

**BOROUGH OF LAKEHURST**  
**AUDIT REPORT FOR THE YEAR**  
**ENDED DECEMBER 31, 2019**



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART I**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst,  
Lakehurst, New Jersey

### Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Lakehurst as of December 31, 2019 and 2018, and the related statements of operations and changes in in fund balance - regulatory basis for the years then ended, the related statements of revenues - regulatory basis, and statements 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 accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements 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 audit to obtain reasonable assurance about whether the financial statements are free from 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. 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.

## **Opinions**

### **Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America**

As discussed in Note 1 to the financial statements, the Borough prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

### **Adverse Opinion on Accounting Principles Generally Accepted in the United States of America**

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 and 2018, or the results of its operations and changes in fund balance for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough, as of December 31, 2019 and 2018, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statement[s] of revenues - regulatory basis, statements of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2019 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental schedules presented for the various funds and letter of comments and recommendations section 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 is not a required part of the basic financial statements.

The supplemental schedules presented for the various funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements of each of the respective individual funds and account group taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 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.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Jerry W. Conaty  
Certified Public Accountant  
Registered Municipal Accountant  
RMA No. 581

Toms River, New Jersey  
July 16, 2020

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

Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst  
Lakehurst, 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Borough of Lakehurst, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 16, 2020. Our report indicated that the Borough’s financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

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

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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Purpose of this Report**

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Jerry W. Conaty  
Certified Public Accountant  
Registered Municipal Accountant  
RMA No. 581

Toms River, New Jersey  
July 16, 2020

**BASIC FINANCIAL STATEMENTS**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A**

**STATEMENT OF ASSETS, LIABILITIES AND**

**Sheet 1 of 2**

**RESERVES - 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	A-4	\$ 1,485,213.63	\$ 1,248,120.97
Cash - Change Fund		820.00	820.00
		<u>1,486,033.63</u>	<u>1,248,940.97</u>
Due From State of N.J. (P.L. 1971, C. 20)	A-7	1,170.78	1,920.78
		<u>1,170.78</u>	<u>1,920.78</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	70,183.46	97,476.51
Tax Title Liens Receivable	A-6	57,916.85	54,332.70
Property Acquired for Taxes		50,000.00	50,000.00
Revenue Accounts Receivable	A-8	10,794.83	8,452.66
Interfunds:			
Animal Control Trust Fund	A-12		1,138.90
Grant Fund	A-13		127,189.27
		<u>188,895.14</u>	<u>338,590.04</u>
Deferred Charges:			
Emergency Authorization	A-3	25,000.00	
Special Emergency Authorizations (N.J.S. 40A:4-55)	A-9	10,000.00	12,500.00
		<u>35,000.00</u>	<u>12,500.00</u>
		<u>1,711,099.55</u>	<u>1,601,951.79</u>
Grant Fund:			
Interfund - Current Fund	A-13	51,577.87	
Grants Receivable	A-14	414,199.02	622,555.72
		<u>465,776.89</u>	<u>622,555.72</u>
		<u>\$ 2,176,876.44</u>	<u>\$ 2,224,507.51</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A**

**STATEMENT OF ASSETS, LIABILITIES AND**

**Sheet 2 of 2**

**RESERVES - REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Liabilities:			
Appropriation Reserves	A-3,9	\$ 274,740.59	\$ 228,544.69
Reserve for Encumbrances	A-3,9	33,909.55	21,720.73
Due State - Marriage License Fees		50.00	100.00
Prepaid Taxes	A-4,5	36,655.23	39,430.34
Tax Overpayments			23.00
Reserve for:			
Revision and Codification of Ordinances		9,085.00	9,085.00
Master Plan Update		4,155.50	4,295.50
Accounts Payable		109,235.72	5,800.00
County Taxes Payable	A-10		6,002.45
Local District School Tax Payable	A-11	63,996.00	50,942.00
Interfunds:			
Grant Fund	A-13	51,577.87	
		<u>583,405.46</u>	<u>365,943.71</u>
Reserve for Receivables and Other Assets		188,895.14	338,590.04
Fund Balance	A-1	938,798.95	897,418.04
		<u>1,711,099.55</u>	<u>1,601,951.79</u>
Grant Fund:			
Interfund - Current Fund	A-13		127,189.27
Reserve for Encumbrances	A-15	164,444.75	13,675.70
Appropriated Reserves	A-15	297,874.91	481,690.75
Unappropriated Reserves	A-16	3,457.23	
		<u>465,776.89</u>	<u>622,555.72</u>
		<u>\$ 2,176,876.44</u>	<u>\$ 2,224,507.51</u>

There was deferred school taxes on December 31, 2019 and 2018 of \$500,749.00 (Exhibit A-11).

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-1**

**STATEMENT OF OPERATIONS AND CHANGE IN**

**Sheet 1 of 2**

**FUND BALANCE - REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>Year 2019</u></b>	<b><u>Year 2018</u></b>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized	A-2	\$ 760,500.00	\$ 700,000.00
Miscellaneous Revenue Anticipated	A-2	1,271,930.06	1,314,316.56
Receipts from Delinquent Taxes	A-5	97,476.13	127,882.56
Receipts from Current Taxes	A-2	4,398,930.63	4,354,476.28
Non-Budget Revenues	A-2	263,965.81	56,272.30
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	92,372.37	291,038.10
Cancel Tax Overpayments			611.69
Interfunds Returned		128,328.17	
Cancellation of Other Trust Fund Balances			16,783.19
Statutory Excess - Animal Control Trust Fund			1,138.90
Grant Appropriated Reserves Cancelled	A-13	2,715.52	159.14
Total Income		<u>7,016,218.69</u>	<u>6,862,678.72</u>
<b><u>Expenditures</u></b>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		1,546,200.00	1,476,200.00
Other Expenses		1,512,650.00	1,509,050.00
Deferred Charges and Statutory Expenditures		365,773.00	330,345.39
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		203,590.65	228,186.00
Other Expenses		89,820.78	73,623.70
Capital Improvements		237,692.00	264,200.00
Municipal Debt Service		323,261.62	322,873.75
Deferred Charges		2,500.00	
	A-3	<u>4,281,488.05</u>	<u>4,204,478.84</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-1**

**STATEMENT OF OPERATIONS AND CHANGE IN**

**Sheet 2 of 2**

**FUND BALANCE - REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>Year 2019</u></b>	<b><u>Year 2018</u></b>
Refund of Prior Year Revenue	A-4	\$ 700.00	\$
County Taxes	A-10	637,503.01	659,122.34
Confiscated Asset Proceeds to Law Enforcement Trust			8,246.69
Local District School Tax	A-11	1,296,266.00	1,270,580.00
Interfund Advances			128,328.17
Grant Receivables Cancelled	A-13	23,380.72	159.14
Total Expenditures		<u>6,239,337.78</u>	<u>6,270,915.18</u>
Excess in Revenue		<u>776,880.91</u>	<u>591,763.54</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	<u>25,000.00</u>	<u>12,500.00</u>
Statutory Excess to Fund Balance		801,880.91	604,263.54
Fund Balance January 1	A	<u>897,418.04</u>	<u>993,154.50</u>
		<u>1,699,298.95</u>	<u>1,597,418.04</u>
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>760,500.00</u>	<u>700,000.00</u>
Fund Balance December 31	A	<u>\$ 938,798.95</u>	<u>\$ 897,418.04</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-2

**STATEMENT OF REVENUES - REGULATORY BASIS**

Sheet 1 of 3

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
	A-1	\$ 760,500.00	\$	\$ 760,500.00	\$
Fund Balance Anticipated					
<b><u>Miscellaneous Revenues</u></b>					
Licenses					
Alcoholic Beverages	A-8	10,000.00		15,300.00	5,300.00
Other	A-8	6,000.00		11,960.00	5,960.00
Fees and Permits					
Other	A-8	100,000.00		108,884.55	8,884.55
Fines and Costs					
Municipal Court	A-8	102,000.00		121,838.33	19,838.33
Interest and Costs on Taxes	A-8	20,000.00		18,293.28	(1,706.72)
Interest on Investments and Deposits	A-8	9,000.00		15,809.38	6,809.38
State Aid:					
Consolidated Municipal Property Tax Relief Act	A-8	32,244.00		32,244.00	
Energy Receipts Tax	A-8	263,195.00		263,195.00	
Uniform Construction Code Fees	A-8	1,000.00		2,476.10	1,476.10
Lakehurst Elementary School - Police Service Contract	A-8	40,000.00		40,000.00	
Northeast Housing LLC - Borough of Lakehurst	A-8	160,000.00		160,000.00	
Northeast Housing LLC - Borough of Lakehurst	A-8	85,000.00		273,779.61	188,779.61
Uniform Fire Safety Act	A-8	4,450.00		4,523.03	73.03
Grants Offset with Appropriations:					
Body Armor Grant	A-13	1,409.99		1,409.99	
Clean Communities Program	A-13		5,125.09	5,125.09	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-2

**STATEMENT OF REVENUES - REGULATORY BASIS**

Sheet 2 of 3

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Special N.J.S.A. 40A:4-87</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
<b><u>Miscellaneous Revenues (Continued)</u></b>					
Grants Offset with Appropriations (Continued):					
Cops in Shops	A-13	\$ 2,640.00	\$	2,640.00	\$
Cooperative Forestry Grant	A-13		3,302.47	3,302.47	
Recycling Tonnage Grant	A-13	3,457.23		3,457.23	
NJ Transportation Trust Fund	A-13		187,692.00	187,692.00	
Total Miscellaneous Revenues	A-1	<u>840,396.22</u>	<u>196,119.56</u>	<u>1,271,930.06</u>	<u>235,414.28</u>
Receipts from Delinquent Taxes	A-1, 2	75,000.00		97,476.13	22,476.13
Subtotal General Revenues		1,675,896.22	196,119.56	2,129,906.19	257,890.41
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	2,544,850.41		2,625,351.38	80,500.97
Total General Revenues		<u>4,220,746.63</u>	<u>196,119.56</u>	<u>4,755,257.57</u>	<u>338,391.38</u>
Non-Budget Revenues	A-1, 2			263,965.81	263,965.81
	A-3	\$ 4,220,746.63	\$ 196,119.56	\$ 5,019,223.38	\$ 602,357.19

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

**Sheet 3 of 3**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Ref.</u>	
<b><u>Analysis of Realized Revenues</u></b>		
<b><u>Allocation of Current Tax Collections</u></b>		
Revenue from Collections	A-1,5	\$ 4,398,930.63
Allocated to School and County Taxes	A-10, 11	1,933,769.01
Balance or Support of Municipal Budget Appropriations		<u>2,465,161.62</u>
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>160,189.76</u>
Amount for Support of Municipal Budget Appropriations		<u><u>\$ 2,625,351.38</u></u>
 <b><u>Analysis of Non-Budget Revenues</u></b>		
DMV Inspection Fines		\$ 1,188.50
Impound Yard Fees		4,510.00
Insurance Proceeds		8,202.68
Miscellaneous Reimbursements		8,980.37
Municipal Clerk		7,624.15
Other		17,755.57
Police Department		7,889.83
Police Off Duty		25,950.00
Public Works		667.00
Sale of Municipal Assets		15,635.27
Sale of Scrap Metal		3,899.00
Water Tower Lease		<u>161,663.44</u>
	A-1,4	<u><u>\$ 263,965.81</u></u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 1 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b><u>OPERATIONS WITHIN CAPS</u></b>					
<b><u>General Government</u></b>					
Administrative and Executive					
Salaries and Wages	\$ 19,000.00	\$ 12,800.00	\$ 12,769.40	\$ 30.60	\$
Other Expenses	4,500.00	2,500.00	451.25	2,048.75	
Mayor and Council					
Salaries and Wages	39,750.00	42,950.00	42,880.80	69.20	
Other Expenses	2,500.00	2,500.00	1,944.00	556.00	
Municipal Clerk					
Salaries and Wages	45,000.00	50,200.00	50,068.56	131.44	
Other Expenses	24,000.00	24,000.00	23,235.72	764.28	
Central Postage					
Other Expenses	5,000.00	5,000.00	4,500.00	500.00	
Legal Advertising					
Other Expenses	5,000.00	5,000.00	4,602.78	397.22	
Financial Administration					
Salaries and Wages	44,100.00	44,300.00	44,300.00		
Other Expenses	27,000.00	27,000.00	16,757.32	10,242.68	
Audit Services					
Other Expenses	40,000.00	40,000.00		40,000.00	
Information Technology					
Other Expenses	5,000.00	5,000.00	3,227.00	1,773.00	
Collection of Taxes					
Salaries and Wages	50,000.00	29,000.00	29,000.00		
Other Expenses	6,500.00	6,500.00	3,962.98	2,537.02	
Assessment of Taxes					
Salaries and Wages	13,800.00	15,000.00	14,757.12	242.88	
Other Expenses	4,000.00	4,000.00	941.59	3,058.41	

