Capital Notes	190,242.63	
Reserve for Debt Service	<u>32,000.00</u>	
		<u>426,955.31</u>
		<u>843,250.71</u>
Decreased by Disbursements:		
Anticipated as Revenue in Current Fund:		
Fund Balance	7,642.50	
Reserve for Debt Service	32,000.00	
Interfund - Current Fund	4,011.89	
Improvement Authorizations	<u>480,355.21</u>	
		<u>524,009.60</u>
Balance December 31, 2019		<u>\$ 319,241.11</u>

**BOROUGH OF BAY HEAD  
COUNTY OF OCEAN  
STATE OF NEW JERSEY  
GENERAL CAPITAL FUND  
SCHEDULE OF ANALYSIS OF GENERAL CAPITAL FUND CASH  
Year Ended December 31, 2019**

	Balance Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
		Notes Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 7,642.50	\$	\$	\$	\$ 7,642.50	\$ 60,000.00	\$ 144,361.43	\$ 84,361.43
Capital Improvement Fund	152,044.05					14,250.00		137,794.05
Grants Receivable:								
NJ DOT Various Streets (2017-07)	(50,000.00)		50,000.00					
NJ DOT Osborne Avenue Sidewalks (2018-09)	(240,000.00)		150,700.79					(89,299.21)
NJ DOT Lake Avenue (2019-13)						395,000.00		(395,000.00)
Interfunds:								
Current Fund			4,011.89		4,011.89			
Reserve for Debt Service			32,000.00		32,000.00			
Improvement Authorizations:								
<b>Ordinance</b>								
<b>Number</b>								
2000-08	Fair Housing	63,905.40						63,905.40
2004-08	Mount Street Groin	1,780.93				1,780.93		
2006-09C	Mount Street Groin	41,180.00				41,180.00		
2007-05 (7)	Bluff Howe Karge	50,000.00				50,000.00		
2007-05 (8)	Mount Street Groin	1,318.80				1,318.80		
2008-06 (12)	Groins and Bulkheads	50,000.00				50,000.00		
2009-07 (8)	Howe Park	31,177.95			6,883.00			24,294.95
2011-03 (2)	Howe Park	2,750.00						2,750.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains		20,887.20		20,887.20			
2012-08 (3)	New Computers		1,274.22		1,274.22			
2013-12 (2)	North Street Walkover and Street End Repairs	14,251.04						14,251.04
2013-12 (3)	North Street Rock Revetment	11,200.00			4,500.00			6,700.00
2014-09 (2)	Sidewalk and Curbing - NJDOT	81.70				81.70		
2014-09 (7)	Acquisition of Public Works Equipment	1,500.00						1,500.00
2014-09 (8)	Acquisition of Police Equipment		1,002.62		1,002.62			
2015-17 (4)	Installation of a Diesel Emission System	1,500.00						1,500.00
2015-17 (5)	Acquisition of Police Equipment		15,762.38		15,762.38			
2016-14 (2)	Roadway Improvements		255.00		255.00			
2017-07 (3)	Roadway Improvements	1,700.00			3,346.25			
2017-07 (4)	Sidewalk and Curbing	2,500.00						2,500.00
2017-07 (5)	Acquisition of Fire Equipment		12,528.93		12,528.93			
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular		7,087.95		7,087.95			
2018-09 (1)	Osborne Avenue Sidewalks - NJDOT	239,591.50			228,244.55			11,346.95
2018-09 (2)	Osborne Avenue Sidewalks		24,298.25		24,463.25			(165.00)
2018-12 (1)	Acquisition of Public Works Dump Truck	32,171.53			74,551.00			(789.86)
2018-12 (3)	Acquisition of Police Vehicle		42,379.47		789.86			
2019-03 (1)	Administration Vehicle		19,000.00		20,000.00		1,000.00	3,000.00
2019-03 (2)	Fire Department Portable Radios						3,000.00	8,100.00
2019-03 (3)	Howe Park Improvements						8,100.00	2,150.00
2019-03 (4)	Acquisition of Police Vehicle		39,790.86		43,000.00		2,150.00	(1,059.14)
2019-04 (1)	Updated Fuel Delivery System						12,000.00	12,000.00
2019-04 (2)	Dock on Twilight Lake						15,000.00	15,000.00
2019-04 (3)	Portable Police Radios						15,000.00	6,000.00
2019-04 (4)	Fire Department Mobile Radios						6,000.00	6,000.00
2019-04 (5)	Fire Department PPE Gear						6,000.00	6,000.00
2019-04 (6)	Fire Fighting Equipment						6,000.00	6,000.00
2019-13	Lake Avenue - NJDOT						395,000.00	395,000.00
2019-13	Lake Avenue		4,329.50		15,779.00			(11,449.50)
		\$ 416,295.40	\$ 190,242.63	\$ 236,712.68	\$ 480,355.21	\$ 43,654.39	\$ 613,611.43	\$ 613,611.43
								\$ 319,241.11

