

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 14, 2021**

**NEW ISSUE  
SERIAL BONDS**

**RATING: Standard & Poor's: "AA"**  
**(See "RATING" herein)**

*In the opinion of Archer & Greiner P.C., Red Bank, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under section 57 of the Code for purposes of calculating the Federal alternative minimum tax. Bond Counsel is also further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.*

**BOROUGH OF BRADLEY BEACH  
COUNTY OF MONMOUTH, NEW JERSEY  
\$4,330,000\* GENERAL OBLIGATION BONDS, SERIES 2021  
Consisting of  
\$3,321,000\* GENERAL IMPROVEMENT BONDS, SERIES 2021A  
\$734,000\* BEACH UTILITY BONDS, SERIES 2021B  
AND  
\$275,000\* SEWER UTILITY BONDS, SERIES 2021C  
(Callable) (Bank-Qualified)  
(Book-Entry Only)**

**Dated: Date of Delivery**

**Due: May 1, as shown on the inside cover**

The \$4,330,000\* General Obligation Bonds, Series 2021 consisting of \$3,321,000\* General Improvement Bonds, Series 2021A, \$734,000\* Beach Utility Bonds, Series 2021B and \$275,000\* Sewer Utility Bonds, Series 2021C (together, the "Bonds") of the Borough of Bradley Beach, in the County of Monmouth, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 each or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on May 1 of each of the years set forth on the inside cover, and interest on the Bonds is payable on each November 1 and May 1, commencing November 1, 2021, in each year until maturity or prior redemption. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein).

The Bonds are subject to optional redemption prior to their stated maturities. See "THE BONDS – Prior Redemption" herein.

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

This cover page and inside front cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

*The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about May 5, 2021.*

**ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY  
ON WEDNESDAY, APRIL 21, 2021  
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,  
VIEW THE NOTICE OF SALE POSTED AT WWW.MUNI.HUB.COM**

\*Preliminary, subject to change.

**\$4,330,000\* GENERAL OBLIGATION BONDS, SERIES 2021**  
**Consisting of**  
**\$3,321,000\* GENERAL IMPROVEMENT BONDS, SERIES 2021A**  
**\$734,000\* BEACH UTILITY BONDS, SERIES 2021B**  
**AND**  
**\$275,000\* SEWER UTILITY BONDS, SERIES 2021C**  
**(Callable) (Bank-Qualified)**  
**(Book-Entry Only)**

**MATURITY SCHEDULE, INTEREST RATES AND YIELDS**

<b><u>Year</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Beach Utility Bonds</u></b>	<b><u>Sewer Utility Bonds</u></b>	<b><u>Total Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yields</u></b>	<b><u>CUSIP**</u></b>
2022	\$225,000	\$50,000	\$15,000	\$290,000	%	%	
2023	235,000	55,000	15,000	305,000			
2024	245,000	60,000	20,000	325,000			
2025	250,000	65,000	25,000	340,000			
2026	260,000	70,000	25,000	355,000			
2027	270,000	75,000	25,000	370,000			
2028	280,000	80,000	30,000	390,000			
2029	290,000	85,000	30,000	405,000			
2030	300,000	94,000	30,000	424,000			
2031	310,000	100,000	30,000	440,000			
2032	320,000		30,000	350,000			
2033	336,000			336,000			

\*Preliminary, subject to change.

\*\*Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF BRADLEY BEACH  
IN THE COUNTY OF MONMOUTH, NEW JERSEY**

**MAYOR**

Larry Fox

**BOROUGH COUNCIL**

Randy Bonnell  
Alan Gubitosi  
Timothy Sexsmith  
John Weber

**BOROUGH CLERK**

Erica Kostyz

**CHIEF FINANCIAL OFFICER**

Sandra Rice

**BOROUGH ATTORNEY**

Greg Cannon, Esq.  
Rochelle Park, New Jersey

**BOROUGH AUDITOR**

Wielkottz & Company, LLC  
Pompton Lakes, New Jersey

**BOND COUNSEL**

Archer & Greiner P.C.  
Red Bank, New Jersey

**FINANCIAL ADVISOR**

NW Financial Group, LLC  
Hoboken, New Jersey

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

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

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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**OFFICIAL STATEMENT  
BOROUGH OF BRADLEY BEACH  
IN THE COUNTY OF MONMOUTH, NEW JERSEY  
relating to**

**\$4,330,000\* GENERAL OBLIGATION BONDS, SERIES 2021  
Consisting of  
\$3,321,000\* GENERAL IMPROVEMENT BONDS, SERIES 2021A  
\$734,000\* BEACH UTILITY BONDS, SERIES 2021B  
AND  
\$275,000\* SEWER UTILITY BONDS, SERIES 2021C**

**INTRODUCTION**

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Bradley Beach (the "Borough"), in the County of Monmouth (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$4,330,000\* General Obligation Bonds, Series 2021 consisting of \$3,321,000\* General Improvement Bonds, Series 2021A, \$734,000\* Beach Utility Bonds, Series 2021B and \$275,000\* Sewer Utility Bonds, Series 2021C (together, the "Bonds") dated May 5, 2021. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the Bonds.

This Preliminary Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriters and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

**THE BONDS**

**General Description**

The Bonds will be dated and bear interest from May 5, 2021 and will mature on May 1 in the years and in the principal amounts as set forth below. Interest on the Bonds is payable on each May 1, commencing November 1, 2021 (each, an "Interest Payment Date"), in each year until maturity or prior redemption at the respective interest rates set forth on the inside front cover page hereof. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York ("DTC"), acting as securities depository, by the Chief Financial Officer, as "Bond Registrar/Paying Agent". Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the close of business on April 15 and October 15 (the "Record Dates") for the payment of interest on the Bonds.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See "Book-Entry Only System" herein.

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\*Preliminary, subject to change.

## Maturity Schedule

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Beach Utility Bonds</u>	<u>Sewer Utility Bonds</u>	<u>Total Principal</u>
2022	\$225,000	\$50,000	\$15,000	\$290,000
2023	235,000	55,000	15,000	305,000
2024	245,000	60,000	20,000	325,000
2025	250,000	65,000	25,000	340,000
2026	260,000	70,000	25,000	355,000
2027	270,000	75,000	25,000	370,000
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2029	290,000	85,000	30,000	405,000
2030	300,000	94,000	30,000	424,000
2031	310,000	100,000	30,000	440,000
2032	320,000		30,000	350,000
2033	336,000			336,000

## Book-Entry Only System

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

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

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

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

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



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

### **Prior Redemption**

The Bonds maturing on or before May 1, 2029 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2029 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after May 1, 2028, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services (the "Division") in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

### **AUTHORIZATION AND PURPOSE OF THE BONDS**

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances of the Borough set forth below and resolutions adopted by the Borough Council of the Borough on March 28, 2021.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

The proceeds of the Bonds will be used to (i) currently refund \$3,224,000 of \$3,224,000 Bond Anticipation Notes of the Borough issued on March 12, 2021 and maturing on May 12, 2021, (ii) finance various improvements and/or purposes in and for the Borough in the amount of \$1,106,000 and (iii) pay for cost of issuance.

The projects to be funded in the sale are listed below:

<b><u>Ordinance Number</u></b>	<b><u>Description</u></b>	<b><u>Proposed Bonds</u></b>
<b><u>General Improvement Bonds, Series 2021</u></b>		
15-08	Ocean Avenue Curbs and Sidewalks	\$ 59,000
17-16	Improvements to Sylvan Lake and Sylvan Lake Park	99,000
17-19/18-10	Improvements to Riley Park	147,000
18-11	Improvements to Fletcher Lake	171,000
18-23	Acquisition of Nonpassenger Vehicle for the Dept. of Public Works	339,000
20-02	Acquisition of Real Property, 319 Lareine Avenue	1,400,000
21-03	Various Capital Improvements	<u>1,106,000</u>
		<u><b>\$3,321,000</b></u>
<b><u>Beach Utility Bonds, Series 2021</u></b>		
2016-01	Acquisition of Real Property	\$ 301,000
2016-02	Land Acquisition	385,000
2017-13	Improvements to Beach Railings on Boardwalk	<u>48,000</u>
		<u><b>\$ 734,000</b></u>
<b><u>Sewer Utility Bonds, Series 2021</u></b>		
2017-11	Improvements to Sanitary Sewer System	<u>\$ 275,000</u>
		<u><b>\$4,330,000</b></u>

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Borough has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

### **NO DEFAULT**

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

## MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough may have additional issuances forthcoming but they will be under the bank qualification threshold. The Borough may issue bond anticipation notes as needed to fund capital projects.

### CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial or sinking fund installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

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

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the "Director"), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

#### Debt Limits

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. On December 31, 2020 the statutory net debt as a percentage of average equalized valuation was .370%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Beach Utility	\$ 1,688,000	\$1,688,000	\$ -
Sewer Utility	3,694,786	3,694,786	-
General Purposes	5,224,176	-	5,224,176
School Purposes	<u>488,000</u>	<u>488,000</u>	<u>          </u>
Total	<u>\$11,094,962</u>	<u>\$5,870,786</u>	<u>\$5,224,176</u>

## **Exceptions to Debt Limits - Extensions of Credit**

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

## **Short-Term Financing**

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

## **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

## **The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)**

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

## **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

## **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

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

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

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

### **Limitations on Municipal Appropriations and Tax Levy**

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2019, inclusive, were within the limits allowed under the Cap Law, taking into account applicable adjustments and without conducting a referendum to exceed the cap limits.

### **Miscellaneous Revenues**

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

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

### **Real Estate Taxes**

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected tax by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "Assessment And Collection of Taxes - Tax Collection Procedure" herein for a brief discussion of Chapter 99.

### **Deferral of Current Expenses**

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

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

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

### **Operation of Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.



## **Fiscal Year**

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

## **Budget Process**

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

## **Capital Budget**

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500, and an additional penalty of 6% on delinquent taxes in excess of \$10,000. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

## **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Tax Board on or before the first day of April of the current tax year for review. The County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds from Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

## **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

## **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

## **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

**ADDITIONALLY, EACH PURCHASER OF THE BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.**

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

## **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX D for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE BONDS.**

### **STATEMENT OF LITIGATION**

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

### **LEGALITY FOR INVESTMENT**

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

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "AA" to the Bonds.