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 2 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		Paid or Charged	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>			<u>Reserved</u>	
Legal Services and Costs						
Salaries and Wages	\$ 35,000.00	\$ 35,000.00	\$ 34,858.44	\$ 141.56	\$	
Other Expenses	4,000.00	11,000.00	10,313.89	686.11		
Engineering Services and Costs						
Other Expenses	16,000.00	16,000.00	6,203.62	9,796.38		
Historical Preservation						
Other Expenses	450.00	450.00		450.00		
<b><u>Land Use Administration</u></b>						
Municipal Land Use Law (N.J.S. 40:55D-1)						
Land Use Board						
Salaries and Wages	5,500.00	5,500.00	5,400.00	100.00		
Other Expenses	500.00	500.00	395.00	105.00		
<b><u>Code Enforcement and Administration</u></b>						
Code Enforcement						
Salaries and Wages	12,000.00	10,000.00	9,143.76	856.24		
Other Expenses	500.00	500.00		500.00		
<b><u>Insurance</u></b>						
General Liability	65,000.00	65,000.00	63,435.04	1,564.96		
Workers Compensation	69,000.00	69,000.00	68,908.16	91.84		
Employee Group Health	560,000.00	560,000.00	556,331.41	3,668.59		
Health Benefits Waiver	10,000.00	10,000.00	10,000.00			
<b><u>Public Safety Functions</u></b>						
Police						
Salaries and Wages:						
Officers	793,000.00	782,850.00	727,186.96	55,663.04		
Clerical	75,000.00	75,000.00	69,480.56	5,519.44		
Crossing Guards	29,000.00	30,100.00	29,262.81	837.19		
Other Expenses	70,700.00	70,700.00	69,071.10	1,628.90		
Other Expenses - Tow Charges	7,000.00	7,000.00	6,745.00	255.00		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 3 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriated		Paid or Charged	Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification			Reserved	
Emergency Management						
Salaries and Wages	\$ 6,700.00	\$ 4,700.00	\$ 3,152.28	\$ 1,547.72	\$	
Other Expenses	1,000.00	1,000.00		1,000.00		
First Aid Squad Contribution						
Other Expenses	20,000.00	20,000.00	20,000.00			
Uniform Safety Act						
Salaries and Wages	7,650.00	8,200.00	8,164.08	35.92		
Other Expenses	500.00	500.00		500.00		
Municipal Court						
Salaries and Wages	74,000.00	77,000.00	76,773.46	226.54		
Other Expenses	4,500.00	4,500.00	3,704.50	795.50		
Fire						
Other Expenses	36,000.00	36,000.00	34,634.89	1,365.11		
Other Expenses - Maintenance of Vehicles	10,000.00	10,000.00	10,000.00			
Municipal Prosecutor						
Salaries and Wages	16,400.00	17,600.00	17,495.04	104.96		
Other Expenses	100.00	100.00		100.00		
Public Defender						
Salaries and Wages	5,000.00	2,000.00		2,000.00		
Other Expenses	100.00	100.00		100.00		
<b><u>Public Works Functions</u></b>						
Road Repairs and Maintenance						
Salaries and Wages	75,000.00	82,500.00	82,393.32	106.68		
Other Expenses	18,000.00	18,000.00	13,521.40	4,478.60		
Garbage and Trash Removal						
Salaries and Wages	100,000.00	110,200.00	110,115.43	84.57		
Other Expenses	8,000.00	8,000.00	5,845.98	2,154.02		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 4 of 7

**FOR THE 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>	
Recycling						
Salaries and Wages	\$ 54,300.00	\$ 54,800.00	\$ 54,800.00		\$	
Other Expenses	5,000.00	5,000.00	4,418.61		581.39	
Public Buildings, Grounds and Lakes						
Salaries and Wages	54,300.00	54,800.00	46,792.52		8,007.48	
Other Expenses	45,000.00	76,000.00	73,813.74		2,186.26	
Vehicle Maintenance						
Other Expenses	45,000.00	45,000.00	44,535.79		464.21	
<b><u>Health and Human Services</u></b>						
Animal Control						
Other Expenses	7,000.00	7,000.00	3,476.60		3,523.40	
<b><u>Park and Recreation Functions</u></b>						
Youth and Recreation						
Salaries and Wages	9,500.00	8,500.00	7,320.13		1,179.87	
Other Expenses	2,000.00	2,000.00	1,976.73		23.27	
<b><u>Other Common Operating Functions</u></b>						
Celebration of Public Events						
Other Expenses	6,000.00	6,000.00	4,129.73		1,870.27	
<b><u>Utility Expenses and Bulk Purchases</u></b>						
Landfill Disposal Cost - Other Expenses						
Gasoline	100,000.00	100,000.00	85,000.00		15,000.00	
Electricity	40,000.00	40,000.00	37,128.48		2,871.52	
Telephone	35,000.00	33,000.00	29,311.80		3,688.20	
Natural Gas	60,000.00	62,000.00	60,684.70		1,315.30	
Street Lighting	25,000.00	25,000.00	22,647.85		2,352.15	
Deferred Sick Time	25,000.00	25,000.00	18,812.94		6,187.06	
Salary and Wage Adjustment	15,000.00	15,000.00	15,000.00			
Total Operations within Caps	35,000.00	35,000.00			35,000.00	
	<u>3,033,850.00</u>	<u>3,058,850.00</u>	<u>2,815,784.27</u>		<u>243,065.73</u>	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 5 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriated		Paid or Charged	Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification		Reserved	Cancelled	
Detail:						
Salaries and Wages	\$ 1,594,000.00	\$ 1,586,000.00	\$ 1,476,114.67	\$ 109,885.33		\$
Other Expenses	1,439,850.00	1,472,850.00	1,339,669.60	133,180.40		
	96,314.00	96,314.00	96,314.00			
Public Employees' Retirement System of New Jersey	132,585.00	132,585.00	132,585.00			
Police and Firemen's Retirement System of New Jersey	125,000.00	125,000.00	118,661.14	6,338.86		
Social Security System	11,374.00	11,374.00	4,138.00	7,236.00		
Unemployment Compensation Insurance	500.00	500.00	500.00			
Defined Contribution Retirement Program	365,773.00	365,773.00	351,698.14	14,074.86		
Total Statutory Expenditures within Caps	3,399,623.00	3,424,623.00	3,167,482.41	257,140.59		
Total Appropriations within Caps						

**OPERATIONS EXCLUDED FROM CAPS**

Shared Service Agreements:						
Lakehurst Elementary School - Police	40,000.00	40,000.00	39,600.00	400.00		
Service Contract						
Borough of Bay Head	80,372.81	80,372.81	80,372.81			
Chief Financial Officer	18,217.84	18,217.84	18,217.84			
Tax Collector						
Township of Manchester	17,000.00	17,000.00	13,500.00	3,500.00		
Information Technology						
Township of Manchester	12,500.00	12,500.00		12,500.00		
Municipal Court						

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 6 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Additional Appropriations Offset by Revenues:					
Northeast Housing LLC - Lakehurst	\$ 65,000.00	\$ 65,000.00	\$ 64,800.00	\$ 200.00	\$
Police	1,000.00	1,000.00		1,000.00	
Salaries and Wages					
Other Expenses					
Administration					
Other Expenses	35,000.00	35,000.00	35,000.00		
Body Armor Grant	1,409.99	1,409.99	1,409.99		
Clean Communities Program	5,125.09	5,125.09	5,125.09		
Cops in Shops	2,640.00	2,640.00	2,640.00		
Recycling Tonnage Grant	3,457.23	3,457.23	3,457.23		
Cooperative Forestry Grant	3,302.47	3,302.47	3,302.47		
Total Operations excluded from Caps	<u>276,597.87</u>	<u>285,025.43</u>	<u>267,425.43</u>	<u>17,600.00</u>	
Detail:					
Salaries and Wages	203,590.65	203,590.65	202,990.65	600.00	
Other Expenses	73,007.22	81,434.78	64,434.78	17,000.00	
<b><u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u></b>					
Capital Improvement Fund	50,000.00	50,000.00	50,000.00		
NJ DOT - Willow Street		187,692.00	187,692.00		
Total Capital Improvements excluded from Caps	<u>50,000.00</u>	<u>237,692.00</u>	<u>237,692.00</u>		
<b><u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u></b>					
Payment of Bond Principal	215,450.00	215,450.00	215,450.00		188.38
Interest on Bonds	108,000.00	108,000.00	107,811.62		188.38
Total Municipal Debt Service excluded from Caps	<u>323,450.00</u>	<u>323,450.00</u>	<u>323,261.62</u>		<u>188.38</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 7 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<b><u>DEFERRED CHARGES EXCLUDED FROM CAPS</u></b>					
5 Years ( N.J.S.A. 40A: 4-55)	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00		\$
Local Schools	8,386.00	8,386.00	8,386.00		
Total Deferred Charges excluded from Caps	<u>10,886.00</u>	<u>10,886.00</u>	<u>10,886.00</u>		
Total General Appropriations excluded from Caps	<u>660,933.87</u>	<u>857,053.43</u>	<u>839,265.05</u>	<u>17,600.00</u>	<u>188.38</u>
Subtotal General Appropriations	4,060,556.87	4,281,676.43	4,006,747.46	274,740.59	188.38
Reserve for Uncollected Taxes	160,189.76	160,189.76	160,189.76		
Total General Appropriations	<u>\$ 4,220,746.63</u>	<u>\$ 4,441,866.19</u>	<u>\$ 4,166,937.22</u>	<u>\$ 274,740.59</u>	<u>\$ 188.38</u>
	Ref.	A-2	A-1	A	A-1
Budget					
Emergency Appropriation	\$ 4,220,746.63				
Budget Amendments	25,000.00				
	196,119.56				
	<u>\$ 4,441,866.19</u>				
Reserve for Uncollected Taxes			\$ 160,189.76		
Disbursements			3,766,711.13		
Reserve for Encumbrances			33,909.55		
Special Emergency Authorization			2,500.00		
Interfunds:					
Grant Fund			<u>203,626.78</u>		
			<u>\$ 4,166,937.22</u>		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**TRUST FUNDS**

**Exhibit B**

**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Assets</u></b>			
<b><u>Animal Control Trust Fund</u></b>			
Cash	B-1	\$ 2,030.00	\$ 3,812.90
		<u>2,030.00</u>	<u>3,812.90</u>
<b><u>Other Trust Fund</u></b>			
Cash	B-1	425,486.63	362,914.75
Community Development Block Grant Receivable	B-5	39,417.25	39,417.25
		<u>425,486.63</u>	<u>402,332.00</u>
		<u>\$ 427,516.63</u>	<u>\$ 406,144.90</u>
<b><u>Liabilities and Reserves</u></b>			
<b><u>Animal Control Trust Fund</u></b>			
Reserve for Animal Control Trust Fund Expenditures	B-3	\$ 2,030.00	\$ 2,674.00
Interfund - Current Fund	B-1	1,138.90	1,138.90
		<u>2,030.00</u>	<u>3,812.90</u>
<b><u>Other Trust Fund</u></b>			
Reserve for:			
Miscellaneous Trust Accounts	B-4	425,486.63	402,332.00
		<u>425,486.63</u>	<u>402,332.00</u>
		<u>\$ 427,516.63</u>	<u>\$ 406,144.90</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Assets</u></b>			
Cash	C-1	\$ 312,512.00	\$ 368,060.15
Deferred Charges to Future Taxation: Funded	C-3	<u>3,393,293.00</u>	<u>3,608,743.00</u>
		<u>\$ 3,705,805.00</u>	<u>\$ 3,976,803.15</u>
<b><u>Liabilities and Reserves</u></b>			
Capital Improvement Fund	C-5	\$ 235,404.66	\$ 254,904.66
Improvement Authorizations: Funded	C-6	52,304.34	45,270.04
Reserve for Encumbrances	C-6	20,103.00	29,112.90
Reserve for Ballfield Improvements	C-6		38,772.55
Reserve for Lake Horicon Restrooms	C-1	4,700.00	
General Serial Bonds Payable	C-7	<u>3,393,293.00</u>	<u>3,608,743.00</u>
		<u>\$ 3,705,805.00</u>	<u>\$ 3,976,803.15</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$-0-.