See Independent Auditor's Report

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**SCHEDULE OF INTERFUND - CURRENT FUND**  
**Year Ended December 31, 2019**

Increased by Receipts:	
Interest Earned on Deposits	\$ 4,011.89
Decreased by Disbursements:	
Interest to Current Fund	\$ <u>4,011.89</u>

**BOROUGH OF BAY HEAD  
COUNTY OF OCEAN  
STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
Year Ended December 31, 2019**

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Notes Paid by Budget Appropriation	Ordinances Cancelled	Balance Dec. 31, 2019	Balance December 31, 2019		
							Capital and Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
2011-03 (2)	Howe Park	\$ 52,250.00	\$		\$	\$ 52,250.00	\$	\$	\$ 52,250.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	217,920.50		1,995.00		215,925.50	20,887.20		195,038.30
2012-08 (3)	New Computers	3,726.37		512.49		3,213.88	1,274.22		1,939.66
2013-12 (2)	North Street Walkover and Street End Repairs	362,425.00				362,425.00			362,425.00
2013-12 (3)	North Street Rock Revetment	217,075.00				217,075.00			217,075.00
2013-12 (4)	Boardwalk Reconstruction	245.10				245.10			245.10
2014-04, 2015-06	Construction of New Municipal Building	1,551,051.07		275,449.99		1,275,601.08	954,000.00		321,601.08
2014-09 (5)	Municipal Park Improvements	2,751.64				2,751.64			2,751.64
2014-09 (7)	Acquisition of Public Works Equipment	28,500.00				28,500.00			28,500.00
2014-09 (8)	Acquisition of Police Equipment	3,880.00		2,877.38		1,002.62	1,002.62		
2015-17 (4)	Installation of a Diesel Emission System	28,500.00				28,500.00			28,500.00
2015-17 (5)	Acquisition of Police Equipment	104,459.44		7,185.00		97,274.44	44,520.78		52,753.66
2016-14 (2)	Roadway Improvements	160,230.71		21,875.00		138,355.71	87,747.00		50,608.71
2016-14 (3)	Sidewalk and Curbing	40,919.00		119.90		40,799.10			40,799.10
2016-14 (5)	Public Works Dump Truck	140,709.94		29,170.85		111,539.09	111,539.09		
2016-14 (6)	Acquisition of Police Vehicles	4,487.72		4,487.72					
2016-14 (7)	Acquisition of Police Equipment - Non Vehicular	5,121.44		5,121.44					
2017-07 (1), 2018-04	Clayton Avenue Sidewalks	190,000.00		52,652.56		137,347.44	42,465.19		94,882.25
2017-07 (3)	Roadway Improvements	142,500.00		15,506.89		126,993.11	15,755.26		111,237.85
2017-07 (4)	Sidewalk and Curbing	47,500.00				47,500.00			47,500.00
2017-07 (5)	Acquisition of Fire Equipment	46,036.89		12,816.06		33,220.83	22,591.99		10,628.84
2017-07 (7)	Acquisition of Fire Turnout Gear	22,395.00		10,000.00		12,395.00	12,395.00		
2017-07 (8)	Acquisition of Police Vehicle	38,950.00		15,000.00		23,950.00	23,950.00		
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	38,950.00		15,954.07		22,995.93	7,087.95		15,907.98
2018-09 (2)	Osborne Avenue	60,000.00		15,000.00		45,000.00	43,494.25	165.00	1,340.75
2018-12 (1)	Acquisition of Public Works Dump Truck	53,050.00		5,000.00	345.00	47,705.00	47,705.00		
2018-12 (2)	Acquisition of Fire Equipment	66,500.00		15,000.00		51,500.00	49,683.00		1,817.00
2018-12 (3)	Acquisition of Police Vehicle	38,000.00		15,000.00		23,000.00	15,557.37	789.86	6,652.77
2019-03 (1)	Administration Vehicle		19,000.00			19,000.00	19,000.00		
2019-03 (2)	Fire Department Portable Radios		57,000.00			57,000.00			57,000.00
2019-03 (3)	Howe Park Improvements		153,900.00			153,900.00			153,900.00
2019-03 (4)	Acquisition of Police Vehicle		40,850.00			40,850.00	39,790.86	1,059.14	
2019-13	Lake Avenue		185,000.00			185,000.00	4,329.50	11,449.50	169,221.00
		<u>\$ 3,668,134.82</u>	<u>\$ 455,750.00</u>	<u>\$ 520,724.35</u>	<u>\$ 345.00</u>	<u>\$ 3,602,815.47</u>	<u>\$ 1,564,776.28</u>	<u>\$ 13,463.50</u>	<u>\$ 2,024,575.69</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL IMPROVEMENT FUND**  
**Year Ended December 31, 2019**