An explanation of the significance of such rating may be obtained from S&P, 55 Water Street, New York, New York 10041. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating by S&P may have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by \_\_\_\_\_, \_\_\_\_\_ (the "Underwriter"), at a price of \$ \_\_\_\_\_. The purchase price of the Bonds reflects the par amount of Bonds equal to \$ \_\_\_\_\_, less an Underwriter's discount of \$ \_\_\_\_\_, plus an original issue premium/discount of \$ \_\_\_\_\_.

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

### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including, but not limited to, aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Borough expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Borough. To secure the payment of the principal of and interest on the Bonds, the Borough has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable real property within the Borough, within the limits provided by law as to rate or amount for such purpose. The declaration of a public health emergency remains in effect as of the date hereof. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders beginning on April 29, 2020 permitting the resumption of certain activities. Additional Executive Orders relating to the resumption of certain activities may be executed by Governor Murphy in the future as part of the planned multi-stage approach to restart the State’s economy.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, Governor Murphy signed into law P.L. 2020, c. 74 (“Chapter 74”) on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): (1) direct COVID-19 response expenses; and (2) deficits in prior year’s operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for this new purpose). Upon approval by the Director of the Division of Local Government Services in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State's websites, including <https://covid19.nj.gov/> or [nj.gov/health](https://nj.gov/health). *The Borough has not incorporated by reference the information on such websites and the Borough does not assume any responsibility for the accuracy of the information on such websites.*

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

### **Absence of Litigation**

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough, or adversely affect the power of the Borough to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

### **Legal Matters**

The legality of the Bonds will be subject to the approving opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Archer & Greiner P.C. has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix D – Proposed Form of Bond Counsel Opinion" herein.

## **Certificates of Borough Officials**

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Archer & Greiner P.C., Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

## **SECONDARY MARKET DISCLOSURE**

The Borough has agreed, pursuant to a resolution adopted on March 23, 2021, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than 270 days after the end of the Borough's fiscal year (presently December 31), commencing with the report for the year ending December 31, 2021, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained in Appendix A hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;



- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties. The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel's opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has entered into prior undertakings to provide continuing disclosure for certain outstanding issuances in which it is an obligated borrower. In connection with such undertakings, the Borough has filed audited financial statements and other financial documents with the MSRB's Electronic Municipal Market Access ("EMMA") website as required in accordance with the Rule.

### **PREPARATION OF OFFICIAL STATEMENT**

The firm of Samuel Klein & Company, Freehold, New Jersey, takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

The firm of Wielkott & Company, LLC, Pompton Lakes, New Jersey, assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Wielkott & Company, LLC, considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

### **APPROVAL OF OFFICIAL STATEMENT**

Prior to the delivery of the Bonds, the Borough Council of the Borough will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriters for their use in the sale, resale or distribution of the Bonds.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Sandra Rice, Chief Financial Officer, Borough of Bradley Beach, Municipal Building, 701 Main Street, Bradley Beach, New Jersey, 07720, telephone (732) 776-2999.

### **MISCELLANEOUS**

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

This Official Statement has been duly executed and delivered by the Chief Financial Officer on behalf of the Borough.

**BOROUGH OF BRADLEY BEACH, IN THE  
COUNTY OF MONMOUTH, NEW JERSEY**

By: /s/ \_\_\_\_\_  
Sandra Rice  
Chief Financial Officer

Dated: April \_\_\_, 2021

**APPENDIX A**

**DESCRIPTION OF  
THE BOROUGH OF BRADLEY BEACH  
TOGETHER WITH  
CERTAIN ECONOMIC AND DEBT INFORMATION**

## APPENDIX A

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## **GENERAL INFORMATION ON THE BOROUGH OF BRADLEY BEACH**

The Borough of Bradley Beach (the “Borough”) is located in Monmouth County, along the New Jersey coastline, approximately 60 miles south of the City of New York. The population, according to the 2000 census, is 4,793, which increases significantly during the summer months.

### **History of the Borough**

In 1871, when William B. Bradner purchased fifty-four acres of land south of Ocean Grove, James A. Bradley, a wealthy New York manufacturer, was also in the investment. The land was part of Ocean Township at the time and subsequently became part of Neptune Township under the name of Ocean Park. However, the post office informed Bradner that the community would have to change its name due to its similarity to Oceanport. William Bradner did not want to suggest his own name, so one of the post office officials said, “You have a man down here by the name of Bradley. Why don’t you call it Bradley Beach?”

In 1886, the first school, a two-room structure, was opened and in 1880, a post office was established in a little store on Newark Avenue receiving mail from Asbury Park. When train service was continued through Bradley Beach, William J. Paynter, one of the early settlers, opened a post office in his general store on Main Street near the Bradley Beach Station, where the mail was then delivered.

Local citizens appealed to the New Jersey State Legislature for a referendum to separate Bradley Beach from Neptune Township, and on March 28, 1893 Bradley Beach was incorporated making it one of the youngest municipalities in Monmouth County. One month later, the newly formed Borough authorized the office of a Marshall and within the same year the Pioneer Fire Company, the Borough’s first fire station, was established.

By 1927, Bradley Beach had become a very popular resort town. Facilities at the beachfront included several hundred dressing rooms, hot water baths, two large open-air swimming pools and a number of stores. Bradley Beach attracted thousands of tourists from New York, Pennsylvania and the City of Newark. Construction of the Garden State Parkway in the 1950's contributed to the influx of metropolitan area residents seeking a year-round home with the appeal of living by the ocean within an easy commute to their workplace.

### **Form of Government**

The Borough operates under the small mayor-council form of government. The governing body consists of a Mayor and four Council Members. Council Members serve a three-year term while the Mayor serves for four years. The Mayor is a voting member of the Governing Body.

### **Transportation**

The Borough is served by State Highway 35 on the western border and 71 through the Main Street section and several County roads also pass through the Borough. The North Jersey Coast Line New Jersey Transit Railroad into Newark Penn Station and ultimately to New York Penn Station is a daily commuter stop in the Borough.

### **Utilities Serving the Borough**

The Borough operates a Sewer Utility Fund for the treatment of all sewerage flow of the Borough. The flow is treated by the Township of Neptune Sewerage Authority (in a neighboring community) under an Interlocal Services Agreement. Customers are billed on a quarterly basis. The Sewer Utility Fund was self-liquidating for 2020.

The Borough borders on the Atlantic Ocean with an approximate eight tenths of a mile beachfront. The Beach Utility Fund is operated by the Borough to provide funds for the operation of the beach. Seasonal and daily badges are sold to support the beach operations. The Beach Utility Fund was self-liquidating for 2020.

Electric, natural gas, water and cable television services are provided by private companies.

## **Police Protection**

The Borough's volunteer fire department provides twenty-four hour fire protection for the Borough residents. The department's sixteen (16) man force is supplemented by special police officers providing maximum manpower coverage throughout the Borough at all times.

## **Fire Protection**

The Borough's volunteer fire department provides twenty-hour fire protection for the Borough residents. The department has forty-five (45) members. The department has four fire engines as part of the United Engine Fire Company providing continual protection for all citizens of the Borough.

## **First Aid Organization**

The first aid squad consists of thirty-two (32) volunteer members who are on twenty-four hour call. The squad has its own building to house and service its two vehicles, which together with extracting equipment, allows the first aid squad to respond to any possible emergency within the Borough.

## **Education System**

The Bradley Beach School District, coterminous with the Borough, is a Type II School District, an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The Bradley Beach School District educates children in grades kindergarten through eight. The school district is a part of the Red Bank Regional High School District for grades nine through twelve. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of one elementary school.

### **SCHOOL DISTRICT AUDITS AND ENROLLMENT**

Every board of education is required by State statute to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the State Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within 40 days of its completion.

A summary of the public school enrollments follow:

<b><u>Fiscal Year</u></b>	<b><u>Local School K through 8</u></b>
2010-2011	292
2011-2012	272
2012-2013	284
2013-2014	295
2014-2015	295
2015-2016	295
2016-2017	287
2017-2018	318
2018-2019	318
2019-2020	273

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Source: Borough of Bradley Beach Board of Education

## RETIREMENT SYSTEMS

The Borough is enrolled in three retirement systems established by acts of the State Legislature. Benefits, contributions, means of funding and administration of the retirement systems are set by the State. The Division of Pensions within the Treasury Department of the State is the administrator of the systems with benefit and contribution levels set by the State. All full-time permanent or qualified employees who began employment after 1944 must enroll in one of two retirement systems, depending upon their employment status. Borough employees, employed or retired, are enrolled in either the Public Employees' Retirement System ("PERS"), or the Police and Firemen's Retirement System ("PFRS"), or if retired in the Consolidated Police and Firemen's Pension Fund ("CPFPPF"). Employee rates for contribution are normally determined by the Division of Pensions. The Borough is current in its payments to the retirement systems as well as the Federal Social Security System ("OASI").

## COLLECTIVE BARGAINING REPRESENTATION

Certain Borough employees are a part of collective bargaining agreements whose termination dates of current contracts are shown below.

<u>Unit</u>	<u>Expires</u>
Police	December 31, 2022
Department of Public Works	December 31, 2022

Source: The Borough.

## TREND OF NEW CONSTRUCTION

### Number of Permits

<u>Year</u>	<u>Permits Issued</u>	<u>Updates Issued</u>	<u>Total</u>
2020	346	88	434
2019	350	114	464
2018	319	107	426
2017	422	115	537
2016	435	128	563

### Estimated Construction Costs

<u>Year</u>	<u>Construction</u>	<u>Demolition</u>	<u>Additions/ Alterations</u>	<u>Total</u>
2020	\$2,319,500	\$41,200	\$3,899,405	\$6,260,105
2019	2,731,310	105,980	4,291,734	7,129,024
2018	2,574,700	33,700	6,323,357	8,931,757
2017	2,738,900	74,000	4,812,812	7,625,712
2016	2,741,994	26,300	4,070,628	6,838,922

Source: Borough of Bradley Beach Building Department.

## POPULATION

The population of the Borough of Bradley Beach, based upon the 2010 census, was 4,298.



## MAJOR REAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>2020 Assessed Valuation</u>
BB Village LLC	\$10,649,800
Mariner 5 Assoc. LLC % DanJon Management	7,282,300
Terrace Lake Apartments, LLC	6,335,800
Point Properties 2003, LLC	5,837,100
Brinley Manor, LLL % Legow, Esq.	5,454,100
Lareine Holdings, LLC	4,808,200
Rega Bradley Beach LLC	4,500,000
Ocean Beach Apartments, LLC	4,400,000
106-110 4 <sup>th</sup> Avenue, LLC % Leanza	4,237,500
Oceanview Terr Apts Inc.	4,116,000

Source: The Borough's Assessor and the Borough's tax duplicates for 2020.