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES**

**Sheet 1 of 2**

**AND FUND BALANCE -REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Assets</u></b>			
<b><u>Operating Fund</u></b>			
Cash	D-4	\$ 497,881.31	\$ 514,270.97
Change Fund		100.00	100.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	18,136.08	24,145.67
Total Operating Fund		<u>516,117.39</u>	<u>538,516.64</u>
<b><u>Capital Fund</u></b>			
Cash	D-4	307,801.12	151,058.64
Fixed Capital	D-7	4,776,762.19	4,742,758.19
Fixed Capital Authorized and Uncompleted	D-8	1,275,996.00	1,275,000.00
Total Water-Sewer Utility Capital Fund		<u>6,360,559.31</u>	<u>6,168,816.83</u>
Total Assets		<u>\$ 6,876,676.70</u>	<u>\$ 6,707,333.47</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
<b><u>Operating Fund</u></b>			
Liabilities:			
Reserve for Encumbrances	D-3	\$ 3,999.88	\$ 3,852.35
Appropriation Reserves	D-3	147,326.09	61,154.90
Prepaid Consumer Accounts	D-4	12,028.88	11,028.40
Accrued Interest Payable	D-11	4,984.41	5,540.99
		<u>168,339.26</u>	<u>81,576.64</u>
Reserve for Receivables		18,136.08	24,145.67
Fund Balance	D-1	329,642.05	432,794.33
Total Operating Fund		<u>516,117.39</u>	<u>538,516.64</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D**

**STATEMENT OF ASSETS, LIABILITIES, RESERVES**

**Sheet 2 of 2**

**AND FUND BALANCE -REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
<b><u>Capital Fund</u></b>			
Liabilities:			
Improvement Authorizations:			
Funded	D-12	\$ 59,528.59	\$ 69,935.21
Unfunded	D-12	46,781.37	1,116,034.89
Reserve for Encumbrances	D-12	11,402.62	
Capital Improvement Fund	D-13	190,088.54	165,088.54
Reserve for Amortization	D-14	3,378,357.51	3,247,212.33
Reserve for Deferred Amortization	D-15	75,996.00	75,000.00
USDA Loan Payable	D-16	786,697.68	814,288.86
Serial Bonds Payable	D-17	611,707.00	681,257.00
Bond Anticipation Notes	D-18	1,200,000.00	
Total Water-Sewer Utility Capital Fund		<u>6,360,559.31</u>	<u>6,168,816.83</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,876,676.70</u>	<u>\$ 6,707,333.47</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$0- and \$1,200,000.00, respectively.

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-1**

**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**

**REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b><u>Ref.</u></b>	<b><u>Year 2019</u></b>	<b><u>Year 2018</u></b>
<b><u>Revenue and Other Income Realized</u></b>			
Surplus Anticipated	D-2	\$ 230,000.00	\$ 230,000.00
Rents	D-2	979,033.10	967,647.55
Miscellaneous	D-2	18,350.32	149,230.87
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-9	68,109.35	210,111.44
Total Income		<u>1,295,492.77</u>	<u>1,556,989.86</u>
<b><u>Expenditures</u></b>			
Operating		913,120.00	902,400.00
Capital Improvements		60,000.00	60,000.00
Debt Service		138,880.05	140,863.91
Deferred Charges and Statutory Expenditures		56,645.00	59,600.00
	D-3	<u>1,168,645.05</u>	<u>1,162,863.91</u>
Excess in Revenue		126,847.72	394,125.95
Fund Balance January 1	D	432,794.33	268,668.38
		<u>559,642.05</u>	<u>662,794.33</u>
Decreased by:			
Utilized as Anticipated Revenue	D-2	<u>230,000.00</u>	<u>230,000.00</u>
Fund Balance December 31	D	<u>\$ 329,642.05</u>	<u>\$ 432,794.33</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Operating Surplus Anticipated	<u>D-1</u>	\$ 230,000.00	\$ 230,000.00	\$
Rents	D-1,6	929,915.00	979,033.10	49,118.10
Miscellaneous	D-1,4	10,000.00	18,350.32	8,350.32
		<u>\$ 1,169,915.00</u>	<u>\$ 1,227,383.42</u>	<u>\$ 57,468.42</u>
	<b><u>Ref.</u></b>	D-3		
<b><u>Analysis of Miscellaneous Revenue</u></b>				
Interest Collected on Delinquent Rents			\$ 2,495.84	
Interest on Deposits			6,424.53	
Other Miscellaneous			<u>9,429.95</u>	
	D-2		<u>\$ 18,350.32</u>	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

Exhibit D-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	<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>	
Operating:					
Salaries and Wages	\$ 300,000.00	\$ 300,000.00	\$ 280,862.43	\$ 19,137.57	\$
Other Expenses	260,000.00	260,000.00	164,325.51	95,674.49	
Audit and Professional	30,000.00	30,000.00		30,000.00	
Ocean County Utility Authority	323,120.00	323,120.00	323,120.00		
Capital Improvements:					
Capital Improvement Fund	60,000.00	60,000.00	60,000.00		
Debt Service:					
Payment of Bond Principal	69,550.00	69,550.00	69,550.00		482.02
Interest on Bonds	16,000.00	16,000.00	15,517.98		410.28
USDA Loan Principal	28,000.00	28,000.00	27,589.72		377.65
USDA Loan Interest	26,600.00	26,600.00	26,222.35		
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Social Security System	23,000.00	23,000.00	21,485.97	1,514.03	
Public Employee's Retirement System	32,645.00	32,645.00	32,645.00		
Unemployment Compensation Insurance	1,000.00	1,000.00		1,000.00	
	<u>\$ 1,169,915.00</u>	<u>\$ 1,169,915.00</u>	<u>\$ 1,021,318.96</u>	<u>\$ 147,326.09</u>	<u>\$ 1,269.95</u>
<b>Ref.</b>	D-2	D-1		D	D-1
Reserve for Encumbrances			\$ 3,999.88		
Cash Disbursements			975,578.75		
Accrued Interest on Bonds, Notes and Loans			41,740.33		
			<u>\$ 1,021,318.96</u>		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**PAYROLL FUND**

**Exhibit G**

**STATEMENT OF ASSETS AND LIABILITIES**

**REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Cash	\$ <u>-0-</u>	\$ <u>-0-</u>
<b><u>Liabilities</u></b>		
Payroll Deductions Payable	\$ <u>-0-</u>	\$ <u>-0-</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**STATEMENT OF GENERAL FIXED ASSETS**

**Exhibit H**

**REGULATORY BASIS**

**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
General Fixed Assets:		
Land	\$ 1,714,100.00	\$ 1,714,100.00
Buildings	5,058,337.68	5,058,337.68
Vehicles	1,110,970.68	1,278,585.68
Equipment	<u>372,432.74</u>	<u>343,304.82</u>
	<u>\$ 8,255,841.10</u>	<u>\$ 8,394,328.18</u>
<b><u>Liabilities</u></b>		
Investment in General Fixed Assets	<u>\$ 8,255,841.10</u>	<u>\$ 8,394,328.18</u>

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

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**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 Lakehurst, 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 Boards of Education, first aid organization or volunteer fire companies which are subject to separate audits.

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

**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** - dog and cat license revenues and expenditures.

**Trust Other 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 LAKEHURST - COUNTY OF OCEAN**

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

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

**B. Descriptions of Funds (Continued)**

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

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

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

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

**C. Basis of Accounting**

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

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

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

**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.

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

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2019 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. The status of interfunds is set forth in Note 12.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

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

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

**General Fixed Assets** - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system. Fixed assets acquired prior 1992 are based on an inspection and appraisal prepared by an independent firm. All general fixed assets acquired after 1992 are recorded at cost.

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

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

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

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

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

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

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

**Utility Fixed Assets (Continued)**

During 2019 and 2018 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u>	<u>Expended from</u>			<u>Balance</u>
	<u>Jan. 1, 2019</u>	<u>Current or</u>	<u>Utility</u>	<u>Less:</u>	<u>Dec. 31, 2019</u>
		<u>Capital</u>	<u>Fund</u>	<u>Disposals</u>	
		<u>Fund</u>		<u>Transferred</u>	
General Fixed Assets Account Group:					
Land	\$ 1,714,100	\$	\$	\$	\$ 1,714,100
Buildings	5,058,338				5,058,338
Vehicles	1,278,586			167,615	1,110,971
Equipment	<u>343,304</u>	<u>35,293</u>		<u>6,165</u>	<u>372,432</u>
	<u>8,394,328</u>	<u>35,293</u>		<u>173,780</u>	<u>8,255,841</u>
Water-Sewer Utility Fund:					
Fixed Capital	4,742,758				4,776,762
Fixed Capital Authorized and Uncompleted	<u>1,275,000</u>		<u>35,000</u>		<u>1,275,996</u>
	<u>6,017,758</u>		<u>35,000</u>		<u>6,052,758</u>
	\$ <u>14,412,086</u>	\$ <u>35,293</u>	\$ <u>35,000</u>	\$ <u>173,780</u>	\$ <u>14,308,599</u>

	<u>Balance</u>	<u>Expended from</u>		<u>Balance</u>
	<u>Jan. 1, 2018</u>	<u>Current or</u>	<u>Cancelled or</u>	<u>Dec. 31, 2019</u>
		<u>Capital</u>	<u>Transferred</u>	
		<u>Fund</u>		
General Fixed Assets Account Group:				
Land	\$ 1,714,100	\$	\$	\$ 1,714,100
Buildings	5,058,338			5,058,338
Vehicles	1,133,146		145,440	1,278,586
Equipment	<u>278,071</u>	<u>65,233</u>		<u>343,304</u>
	<u>8,183,655</u>	<u>210,674</u>		<u>8,394,328</u>
Fixed Capital	4,693,207		49,551	4,742,758
Fixed Capital Authorized and Uncompleted	<u>1,324,551</u>		<u>(49,551)</u>	<u>1,275,000</u>
	<u>6,017,758</u>			<u>6,017,758</u>
	\$ <u>14,201,413</u>	\$ <u>210,674</u>	\$	\$ <u>14,412,086</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

**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.

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

**Recent Accounting Pronouncements**

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

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management does not expect this Statement to have a material impact to the Municipality's financial statements.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning June 15, 2018, and later.



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 2. CASH AND CASH EQUIVALENTS**

**A. Deposits**

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

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

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

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

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

At year-end the carrying amount of the Borough's deposits was \$3,058,358 and the bank balance amount was \$3,259,190. Of this amount \$500,000 was covered by federal depository insurance, a collateral pool under New Jersey’s Governmental Unit Deposit Protection Act covered \$2,721,598 and \$37,592 was in the State of New Jersey’s Cash Management Fund.

**B. Investments**

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

**A. Investments (Continued)**

- (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.
- 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.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At year end, carrying value of the Borough's investments and the investment balance amount was \$37,592.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

**B. Cash Management Plan (Continued)**

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

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

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

**D. Credit Risk Categories**

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured:		
FDIC	\$ 500,000	\$ 500,000
GUDPA	2,721,598	2,414,538
Uninsured	<u>37,592</u>	<u>36,767</u>
	\$ <u>3,259,190</u>	\$ <u>2,951,305</u>

**Custodial Credit Risk - Deposits**

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

State law limits investments as noted above.