Balance December 31, 2018	\$ 152,044.05
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>14,250.00</u>
Balance December 31, 2019	\$ <u><u>137,794.05</u></u>

**BOROUGH OF BAY HEAD  
COUNTY OF OCEAN  
STATE OF NEW JERSEY  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
Year Ended December 31, 2019**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2018		Other Funding	2019 Authorizations		Balance Dec. 31, 2019			
				Funded	Unfunded		Deferred Charges to Future Taxation Unfunded	Paid or Charged	Cancelled	Funded	Unfunded	
2000-08	Fair Housing	12/06/2000	\$ 66,800.00	\$ 63,905.40	\$	\$	\$	\$	\$	\$	\$	\$
2004-08	Mount Street Groin	7/06/2004	73,000.00	1,780.93					1,780.93			
2006-09C	Mount Street Groin	8/01/2006	50,000.00	41,180.00								
2007-05 (7)	Bluff Howe Karge	7/17/2007	50,000.00	50,000.00								
2007-05 (8)	Mount Street Groin	7/17/2007	6,000.00	1,318.80								
2008-06 (12)	Groins and Bulkheads	5/20/2008	50,000.00	50,000.00								
2009-07 (8)	Howe Park	5/18/2009	50,000.00	31,177.95				6,883.00			24,294.95	
2011-03 (2)	Howe Park	5/02/2011	55,000.00	2,750.00							2,750.00	52,250.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	5/02/2011	250,000.00					20,887.20				195,038.30
2012-08 (3)	New Computers	3/05/2012	10,000.00					1,274.22				1,939.66
2014-04, 2015-16	Construction of New Municipal Building	4/07/2014	1,500,000.00									321,601.08
		7/06/2015	2,500,000.00									321,601.08
2013-12 (2)	North Street Walkover and Street End Repairs	9/03/2013	381,500.00	14,251.04							14,251.04	362,425.00
2013-12 (3)	North Street Rock Revetment	9/03/2013	228,500.00	11,200.00				4,500.00			6,700.00	217,075.00
2013-12 (4)	Boardwalk Reconstruction	9/03/2013	861,735.00									245.10
2014-09 (2)	Sidewalk and Curbing - NJDOT	8/04/2014	170,000.00	81.70						81.70		
2014-09 (5)	Municipal Park Improvements	8/04/2014	10,000.00									2,751.64
2014-09 (7)	Acquisition of Public Works Equipment	8/04/2014	30,000.00	1,500.00							1,500.00	28,500.00
2014-09 (8)	Acquisition of Police Equipment	8/04/2014	5,000.00					1,002.62				
2015-17 (4)	Installation of a Diesel Emission System	7/06/2015	30,000.00	1,500.00							1,500.00	28,500.00
2015-17 (5)	Acquisition of Police Equipment	7/06/2015	152,000.00					15,762.38				52,753.66
2016-14 (2)	Roadway Improvements	7/05/2016	200,000.00					255.00				50,608.71
2016-14 (3)	Sidewalk and Curbing	7/05/2016	50,000.00									40,799.10