## NET ASSESSED AND EQUALIZED PROPERTY VALUATIONS

### Real Property Net Assessed Valuation by Classification

<u>Classification</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Apartment	\$90,435,300	\$96,470,700	\$64,350,900	\$60,823,200	\$63,462,700
Residential	1,367,844,300	1,278,396,100	1,195,977,900	1,052,211,500	1,012,444,400
Commercial	67,059,300	72,996,900	68,799,200	66,107,500	68,461,600
Industrial	1,453,500	1,453,500	1,453,500	1,431,300	1,445,000
Vacant Land	<u>11,178,000</u>	<u>9,228,500</u>	<u>6,357,500</u>	<u>7,727,600</u>	<u>3,783,700</u>
Subtotal	1,537,970,400	1,458,545,700	1,336,939,000	1,188,301,100	1,149,597,400
Exempt Public Public Utilities	<u>60,998,100</u>	<u>57,729,600</u>	<u>57,391,800</u>	<u>57,468,100</u>	<u>58,120,300</u>
Total	<u><u>\$1,598,968,500</u></u>	<u><u>\$1,516,275,300</u></u>	<u><u>\$1,394,330,800</u></u>	<u><u>\$1,245,769,200</u></u>	<u><u>\$1,207,717,700</u></u>

### Net Assessed and Equalized Property Valuations

Net Assets Valuation:	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Real Property	\$1,537,970,400	\$1,458,545,700	\$1,336,939,000	\$1,188,301,100	\$1,149,597,400
Personal Tangible Property	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Net Assessed Valuation	<u><u>\$1,537,970,400</u></u>	<u><u>\$1,458,545,700</u></u>	<u><u>\$1,336,939,000</u></u>	<u><u>\$1,188,301,100</u></u>	<u><u>\$1,149,597,400</u></u>

Source: County of Monmouth Abstract of Ratables for years shown, and Borough's Tax Duplicates for years shown.

## LEVY AND COLLECTION OF TAXES

The levy and collection of taxes are based upon a calendar year. The Borough is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the School District.

Property taxes are based on an assessor's valuation of real property. The taxes for Municipal, Local School District, and County purposes are combined into one tax levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purpose of the Local School District cover the current calendar year. Turnover of tax monies by the Borough to a school district are based on school needs and are generally made on a periodic basis throughout the year. The Borough remits 100% of the County taxes, payable quarterly on the 15th days of February, May, August and November.

Tax bills for the second half of the current year's tax levy, and an estimate based on 50% of the levy for the first half of the following year, are generally mailed annually in June and are due in quarterly installments on the first days of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of July 1 following the year of levy, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to property.

The last all-inclusive tax sale of unpaid delinquent taxes and assessments was held by the Borough on October 20, 2020.

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Monmouth County Tax Board on or before the first day of April of the current tax year for review. The Monmouth County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels their petition was unsatisfactorily reviewed by the Monmouth County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

### **Tax Rate Apportionment**

(Per \$100 of Assessed Valuation)

<u>Year</u>	<u>Municipal</u>	<u>Library</u>	<u>County</u>	<u>Local School</u>	<u>Tax Rate</u>
2020	.481	.032	.263	.446	1.222
2019	.481	.034	.274	.477	1.266
2018	.542	.034	.290	.518	1.384
2017	.570	.034	.285	.525	1.414
2016	.571	.033	.280	.514	1.398

## Tax Levy Apportionment

<u>Year</u>	<u>Municipal</u>	<u>Library</u>	<u>County</u>	<u>Local School</u>	<u>Total</u>
2020	\$7,009,040	\$472,733	\$3,837,657	\$6,498,090	\$17,817,520
2019	6,433,316	446,864	3,663,693	6,369,798	16,913,671
2018	6,438,210	406,777	3,441,511	6,151,190	16,437,688
2017	6,545,522	394,588	3,278,913	6,033,894	16,252,917
2016	6,544,607	377,733	3,211,459	5,887,771	16,021,570

(1) The Borough is required, under State statutes, to remit to the County and the School District 100% of the respective tax levies.

## Tax Collection Experience

		<u>Current Tax Levy Collected</u>	
		<u>Amount</u>	<u>Percent</u>
		<u>Tax Levy</u>	
Year ended Dec. 31:	2020	\$17,886,703	\$17,653,893 98.69%
	2019	17,007,625	16,742,911 98.44
	2018	16,602,049	16,367,712 98.59
	2017	16,285,303	16,082,693 98.76
	2016	16,055,773	15,899,784 99.03

## Tax Title Liens and Delinquent Taxes

		<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
Year ended Dec. 31:	2020	\$2,357	\$232,707	\$235,064	1.31%
	2019	2,254	336,127	338,381	1.98
	2018	1,928	234,338	236,266	1.42
	2017	1,928	193,569	195,497	1.20
	2016	1,755	149,682	151,437	0.94

## Foreclosed Property

<u>Year</u>	<u>Balance December 31</u>
2020	\$-0-
2019	-0-
2018	-0-
2017	-0-
2016	-0-

## CURRENT FUND BALANCES AND AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET

	<u>Year</u>	<u>Balance December</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>				
	2020	\$2,217,085	(1)	%
	2019	1,851,969	\$897,000	48.43
	2018	2,083,446	997,000	47.85
	2017	2,129,845	997,000	46.81
	2016	1,903,438	785,000	41.24
<u>Beach Utility Operating Fund</u>				
	2020	\$1,129,886	(1)	
	2019	288,925	\$212,000	73.38
	2018	182,375	168,164	92.21
	2017	189,081	163,557	86.50
	2016	483,466	401,966	83.14
<u>Sewer Utility Operating Fund</u>				
	2020	\$2,341,451	(1)	
	2019	2,017,065	\$325,000	16.11
	2018	1,764,555	120,771	6.84
	2017	1,141,484	29,317	2.57
	2016	817,623	32,648	3.99

(1) The 2021 Municipal Budget has not been introduced.

## DEBT INFORMATION

### General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt which has been refunded, and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount used to determine if a local governmental unit is within the limit of its statutory borrowing power. The debt incurring capacity is limited by statute to 3.50% of a local governmental unit's statutory equalized valuation. The Borough's statutory net debt as of December 31, 2020 is 3.70%.

### STATUTORY DEBT INFORMATION

As of December 31, 2020

School Purpose:	
Bonds Issued	\$488,000
Authorized/Unissued Debt	<u>-0-</u>
Total Gross Debt	488,000
Deductions	<u>488,000</u>
Net Debt for School Purposes	<u>-0-</u>
Beach Utility:	
Bonds Issued	935,000
Notes Issued	433,000
Notes Authorized but not Issued	<u>320,000</u>
Total Gross	1,688,000
Deductions	<u>1,688,000</u>
Net Debt for Utility Purposes	<u>-0-</u>
Sewer Utility:	
Bonds Issued	640,000
Notes Issued	275,000
Authorized/Unissued Debt	2,495,000
Loans	<u>284,786</u>
Total Gross	3,694,786
Deductions	<u>3,694,786</u>
Net Debt for Utility Purposes	<u>-0-</u>
Municipal Purpose:	
Bonds Issued	2,010,000
Notes Issued	2,541,000
Loans	81,153
Authorized/Unissued Debt	<u>592,023</u>
Total Gross Debt	5,224,176
Deductions	<u>-0-</u>
Net Debt for Municipal Purpose	<u>5,224,176</u>
Total Gross Statutory Debt	11,094,962
Total Statutory Deductions	<u>5,870,786</u>
Total Net Statutory Debt	<u><u>\$5,224,176</u></u>

**STATUTORY BORROWING POWER**  
**As of December 31, 2020**

Statutory Equalized Valuation (1)	\$1,411,834,531
Statutory Borrowing Power (2)	49,414,209
Statutory Net Debt	<u>5,224,176</u>
Remaining Statutory Borrowing Power	<u>44,190,033</u>
Net Debt to Statutory Equalized Valuation	.370%

(1) Average of the immediately preceding three years (2020, 2019 and 2018) as calculated by State.

(2) 3 ½% of the State's equalized valuation.

Source: The Borough.

**TREND OF STATUTORY REMAINING BORROWING POWER**  
**FOR YEARS ENDED DECEMBER 31, 2020-2016**

<u>Year</u>	<u>Statutory Equalized Valuation(1)</u>	<u>Borrowing Capacity(2)</u>	<u>Bonds and Notes Outstanding</u>	<u>Less Deductions</u>	<u>Net Debt Outstanding</u>	<u>Authorized Unissued Debt</u>	<u>Remaining Borrowing Power</u>
2020	\$1,411,834,531	\$49,414,209	\$4,632,153	\$	\$4,632,153	\$592,023	\$44,190,033
2019	1,326,375,183	46,423,152	3,793,382	275,750	3,517,632	592,023	42,313,497
2018	1,248,230,510	43,688,068	3,708,112	215,000	3,493,112	1,060,023	39,134,933
2017	1,220,332,980	42,711,654	3,902,414	36,860	3,865,554	691,023	38,155,077
2016	1,183,766,150	41,431,815	4,368,500	36,860	4,331,640	362,427	36,737,688

(1) Average of the immediately preceding three years as calculated by the State.

(2) 3 ½% of the statutory equalized valuation.

Refer to "Permanent Debt Issued and Outstanding", and "Temporary Debt Issued and Outstanding.

Source: The Borough's audited financial statements for years shown.