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

**NOTE 3. DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

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. Long-Term Debt**

On December 31, 2019, the Borough had long-term debt as follows:

**General Capital Fund**

2.25% to 2.50% General Obligation Bonds Issued February 21 2013, installment maturities to March 1, 2026	\$ 705,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>2,688,293</u>
	\$ <u>3,393,293</u>

**Water-Sewer Utility Capital Fund**

3.25% U.S.D.A. Water-Sewer Loan Issued December 23, 1999, installment maturities to December 23, 2039	\$ 786,698
2.25% to 2.50% General Obligation Bonds Issued February 21, 2013, installment maturities to March 1, 2026	515,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>96,707</u>
	\$ <u>1,398,405</u>

The General Capital Fund bonds mature semi-annually in variable amounts to the year 2040. The Water-Sewer Utility Capital Fund bonds and loans mature serially in variable amounts to the year 2039. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

	<u>General Capital</u>		<u>Utility Capital</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 220,450	\$ 103,221	\$ 98,043	\$ 39,840
2021	201,150	98,418	103,312	37,256
2022	210,800	93,786	104,591	34,661
2023	215,800	88,697	110,586	31,930
2024	105,000	83,286	107,415	29,056
2025-2029	842,250	347,937	361,666	106,507
2030-2034	743,050	236,181	236,927	67,590
2035-2039	328,100	116,822	257,558	26,772
2040	526,693	21,068	18,307	733
Total	\$ <u>3,393,293</u>	\$ <u>1,189,416</u>	\$ <u>1,398,405</u>	\$ <u>374,345</u>

**B. Short-term Debt**

On December 31, 2019, the Borough had \$1,200,000 in outstanding bond anticipation notes.

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

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

	<u>2019</u>	<u>2018</u>
General Capital Fund	\$ -0-	\$ -0-
Water-Sewer Utility Capital Fund	-0-	1,200,000

**D. Borrowing Power**

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2019 was 2.163%. The Borough's remaining borrower power is 1.337%.

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

**E. Summary of Debt Activity**

During 2019 and 2018 the following changes occurred in the outstanding debt of the Borough:

	<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:					
Serial Bonds	\$ 3,608,743	\$	\$ 215,450	\$ 3,393,293	\$ 220,450
Water Utility Fund Debt:					
Bond Anticipation Note		1,200,000		1,200,000	1,200,000
Serial Bonds	681,257		69,550	611,707	69,550
U.S.D.A. Loan Payable	814,289		27,591	786,698	28,493
Other:					
Compensated Absences	15,000		15,000		
	<u>\$ 5,119,289</u>	<u>\$ 1,200,000</u>	<u>\$ 327,591</u>	<u>\$ 5,991,698</u>	

	<u>Balance</u> <u>Jan. 1, 2018</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Due within</u> <u>One Year</u>
General Debt:				
Serial Bonds	\$ 3,819,368	\$ 210,625	\$ 3,608,743	\$ 215,450
Water Utility Fund Debt:				
Serial Bonds	750,632	69,375	681,257	69,550
U.S.D.A. Loan Payable	841,011	26,722	814,289	27,589
Other:				
Compensated Absences	15,000		15,000	15,000
	<u>\$ 5,426,011</u>	<u>\$ 306,722</u>	<u>\$ 5,119,289</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 \$-0- and \$15,000 at December 31, 2019 and 2018. In accordance with New Jersey accounting principles this amount is not reported as an expenditure or liability in the accompanying financial statements.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**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 municipal budget for the year ending December 31 of the succeeding years are as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current Fund	\$ *	\$ 760,500
Water-Sewer Utility Operating Fund	*	230,000

\* Budget not adopted as of audit date.

**NOTE 6. TAXES AND WATER-SEWER CHARGES COLLECTED IN ADVANCE**

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

	<b><u>Balance December 31</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Prepaid Taxes	\$ 36,655	\$ 39,430
Prepaid Water-Sewer Charges	12,029	11,028

**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, Local School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**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 Statute 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><u>Local District School Tax</u></b>	
	<b><u>Balance</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2019</u></b>	<b><u>Dec. 31, 2018</u></b>
Balance of Tax	\$ 564,745	\$ 551,691
Deferred	<u>500,749</u>	<u>500,749</u>
Tax Payable	\$ <u>63,996</u>	\$ <u>50,942</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. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 11. CONTINGENT LIABILITIES**

**State and Federal Financial Assistance**

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2019, the Borough estimates that no material liabilities will result from such audits.

**Pending Litigation**

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

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

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

**NOTE 12. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheets at December 31, 2019:

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
Current Fund	\$	\$ 51,578
Grant Fund	<u>51,578</u>	<u>          </u>
	\$ <u>51,578</u>	\$ <u>51,578</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 12. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

A summary of interfund transfers is as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
Current Fund	\$2,579,767.65	\$ 2,399,861.61
State and Federal Grant Fund	440,300.35	619,067.49
Animal Control Trust	1,962.00	3,100.90
Trust Other Fund	329,607.92	329,607.92
Capital Fund	500,000.00	500,000.00
Utility Operating Fund	2,005,015.60	2,005,015.60
Utility Capital Fund	1,376,068.96	1,376,068.96
Payroll Fund	499,044.70	499,044.70
	<u>\$ 7,731,767.18</u>	<u>\$ 7,731,767.18</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (i.e. interest earning), (2) provide cash flow to other funds to temporary finance expenditures that are on a reimbursable basis (i.e. grants), (3) when no bank account exists for a fund, and (4) utilizing surplus or fund balance from one fund as budgeted revenue in another.

**NOTE 13. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2019 consisted of intergovernmental grants, taxes and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Borough's individual major and fiduciary funds, in the aggregate, are as follows:

	<b>Current Fund</b>	<b>Grant Fund</b>	<b>Utility Operating Fund</b>	<b>Total (Memo Only)</b>
Federal and State Aid	\$	\$ 414,199	\$	\$ 414,199
Taxes	128,100			128,100
Utility Rents			18,136	18,136
Other	10,795			10,795
	<u>\$ 138,895</u>	<u>\$ 414,199</u>	<u>\$ 18,136</u>	<u>\$ 571,230</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. 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 <http://www.state.nj.us/treasury/pensions/annual-reports.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.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<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 and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 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,

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

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. For the year ended December 31, 2019, the Borough's contractually required contribution to PERS plan was \$115,587.

**Components of Net Pension Liability** - At December 31, 2019, the Borough's proportionate share of the PERS net pension liability was \$2,141,144. 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 July 1, 2018, which was rolled forward to 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 0.0118830425% which was a decrease of 0.0010250675% from its proportion measured as of June 30, 2018.

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

	<u>12/31/2019</u>	<u>12/30/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 476,432	\$ 818,315
Deferred Inflows of Resources	1,091,001	1,049,958
Net Pension Liability	2,141,144	2,541,543
Borough 's portion of the Plan's total Net Pension Liability	0.01188%	0.01291%

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2019, the Borough's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2019 measurement date is \$98,113. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$115,587 to the plan in 2019.

At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 38,431	\$ 9,459
Changes of Assumptions	213,801	743,184
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	33,799
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>224,200</u>	<u>304,559</u>
	<u>\$ 476,432</u>	<u>\$ 1,091,001</u>

The Borough will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
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, 2014	-	5.00
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 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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>Dec 31,</u>	<u>Amount</u>
2020	\$ (103,140)
2021	(179,210)
2022	(204,014)
2023	(110,211)
2024	<u>(17,994)</u>
	<u>\$ (614,569)</u>

**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:

Inflation	
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	
PERS	Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
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.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

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.

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 6.28% 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 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.



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

**A. Public Employees' Retirement System (PERS) (continued):**

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

	<b>1% Decrease <u>(5.28%)</u></b>	<b>Current Discount Rate <u>(6.28%)</u></b>	<b>1% Increase <u>(7.28%)</u></b>
Borough 's Proportionate Share of the Net Pension Liability	<u>\$ 2,723,428</u>	<u>\$ 2,141,144</u>	<u>\$ 1,677,934</u>

**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 <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

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

The following represents the membership tiers for PFRS:

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

**Basis of Presentation** - The schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS, the participating employers, or the State. 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. For the year ended December 31, 2019, the Borough's contractually required contributions to PFRS plan was \$147,845.

**Net Pension Liability and Pension Expense** - At December 31, 2019 the Borough's proportionate share of the PFRS net pension liability was \$1,791,190. 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 July 1, 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 0.0146365161%, which was an increase of 0.0010748773% from its proportion measured as of June 30, 2018.

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

	<u>12/31/2019</u>	<u>12/31/2018</u>
	June 30, 2019	June 30, 2018
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 398,904	\$ 502,472
Deferred Inflows of Resources	850,445	836,277
Net Pension Liability	1,791,190	1,835,113
Borough 's portion of the Plan's total net pension Liability	0.01464%	0.01356%

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2019, the Borough's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2019 measurement date was \$221,659. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$147,845 to the plan in 2019.

At December 31, 2019, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS 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	\$ 15,120	\$ 11,340
Changes of Assumptions	61,376	578,896
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	24,270
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>322,408</u>	<u>235,939</u>
	<b><u>\$ 398,904</u></b>	<b><u>\$ 850,445</u></b>

The Borough will amortize the above sources of deferred outflows and inflows related to PFRS over the following number of years:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	-	5.00
Changes in Proportion and Differences between 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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PFRS that will be recognized in future periods:

<u>Year Ending</u>		<u>Amount</u>
<u>Dec 31,</u>		
2020	\$	(120,823)
2021		(169,582)
2022		(96,293)
2023		(55,784)
2024		<u>(9,059)</u>
	\$	<u>(451,541)</u>

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

Additionally, the State's proportionate share of the PFRS net pension liability attributable to the Borough is \$282,832 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 July 1, 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 0.0146365161%, which was an increase of 0.0010748773% from its proportion measured as of June 30, 2018, which is the same proportion as the Borough's. At December 31, 2019, the Borough's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough 's Proportionate Share of Net Pension Liability	\$ 1,791,190
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>282,832</u>
	<u>\$ 2,074,022</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

At December 31, 2019, the State's proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2019 measurement date was \$32,863.

**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:

Inflation	
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	
PERS	Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2013 - June 30, 2018

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.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. PENSION OBLIGATIONS (CONTINUED):**

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

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 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 the 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 LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. 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>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Borough 's Proportionate Share of the Net Pension Liability	\$ 2,421,036	\$ 1,791,190	\$ 1,269,902
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>382,286</u>	<u>282,832</u>	<u>200,520</u>
	<u>\$ 2,803,322</u>	<u>\$ 2,074,022</u>	<u>\$ 1,470,422</u>

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

**NOTE 15. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description** - The Borough contributes to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.



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

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

**Basis of Presentation**

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan 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.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

**Allocation Methodology**

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit) expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775.00 and \$8,182,092,807.00, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**Net OPEB Liability**

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial Fiscal Year Applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PERS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

\* - Salary Increases are based on the defined benefit plan that the member is enrolled in and his or her age.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

**OPEB Obligation and OPEB (benefit) Expense** - The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Borough's as of June 30, 2019 was \$3,028,224.00. The Borough's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2019, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The State's proportionate share of the OPEB Obligation associated with the Borough was based on projection of the State's long-term contributions to the OPEB plan associated with the Borough relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2019, the State proportionate share of the OPEB Obligation attributable to the Borough was 0.0223549986%, which was a decrease of 0.0017850039% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2019, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(169,462.00) for the State's proportionate share of the OPEB (benefit) expense attributable to the Borough. This OPEB (benefit) expense was based on the OPEB plans June 30, 2019 measurement date.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years.

*Discount Rate*

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

	<u>At 1% Decrease (2.50%)</u>	<u>At Discount Rate (3.50%)</u>	<u>At 1% Increase (4.50%)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Borough	\$ 3,501,397.29	\$ 3,028,224.00	\$ 2,643,708.17
State of New Jersey's Total Nonemployer OPEB Liability	15,662,704,137.00	13,546,071,100.00	11,826,026,995.00

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

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Borough	\$ 2,555,447.87	\$ 3,028,224.00	\$ 3,631,329.54
State of New Jersey's Total Nonemployer OPEB Liability	11,431,214,644.00	13,546,071,100.00	16,243,926,531.00

**Additional Information** – The following is a summary of the collective balances of the local group at June 30, 2019:

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

	<u>12/31/2019</u>	<u>12/31/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Collective Deferred Outflows of Resources	\$ 11,158,226.00	\$ 8,279,239.00
Collective Deferred Inflows of Resources	8,761,825,481.00	7,154,925,195.00
Collective Net OPEB Liability	13,546,071,100.00	15,666,618,141.00
Borough's Portion	0.022355%	0.024140%

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

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	\$ (1,425,201,517.00)
2021	(1,425,201,517.00)
2022	(1,426,076,187.00)
2023	(1,427,489,995.00)
2024	(1,428,781,861.00)
Thereafter	<u>(1,617,916,178.00)</u>
	<u><u>\$ (8,750,667,255.00)</u></u>

*Changes in Proportion*

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 years for the 2019, 2018 and 2017 amounts, respectively.