2017-07 (1), 2018-04	Clayton Avenue Sidewalks	7/10/2017	190,000.00									94,882.25
2017-07 (3)	Roadway Improvements	7/10/2017	150,000.00					3,346.25				111,237.85
2017-07 (4)	Sidewalk and Curbing	7/10/2017	50,000.00	2,500.00							2,500.00	47,500.00
2017-07 (5)	Acquisition of Fire Equipment	7/10/2017	102,000.00					12,528.93				10,628.84
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	7/10/2017	41,000.00					7,087.95				15,907.98
2018-09 (1)	Osborne Avenue Sidewalks - NJDOT	5/07/2018	240,000.00	239,591.50				228,244.55			11,346.95	
2018-09 (2)	Osborne Avenue Sidewalks	5/07/2018	60,000.00					24,463.25				1,340.75
2018-12 (1)	Acquisition of Public Works Dump Truck	6/04/2018	75,000.00	21,846.00				74,551.00		345.00		
2018-12 (2)	Acquisition of Fire Equipment	6/04/2018	70,000.00									1,817.00
2018-12 (3)	Acquisition of Police Vehicle	6/04/2018	40,000.00					789.86				6,652.77
2019-03 (1)	Administration Vehicle	5/06/2019	20,000.00			1,000.00	19,000.00	20,000.00				
2019-03 (2)	Fire Department Portable Radios	5/06/2019	60,000.00			3,000.00	57,000.00				3,000.00	57,000.00
2019-03 (3)	Howe Park Improvements	5/06/2019	162,000.00			8,100.00	153,900.00				8,100.00	153,900.00
2019-03 (4)	Acquisition of Police Vehicle	5/06/2019	43,000.00			2,150.00	40,850.00	43,000.00				
2019-04 (1)	Updated Fuel Delivery System	5/06/2019	12,000.00			12,000.00					12,000.00	
2019-04 (2)	Dock on Twilight Lake	5/06/2019	15,000.00			15,000.00					15,000.00	
2019-04 (3)	Portable Police Radios	5/06/2019	15,000.00			15,000.00					15,000.00	
2019-04 (4)	Fire Department Mobile Radios	5/06/2019	6,000.00			6,000.00					6,000.00	
2019-04 (5)	Fire Department PPE Gear	5/06/2019	6,000.00			6,000.00					6,000.00	
2019-04 (6)	Fire Fighting Equipment	5/06/2019	6,000.00			6,000.00					6,000.00	
2019-13	Lake Avenue - NJDOT	8/19/2019	395,000.00			395,000.00					395,000.00	
2019-13	Lake Avenue	8/19/2019	185,000.00					185,000.00			15,779.00	169,221.00
				\$ 534,583.32	\$ 1,784,902.35	\$ 469,250.00	\$ 455,750.00	\$ 480,355.21	\$ 144,706.43	\$ 594,848.34	\$ 2,024,575.69	
	Capital Improvement Fund					\$ 14,250.00						
	General Capital Fund - Fund Balance					60,000.00						
	Grants Receivable					395,000.00						
						\$ 469,250.00						
	Fund Balance								\$ 144,361.43			
	Deferred Charge to Future Taxation - Unfunded								345.00			
									\$ 144,706.43			