**PERMANENT DEBT ISSUED AND OUTSTANDING**  
**AS OF DECEMBER 31, 2020**

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
2014 Monmouth County Improvement Authority General Improvement Bonds	Various	Dec. 24, 2014	Dec. 1, 2030	\$730,000
2014 Monmouth County Improvement Authority General Improvement Bonds (Library Improvements)	Various	Dec. 24, 2014	Dec. 1, 2034	575,000
2016 Monmouth County Improvement Authority Refunding Bonds	Various	Mar. 24, 2016	Dec. 1, 2022	<u>705,000</u>
				<u>\$2,010,000</u>

**COMBINED ANNUAL DEBT SERVICE SCHEDULE  
FOR  
GENERAL IMPROVEMENT BONDS OF 2014  
(MONMOUTH COUNTY IMPROVEMENT AUTHORITY)  
AND  
REFUNDING BONDS OF 2016  
(MONMOUTH COUNTY IMPROVEMENT AUTHORITY)  
AS OF DECEMBER 31, 2020**

	General Capital Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$435,000	\$96,550	\$531,550
2022	450,000	74,800	524,800
2023	95,000	52,300	147,300
2024	95,000	47,550	142,550
2025	105,000	42,800	147,800
2026-2030	635,000	129,500	764,500
2031-2034	<u>195,000</u>	<u>17,175</u>	<u>212,175</u>
	<u><u>\$2,010,000</u></u>	<u><u>\$460,675</u></u>	<u><u>\$2,470,675</u></u>

**DIRECT AND OVERLAPPING DEBT  
ISSUED AND OUTSTANDING  
AS OF DECEMBER 31, 2020**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt:		
Bonds	\$2010000	
Notes	2,541,000	
Loans	81,153	
Overlapping Debt:		
School Districts		\$488,000
Monmouth County		<u>5,861,893</u>
Total Direct Debt:		
Gross	4,632,153	
Deductions		
Net	<u><u>\$4,632,153</u></u>	
Total Overlapping Debt:		
Gross		6,349,893
Deductions		<u>488,000</u>
Net		<u><u>\$5,861,893</u></u>

Source: The political entities shown.

## DEBT RATIOS

	<u>Direct Debt</u>		<u>Overlapping Debt(1)</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita	\$1,078	\$1,078	\$1,477	\$1,364
Equalized Valuation	.328%	.328%	.450%	.415%

---

(1) The County has \$512,159,168 in net long-term and temporary debt. The Borough's net share is obtained by dividing the Borough's 2020 equalized valuation by the County's 2020 total equalized valuation as obtained from the County's abstract of ratables.



**APPENDIX B**

**BOROUGH OF BRADLEY BEACH  
SUMMARY OF 2020 ADOPTED BUDGET**

**BOROUGH OF BRADLEY BEACH  
SUMMARY OF  
2020 ADOPTED BUDGET**

Summary of General Revenues Anticipated:	<u>\$897,000</u>
Surplus	
Miscellaneous Revenues:	
Local Revenues	683,700
State Aid Without Offsetting Appropriations	355,290
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	125,000
Special Items of General Revenue Anticipated	
With Prior Consent of Director of Local Government Services:	
Shared Services Agreements	84,000
Additional Revenues	35,000
Public and Private Revenues	2,011
Other Special Items	<u>36,475</u>
Total Miscellaneous Revenues	<u>1,321,476</u>
Delinquent Taxes Receipts	<u>150,000</u>
Sub-total General Revenues	2,368,476
Amount to be Raised for Support of Municipal Budget, Including	
Reserve for Uncollected Taxes	7,095,415
Minimum Library Tax	<u>472,733</u>
Total General Revenues	<u><u>\$9,936,624</u></u>
Summary of General Appropriations:	
Within "CAPS":	
Operations:	
Salaries and Wages	4,132,105
Other Expenses	<u>2,805,370</u>
Sub-total	6,937,475
Deferred Charges, Statutory Expenditures and Judgments	<u>962,793</u>
Total Operations Within "CAPS"	<u><u>7,900,268</u></u>
Excluded from "CAPS":	
Operations:	
Salaries and Wages	-
Other Expenses	<u>578,744</u>
Sub-total	578,744
Capital Improvements	65,000
Municipal Debt Service	900,255
Deferred Charges	<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>1,543,999</u>
Sub-total General Appropriations	9,444,267
Reserve for Uncollected Taxes	<u>492,357</u>
Total General Appropriations	<u><u>\$9,936,624</u></u>

Source: The Borough's 2020 Adopted Budget.

**APPENDIX C**

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**SAMUEL KLEIN AND COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Bradley Beach  
County of Monmouth  
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

**Report on the Financial Statements**

We have audited the financial statements – regulatory basis of the various funds and account groups of the Borough of Bradley Beach, County of Monmouth, State of New Jersey as of December 31, 2019, and the related statement of operations and change in fund balance – regulatory basis for the year then ended, the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and the related notes to the financial statements for the year then ended.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements – regulatory basis, 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 auditing standards prescribed by the Division of Local Government Service, 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

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

As described in Note 1 of the financial statements – regulatory basis, the financial statements are prepared by the Borough on a basis of the financial reporting provisions of the regulatory basis of the accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of 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 U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the United States Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Bradley Beach, County of Monmouth, State of New Jersey as of December 31, 2019, and change in financial position or cash flows thereof for the year then ended.

### Other Matters

#### Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – RSI Schedules), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Bradley Beach, County of Monmouth, New Jersey. The information included Combining and Individual Funds and Account Statements as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Bradley Beach, County of Monmouth, New Jersey. The information included in the Combining and Individual Funds and Account Statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of the Borough of Bradley Beach'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 of Bradley Beach's internal control over financial reporting and compliance.



Gerard Stankiewicz  
Certified Public Accountant  
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
January 20, 2021

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**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS – REGULATORY BASIS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Bradley Beach  
County of Monmouth  
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

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 Bradley Beach (herein referred to as "the Borough"), 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 January 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements – regulatory basis, 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.

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS – REGULATORY BASIS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, that are reported material weaknesses or significant deficiencies may exist that were not identified. However, we noted certain immaterial instances of non-compliance that we have reported to the management of the Borough in the "General Comments and Recommendations" section of this report.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements - regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the governing body, management and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.



Gerard Stankiewicz  
Certified Public Accountant  
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey  
January 20, 2021



**GENERAL-PURPOSE FINANCIAL STATEMENTS**

**BOROUGH OF BRADLEY BEACH**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -**  
**ALL FUND TYPES AND ACCOUNTS - REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	<u>Governmental Funds</u>					<u>General</u> <u>Fixed Assets</u> <u>Account</u>	<u>Totals</u> <u>Memorandum Only</u>	
	<u>Current</u>	<u>General</u> <u>Capital</u>	<u>Trust</u> <u>Funds</u>	<u>Utilities</u> <u>Operating</u>	<u>Capital</u>		<u>2019</u>	<u>2018</u>
<b>ASSETS AND OTHER DEBITS</b>								
Cash and Cash Equivalents	\$ 3,947,408.24	\$ 528,293.06	\$ 659,418.78	\$ 3,019,057.80	\$ 1,611,117.44		\$ 9,765,295.32	\$ 9,481,718.76
Investment								40,000.00
Intergovernmental Accounts Receivable	500.00	498,276.31					498,776.31	431,000.00
Receivables and Other Assets:								
Delinquent Property Taxes	336,127.41						336,127.41	234,337.20
Consumer Accounts Receivable				71,287.32			71,287.32	64,362.72
Liens Receivable	2,254.42						2,254.42	1,928.47
Other Accounts Receivable	50.00		259.00				309.00	
Revenue Accounts Receivable	4,577.81						4,577.81	12,192.78
Interfunds Receivable	83,942.30			40,000.00			123,942.30	15,123.89
Obligations Under Capital Lease -								
Unfunded		380,000.00					380,000.00	517,000.00
Deferred Charges		4,264,681.00					4,264,681.00	4,808,135.04
Fixed Capital					11,230,265.98		11,230,265.98	9,127,704.21
Fixed Capital Authorized and Uncompleted					3,002,650.84		3,002,650.84	5,101,913.36
Fixed Assets						19,934,297.85	19,934,297.85	19,774,640.38
Grant Fund:								
Grants Receivable	30,519.40						30,519.40	25,319.40
Interfund Receivable	12,687.34						12,687.34	31,635.59
Total Assets and Other Debits	<u>\$ 4,418,066.92</u>	<u>\$ 5,671,250.37</u>	<u>\$ 659,677.78</u>	<u>\$ 3,130,345.12</u>	<u>\$ 15,844,034.26</u>	<u>19,934,297.85</u>	<u>\$ 49,657,672.30</u>	<u>\$ 49,667,011.80</u>

See Notes to Financial Statements.

**BOROUGH OF BRADLEY BEACH**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -**  
**ALL FUND TYPES AND ACCOUNTS - REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)**

	Governmental Funds					General Fixed Assets Account	Totals Memorandum Only	
	Current	General Capital	Trust Funds	Utilities Operating	Utilities Capital		2019	2018
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>								
Liabilities and Reserves:								
Appropriation Reserves	\$ 742,707.95			\$ 321,761.87			\$ 1,064,469.82	\$ 654,388.08
Other Liabilities and Reserves	1,300,544.30	\$ 474,721.18	\$ 642,231.34	364,810.40	\$ 3,669,062.34		6,451,369.56	7,356,993.01
Improvement Authorizations		785,061.64			496,083.77		1,281,145.41	1,136,664.15
Reserve for Amortization					6,498,725.75		6,498,725.75	6,242,725.75
Deferred Reserve for Amortization					2,559,103.40		2,559,103.40	2,559,103.40
Interfunds Payable	52,687.34		17,446.44	66,495.86			136,629.64	46,759.48
Serial Bonds		2,395,000.00			1,715,000.00		4,110,000.00	4,640,000.00
Bond Anticipation Note		1,283,000.00			829,000.00		2,112,000.00	1,851,000.00
Special Emergency Notes								40,000.00
Loans Payable		115,381.69					115,381.69	137,112.04
Capital Lease Obligations Payable		380,000.00					380,000.00	517,000.00
Reserve for Receivables and Other Assets	426,951.94	155,026.31		71,287.32			653,265.57	463,175.45
Grant Fund:								
Reserve for Encumbrances								6,000.00
Unappropriated/Appropriated Reserves	43,206.74						43,206.74	50,954.99
<b>Total Liabilities and Reserves</b>	<b>\$ 2,566,098.27</b>	<b>\$ 5,588,190.82</b>	<b>\$ 659,677.78</b>	<b>\$ 824,355.45</b>	<b>\$ 15,766,975.26</b>		<b>\$ 25,405,297.58</b>	<b>\$ 25,701,876.35</b>
Equity and Other Credits:								
Investment in General Fixed Assets						19,934,297.85	19,934,297.85	\$ 19,774,640.38
Fund Balance	\$ 1,851,968.65	\$ 83,059.55		\$ 2,305,989.67	\$ 77,059.00		\$ 4,318,076.87	4,190,495.07
<b>Total Equity and Other Credits</b>	<b>\$ 1,851,968.65</b>	<b>\$ 83,059.55</b>		<b>\$ 2,305,989.67</b>	<b>\$ 77,059.00</b>	<b>19,934,297.85</b>	<b>\$ 24,252,374.72</b>	<b>\$ 23,965,135.45</b>
<b>Total Liabilities, Reserves and Fund Balance</b>	<b>\$ 4,418,066.92</b>	<b>\$ 5,671,250.37</b>	<b>\$ 659,677.78</b>	<b>\$ 3,130,345.12</b>	<b>\$ 15,844,034.26</b>	<b>19,934,297.85</b>	<b>\$ 49,657,672.30</b>	<b>\$ 49,667,011.80</b>

See Notes to Financial Statements.