**Plan Membership**

At June 30, 2018, the Program membership consisted of the following:

	<u>June 30, 2018</u>
Active Plan Members	63,032
Retirees Currently Receiving Benefits	<u>27,871</u>
Total Plan Members	<u><u>90,903</u></u>

**Changes in the Total OPEB Liability**

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

Service Cost	\$ 666,574,660.00
Interest on the Total OPEB Liability	636,082,461.00
Change of Benefit Terms	(1,903,958.00)
Differences Between Expected and Actual Experience	(1,399,921,930.00)
Changes of Assumptions	(1,635,760,217.00)
Contributions From the Employer	(346,415,056.00)
Contributions From Non-Employer Contributing Entity	(43,854,500.00)
Net Investment Income	(4,826,936.00)
Administrative Expense	<u>9,478,435.00</u>
Net Change in Total OPEB Liability	(2,120,547,041.00)
Total OPEB Liability (Beginning)	<u>15,666,618,141.00</u>
Total OPEB Liability (Ending)	<u><u>\$ 13,546,071,100.00</u></u>

**Special Funding Situation**

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

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

The participating employer allocations included in the supplemental schedule of employer special funding allocations and the supplemental schedule of special funding amounts by employer for each employer are provided as each employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation and include their proportionate share of the collective net OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2019**

**NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):**

Additionally, the State's proportionate share of the OPEB liability attributable to the Borough is \$1,668,159.00 as of December 31, 2019. The OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the OPEB liability was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of July 1, 2018, to the measurement date of June 30, 2019. The State's proportion of the OPEB liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2019 was 0.0301889958%, which was an increase of 0.0020359900% from its proportion measured as of June 30, 2018, which is the same proportion as the Borough's. At December 31, 2019, the Borough's and the State of New Jersey's proportionate share of the OPEB liability were as follows:

State of New Jersey's	
Proportionate Share of OPEB Liability	
Associated with the Borough	\$ 1,668,159.00

At December 31, 2019, the State's proportionate share of the OPEB expense, associated with the Borough, calculated by the plan as of the June 30, 2019 measurement date was \$22,112.00.

**NOTE 17. SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and July 16, 2020, the date the financial statements were available to be issued.

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus is reported to have spread globally. The coronavirus outbreak is still evolving and its effects remain unknown. The Borough is unable to predict how changing global economic conditions such as the COVID-19 coronavirus will affect the Borough's operations.

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**SUPPLEMENTARY EXHIBITS**

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**CURRENT FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-4**

**SCHEDULE OF CASH - TREASURER**

Balance December 31, 2018		\$ 1,248,120.97
Increased by Receipts:		
Taxes Receivable	\$ 4,442,976.42	
Prepaid Taxes	36,655.23	
Petty Cash	870.00	
Tax Overpayments	3,090.57	
State of New Jersey (Ch. 20, P.L. 1971)	14,750.00	
State of New Jersey Various Fees	250.00	
Revenue Accounts Receivable	1,068,303.28	
Miscellaneous Revenue Not Anticipated	263,965.81	
Interfunds:		
Other Funds	1,960,700.16	
Grant Fund	392,059.99	
		<u>8,183,621.46</u>
		9,431,742.43
Decreased by Disbursements:		
Budget Appropriations	3,766,711.13	
Appropriation Reserves	54,457.33	
Petty Cash	870.00	
County Taxes Payable	643,505.46	
Local District School Tax	1,283,212.00	
Tax Refunds	3,113.57	
Refund of Prior Year Revenue	700.00	
State of New Jersey Various Fees	300.00	
Reserve for Master Plan	140.00	
Interfunds:		
Other Funds	1,959,561.26	
Grant Fund	233,958.05	
		<u>7,946,528.80</u>
Balance December 31, 2019		\$ <u><u>1,485,213.63</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

Exhibit A-5

**CURRENT FUND**

**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance Dec. 31, 2018</u>	<u>2019 Levy</u>	<u>2018</u>	<u>2019</u>	<u>Due from State</u>	<u>Transferred to Tax Title Liens</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2019</u>
2018	\$ 97,476.51	\$	\$ 39,430.34	\$ 97,476.13	\$ 14,000.00	\$	\$ .38	\$
2019		4,482,238.43	39,430.34	4,345,500.29	14,000.00	3,584.15	9,540.19	70,183.46
	\$ 97,476.51	\$ 4,482,238.43	\$ 39,430.34	\$ 4,442,976.42	\$ 14,000.00	\$ 3,584.15	\$ 9,540.57	\$ 70,183.46

**Analysis of 2019 Property Tax Yield and Tax Levy**

Tax Yield:

General Purpose Tax  
Added and Omitted Taxes

\$ 4,479,115.60  
3,122.83

General Purpose Tax

\$ 4,482,238.43

Tax Levy:

Local District School Tax

\$ 1,296,266.00

County Taxes:

\$ 533,665.09

County Tax

58,764.50

County Library Tax

25,899.25

County Health Tax

18,724.95

County Open Space Preservation

449.22

Due County for Added and Omitted Taxes

637,503.01

Total County Taxes

2,544,850.41

Local Tax for Municipal Purposes Levied

3,619.01

Add: Additional Tax Levied

\$ 4,482,238.43

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-6**

**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2018	\$ 54,332.70
Increased by:	
Transfers from Taxes Receivable	<u>3,584.15</u>
Balance December 31, 2019	\$ <u><u>57,916.85</u></u>

**SCHEDULE OF DUE FROM/TO STATE OF NEW JERSEY**

**PER CHAPTER 20, P.L. 1971**

**Exhibit A-7**

Balance December 31, 2018 - (Due From)	\$ (1,920.78)
Increased by:	
2019 Senior Citizens and Veterans Deductions per Tax Duplicate	\$ 14,500.00
Current Year Deductions Allowed	
Current Year Deductions Disallowed	<u>(500.00)</u>
	<u>14,000.00</u>
	<u>15,920.78</u>
Decreased by:	
Receipts	<u>14,750.00</u>
Balance December 31, 2019 - (Due From)	\$ <u><u>(1,170.78)</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-8**

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<b><u>Balance Dec. 31, 2018</u></b>	<b><u>Accrued in 2019</u></b>	<b><u>Collections</u></b>	<b><u>Balance Dec. 31, 2019</u></b>
Licenses:				
Alcoholic Beverages	\$	\$ 15,300.00	\$ 15,300.00	\$
Other		11,960.00	11,960.00	
Fees and Permits:				
Other		108,884.55	108,884.55	
Fines and Costs:				
Municipal Court	8,452.66	124,180.50	121,838.33	10,794.83
Interest and Costs on Taxes		18,293.28	18,293.28	
Interest on Investments and Deposits		15,809.38	15,809.38	
State Aid:				
Consolidated Municipal Property Tax Relief Act		32,244.00	32,244.00	
Energy Receipts Tax		263,195.00	263,195.00	
Uniform Construction Code Fees		2,476.10	2,476.10	
Lakehurst Elementary School - Police Service Contract		40,000.00	40,000.00	
Northeast Housing LLC - Borough of Lakehurst		433,779.61	433,779.61	
Uniform Fire Safety Act		4,523.03	4,523.03	
	<b><u>\$ 8,452.66</u></b>	<b><u>\$ 1,070,645.45</u></b>	<b><u>\$ 1,068,303.28</u></b>	<b><u>\$ 10,794.83</u></b>



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 1 of 4

**OPERATIONS WITHIN CAPS**

	<b><u>Balance</u></b>	<b><u>Reserve for</u></b>	<b><u>Balance</u></b>	<b><u>Paid or</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2018</u></b>	<b><u>Encumbrances</u></b>	<b><u>After</u></b>	<b><u>Charged</u></b>	<b><u>Lapsed</u></b>
			<b><u>Transfers</u></b>		
Administrative and Executive					
Salaries and Wages	2.27	\$	2.27		\$ 2.27
Other Expenses	352.52	1,774.75	2,127.27	1,774.75	352.52
Mayor and Council					
Other Expenses	1,386.76		1,386.76		1,386.76
Municipal Clerk					
Salaries and Wages	701.51		701.51		701.51
Other Expenses	794.53	2,385.13	3,179.66	3,046.58	133.08
Central Postage					
Other Expenses	3,000.00		3,000.00		3,000.00
Legal Advertising					
Other Expenses	2,061.40		2,061.40		2,061.40
Financial Administration					
Salaries and Wages	.91		.91		.91
Other Expenses	9,488.41	146.40	9,634.81	739.35	8,895.46
Audit Services					
Other Expenses	40,000.00		40,000.00	18,000.00	22,000.00
Information Technology					
Other Expenses	3,193.62		3,193.62		3,193.62
Collection of Taxes					
Salaries and Wages	12.73		12.73		12.73
Other Expenses	2,230.19	499.41	2,729.60	134.97	2,594.63
Assessment of Taxes					
Salaries and Wages	4.80		4.80		4.80
Other Expenses	3,086.16	100.00	3,186.16		3,186.16
Legal Services and Costs					
Salaries and Wages	.54		.54		.54
Other Expenses	8,877.80		8,877.80	1,185.00	7,692.80

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 2 of 4

	<b><u>Balance</u></b>	<b><u>Reserve for</u></b>	<b><u>Balance</u></b>	<b><u>Paid or</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2018</u></b>	<b><u>Encumbrances</u></b>	<b><u>After</u></b>	<b><u>Charged</u></b>	<b><u>Lapsed</u></b>
	\$	\$	\$	\$	\$
Engineering Services and Costs	3,991.08		3,991.08	180.00	3,811.08
Other Expenses					
Historical Preservation	450.00		450.00		450.00
Other Expenses					
Municipal Land Use Law (N.J.S. 40:55D-1)	25.23		25.23		25.23
Salaries and Wages					
Other Expenses	180.00		180.00		180.00
Code Enforcement Officer	21.45		21.45		21.45
Salaries and Wages					
Other Expenses	100.66		100.66		100.66
Insurance					
Employee Group Health	4,192.73		4,192.73	864.21	3,328.52
Health Benefits Waiver	6,666.64		6,666.64		6,666.64
Police					
Salaries and Wages:					
Officers	27,861.13		27,861.13		27,861.13
Other Expenses	5,085.77	5,229.26	10,315.03	9,986.16	328.87
Emergency Management Services					
Salaries and Wages	21.14		21.14		21.14
Other Expenses	585.00		585.00	187.67	397.33
Uniform Safety Act					
Salaries and Wages	1.69		1.69		1.69
Other Expenses	500.00		500.00		500.00
Municipal Court					
Salaries and Wages	336.39		336.39		336.39
Other Expenses	4,797.36	72.30	4,869.66	972.30	3,897.36
Fire					
Other Expenses	1,695.97	280.00	1,975.97	280.00	1,695.97

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 3 of 4

	<u>Balance</u>	<u>Reserve for</u>	<u>Balance</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Dec. 31, 2018</u>	<u>Encumbrances</u>	<u>After</u>	<u>Charged</u>	<u>Lapsed</u>
	\$	\$	\$	\$	\$
Municipal Prosecutor	7.08		7.08		7.08
Salaries and Wages	100.00		100.00		100.00
Other Expenses					
Public Defender	100.00		100.00		100.00
Other Expenses					
Road Repairs and Maintenance					
Salaries and Wages	53.22		53.22		53.22
Other Expenses	2,139.75	3,583.23	5,722.98	4,076.03	1,646.95
Garbage and Trash Removal					
Salaries and Wages	424.39		424.39		424.39
Other Expenses	3,276.31	92.10	3,368.41	122.10	3,246.31
Recycling					
Other Expenses	536.07		536.07		536.07
Public Buildings, Grounds and Lakes					
Salaries and Wages	43.99		43.99		43.99
Other Expenses	604.73	4,294.84	4,899.57	4,679.32	220.25
Vehicle Maintenance					
Other Expenses	34,460.57	1,313.02	35,773.59	1,558.22	34,215.37
Animal Control					
Other Expenses	3,620.60		3,620.60	1,110.00	2,510.60
Youth and Recreation					
Salaries and Wages	102.52		102.52		102.52
Other Expenses	451.58		451.58	112.42	339.16
Celebration of Public Events					
Other Expenses	52.31		52.31		52.31
Utilities:					
Landfill Disposal Cost - Other Expenses	15,000.00		15,000.00		15,000.00
Gasoline	4,218.38	1,950.29	6,168.67		6,168.67
Electricity	5,664.71		5,664.71	2,403.45	3,261.26
Telephone	2,246.79		2,246.79	1,304.61	942.18