See Independent Auditor's Report



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF BOND ANTICIPATION NOTES**  
**Year Ended December 31, 2019**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
2014-04, 2015-16	Construction of New Municipal Building	5/28/2015	5/08/2018 5/07/2019	5/08/2019 5/07/2020	1.65% 2.00%	\$ 1,189,000.00	\$ (954,000.00) 954,000.00	\$ 235,000.00	\$ 954,000.00
						<u>\$ 1,189,000.00</u>	<u>\$ -</u>	<u>\$ 235,000.00</u>	<u>\$ 954,000.00</u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL NOTES**  
**Year Ended December 31, 2019**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity*</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Issued or Renewed</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	5/08/2018 12/09/2019	5/08/2018 12/09/2019	5/08/2019 12/08/2020	0.00% 0.00%	\$ 1,995.00	\$ 20,887.20	\$ 1,995.00	\$ 20,887.20
2012-08 (3)	New Computers	5/08/2018 12/09/2019	5/08/2018 12/09/2019	5/08/2019 12/08/2020	0.00% 0.00%	512.49	1,274.22	512.49	1,274.22
2014-04, 2015-06	Construction of New Municipal Building	12/17/2018 5/08/2018	12/17/2019 5/08/2018	12/17/2019 5/08/2019	0.00% 0.00%	34,258.00 6,191.99		34,258.00 6,191.99	
2014-09 (8)	Acquisition of Police Equipment	5/08/2018 12/09/2019	5/08/2018 12/09/2019	5/08/2019 12/08/2020	0.00% 0.00%	2,877.38	1,002.62	2,877.38	1,002.62
2015-17 (5)	Acquisition of Police Equipment	5/08/2018 12/09/2019	5/08/2018 12/09/2019	5/08/2019 5/07/2020	0.00% 0.00%	35,943.40	(28,758.40)	7,185.00	28,758.40
2016-14 (2)	Roadway Improvements	5/08/2018 12/09/2019	5/08/2018 12/09/2019	5/08/2019 5/07/2020	0.00% 0.00%	109,367.00	28,758.40 15,762.38	21,875.00	15,762.38
2016-14 (3)	Sidewalk and Curbing	5/08/2018	5/08/2018	5/08/2019	0.00%	119.90		119.90	
2016-14 (5)	Public Works Dump Truck	5/08/2018 5/08/2018	5/08/2018 5/08/2019	5/08/2019 5/07/2020	0.00% 0.00%	140,709.94	(111,539.09)	29,170.85	111,539.09
2016-14 (6)	Acquisition of Police Vehicles	5/08/2018	5/08/2018	5/08/2019	0.00%	4,487.72		4,487.72	
2016-14 (7)	Acquisition of Police Equipment	5/08/2018	5/08/2018	5/08/2019	0.00%	5,121.44		5,121.44	
2017-07 (1), 2018-04	Clayton Avenue Sidewalks	5/08/2018 5/08/2018	5/08/2018 5/08/2019	5/08/2019 5/07/2020	0.00% 0.00%	89,687.72	(39,750.18)	49,937.54	39,750.18
2017-07 (3)	Roadway Improvements	12/17/2018 12/17/2018	12/17/2018 12/17/2019	12/17/2019 12/16/2020	0.00% 0.00%	5,430.03	(2,715.01)	2,715.02	2,715.01
2017-07 (5)	Acquisition of Fire Equipment	5/08/2018 5/08/2018	5/08/2018 5/08/2019	5/08/2019 5/07/2020	0.00% 0.00%	18,528.87	(8,414.43)	10,114.44	8,414.43
2017-07 (7)	Acquisition of Fire Turnout Gear	12/17/2018 12/17/2018	12/17/2019 12/17/2019	12/17/2019 12/16/2020	0.00% 0.00%	11,087.03	(5,694.58)	5,392.45	5,694.58
2017-07 (8)	Acquisition of Police Vehicle	12/09/2019 5/08/2018	12/09/2019 5/08/2018	12/08/2020 5/08/2019	0.00% 0.00%	20,126.12	1,646.25	10,063.06	1,646.25
2017-07 (9)	Acquisition of Police Equipment	5/08/2018 12/17/2018	5/08/2018 12/17/2019	5/08/2019 12/17/2019	0.00% 0.00%	2,753.00	(10,063.06)	10,063.06	10,063.06
2018-09	Osborne Avenue	12/17/2018 12/17/2018	12/17/2019 12/17/2019	12/17/2019 12/16/2020	0.00% 0.00%	22,395.00	12,528.93	10,000.00	12,395.00
		5/08/2018	5/08/2018	5/08/2019	0.00%	38,950.00	(12,395.00)	15,000.00	12,395.00
		5/08/2018	5/08/2018	5/08/2019	0.00%	38,950.00	(23,950.00)	15,000.00	23,950.00
		5/08/2018	5/08/2018	5/08/2019	0.00%	2,986.03		2,986.03	
		12/17/2018	12/17/2019	12/17/2019	0.00%	12,968.04		12,968.04	
		12/09/2019	12/09/2019	12/08/2020	0.00%		7,087.95		7,087.95
		12/17/2018	12/17/2019	12/17/2019	0.00%	34,196.00	(19,196.00)	15,000.00	19,196.00
		12/17/2018	12/17/2019	12/16/2020	0.00%		19,196.00		19,196.00
		12/09/2019	12/09/2019	12/08/2020	0.00%		24,298.25		24,298.25