**BOROUGH OF BRADLEY BEACH**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CURRENT, BEACH UTILITY AND SEWER UTILITY OPERATING FUNDS - REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Current Fund			Utility Operating Funds (1)		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Fund Balance Anticipated	\$ 997,000.00	\$ 997,000.00		\$ 288,935.00	\$ 288,935.00	
Rents				3,518,325.00	3,795,604.27	\$ 277,279.27
Miscellaneous Revenues	880,940.24	944,474.76	\$ 63,534.52	82,000.00	82,000.00	
State Aid	355,290.00	355,290.00				
Grants	30,918.26	30,918.26				
	\$ 2,264,148.50	\$ 2,327,683.02	\$ 63,534.52	\$ 3,889,260.00	\$ 4,166,539.27	\$ 277,279.27
Receipts from Delinquent Taxes	138,300.00	138,252.66	(47.34)			
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	6,879,880.12	7,169,083.65	289,203.53			
Budget Totals	\$ 9,282,328.62	\$ 9,635,019.33	\$ 352,690.71	\$ 3,889,260.00	\$ 4,166,539.27	\$ 277,279.27
Nonbudget Revenues		87,374.49	87,374.49		67,541.78	67,541.78
Other Credits to Income		392,261.20	392,261.20		303,173.03	303,173.03
Taxes Allocated to School and County	10,050,609.15	10,050,609.15				
	\$ 19,332,937.77	\$ 20,165,264.17	\$ 832,326.40	\$ 3,889,260.00	\$ 4,537,254.08	\$ 647,994.08

See Notes to Financial Statements.

**BOROUGH OF BRADLEY BEACH**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CURRENT, BEACH UTILITY AND SEWER UTILITY OPERATING FUNDS - REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Current Fund			Utility Operating Funds (1)		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:						
Current:						
Within "CAPS":						
General Government	\$ 723,259.00	\$ 723,259.00				
Land Use	24,563.00	24,563.00				
Code Enforcement	97,054.00	97,054.00				
Insurance	1,063,347.00	1,063,347.00				
Public Safety	2,755,063.00	2,755,063.00				
Public Works	1,167,096.00	1,167,096.00				
Health and Human Services	23,710.00	23,710.00				
Parks and Recreation	181,799.00	181,799.00				
Utility Expenses and Bulk Purchases	226,500.00	226,500.00				
Deferred Charges and Statutory						
Expenditures	876,792.00	876,792.00				
Uniform Construction Code	104,472.00	104,472.00				
Excluded from "CAPS":						
Public Safety	35,000.00	35,000.00				
Library	446,863.69	446,863.69				
Grants	38,418.26	38,418.26				
Utility Operating				\$ 3,143,039.00	\$ 3,143,039.00	
Capital Improvements	170,600.00	170,600.00		94,000.00	94,000.00	
Municipal Debt Service	827,834.48	827,834.48		483,575.00	483,575.00	
Deferred Charges	40,000.00	40,000.00		168,646.00	168,646.00	
Reserve for Uncollected Taxes	479,957.19	479,957.19				
Total Budget Expenditures	\$ 9,282,328.62	\$ 9,282,328.62		\$ 3,889,260.00	\$ 3,889,260.00	

See Notes to Financial Statements.

**BOROUGH OF BRADLEY BEACH**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CURRENT, BEACH UTILITY AND SEWER UTILITY OPERATING FUNDS - REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Current Fund			Utility Operating Funds (1)		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
County and School Taxes	\$ 10,050,609.15	\$ 10,050,609.15				
Other Expenses		66,803.39	\$ (66,803.39)			
Total Expenditures	\$ 19,332,937.77	\$ 19,399,741.16	\$ (66,803.39)	\$ 3,889,260.00	\$ 3,889,260.00	
Excess in Revenues over Expenditures/ Statutory Excess to Fund Balance	-	\$ 765,523.01	\$ 765,523.01		\$ 647,994.08	\$ 647,994.08
Fund Balance, January 1, 2019		2,083,445.64	2,083,445.64		1,946,930.59	1,946,930.59
		\$ 2,848,968.65	\$ 2,848,968.65		\$ 2,594,924.67	\$ 2,594,924.67
Decreased By:						
Utilization as Anticipated Revenue		\$ 997,000.00	\$ 997,000.00		\$ 288,935.00	\$ 288,935.00
Fund Balance, December 31, 2019		\$ 1,851,968.65	\$ 1,851,968.65		\$ 2,305,989.67	\$ 2,305,989.67

(1) Beach and Sewer Utility Operating.

See Notes to Financial Statements.

BOROUGH OF BRADLEY BEACH  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

BALANCE, DECEMBER 31, 2018

AND

BALANCE, DECEMBER 31, 2019

\$ 83,059.55

(There was no change during the year.)

See Notes to Financial Statements

BOROUGH OF BRADLEY BEACH  
UTILITY CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Beach Utility <u>Capital Fund</u>	Sewer Utility <u>Capital Fund</u>	<u>Total</u>
<u>BALANCE, DECEMBER 31, 2018</u>	\$ 32,532.60	\$ 44,526.79	\$ 77,059.39
<u>DECREASED BY</u>			
Cancellation of Various Reserve	<u>0.39</u>	<u>          </u>	<u>0.39</u>
<u>BALANCE, DECEMBER 31, 2019</u>	\$ <u>32,532.21</u>	\$ <u>44,526.79</u>	\$ <u>77,059.00</u>

See Notes to Financial Statements



**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity - The Borough of Bradley Beach (the "Borough") is located in Monmouth County, along the New Jersey coastline, approximately 60 miles south of the City of New York. The population, according to the 2010 census, is 4,298.

The Borough of Bradley Beach operates under the Borough small mayor-council form of government consisting of four (4) council members and a mayor. The mayor is a voting member of the Governing Body. The financial statements of the Borough of Bradley Beach do not include the operations of the municipal library, first aid organization or volunteer fire company.

- B. Description of Funds - The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for establishing governmental accounting and financial reporting principles. However, the accounting policies of the Borough conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are regulatory basis, which differs from accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. 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 and a capital asset account differs from GAAP.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activities of federal, state, county and local grant programs are reflected in a segregated section of the Current Fund.

Trust Fund - The records of receipts, disbursement and custodianship of monies in accordance with the purpose for which each reserve was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Trust Other Fund, Tourism Trust Fund and Public Assistance Trust Fund. The Payroll Trust Fund - Accounts for the net salaries, payroll deductions and social security contribution of municipal and utility operations.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

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

Utilities Funds - Beach and Sewer Utilities are treated as separate entities. Each maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Capital Asset Account - This account reflects estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

- C. Basis of Accounting - The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from accounting principles generally accepted in the United States of America. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

Property Taxes and Other Revenue - Property Taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. 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 Revenue - Federal, state, county and local grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough of Bradley Beach's budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

Expenditures - Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts, which may have been canceled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31<sup>st</sup> of each year, under the title of "Appropriation Reserves".

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures (Continued)

Grant appropriations are charged upon budget adoption to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget Appropriations for interest on General Capital Noncurrent Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Acquired for Taxes - Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the capital assets account group at market value on the date of acquisition.

Interfund Accounts Receivable - Interfund Accounts Receivable in the Current Fund are generally recorded with offsetting reserves, which are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfund Accounts Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfund Accounts Receivable of one fund are offset with Interfund Accounts Payable of the opposite fund. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Beach and Sewer utilities is required, by regulation, for inclusion on the Beach and Sewer Utility Operating Fund balance sheets. Annual charges in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

Fixed (Capital) Assets

General - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from GAAP, the Borough has developed a fixed asset accounting and reporting system. GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded.

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

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed (Capital) Assets (Continued)

General (Continued)

Acquisition of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record. Vehicles, furniture, equipment and other items are reflected at historical cost. Additions to the established fixed assets are valued at cost. Depreciation of assets is not recorded as an operating expense of the Borough.

Utilities - Capital acquisitions, including utility infrastructure costs of the Beach and Sewer Utilities, are recorded at cost upon purchase or project completion in the Fixed Capital account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include moveable fixed assets of the Utility but are not specifically identified and are considered as duplicated in the Capital Asset Group of Accounts. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

Fixed Capital of the Utilities are offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon fixed asset acquisition.

The Capital Assets Accounts reflected herein are recorded in the records of the municipality and do not necessarily reflect the true condition of such Fixed Capital. The records consist of a control account only.

Total Columns on Combined Statements - Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

D. Basic Financial Statements - The GASB Codification also defines the financial statements of a governmental unit be presented in the general-purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Other Accounting Standards

The Borough is currently reviewing the following for applicability and potential impact on the financial statements:

- GASB Statement No. 83. *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. The Borough does not expect this Statement to impact its financial statements.

- GASB Statement No. 84. *Fiduciary Activities*. This objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Borough does not expect this Statement to impact its financial statements.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

E. **Other Accounting Standards (Continued)**

- GASB Statement No. 87. *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Borough does not expect this Statement to impact its financial statements.

- GASB Statement No. 88. *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. The Borough does not expect this Statement to impact its financial statements.

- GASB Statement No. 89. *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encourage. The requirements of this Statement should be applied prospectively. The Borough does not expect this Statement to impact its financial statements.



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

E. **Other Accounting Standards (Continued)**

- *GASB Statement No. 90. Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Borough does not expect this Statement to impact its financial statements.

- *GASB Statement No. 91. Conduit Debt Obligations.* The primary objectives of this Statement are to provide 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.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The Borough does not expect this Statement to impact its financial statements.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

E. **Other Accounting Standards (Continued)**

- *GASB Statement 92. Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Effective Date: The requirements of this Statement are effective as follows:

(a) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

(b) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

(c) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

(d) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. Implementation has been postponed to June 15, 2021. The Borough does not expect this Statement to impact its financial statement.

- *GASB Statement 93. Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR).