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 4

	<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>
Utilities (Continued):					
Natural Gas	\$ 1,057.19	\$	\$ 1,057.19	\$	\$ 1,057.19
Street Lighting	8,551.07		8,551.07	1,740.19	6,810.88
Social Security System	4,843.77		4,843.77		4,843.77
Unemployment Compensation Insurance	8,783.19		8,783.19		8,783.19
Defined Contribution Retirement Program	500.00		500.00		500.00
Total Appropriations within Caps	<u>228,544.61</u>	<u>21,720.73</u>	<u>250,265.34</u>	<u>54,457.33</u>	<u>195,808.01</u>

OPERATIONS EXCLUDED FROM CAPS

Shared Service Agreement					
Lakehurst Elementary School					
Police					
Salaries and Wages	.04		.04		.04
Northeast Housing LLC - Borough of Lakehurst					
Administration					
Salaries and Wages	.04		.04		.04
Total Appropriations excluded from Caps	<u>.08</u>		<u>.08</u>		<u>.08</u>
	\$ 228,544.69	\$ 21,720.73	\$ 250,265.42	\$ 54,457.33	\$ 195,808.09

Operations  
Accounts Payable

\$ 92,372.37  
103,435.72  
\$ 195,808.09

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-10**

**SCHEDULE OF COUNTY TAXES PAYABLE**

Balance December 31, 2018		\$ 6,002.45
Increased by:		
County Tax	\$ 533,665.09	
County Library Tax	58,764.50	
County Health Tax	25,899.25	
County Open Space Tax	18,724.95	
Added and Omitted Taxes	<u>449.22</u>	
		<u>637,503.01</u>
		<u>643,505.46</u>
Decreased by:		
Payments		<u>643,505.46</u>
Balance December 31, 2019		<u><u>\$</u></u>

**SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

**Exhibit A-11**

Balance December 31, 2018:			
School Tax Payable	\$ 50,942.00		
School Tax Deferred	<u>500,749.00</u>		
		\$ 551,691.00	
Increased by:			
Levy - School Year July 1, 2019 to June 30, 2020		<u>1,296,266.00</u>	
		<u>1,847,957.00</u>	
Decreased by:			
Payments		<u>1,283,212.00</u>	
Balance December 31, 2019:			
School Tax Payable	63,996.00		
School Tax Deferred	<u>500,749.00</u>		
		<u>\$ 564,745.00</u>	

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-12

**SCHEDULE OF INTERFUNDS - OTHER FUNDS**

	Total (Memo Only)	Animal Control Trust	Other Trust Fund	General Capital Fund	Water-Sewer Operating Fund	Payroll Fund
Balance December 31, 2018 - Due To/(From)	\$ (1,138.90)	\$ (1,138.90)	\$	\$	\$	\$
Increased by						
Receipts	1,960,700.16	3,100.90	329,607.92	500,000.00	628,946.64	499,044.70
Total Increases and Balances	<u>1,959,561.26</u>	<u>1,962.00</u>	<u>329,607.92</u>	<u>500,000.00</u>	<u>628,946.64</u>	<u>499,044.70</u>
Decreased by:						
Disbursements	1,959,561.26	1,962.00	329,607.92	500,000.00	628,946.64	499,044.70
Total Decreases	<u>1,959,561.26</u>	<u>1,962.00</u>	<u>329,607.92</u>	<u>500,000.00</u>	<u>628,946.64</u>	<u>499,044.70</u>
Balance December 31, 2019 - Due To/(From)	\$	\$	\$	\$	\$	\$

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-13**

**SCHEDULE OF INTERFUND**

**FEDERAL AND STATE GRANT FUND**

Balance December 31, 2018 - (Due To)		\$ (127,189.27)
Increased by:		
Receipts:		
Grant Accounts Receivable Deposits	\$ 388,602.76	
Unappropriated Funds Received	3,457.23	
Grants Receivable Cancelled	23,380.72	
Transferred from 2019 Budget Appropriations	<u>203,626.78</u>	
		<u>619,067.49</u>
		491,878.22
Decreased by:		
Grant Fund Disbursements	233,958.05	
Appropriated Reserves Cancelled	2,715.52	
Transferred from 2019 Anticipated Revenue	<u>203,626.78</u>	
		<u>440,300.35</u>
Balance December 31, 2019 - Due From		\$ <u><u>51,577.87</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-14**

**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

**FEDERAL AND STATE GRANT FUND**

<u>Grant</u>	<u>Balance Dec. 31, 2018</u>	<u>2019 Budget Revenue</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2019</u>
2018 Grant Awards:					
Body Armor Fund	\$	1,409.99	\$ 1,409.99	\$	\$
Clean Communities Program		5,125.09	5,125.09		
Cooperative Forestry Assistance		3,302.47			3,302.47
Cops in Shops		2,640.00	2,640.00		
NJ DOT - Willow Street		187,692.00	104,409.85		83,282.15
Recycling Tonnage Grant		3,457.23	3,457.23		
2018 Grant Awards:					
966 Grant	14,902.90		13,675.00	1,227.90	
Drive Sober or Get Pulled Over - Holiday Grant	5,500.00		5,500.00		
NJ DOT - Pine Street Phase II	180,000.00		131,784.85		48,215.15
2017 Grant Awards:					
NJ DOT - Pine Street Phase I	200,000.00		120,600.75		79,399.25
2016 Grant Awards:					
NJ DOT - Poplar Street	200,000.00				200,000.00
2015 Grant Awards:					
NJ DOT - Lake Street	22,152.82			22,152.82	
	<u>\$ 622,555.72</u>	<u>\$ 203,626.78</u>	<u>\$ 388,602.76</u>	<u>\$ 23,380.72</u>	<u>\$ 414,199.02</u>



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-15

**SCHEDULE OF APPROPRIATED RESERVES**

**FEDERAL AND STATE GRANT FUND**

<b><u>Grant</u></b>	<b><u>Balance Dec. 31, 2018</u></b>	<b><u>Transfer from 2019 Budget Appropriation</u></b>	<b><u>Reserve for Encumbrances</u></b>	<b><u>Expended</u></b>	<b><u>Cancelled</u></b>	<b><u>Balance Dec. 31, 2019</u></b>
2019 Grant Awards:						
Body Armor Fund	\$	1,409.99	\$	\$	\$	\$ 1,409.99
Clean Communities Program		5,125.09				5,125.09
Cooperative Forestry Assistance		3,302.47		3,302.47		
Cops in Shops		2,640.00		2,640.00		
NJ DOT - Willow Street		187,692.00		160,052.99		27,639.01
Recycling Tonnage Grant		3,457.23		598.18		2,859.05
2018 Grant Awards:						
966 Grant			13,675.70		1,227.20	
Clean Communities Program	1,227.20			13,675.70		3,253.49
Drive Sober or Get Pulled Over	3,918.99			665.50		
NJ DOT - Pine Street Phase II	5,500.00			5,500.00		
Recycling Tonnage Grant	180,000.00			154,195.76		25,804.24
2017 Grant Awards:						
Body Armor Fund	3,173.49			3,173.49		
Clean Communities Program	1,303.45					1,303.45
NJ DOT - Pine Street Phase I	751.21			633.84		117.37
Recycling Tonnage Grant	47,629.04			15,556.98		32,072.06
2016 Grant Awards:						
Body Armor Fund	2,751.44			2,751.44		
Clean Communities Program	1,301.99			1,051.62		250.37
Recycling Tonnage Grant	1,336.81			250.00		1,086.81
Hazardous Remediation Discharge	3,375.13			3,375.13		
NJ DOT - Poplar Street	60.01			60.01		
2015 Grant Awards:						
Alcohol Education and Rehabilitation	198,701.50			7,646.70		191,054.80
NJ DOT - Lake Street	58.93				1,488.32	58.93
Older Grants:						
Body Armor Fund	1,723.38			1,723.38		
Drunk Driving Enforcement Fund	5,840.25					5,840.25
Recycling Tonnage Grant	21,549.61			21,549.61		
	<u>\$ 481,690.75</u>	<u>\$ 203,626.78</u>	<u>\$ 13,675.70</u>	<u>\$ 398,402.80</u>	<u>\$ 2,715.52</u>	<u>\$ 297,874.91</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-16**

**SCHEDULE OF UNAPPROPRIATED RESERVES**

**FEDERAL AND STATE GRANT FUND**

	<b><u>Grant</u></b>	<b><u>Received</u></b>	<b><u>Balance</u></b>
Recycling Tonnage Grant		\$ <u>3,457.23</u>	\$ <u>3,457.23</u>

**TRUST FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**TRUST FUNDS**

**Exhibit B-1**

**SCHEDULE OF CASH - TREASURER**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>
Balance December 31, 2018	\$ 3,812.90	\$ 362,914.75
Increased by Receipts:		
Due State of New Jersey	\$ 267.00	
Dog Licenses and Other Fees	1,051.00	
Miscellaneous Reserves		46,594.56
Community Development Block Grant		<u>39,417.25</u>
		86,011.81
		<u>448,926.56</u>
Decreased by Disbursements:		
Due State of New Jersey	267.00	
Animal Control Trust Fund Expenditures	1,695.00	
Interfunds	1,138.90	
Miscellaneous Reserves		<u>23,439.93</u>
Balance December 31, 2019	\$ <u>2,030.00</u>	\$ <u>425,486.63</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**ANIMAL CONTROL TRUST FUND**

**Exhibit B-2**

**SCHEDULE OF DUE STATE OF NEW JERSEY**

Increased by:		
Fees Collected	\$	267.00
Decreased by:		
Disbursements	\$	<u>267.00</u>

**SCHEDULE OF RESERVE FOR ANIMAL CONTROL**

**TRUST FUND EXPENDITURES**

**Exhibit B-3**

Balance December 31, 2018	\$	2,674.00
Increased by:		
Animal Control License Fees Collected		<u>1,051.00</u>
		3,725.00
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>1,695.00</u>
Balance December 31, 2019	\$	<u>2,030.00</u>

**License Fees Collected**

<u>Year</u>	<u>Amount</u>
2017	\$ <u>1,252.00</u>
2018	<u>1,158.90</u>
	\$ <u>2,410.90</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**OTHER TRUST FUND**

**Exhibit B-4**

**SCHEDULE OF MISCELLANEOUS RESERVES**

	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
	<b>Dec. 31, 2018</b>	<b>\$ 15,000.00</b>	<b>\$</b>	<b>Dec. 31, 2019</b>
Accumulated Sick Leave	\$ 25,373.16			\$ 40,373.16
Escrow Deposits	51,420.59		3,021.90	48,398.69
Maintenance Guarantee	4,889.74			4,889.74
Parking Offense Adjudication Act	699.73			699.73
Performance Guarantee	159,766.07		2,200.00	157,566.07
Police Forfeiture Funds	16,530.72	12,518.44		29,049.16
Premium on Tax Sale	43,500.00	10,300.00	8,700.00	45,100.00
Public Defender	22,281.24	2,852.50	4,708.03	20,425.71
Recreation Trust	6,255.41	2,280.00	4,810.00	3,725.41
Storm Recovery	61,808.47			61,808.47
Third Party Tax Title Lien Redemption		52.00		52.00
Unemployment	5,643.95	3,591.62		9,235.57
Uniform Fire Safety Act - Penalty Monies	4,162.92			4,162.92
	<b>\$ 402,332.00</b>	<b>\$ 46,594.56</b>	<b>\$ 23,439.93</b>	<b>\$ 425,486.63</b>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**OTHER TRUST FUND**

**Exhibit B-5**

**SCHEDULE OF COMMUNITY DEVELOPMENT**

**BLOCK GRANT FUNDS RECEIVABLE**

Balance December 31, 2018	\$ 39,417.25
Decreased by:	
Receipts	<u>39,417.25</u>
Balance December 31, 2019	\$ <u>          </u>