See Independent Auditor's Report

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL NOTES**  
**Year Ended December 31, 2019**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Issued or Renewed</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
2018-12 (1)	Acquisition of Dump Truck	12/17/2018	12/17/2019	12/17/2019	0.00%	\$ 10,325.53	\$ (5,325.53)	\$ 5,000.00	\$ 5,325.53
		12/17/2018	12/17/2019	12/16/2020	0.00%		5,325.53		42,379.47
		12/09/2019	12/09/2019	12/08/2020	0.00%		42,379.47		
2018-12 (2)	Acquisition of Fire Equipment	12/17/2018	12/17/2019	12/17/2019	0.00%	64,683.00	(49,683.00)	15,000.00	49,683.00
		12/17/2018	12/17/2019	12/16/2020	0.00%		49,683.00		
2018-12 (3)	Acquisition of Police Vehicle	12/17/2018	12/17/2019	12/17/2019	0.00%	30,557.37	(15,557.37)	15,000.00	15,557.37
		12/17/2018	12/17/2019	12/16/2020	0.00%		15,557.37		19,000.00
2019-03 (1)	Administration Vehicle	12/09/2019	12/09/2019	12/08/2020	0.00%		19,000.00		39,790.86
2019-03 (4)	Acquisition of Police Vehicle	12/09/2019	12/09/2019	12/08/2020	0.00%		39,790.86		4,329.50
2019-13	Lake Avenue	12/09/2019	12/09/2019	12/08/2020	0.00%		4,329.50		
						<u>\$ 706,258.00</u>	<u>\$ 190,242.63</u>	<u>\$ 285,724.35</u>	<u>\$ 610,776.28</u>
									(A)

(A) Once the 2020 budget is adopted, all capital notes are callable at the discretion of the Chief Financial Officer.  
As of December 31, 2019 and 2018, all capital notes are recorded as investments in the Borough's current fund.

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**  
**Year Ended December 31, 2019**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Balance Dec. 31, 2018</b>	<b>2019 Authorizations</b>	<b>Capital Notes Issued</b>	<b>Ordinances Cancelled</b>	<b>Balance Dec. 31, 2019</b>
2011-03 (2)	Howe Park	\$ 52,250.00	\$	\$	\$	\$ 52,250.00
2011-03 (6)	Rehabilitation and Replacement of Sewer Mains	215,925.50		20,887.20		195,038.30
2012-08 (3)	New Computers	3,213.88		1,274.22		1,939.66
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
2013-12 (4)	Boardwalk Reconstruction	245.10				245.10
2014-04, 2015-16	Construction of New Municipal Building	321,601.08				321,601.08
2014-09 (5)	Municipal Park Improvements	2,751.64				2,751.64
2014-09 (7)	Acquisition of Public Works Equipment	28,500.00				28,500.00
2014-09 (8)	Acquisition of Police Equipment	1,002.62		1,002.62		
2015-17 (4)	Installation of a Diesel Emission System	28,500.00				28,500.00
2015-17 (5)	Acquisition of Police Equipment	68,516.04		15,762.38		52,753.66
2016-14 (2)	Roadway Improvements	50,863.71		255.00		50,608.71
2016-14 (3)	Sidewalk and Curbing	40,799.10				40,799.10
2017-07 (3)	Roadway Improvements	112,884.10		1,646.25		111,237.85
2017-07 (4)	Sidewalk and Curbing	47,500.00				47,500.00
2017-07 (5)	Acquisition of Fire Equipment	23,157.77		12,528.93		10,628.84
2017-07 (9)	Acquisition of Police Equipment - Non Vehicular	22,995.93		7,087.95		15,907.98
2017-07 (1), 2018-04	Clayton Avenue Sidewalks	94,882.25				94,882.25
2018-09 (2)	Osborne Avenue Sidewalks	25,804.00		24,298.25		1,505.75
2018-12 (1)	Acquisition of Public Works Dump Truck	42,724.47		42,379.47	345.00	
2018-12 (2)	Acquisition of Fire Equipment	1,817.00				1,817.00
2018-12 (3)	Acquisition of Police Vehicle	7,442.63				7,442.63
2019-03 (1)	Administration Vehicle		19,000.00	19,000.00		
2019-03 (2)	Fire Department Portable Radios		57,000.00			57,000.00
2019-03 (3)	Howe Park Improvements		153,900.00			153,900.00
2019-03 (4)	Acquisition of Police Vehicle		40,850.00	39,790.86		1,059.14
2019-13	Lake Avenue Improvements - Local Share		185,000.00	4,329.50		180,670.50
		<u>\$ 1,772,876.82</u>	<u>\$ 455,750.00</u>	<u>\$ 190,242.63</u>	<u>\$ 345.00</u>	<u>\$ 2,038,039.19</u>