Effective Date: The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021; per *GASB Statement No. 95* implementation has been delayed one year. Earlier application is encouraged. The Borough does not expect this Statement to impact its financial statement.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

E. **Other Accounting Standards (Continued)**

- *GASB Statement 94. Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 and all PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). Implementation has been postponed to June 15, 2021. The Borough does not expect this Statement to impact its financial statement.

- *GASB Statement 95. Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide 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 after June 15, 2019 and later; per *GASB Statement No. 95* implementation has been delayed one year.

Effective Date: The requirements of this Statement are effective immediately. The Borough does not expect this Statement to impact its financial statement.

- *GASB Statement 96. Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

E. **Other Accounting Standards (Continued)**

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Station..

- *GASB Statement 97. Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would performs; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Effective Date: The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

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

F. **Subsequent Events**

Management has reviewed and evaluated all events and transactions from December 31, 2019 through January 20, 2021 for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure except as disclosed in Note 6 (Subsequent Event - Improvement Authorizations and Bond Anticipation Notes).

Note 2. **CASH, CASH EQUIVALENTS AND INVESTMENTS**

A. **Cash and Cash Equivalents**

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 any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

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 that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required 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 capital 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 \$25,000,000.00.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

B. Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies.

C. Risk Category

As of December 31, 2019, the Borough had funds on deposit in checking and statement savings accounts. The amount of the Borough's Cash and Cash Equivalents on deposit as of December 31, 2019, was \$10,129,903.31. These funds constitute "deposits with financial institutions" as defined by GASB No. 3 as amended by GASB No. 40. There were no securities categorized as Investments as defined by GASB Statement No. 3 as amended by No. 40.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 3. **TAXES AND TAX TITLE LIENS RECEIVABLE**

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy for the current year is based on one-half of the prior year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency as billed prior to the end of the fiscal year. The penalty so fixed shall not exceed 6% of the amount of the delinquency with respect to each most recent fiscal year only. The resolution also sets a grace period of ten days before interest is calculated.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes became in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 3. **TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

**Comparative Schedule of Tax Rates (per \$100.00 of Assessed Valuation)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$ 1.266	\$ 1.384	\$ 1.414	\$ 1.398	\$ 1.396
Apportionment of Tax Rate:					
Municipal:					
Regular	0.481	0.542	0.570	0.571	0.569
Library	0.034	0.034	0.034	0.033	0.032
County:					
Regular	0.241	0.256	0.264	0.260	0.264
Open Space	0.028	0.029	0.016	0.015	0.014
Health	0.005	0.005	0.005	0.005	0.005
Local School	0.477	0.518	0.525	0.514	0.512

**Assessed Valuation (Net Taxable Value)**

<u>Year</u>	<u>Amount</u>
2019	\$ 1,336,939,000.00
2018	1,188,301,100.00
2017	1,149,597,400.00
2016	1,146,191,500.00
2015	1,131,026,920.00



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2019	\$ 17,007,625.36	\$ 16,742,911.29	98.44%
2018	16,602,049.28	16,367,712.08	98.59%
2017	16,285,302.99	16,082,693.51	98.76%
2016	16,055,773.10	15,899,783.52	99.03%
2015	15,810,619.46	15,641,002.73	98.93%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2019	\$ 2,254.42	\$ 336,127.41	\$ 338,381.83	1.98%
2018	1,928.43	234,337.20	236,265.63	1.20%
2017	1,928.47	193,569.16	195,497.63	1.20%
2016	1,754.55	149,682.14	151,436.69	0.94%
2015	1,578.41	169,436.44	171,014.85	1.08%

Note 4. UTILITY RECEIVABLES AND COLLECTIONS

Sewer Utility

The Borough operates a Sewer Utility for the benefit of its residents.

Comparison of Sewer Utility Levies and Collections

The Borough's Sewer Utility customers are billed quarterly based on a fixed per unit fee basis.

<u>Year</u>	<u>Levy</u>	<u>Cash Collections *</u>
2019	\$ 1,987,905.26	\$ 1,980,980.66
2018	1,996,615.38	2,007,338.98
2017	1,992,954.75	1,994,577.34
2016	1,987,011.37	2,009,189.26
2015	2,014,802.91	1,996,181.90

\* Cash collections include amounts that were levied in prior years.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 4. **UTILITY RECEIVABLES AND COLLECTIONS**

**Comparison of Sewer Utility Levies and Collections (Continued)**

Any unpaid levies are subject to the same provision as unpaid taxes under the provision of the New Jersey Statutes.

**Beach Utility**

The Borough operates a Beachfront Utility for the benefit of its residents and tourists visiting the Jersey Shore (Atlantic Ocean).

**Comparison of Beach Utility Collections**

The Borough regularly collects money for bathing badges, concession rentals, parking meters, and beach lockers.

<u>Year</u>	<u>Cash Collections</u>
2019	\$ 1,555,917.00
2018	1,650,703.51
2017	1,686,392.47
2016	1,842,532.15
2015	1,928,322.91

\* The Borough collected fees from a miniature golf course. In 2013, a concession lease agreement with Harris Miniature Golf Courses Inc. was created for the design and operation of a newly designed golf course. The lease includes ten (10) annual payments to be received by the Borough, for Shipwreck Island Mini Golf to continue operations. This lease bares no expenses to the Borough and the revenue is through Concession Rental fees.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 5. **FUND BALANCES APPROPRIATED**

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budget.

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Transferred to Current Fund as Revenue in Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>				
2019	\$ 1,851,968.65	\$ 897,000.00	\$ N/A	48.43%
2018	2,083,445.54	997,000.00	N/A	47.85%
2017	2,129,845.39	997,000.00	N/A	46.81%
2016	1,903,438.25	785,000.00	N/A	41.24%
2015	1,785,887.98	785,567.92	N/A	43.99%
<u>Beach Utility Operating Fund</u>				
2019	\$ 288,925.15	\$ 212,000.00	\$ None	73.38%
2018	182,375.30	168,164.00	None	92.21%
2017	189,081.15	163,557.00	None	86.50%
2016	483,466.42	401,966.00	None	83.14%
2015	538,419.04	348,749.95	None	64.77%
<u>Sewer Utility Operating Fund</u>				
2019	\$ 2,017,064.52	\$ 325,000.00	\$ 200,000.00	26.03%
2018	1,764,555.29	120,771.00	None	6.84%
2017	1,141,483.94	29,317.00	None	2.57%
2016	817,623.28	32,648.00	None	3.99%
2015	752,289.46	115,834.57	None	15.40%

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or as required by the issuance of bonds.

**Summary of Municipal Debt (Excluding Current and Operating Debt)**

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
Issued			
General:			
Bonds, Notes and Loans	\$ 3,793,381.59	\$ 3,708,112.04	\$ 3,902,414.22
Beach Utility:			
Bonds and Notes	1,559,000.00	1,865,000.00	1,850,000.00
Sewer Utility:			
Bonds and Notes	<u>985,000.00</u>	<u>1,055,000.00</u>	<u>1,085,000.00</u>
Net Debt Issued	<u>\$ 6,337,381.59</u>	<u>\$ 6,628,112.04</u>	<u>\$ 6,837,414.22</u>
Less Deductions:			
NJDOT Grant			
Ord.#16-05/18-18	<u>155,026.31</u>	<u>215,000.00</u>	<u>None</u>
Authorized but Not Issued			
General:			
Bonds and Notes	\$ 471,299.31	\$ 1,060,023.00	\$ 691,023.00
Beach Utility:			
Bonds and Notes	132,788.42	320,000.00	500,000.00
Sewer Utility:			
Bonds and Notes	<u>2,495,000.00</u>	<u>2,495,000.00</u>	<u>2,495,000.00</u>
Total Authorized but Not Issued	<u>\$ 3,099,087.73</u>	<u>\$ 3,875,023.00</u>	<u>\$ 3,686,023.00</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 9,281,443.01</u>	<u>\$ 10,503,135.04</u>	<u>\$ 10,523,437.22</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Summary of Statutory Debt Condition, Annual Debt Statement**

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of 0.310%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 638,000.00	\$ 638,000.00	None
Beach Utility	1,691,785.42	1,691,785.42	None
Sewer Utility	3,480,000.00	3,480,000.00	None
General	<u>4,264,680.90</u>	<u>155,026.31</u>	<u>\$ 4,109,654.59</u>
	<u>\$ 10,074,466.32</u>	<u>\$ 5,964,811.73</u>	<u>\$ 4,109,654.59</u>

Net Debt \$4,109,654.59 divided by Equalized Valuation basis per N.J.S. 40A:2-2 As Amended, \$1,326,375.83 equals 0.310%. The Annual Debt Statement has been filed.

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

3½% of Equalized Valuation Basis (Municipal)	\$ 46,423,152.41
Net Debt	<u>4,109,654.59</u>
Remaining Borrowing Power	<u>\$ 42,313,497.82</u>

**School Debt Deduction**

School debt is deductible up to the extent of 3.0% of the Average Equalized Assessed Valuation of real property for the Local School District.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. MUNICIPAL DEBT (CONTINUED)

Calculation of "Self-Liquidating Purpose", Beach Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents and Other Charges for the Year		\$ 2,087,813.30
Deductions:		
Operating and Maintenance Costs	\$ 1,631,213.00	
Debt Service	<u>253,588.75</u>	
Total Deductions		<u>1,884,801.75</u>
Excess in Revenue		\$ <u>203,011.55</u>

There being an excess in revenue for the beach utility, the fund was self-liquidating and therefore, for purposes of the annual debt statement and resultant net debt calculation, all the related debt is deductible.