**GENERAL CAPITAL FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-1**

**SCHEDULE OF CASH**

Balance December 31, 2018		\$ 368,060.15
Increased by Receipts:		
Interfund - Current Fund	\$ 3,417.69	
Capital Improvement Fund	50,000.00	
Reserve for Lake Horicon Restrooms	4,700.00	
	<u>58,117.69</u>	<u>426,177.84</u>
Decreased by Disbursements:		
Interfund - Current Fund	3,417.69	
Improvement Authorizations	110,248.15	
	<u>113,665.84</u>	<u>113,665.84</u>
Balance December 31, 2019		<u><u>\$ 312,512.00</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-2

**ANALYSIS OF CASH**

	<b>Balance</b>		<b>Receipts</b>		<b>Disbursements</b>		<b>Transfers</b>		<b>Balance Dec. 31, 2018</b>
	<b>Dec. 31, 2018</b>		<b>Miscellaneous</b>		<b>Improvement Authorizations</b>	<b>Miscellaneous</b>	<b>From</b>	<b>To</b>	
Capital Improvement Fund	\$ 254,904.66	\$	\$ 50,000.00	\$			\$ 69,500.00		\$ 235,404.66
Reserve for Encumbrances	29,112.90						29,112.90	20,103.00	20,103.00
Reserve for Ballfield Improvements	38,772.55		4,700.00				38,772.55		4,700.00
Reserve for Lake Horicon Restrooms			3,417.69			3,417.69			
Interfund - Current Fund									
Improvement Authorizations:									
<b>Ordinance</b>									
<b>Number</b>									
2008-09,									
2017-05	3,526.01				2,766.32				759.69
2016-05c	97.68				96.80				.88
2017-03a	10,320.00				7,844.54				2,475.46
2018-05	621.56				10,762.20			10,550.00	409.36
2018-12	30,704.79				49,267.69			18,562.90	9,886.40
2019-05					39,510.60		20,103.00	69,500.00	9,886.40
2019-08								38,772.55	38,772.55
	\$ 368,060.15	\$	\$ 58,117.69	\$	\$ 110,248.15	\$	\$ 157,488.45	\$ 157,488.45	\$ 312,512.00

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-3**

**SCHEDULE OF DEFERRED CHARGES TO FUTURE**

**TAXATION - FUNDED**

Balance December 31, 2018	\$ 3,608,743.00
Decreased by:	
2019 Budget Appropriations:	
Serial Bonds Payable	<u>215,450.00</u>
Balance December 31, 2019	<u>\$ 3,393,293.00</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-4**

**SCHEDULE OF INTERFUND - CURRENT FUND**

Balance December 31, 2018 - Due From	\$
Increased by:	
Disbursements	<u>3,417.69</u>
Decreased by:	
Receipts:	
Interest Earned on Deposits	<u>3,417.69</u>
Balance December 31, 2019 - Due From	\$ <u><u>          </u></u>

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

**Exhibit C-5**

Balance December 31, 2018	\$ 254,904.66
Increased by:	
Budget Appropriation	<u>50,000.00</u>
	<u>304,904.66</u>
Decreased by:	
Appropriated to Finance Improvement	<u>69,500.00</u>
Balance December 31, 2019	\$ <u><u>235,404.66</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-6

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Ordinance Date</b>	<b>Amount</b>	<b>Balance Dec. 31, 2018 Funded</b>	<b>2019 Authorizations</b>		<b>Reserve for Encumbrances</b>	<b>Paid or Charged</b>	<b>Balance Dec. 31, 2019 Funded</b>
					<b>Capital Improvement Fund</b>	<b>Reserve for Ballfield Improvements</b>			
2008-09,	Improvements to Lake Horicon and Other	7/17/2008	\$ 300,000.00	\$	\$				
2017-05	Recreation Area Improvements	6/02/2016	6,963.18	3,526.01				2,766.32	759.69
2016-05c	Improvements to Municipal Building	4/20/2017	20,000.00	97.68				96.80	.88
2017-03a	Landfill Remediation	5/03/2018	80,000.00	10,320.00			10,550.00	7,844.54	2,475.46
2018-05	Municipal Building Improvements	10/04/2018	49,267.69	621.56			18,562.90	10,762.20	409.36
2018-12	Municipal Building Improvements	6/06/2019	69,500.00	30,704.79				49,267.69	
2019-05	Acquisition of Various Police Equipment	12/05/2019	38,772.55			38,772.55		59,613.60	9,886.40
2019-08	Improvement to Recreation Fields								38,772.55
				\$ 45,270.04	\$ 69,500.00	\$ 38,772.55	\$ 29,112.90	\$ 130,351.15	\$ 52,304.34
	Reserve for Encumbrances							\$ 20,103.00	
	Disbursements							<u>110,248.15</u>	
								<u>\$ 130,351.15</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2019</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Paid By Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
			<u>Date</u>	<u>Amount</u>				
General Obligation Bonds	2/21/2013	\$ 1,225,000.00	3/01/2020-22	\$ 95,000.00	2.250%			
			3/01/2023	100,000.00	2.250%			
			3/01/2024	105,000.00	2.375%			
			3/01/2025	105,000.00	2.500%			
			3/01/2026	110,000.00	2.500%			
General Obligation Refunding Bonds	5/15/2013	3,450,643.00	12/01/2020	125,450.00	2.125%	\$ 795,000.00	\$ 90,000.00	\$ 705,000.00
			12/01/2021	106,150.00	2.350%			
			12/01/2022	115,800.00	2.500%			
			12/01/2023	115,800.00	2.625%			
			12/01/2026	366,700.00	3.000%			
			12/01/2028	260,550.00	3.000%			
			12/01/2030	284,675.00	3.250%			
			12/01/2033	458,375.00	3.500%			
			12/01/2035	328,100.00	3.500%			
			12/01/2040	526,693.00	4.000%			
						<u>2,813,743.00</u>	<u>125,450.00</u>	<u>2,688,293.00</u>
						<u>\$ 3,608,743.00</u>	<u>\$ 215,450.00</u>	<u>\$ 3,393,293.00</u>



**WATER/SEWER UTILITY FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-4**

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2018	\$ 514,270.97	\$ 151,058.64
Increased by Receipts:		
Miscellaneous Anticipated Revenue	\$ 18,350.32	\$
Consumer Accounts Receivable	968,004.70	
Prepaid Consumer Accounts	12,028.88	
Consumer Accounts Overpayments	159.94	
Capital Improvement Fund	<u>1,376,068.96</u>	60,000.00
Interfunds		<u>97,682.26</u>
	<u>2,374,612.80</u>	<u>157,682.26</u>
Decreased by Disbursements:	<u>2,888,883.77</u>	<u>308,740.90</u>
Budget Appropriations	975,578.75	
Appropriation Reserves	(3,102.10)	
Accrued Interest Payable	42,296.91	
Interfunds	1,376,068.96	939.78
Refund of Overpayments	<u>159.94</u>	
	<u>2,391,002.46</u>	<u>939.78</u>
Balance December 31, 2019	<u>\$ 497,881.31</u>	<u>\$ 307,801.12</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-5

**ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH**

	<b>Balance Dec. 31, 2018</b>	<b>Receipts Miscellaneous</b>	<b>Disbursements Miscellaneous</b>	<b>Transfers From</b>	<b>To</b>	<b>Balance Dec. 31, 2019</b>
Capital Improvement Fund	\$ 165,088.54	\$ 60,000.00		\$ 35,000.00		\$ 190,088.54
Interfund - Water-Sewer Utility Operating Fund		97,682.26	939.78	1,200,000.00	1,103,257.52	
Reserve for Encumbrances					11,402.62	11,402.62
Fund Balance						
<b>Ordinance Number</b>						
2016-10	69,935.21			11,402.62		58,532.59
2017-04	(83,965.11)			1,069,253.52	1,200,000.00	46,781.37
2019-02				34,004.00	35,000.00	996.00
	\$ 151,058.64	\$ 157,682.26	\$ 939.78	\$ 2,349,660.14	\$ 2,349,660.14	\$ 307,801.12

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-6**

**SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2018		\$ 24,145.67
Increased by:		
Consumer Accounts Receivable		<u>973,023.51</u>
		997,169.18
Decreased by:		
Collections	\$ 968,004.70	
Prepayments Applied	<u>11,028.40</u>	
		<u>979,033.10</u>
Balance December 31, 2019		<u><u>\$ 18,136.08</u></u>

**WATER-SEWER UTILITY CAPITAL FUND**

**SCHEDULE OF FIXED CAPITAL**

**Exhibit D-7**

	<b>Balance</b>
	<b><u>Dec. 31, 2019</u></b>
Water-Sewer System	\$ 3,442,961.84
Water Tower	832,714.31
Land	132,500.00
Building	23,200.00
Vehicles	210,239.32
Equipment	<u>135,146.72</u>
	<u><u>\$ 4,776,762.19</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-8**

**SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**

<b><u>Ordinance Number</u></b>	<b><u>Improvement Description</u></b>	<b><u>Ordinance</u></b>		<b><u>Balance</u></b>
		<b><u>Date</u></b>	<b><u>Amount</u></b>	<b><u>Dec. 31, 2019</u></b>
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00	\$ 75,000.00
2017-04	Water Main Improvements	6/01/2017	1,200,000.00	1,200,000.00
2019-02	Acquisition of a Utility Truck	5/02/2019	35,000.00	996.00
				<u>\$ 1,275,996.00</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-9**

**SCHEDULE OF APPROPRIATION RESERVES**

	<b>Balance Dec. 31, 2018</b>	<b>Reserve for Encumbrances</b>	<b>Balance After Transfers</b>	<b>Paid or Charged</b>	<b>Balance Lapsed</b>
Operating:					
Salaries and Wages	\$ 548.22		\$ 548.22		\$ 548.22
Other Expenses	29,398.76	3,852.35	33,251.11	4,920.58	28,330.53
Audit and Professional	30,000.00		30,000.00	12,700.00	17,300.00
Ocean County Utilities Authority				(20,722.68)	20,722.68
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	207.92		207.92		207.92
Unemployment Compensation Insurance	1,000.00		1,000.00		1,000.00
	<u>\$ 61,154.90</u>	<u>\$ 3,852.35</u>	<u>\$ 65,007.25</u>	<u>\$ (3,102.10)</u>	<u>\$ 68,109.35</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-10**

**SCHEDULE OF INTERFUND - WATER-SEWER UTILITY CAPITAL FUND**

Balance December 31, 2018		\$
Increased by:		
Receipts:		
Bond Anticipation Note	\$ 1,200,000.00	
Interfund Liquidation	<u>176,068.96</u>	
		1,376,068.96
Decreased by:		
Disbursements:		
Improvement Authorizations Paid by Operating		<u>1,376,068.96</u>
Balance December 31, 2019		\$ <u><u>                    </u></u>

**SCHEDULE OF ACCRUED INTEREST PAYABLE**

**Exhibit D-11**

Balance December 31, 2018		\$ 5,540.99
Increased by:		
Budget Appropriations		<u>41,740.33</u>
		47,281.32
Decreased by:		
Disbursements		<u>42,296.91</u>
Balance December 31, 2019		\$ <u><u>4,984.41</u></u>



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-12

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Date</b>	<b>Ordinance Amount</b>	<b>Balance Dec. 31, 2018</b>		<b>2019 Authorizations Capital Improvement Fund</b>	<b>Balance Dec. 31, 2019</b>	
				<b>Funded</b>	<b>Unfunded</b>		<b>Funded</b>	<b>Unfunded</b>
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00	\$ 69,935.21	\$	\$	\$ 11,402.62	\$ 46,781.37
2017-04	Water Main Improvements	6/01/2017	1,200,000.00				1,069,253.52	
2019-02	Acquisition of a Utility Truck	5/02/2019	35,000.00			35,000.00	34,004.00	996.00
				\$ 69,935.21	\$ 1,116,034.89	\$ 35,000.00	\$ 1,114,660.14	\$ 59,528.59
	Reserve for Encumbrances						\$ 11,402.62	
	Interfund - Water-Sewer Utility Operating Fund						1,103,257.52	
							\$ 1,114,660.14	

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-13**

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2018		\$ 165,088.54
Increased by:		
2019 Budget Appropriation		<u>60,000.00</u>
		225,088.54
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>35,000.00</u>
Balance December 31, 2019		<u><u>\$ 190,088.54</u></u>