See Independent Auditor's Report

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PAYROLL FUND**  
**SCHEDULE OF CASH**  
**Year Ended December 31, 2019**

Balance December 31, 2018	\$	<u>0.00</u>
Increased by:		
Deposits for Net Pay		1,410,466.02
Payroll Deductions		1,266,845.94
Interfund - Current Fund		<u>1,912.61</u>
		<u>2,679,224.57</u>
Decreased by:		
Net Pay		1,410,466.02
Payroll Deductions Payable		1,266,845.94
Interfund - Current Fund		<u>1,912.61</u>
		<u>2,679,224.57</u>
Balance December 31, 2019	\$	<u><u>0.00</u></u>

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PAYROLL FUND**  
**SCHEDULE OF ANALYSIS OF CASH**  
**Year Ended December 31, 2019**

	<b>Increased by Payroll Deductions</b>	<b>Decreased by Payments</b>
Deferred Compensation and Insurance	\$ 55,614.03	\$ 55,614.03
Defined Retirement Contribution	9,660.81	9,660.81
Employee Health Benefits Deductions	65,599.25	65,599.25
Federal Taxes	546,641.24	546,641.24
Net Payroll	1,410,466.02	1,410,466.02
Police and Firemen's Retirement System	361,537.96	361,537.96
Public Employees' Retirement System	149,980.79	149,980.79
State Taxes	77,811.86	77,811.86
Other:		
Interfund - Current Fund	1,912.61	1,912.61
	<u>\$ 2,679,224.57</u>	<u>\$ 2,679,224.57</u>

See Independent Auditor's Report

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PART III**

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

**YEAR ENDED DECEMBER 31, 2019**

# *Oliwa & Company*

Certified Public Accountants

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

To the Honorable Mayor and  
Members of the Borough Council  
Borough of Bay Head  
County of Ocean  
Bay Head, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the regulatory basis financial statements of the Borough of Bay Head, County of Ocean, State of New Jersey (the "Borough") as of and for the year ended December 31, 2019, and the related notes to the regulatory basis financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated September 30, 2020, in which we expressed an adverse opinion on the conformity of the regulatory basis financial statements with accounting principles generally accepted in the United States of America, due to the differences between those principles and the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We expressed unmodified opinions on the regulatory basis financial statements of the Current Fund, General Capital Fund, Payroll Fund and the General Fixed Assets Account Group as to conformity with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and since the Length of Service Award Program Fund was not audited, a qualified opinion on the Trust Fund.

## **Internal Control Over Financial Reporting**

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

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



## **Internal Control Over Financial Reporting (continued)**


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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Robert S. Oliwa  
Certified Public Accountant  
Registered Municipal Accountant #414

*Oliwa & Company*

Freehold, New Jersey  
September 30, 2020

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**PART IV**

**COMMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
**COMMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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

N.J.S. 40A:11-4 states “Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law.”

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory limit within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the municipal attorney’s opinion should be sought before a commitment is made.

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

Our audit of expenditures did not reveal any individual payments in excess of the statutory limit for the performance of any work or the furnishing of any goods or services other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

**Purchases, Contracts or Agreements not Required to be Advertised by N.J.S. 40A:11-6.1**

N.J.S. 40A:11-6.1 states, “For all contracts that in the aggregate are less than the bid threshold but exceed 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L. 1971, c. 198 (C.40A:11-5), except for paragraph (a) of that subsection concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered.”

**Examination of Claims**

In the auditing of the Borough’s expenditures, we did not and were not required to determine or establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being subject to the Borough’s system of internal control over the approval and payment of claims. However, we tested the Borough’s compliance with its established internal control system over the approval and payment of claims and noted no exceptions.

**COMMENTS (continued)**

**Collection of Interest on Delinquent Taxes and Assessments**

N.J.S. 54:4-67 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.