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents and Other Charges for the Year		\$ 2,146,267.75
Deductions:		
Operating and Maintenance Costs	\$ 1,680,472.00	
Debt Service	<u>227,749.00</u>	
Total Deductions		<u>1,908,221.00</u>
Excess in Revenue		\$ <u>238,046.75</u>

There being an excess in revenue for the sewer utility, the fund was self-liquidating and therefore, for purposes of the annual debt statement and resultant net debt calculation, all the related debt is deductible.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Noncurrent (Long-Term) Debt**

As of December 31, 2019, the Borough's long-term debt is as follows:

**General Serial Bonds**

\$1,030,000.00 2014 Monmouth County Improvement Authority ("MCIA") General Improvement Bonds final installment due on December 1, 2030 with maturities ranging from \$55,000.00 and \$90,000.00 at interest rates ranging from 4.00% to 5.00%. \$ 785,000.00 \*

\$780,000.00 2014 MCIA - General Improvement (Library Improvement) Bonds final installment due on December 1, 2034 with maturities ranging from \$25,000.00 and \$50,000.00 at interest rates ranging from 3.25% to 5.00%. 575,000.00 \*

\$1,665,000.00 2016 MCIA Refunding Bonds final installment due on December 1, 2022 with maturities ranging from \$315,000.00 and \$360,000.00 at interest rate of 5.00%. 1,035,000.00 \*\*

\$ 2,395,000.00

**Beach Utility Capital Fund Serial Bonds**

\$1,525,000.00 2014 MCIA Beach Improvement Bonds final installment due on December 1, 2027 with maturities ranging from \$110,000.00 and \$155,000.00 at interest rate of 5.00%. \$ 1,045,000.00 \*

**Sewer Utility Capital Fund Serial Bonds**

\$820,000.00 2014 MCIA Sewer Improvement Bonds final installment due on December 1, 2034 with maturities ranging from \$30,000.00 and \$60,000.00 at interest rates ranging from 3.25% to 5.00%. 670,000.00 \*

\$ 4,110,000.00

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. MUNICIPAL DEBT (CONTINUED)

Noncurrent (Long-Term) Debt (Continued)

Redemption

- \* The 2014 Bonds are not subject to redemption prior to their final maturity.
- \*\* Optional Redemption – the Series 2016 Bonds maturing on or before December 1, 2025 shall not be subject to optional redemption prior to their respective maturity dates. The Series 2016 Bonds maturing on or after December 1, 2026 shall be subject to optional redemption prior to their respective maturity dates, on or after December 1, 2025 at the option of the MCIA, upon notice as herein described, either in whole or in part by lot within a single maturity from maturities selected by the MCIA, on any date, at a redemption price equal to 100% of the principal amount thereof (the "Redemption Price") and accrued interest thereon to the date of redemption.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for the Next Five (5) Years and Thereafter:

General Capital Fund			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 410,000.00	\$ 116,250.00	\$ 526,250.00
2021	435,000.00	96,550.00	531,550.00
2022	450,000.00	74,800.00	524,800.00
2023	95,000.00	52,300.00	147,300.00
2024	95,000.00	47,550.00	142,550.00
	<u>1,485,000.00</u>	<u>387,450.00</u>	<u>1,872,450.00</u>
2025	105,000.00	42,800.00	147,800.00
2026	110,000.00	37,550.00	147,550.00
2027	120,000.00	32,050.00	152,050.00
2028	120,000.00	26,050.00	146,050.00
2029	125,000.00	20,050.00	145,050.00
	<u>580,000.00</u>	<u>158,500.00</u>	<u>738,500.00</u>



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. MUNICIPAL DEBT (CONTINUED)

Noncurrent (Long-Term) Debt (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for the Next Five (5) Years and Thereafter: (Continued)

General Capital Fund (Continued)			
Year	Principal	Interest	Total
2030	\$ 135,000.00	\$ 13,800.00	148,800.00
2031	45,000.00	7,050.00	52,050.00
2032	50,000.00	5,250.00	55,250.00
2033	50,000.00	3,250.00	53,250.00
2034	50,000.00	1,625.00	51,625.00
	<u>330,000.00</u>	<u>30,975.00</u>	<u>360,975.00</u>
	\$ <u>2,395,000.00</u>	\$ <u>576,925.00</u>	\$ <u>2,971,925.00</u>

Beach Utility Capital Fund			
Year	Principal	Interest	Total
2020	\$ 110,000.00	\$ 51,150.00	\$ 161,150.00
2021	115,000.00	46,760.00	161,760.00
2022	120,000.00	41,000.00	161,000.00
2023	125,000.00	35,000.00	160,000.00
2024	135,000.00	28,750.00	163,750.00
	<u>605,000.00</u>	<u>202,660.00</u>	<u>807,660.00</u>
2025	140,000.00	22,000.00	162,000.00
2026	145,000.00	15,000.00	160,000.00
2027	155,000.00	7,750.00	162,750.00
	<u>440,000.00</u>	<u>44,750.00</u>	<u>484,750.00</u>
	\$ <u>1,045,000.00</u>	\$ <u>247,410.00</u>	\$ <u>1,292,410.00</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. MUNICIPAL DEBT (CONTINUED)

Noncurrent (Long-Term) Debt (Continued)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for the Next Five (5) Years and Thereafter: (Continued)

Sewer Utility Capital Fund			
Year	Principal	Interest	Total
2020	\$ 30,000.00	\$ 30,000.00	\$ 60,000.00
2021	30,000.00	28,800.00	58,800.00
2022	35,000.00	27,300.00	62,300.00
2023	35,000.00	25,550.00	60,550.00
2024	40,000.00	23,800.00	63,800.00
	<u>170,000.00</u>	<u>135,450.00</u>	<u>305,450.00</u>
2025	40,000.00	21,800.00	61,800.00
2026	40,000.00	19,800.00	59,800.00
2027	45,000.00	17,800.00	62,800.00
2028	45,000.00	15,550.00	60,550.00
2029	50,000.00	13,300.00	63,300.00
	<u>220,000.00</u>	<u>88,250.00</u>	<u>308,250.00</u>
2030	50,000.00	10,800.00	60,800.00
2031	55,000.00	8,300.00	63,300.00
2032	55,000.00	6,100.00	61,100.00
2033	60,000.00	3,900.00	63,900.00
2034	60,000.00	1,950.00	61,950.00
	<u>280,000.00</u>	<u>31,050.00</u>	<u>311,050.00</u>
	<u>\$ 670,000.00</u>	<u>\$ 254,750.00</u>	<u>\$ 924,750.00</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Noncurrent (Long-Term) Debt (Continued)**

**Schedule of Annual Debt Service for Principal and Interest for Bonded Debt for the Next Five (5) Years and Thereafter: (Continued)**

<u>Grand Total</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 550,000.00	\$ 197,400.00	\$ 747,400.00
2021	580,000.00	172,110.00	752,110.00
2022	605,000.00	143,100.00	748,100.00
2023	255,000.00	112,850.00	367,850.00
2024	270,000.00	100,100.00	370,100.00
	<u>2,260,000.00</u>	<u>725,560.00</u>	<u>2,985,560.00</u>
2025	285,000.00	86,600.00	371,600.00
2026	295,000.00	72,350.00	367,350.00
2027	320,000.00	57,600.00	377,600.00
2028	165,000.00	41,600.00	206,600.00
2029	175,000.00	33,350.00	208,350.00
	<u>1,240,000.00</u>	<u>291,500.00</u>	<u>1,531,500.00</u>
2030	185,000.00	24,600.00	209,600.00
2031	100,000.00	15,350.00	115,350.00
2032	105,000.00	11,350.00	116,350.00
2033	110,000.00	7,150.00	117,150.00
2034	110,000.00	3,575.00	113,575.00
	<u>610,000.00</u>	<u>62,025.00</u>	<u>672,025.00</u>
	<u>\$ 4,110,000.00</u>	<u>\$ 1,079,085.00</u>	<u>\$ 5,189,085.00</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Noncurrent (Long-Term) Debt (Continued)**

**Bond Anticipation Notes**

Outstanding Bond Anticipation Notes (BAN's) are summarized as follows:

	Original Issue Date	Interest Rate	Amount	Maturities	
				First	Final
<b><u>General Capital Fund</u></b>					
Ordinance 15-08	5/23/2016	2.14%	\$ 71,000.00	2019	2026
Ordinance 16-01	5/23/2016	2.14%	362,000.00	2019	2026
Ordinance 17-16	5/18/2018	2.14%	112,000.00	2021	2028
Ordinance 17-19/18-10	5/18/2018	2.14%	135,000.00	2021	2028
Ordinance 17-19/18-10	5/18/2019	2.14%	33,000.00	2022	2028
Ordinance 18-11	5/18/2019	2.14%	190,000.00	2022	2029
Ordinance 18-23	5/18/2019	2.14%	380,000.00	2022	2029
			<u>\$ 1,283,000.00</u>		
<b><u>Beach Capital Fund</u></b>					
Ordinance 16-02	5/23/2016	2.14%	\$ 460,000.00	2019	2026
Ordinance 17-13	5/18/2018	2.14%	54,000.00	2021	2028
			<u>\$ 514,000.00</u>		
<b><u>Sewer Capital Fund</u></b>					
Ordinance 17-11	5/22/2017	2.14%	\$ 315,000.00	2020	2027
			<u>315,000.00</u>		
			<u>\$ 2,112,000.00</u>		

**Subsequent Event:**

Subsequent to yearend the Borough issued BAN's in the amount of \$1,824,000, which consisted of budgeted pay down \$288,000, the BAN's will mature on March 15, 2021 at an interest rate of 2.14%.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Green Trust Loan – General Capital Fund**

The Borough has a \$400,000.00 loan from the State of New Jersey Department of Environmental Protection (NJDEP) for parks, playgrounds and recreational improvements at 2.00% interest with a final maturity on September 22, 2024. The semi-annual payments range from \$11,028.42 to \$12,061.63. Repayment for the next five (5) years is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 22,167.13	\$ 2,197.35	\$ 24,364.48
2021	22,612.68	1,751.79	24,364.47
2022	23,067.20	1,297.28	24,364.48
2023	23,530.85	833.63	24,364.48
2024	<u>24,003.83</u>	<u>240.04</u>	<u>24,243.87</u>
	\$ <u>115,381.69</u>	\$ <u>6,320.09</u>	\$ <u>121,701.78</u>

**Bonds and Notes Authorized but not Issued**

At December 31, 2019, the Borough of Bradley Beach has authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 471,299.31
Beach Utility Capital Fund	132,788.42
Sewer Utility Capital Fund	<u>2,495,000.00</u>
	\$ <u>3,099,087.73</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 6. **MUNICIPAL DEBT (CONTINUED)**

**Improvement Authorization**

Subsequent to yearend, the Borough adopted an Improvement Authorization in the amount of \$1,800,000.00 funded by \$285,000.00 of a NJDOT grant, bonds and notes authorized of \$1,425,000.00 and capital improvement fund of \$90,000.00

**Continuing Disclosure Requirement**

As a result of the issuance of General Obligation Bonds, the Borough is not obligated to comply with the Securities and Exchange Commission Rule 15c2-12 related to the Annual Continuing Disclosure Requirement.