**SCHEDULE OF RESERVE FOR AMORTIZATION**

**Exhibit D-14**

Balance December 31, 2018		\$ 3,247,212.33
Increased by:		
Paid by Operating Budget:		
USDA Loan	\$ 27,591.18	
Serial Bonds	69,550.00	
Transferred from Deferred Reserve for Amortization	<u>34,004.00</u>	
		<u>131,145.18</u>
Balance December 31, 2019		<u><u>\$ 3,378,357.51</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-15**

**SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Date of Ordinance</b>	<b>Balance Dec. 31, 2018</b>	<b>Fixed Capital Authorized</b>	<b>To Reserve for Amortization Fixed Capital</b>	<b>Balance Dec. 31, 2019</b>
2016-10	Various Water-Sewer Improvements	9/15/2016	\$ 75,000.00			\$ 75,000.00
2019-02	Acquisition of a Utility Vehicle	5/02/2019		35,000.00	34,004.00	996.00
			\$ 75,000.00	\$ 35,000.00	\$ 34,004.00	\$ 75,996.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

SCHEDULE OF USDA LOAN PAYABLE

Exhibit D-16

Sheet 1 of 2

Purpose	Date of Issue	Amount of Original Issue	Loan Maturities		Interest Rate	Balance Dec. 31, 2018	Paid by Budget Appropriation	Balance Dec. 31, 2019
			Outstanding Date	Dec. 31, 2019 Amount				
Water-Sewer Improvements	12/23/1999	\$ 1,200,000.00	12/23/2016-39	See D-16 Sheet 2 of 2	3.25%	\$ 814,288.86	\$ 27,591.18	\$ 786,697.68

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-16**

**MATURITY SCHEDULE**

**Sheet 2 of 2**

**\$1,200,000 WATER-SEWER IMPROVEMENT LOAN**

**USDA - 3.25%**

<b><u>Due</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2020	\$ 28,493.67	\$ 25,338.33
2021	29,427.23	24,404.77
2022	30,391.40	23,440.60
2023	31,387.14	22,444.86
2024	32,415.51	21,416.49
2025	33,477.57	20,354.43
2026	34,574.43	19,257.57
2027	35,707.24	18,124.76
2028	36,877.15	16,954.85
2029	38,085.39	15,746.61
2030	39,333.23	14,498.77
2031	40,621.94	13,210.06
2032	41,952.88	11,879.12
2033	43,327.42	10,504.58
2034	44,747.01	9,084.99
2035	46,213.10	7,618.90
2036	47,727.24	6,104.76
2037	49,290.97	4,541.03
2038	50,905.94	2,926.06
2039	51,741.22	1,282.46
	<b><u>\$ 786,697.68</u></b>	<b><u>\$ 289,134.00</u></b>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**SCHEDULE OF GENERAL SERIAL BONDS**

Exhibit D-17

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2019</u>
			<u>Outstanding Date</u>	<u>Amount</u>				
General Obligation Bonds	2/21/2013	\$ 895,000.00	3/01/2020	\$ 65,000.00	2.250%			
			3/01/2021-22	70,000.00	2.250%			
			3/01/2023	75,000.00	2.250%			
			3/01/2024	75,000.00	2.375%			
			3/01/2025-26	80,000.00	2.500%	\$ 580,000.00	\$ 65,000.00	\$ 515,000.00
General Obligation Refunding Bonds	5/15/2013	124,357.00	12/01/2020	4,550.00	2.125%			
			12/01/2021	3,850.00	2.350%			
			12/01/2022	4,200.00	2.500%			
			12/01/2023	4,200.00	2.625%			
			12/01/2026	13,300.00	3.000%			
			12/01/2028	9,450.00	3.000%			
			12/01/2030	10,325.00	3.250%			
			12/01/2033	16,625.00	3.500%			
			12/01/2035	11,900.00	3.500%			
			12/01/2040	18,307.00	4.000%	101,257.00	4,550.00	96,707.00
						\$ 681,257.00	\$ 69,550.00	\$ 611,707.00

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-18

**SCHEDULE OF BOND ANTICIPATION NOTES**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Date of Issue of Original Note</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Increased</b>	<b>Balance Dec. 31, 2019</b>
<u>2017-04</u>	<u>Water Main Improvements</u>	<u>7/15/2019</u>	<u>7/15/2019</u>	<u>1/14/2020</u>	<u>2.499%</u>	<u>\$ 1,200,000.00</u>	<u>\$ 1,200,000.00</u>

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**PAYROLL FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**PAYROLL FUND**

**Exhibit G-1**

**SCHEDULE OF CASH - TREASURER**

Increased by:

Deposits for Net Pay	\$ 1,261,250.94	
Payroll Deductions	1,041,293.97	
Interfund - Current Fund	<u>133,011.60</u>	
		\$ <u>2,435,556.51</u>
		<u>2,435,556.51</u>

Decreased by:

Net Pay	1,261,250.94	
Payroll Deductions Payable	1,041,293.97	
Interfund - Current Fund	<u>133,011.60</u>	
		\$ <u>2,435,556.51</u>
		<u><u>2,435,556.51</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**PAYROLL FUND**

**Exhibit G-2**

**ANALYSIS OF CASH**

	<b>Increased by Payroll Deductions</b>	<b>Decreased by Payments</b>
Federal and State Taxes	\$ 518,195.46	\$ 518,195.46
Employee Share of Health Benefits	45,045.55	45,045.55
Net Pay	1,261,250.94	1,261,250.94
Pension Systems	396,570.13	396,570.13
Various Agencies	81,482.83	81,482.83
	<u>2,302,544.91</u>	<u>2,302,544.91</u>
Other:		
Interfund - Current Fund	<u>133,011.60</u>	<u>133,011.60</u>
	<u>\$ 2,435,556.51</u>	<u>\$ 2,435,556.51</u>

**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART II**

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS -  
GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**BOROUGH OF LAKEHURST  
SCHEDULE OF FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

None.

**BOROUGH OF LAKEHURST  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

**FEDERAL AWARDS**

N/A – No Federal Single Audit in prior year.

**STATE FINANCIAL ASSISTANCE**

N/A – No State Single Audit in prior year.



**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART III**

**SUPPLEMENTARY DATA  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

Tax Rate	<u>2019</u> \$ <u>3.133</u>	<u>2018</u> \$ <u>3.114</u>	<u>2017</u> \$ <u>3.067</u>
Apportionment of Tax Rate			
Municipal	1.780	1.760	1.720
County	.446	.460	.468
Local School	.907	.894	.879
Assessed Valuation			
2019	\$ 142,965,689		
2018		\$ 142,143,250	
2017			\$ 142,266,456

**COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2019	\$ 4,482,238	\$ 4,398,931	98.14%
2018	4,466,775	4,354,476	97.48%
2017	4,374,745	4,243,350	96.99%

**DELINQUENT TAXES AND TAX TITLE LIENS**

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

<u>Year Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2019	\$ 57,917	\$ 70,183	\$ 128,100	2.86%
2018	54,333	97,477	151,810	3.39%
2017	50,770	127,883	178,653	4.08%

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

The number of tax title liens receivable on December 31, 2019, 2018 and 2017 were 5, 5 and 5, respectively.

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties in the year of acquisition, is summarized as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 50,000
2018	50,000
2017	50,000

**COMPARISON OF WATER-SEWER UTILITY RENTS**

<u>Year</u>	<u>Rents</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
2019	\$ 973,024	\$ 24,146	\$ 979,033
2018	957,136	34,657	967,648
2017	945,516	25,867	936,725

**COMPARATIVE SCHEDULE OF FUND BALANCES**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<b><u>Current Fund</u></b>		
2019	\$ 938,799	\$ *
2018	897,418	760,000
2017	993,155	700,000
2016	1,029,492	720,000
2015	917,922	726,000
<b><u>Water-Sewer Fund</u></b>		
2019	\$ 329,642	\$ *
2018	432,794	230,000
2017	268,668	230,000
2016	276,922	240,000
2015	253,031	222,692

\* Budget not yet adopted.

**SUMMARY OF MUNICIPAL DEBT**

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<b><u>Issued</u></b>			
General:			
Bonds, Notes and Loans	\$ 3,393,293	\$ 3,608,743	\$ 3,819,368
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>2,598,405</u>	<u>1,495,546</u>	<u>1,591,643</u>
Net Debt Issued	5,991,698	5,104,289	5,411,011
<b><u>Authorized but not Issued</u></b>			
Water-Sewer Utility:			
Bonds, Notes and Loans	_____	<u>1,200,000</u>	<u>1,200,000</u>
Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>5,991,698</u>	\$ <u>6,304,289</u>	\$ <u>6,611,011</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 2.163%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 546,000	\$ 546,000	\$
Water-Sewer Utility Debt	2,598,405	2,598,405	
General Debt	<u>3,393,293</u>	_____	<u>3,393,293</u>
	\$ <u>6,537,698</u>	\$ <u>3,144,405</u>	\$ <u>3,393,293</u>

Net Debt \$3,393,293 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$156,903,539 = 2.163%.

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

3.5% of Equalized Valuation Basis	\$ 5,491,624
Net Debt	<u>3,393,293</u>
Remaining Borrowing Power	\$ <u>2,098,331</u>

**CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER-SEWER UTILITY PER  
N.J.S. 40A:2-45**

Cash Receipts from Fees, Rents or Other		
Charges for the Year		\$ 1,209,033
Deductions:		
Operating and Maintenance Cost	\$ 969,765	
Debt Service	<u>138,880</u>	
		<u>1,108,645</u>
Excess in Revenues		\$ <u>100,388</u>

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART IV**

**LETTER OF COMMENTS AND RECOMMENDATIONS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**OFFICIALS IN OFFICE AND SURETY BONDS**

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

<b><u>Name</u></b>	<b><u>Title</u></b>
Harry Robbins	Mayor
Steven Oglesby	Council President
Robin Busch	Councilmember
Robert McCarthy	Councilmember
James Davis	Councilmember
Patricia Hodges	Councilmember
Gary Lowe	Councilmember
Ian Goldman	Attorney
Maryanne Capasso	Municipal Clerk
William E. Antonides, Jr.	Chief Financial Officer
John D. Antonides	Tax/Utility Collector & Search Official
Martin Lynch	Tax Assessor
Damian G. Murray	Magistrate
Tracy Barcus	Court Administrator

There were Employee's Blanket Performance Bonds in the amount of \$50,000 for the Borough employees and court personnel carried by the Ocean County Joint Insurance Fund and \$950,000 carried by the Municipal Excess Liability Joint Insurance Fund.

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Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst  
County of Ocean  
Lakehurst, New Jersey

In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year ended December 31, 2019.

#### **GENERAL COMMENTS:**

##### **Contracts and Agreements required to be advertised by (N.J.S.A.40A:11-4)**

N.J.S.A.40A:11-4 states every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the bid threshold, except by contract or agreement.

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500 for the year ended December 31, 2019.

It is pointed out that the governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments or contracts in excess of the bid threshold “for the performance of any work, or the furnishing of any materials, supplies or labor” 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.A.40A:11-6*.

## **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.

The governing body on January 1, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

*NOW THEREFORE, BE IT RESOLVED, that if said taxes are deemed to be delinquent for non-payment of taxes, the Tax Collector shall charge eight (8%) percent per annum on the first \$1,500.00 of the delinquency, and eighteen (18%) percent per annum on any amount in excess of \$1,500.00; and*

*BE IT FURTHER RESOLVED, by the Mayor and Council of the Borough of Lakehurst, that the Tax Collector shall allow that no interest will be charged on payments received and made by the tenth calendar day following the date upon which the same became payable; and*

*BE IT FURTHER RESOLVED, by the Mayor and Council of the Borough of Lakehurst, that the Tax Collector shall charge, in addition to the interest for delinquent taxes, as noted above, a penalty of six (6%) percent of the amount of the delinquency in taxes in excess of \$10,000.00 to a taxpayer who fails to pay the delinquency prior to the end of the calendar year.*

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

### **OTHER COMMENTS (FINDINGS):**

None.

### **RECOMMENDATIONS:**

None.

## Appreciation

We express our appreciation for the assistance and courtesies extended to the members of the audit team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Jerry W. Conaty  
Certified Public Accountant  
Registered Municipal Accountant  
RMA No. 581

Toms River, New Jersey  
July 16, 2020