On January 1, 2019, the governing body adopted a resolution establishing fees, penalties, and interest for 2019. The following portion of the resolution, relative to interest to be charged on delinquent taxes follows:

“There shall be a ten (10) day grace period on the quarterly taxes, after which unpaid taxes will be charged interest back to the due date. Interest shall be charged and calculated at the rate of eight (8)% per annum on the first \$1,500.00 of the delinquency, and eighteen (18)% per annum on any amount in excess of \$1,500.00 to be calculated from the date the tax as payable until the date the actual payment is received. There shall be a six (6)% penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year. Delinquency is defined to mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters.”

Based upon our audit of the tax collector’s records, interest on delinquent taxes was charged in accordance with the foregoing resolution.

**Tax Title Liens**

The 2019 tax sale was held on December 3, 2019 and was complete.

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

2019 0  
2018 0  
2017 0

**COMPARATIVE SCHEDULE OF FUND BALANCE AT DECEMBER 31**

<u>Year</u>	<u>Current Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2019	\$1,986,873.56	\$1,402,000.00
2018	2,007,400.73	1,228,000.00
2017	1,696,439.41	1,021,000.00

**COMMENTS (continued)**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION AND APPORTIONMENT**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Municipal	\$0.226	\$0.217	\$0.212
Local School	0.212	0.210	0.204
County	<u>0.410</u>	<u>0.414</u>	<u>0.398</u>
Total tax rate	<u><u>\$0.848</u></u>	<u><u>\$0.841</u></u>	<u><u>\$0.814</u></u>

**ASSESSED VALUATIONS**

2019	\$1,606,483,200.00
2018	1,600,762,700.00
2017	1,588,756,100.00

**COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2019	\$13,723,393.88	\$13,603,875.42	99.12%
2018	13,519,185.23	13,441,601.87	99.42%
2017	13,035,096.08	12,922,332.49	99.13%

**DELINQUENT TAXES AND TAX TITLE LIENS**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Delinquent taxes	\$114,540.28	\$61,453.01	\$68,058.44
Tax title liens	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$114,540.28</u></u>	<u><u>\$61,453.01</u></u>	<u><u>\$68,058.44</u></u>
% of tax levy	0.83%	0.45%	0.52%

**COMMENTS (continued)**

**SUMMARY OF MUNICIPAL DEBT**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Issued			
General bonds and notes	\$1,564,776.28	\$1,895,258.00	\$2,594,034.71
Less			
Funds on hand to pay bonds and notes	-	-	-
Net Debt Issued	<u>1,564,776.28</u>	<u>1,895,258.00</u>	<u>2,594,034.71</u>
Authorized But Not Issued			
General bonds and notes	<u>2,038,039.19</u>	<u>1,772,876.82</u>	<u>2,071,188.54</u>
Net bonds and notes issued and and authorized but not issued	<u><u>\$3,602,815.47</u></u>	<u><u>\$3,668,134.82</u></u>	<u><u>\$4,665,223.25</u></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 0.220%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local District School Debt	\$2,385,000.00	\$2,385,000.00	\$0.00
General Debt	3,602,815.47		3,602,815.47
	<u><u>\$5,987,815.47</u></u>	<u><u>\$2,385,000.00</u></u>	<u><u>\$3,602,815.47</u></u>

Net Debt \$3,602,815.47 divided by Equalized Valuation basis per N.J.S. 40A:2-2 as amended, \$1,636,582,858.00 equals 0.220%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$57,280,400.03
Net Debt	<u>3,602,815.47</u>
Remaining Borrowing Power	<u><u>\$53,677,584.56</u></u>

**COMMENTS (continued)**

**OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office on December 31, 2019:

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Bond</u></b>
William W. Curtis	Mayor	*
Douglas J. Lyons	Council President	*
Jennifer Barnes-Gambert	Councilmember	*
Mary S. Glass	Councilmember	*
Brian Magory	Councilmember	*
Diane M. Cornell	Councilmember	*
Dennis J. Shaning	Councilmember	*
Patricia Applegate	Borough Clerk, Registrar	*
John D. Antonides	Tax Collector	*
William E. Antonides, Jr.	Chief Financial Officer	*
James Gluck	Magistrate	*
Denise L. Mayer	Financial Assistant	*
Tracey 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**  
**STATE OF NEW JERSEY**

**PART V**

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2019**



**BOROUGH OF BAY HEAD**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2019**

**Current Year Recommendations**

None

**Status of Prior Year Recommendations**

There were no prior year recommendations.