**NJI-Bank Loan Sewer Utility Improvement**

The Borough is a participant in a Sewer Infrastructure Improvement Program (Improvement Authorization #17-11) in conjunction with the State of New Jersey DEP, a financing program provided by the New Jersey Infrastructure Bank ("NJIBank"). The loans are at net, favorable interest rates and funds are provided by the federal and state governments. The maximum amount is \$2,850,000.00. The closing on the loan(s) are expected to occur in the next few years and financing will be long term. Funds have been advanced in the amount of \$1,732,842.00.

Note 7. **LEASES**

**Monmouth County Improvement Borough (MCIA)** – The Borough entered into various equipment lease programs with MCIA. The leases are for various equipment that is owned by the MCIA and to which the Borough has a bargain purchase option at the end of the lease period in the amount of \$1.00.

**Operating Leases** – The Borough entered into lease agreements for various vehicles funded through the MCIA Capital Equipment and Improvement Revenue Bond Series 2011, Series 2013, Series 2015 and Series 2017.

The principal and interest are provided in the Current Fund Budget are as follows:

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 7. LEASES (CONTINUED)

Operating Leases (Continued)

Debt Service - MCIA

Year	2011		2013	
	Principal	Interest	Principal	Interest
2020	\$ 6,000.00	\$ 600.00	\$ 36,000.00	\$ 6,080.00
2021	6,000.00	300.00	37,000.00	4,640.00
2022			39,000.00	3,160.00
2023			40,000.00	1,600.00
	<u>\$ 12,000.00</u>	<u>\$ 900.00</u>	<u>\$ 152,000.00</u>	<u>\$ 15,480.00</u>

Year	2015		2017		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 41,000.00	\$ 4,520.00	\$ 34,000.00	\$ 5,670.00	\$ 117,000.00	\$ 16,870.00
2021	10,000.00	2,470.00	22,000.00	3,970.00	75,000.00	11,380.00
2022	11,000.00	1,970.00	22,000.00	2,870.00	72,000.00	8,000.00
2023	11,000.00	1,750.00	8,000.00	1,770.00	59,000.00	5,120.00
2024	12,000.00	1,200.00	8,000.00	1,570.00	20,000.00	2,770.00
	<u>85,000.00</u>	<u>11,910.00</u>	<u>94,000.00</u>	<u>15,850.00</u>	<u>343,000.00</u>	<u>44,140.00</u>
2025	12,000.00	600.00	8,000.00	1,170.00	20,000.00	1,770.00
2026			8,000.00	850.00	8,000.00	850.00
2027			9,000.00	450.00	9,000.00	450.00
	<u>12,000.00</u>	<u>600.00</u>	<u>25,000.00</u>	<u>2,470.00</u>	<u>37,000.00</u>	<u>3,070.00</u>
	<u>\$ 97,000.00</u>	<u>\$ 12,510.00</u>	<u>\$ 119,000.00</u>	<u>\$ 18,320.00</u>	<u>\$ 380,000.00</u>	<u>\$ 47,210.00</u>

Continuing Disclosure Requirements

As a result of the lease agreements with the Monmouth County Improvement Borough, the Borough is not obligated to comply with the Securities and Exchange Commission Rule 15c2-12.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 8. **LOCAL DISTRICT SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough raises its share of Local District School Taxes on a school year basis and has elected to defer these taxes as follows:

	Local District School Taxes Balance, December 31,		
	<u>2019</u>	<u>2018</u>	<u>Increase</u>
Balance of Tax	\$ 3,397,410.00	\$ 3,280,632.00	\$ 116,778.00
Deferred Portion	<u>2,576,184.00</u>	<u>2,576,184.00</u>	<u>-</u>
	<u>\$ 5,973,594.00</u>	<u>\$ 5,856,816.00</u>	<u>\$ 116,778.00</u>

Note 9. **DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2019 the following deferred charges are shown on Balance Sheets of various funds:

	<u>Balance, December 31, 2019</u>	<u>2020 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Beach Utility Capital Fund: Improvement Authorization #13-02	<u>\$ 3,299.25</u>	<u>None</u>	<u>\$ 3,299.25</u>

The appropriations in the 2018 budget are not less than that required by statute.

Subsequent to yearend as a result of the COVID-19 coronavirus pandemic, the Borough adopted a Special Emergency appropriation in the amount of \$115,000.00 to provide funds to support the extraordinary expenses. The amounts will be raised over the next five (5) years.



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS

Description of Systems

Substantially all of the Borough's full-time employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Pension Fund (PFRS).

Public Employees' Retirement System

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.nj.gov/treasury/pensions/financial-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, except for medical benefits, which vest after twenty-five (25) years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Description of Systems (Continued)

Public Employees' Retirement System (Continued)

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 tier 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 reach the service retirement age for the respective tier.

Police and Firemen's Retirement System

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

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Description of Systems (Continued)

Police and Firemen's Retirement System (Continued)

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service 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 of 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.

Contributions Required to be Made

The contribution policy for PERS is set by N.J.S.A. 43:15A and for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Employee contributions for 2019 were seven and 50/100th percent (7.50%) for PERS and 10% for PFRS of the employee's base wages. Employer's contributions are actuarially determined annually by the Division of Pensions.

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 an option for local employers of PERS and PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Contributions Required to be Made (Continued)

The Borough's contributions to the plan for the past three (3) years are as follows:

PERS

		PERS		
		2019	2018	2017
Covered Payroll	\$	1,513,519	\$ 1,225,981	\$ 1,370,290
Actuarial Contribution Requirements		179,798	186,418	194,851
Total Contributions Employer Share		179,798	186,418	194,851
Percent of Covered Employee - Payroll		11.88 %	15.21 %	14.22 %
Employee's Share		113,514	117,592	99,666
Percent of Covered Payroll		7.50 %	9.59 %	7.27 %

All contributions were equal to the required contributions for each of the three (3) years, respectively.

Due to the employee contribution percent changing July 1<sup>st</sup> of every year; the percent of covered payroll is an average of the first two quarters and the last two quarters of the year.

Pension (PERS) Accrual

The Borough is required to report on its financial statements on an "Other Comprehensive Basis of Accounting" (OCBOA) Regulatory Basis, which does not require an accrual for its obligations inclusive of pension. If the Borough were required to reflect the obligation under Generally Accepted Accounting Principles (GAAP) then an accrual for the PERS obligation due April 1, 2020 would be needed in the amount of \$218,922.00 since the obligation relates to the period December 31, 2018 and prior. The accrual (under GAAP) would affect the fund balance at yearend.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Contributions Required to be Made (Continued)

PFRS

	PFRS		
	2019	2018	2017
Covered Payroll	\$ 1,981,590	\$ 2,042,886	\$ 1,941,966
Actuarial Contribution Requirements	568,129	498,739	512,073
Total Contributions Employer Share	568,129	498,739	512,073
Percent of Covered Employee - Payroll	28.67 %	24.41 %	26.37 %
Employee's Share	198,159	204,383	194,197
Percent of Covered Payroll	10.00 %	10.00 %	10.00 %

All contributions were equal to the required contributions for each of the three (3) years, respectively.

Pension (PFRS) Accrual

The Borough is required to report on its financial statements on an "Other Comprehensive Basis of Accounting" (OCBOA) Regulatory Basis, which does not require an accrual for its obligations inclusive of pension. If the Borough were required to reflect the obligation under Generally Accepted Accounting Principles (GAAP) then an accrual for the PFRS obligation due April 1, 2020 would be needed in the amount of \$628,376.00 since the obligation relates to the period December 31, 2017 and prior. The accrual (under GAAP) would affect the fund balance at yearend.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2019 and June 30, 2018 Independent Auditor's Report dated June 5, 2020 and May 15, 2019 respectively.

The Borough's reported liability of \$4,055,331.00 and \$3,559,078.00 for its proportionate share of the net pension liability at December 31, 2019 and December 31, 2018 respectively. The net pension liability was measured as of June 30, 2019 and June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

	June 30, (Measurement Date)	
	<u>2019</u>	<u>2018</u>
Local Group Share	\$ 18,143,832,135	\$ 19,689,501,539
Borough Proportionate Percentage	0.0225065052 %	0.0180760200 %
Difference - Decrease	0.0044304852 %	

For the year ended December 31, 2019, the Borough's recognizable pension expense of \$86,768.00. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 404,940	\$ 1,407,592
Net difference between expected and actual experience	72,788	17,915
Net difference between projected and actual investment earnings on pension plan investment	-	64,015
Changes in proportion	902,769	493,570
Borough contributions subsequent to yearend	218,922	
Total	<u>\$ 1,599,419</u>	<u>\$ 1,983,092</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. **PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

The \$218,922.00 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Borough year ending December 31, 2019, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the Borough year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share is as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ (117,099)
2021	(379,868)
2022	(339,200)
2023	(159,272)
2024	(16,354)

**Additional Information:**

Collective (local employers) balances are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,476,736,226
Collective net pension liability	18,143,832,135	19,689,501,539
Collective pension expense	974,471,686	1,099,708,157
Borough's proportion (of Local Group)	0.0225065052 %	0.0180760200 %

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00 – 6.00% (based on years of service)
Thereafter	3.00 – 5.00% (based on years of service)
Investment Rate of Return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2000 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 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.



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term 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 real 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 Equivalent	5.00	2.00
U.S. Treasurer	5.00	2.68
Investment Grade Credit	10.00	4.25
High Yield	2.00	5.37
Real Estate	7.50	8.33
Real Assets	2.50	9.31
Private Credit	6.00	10.85
Private Equity	12.00	9.00
U.S. Equity	28.00	8.26
Non-U.S. Developed Markets Equity	12.50	9.01
Emerging Market Equities	<u>6.50</u>	11.37
	<u>100.00 %</u>	

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. **PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the 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 municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of The Collective Net Pension Liability to Changes in the Discount Rate.**

The following presents the collective net pension liability of the participating employers as of (*measurement dates*) June 30, 2019 and June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

December 31, 2019				
<u>[Measurement Date June 30, 2019]</u>				
	1% Decrease	At Current	Discount Rate	1% Increase
	<u>5.28%</u>		<u>6.28%</u>	<u>7.28%</u>
Borough's proportionate share				
of the pension liability	\$ 5,106,595	\$	4,055,331	\$ 3,155,764
December 31, 2018				
<u>[Measurement Date June 30, 2018]</u>				
	1% Decrease	At Current	Discount Rate	1% Increase
	<u>4.66%</u>		<u>5.66%</u>	<u>6.66%</u>
Borough's proportionate share				
of the pension liability	\$ 4,475,131	\$	3,559,078	\$ 2,790,569

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. **PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

**Pension Plan Fiduciary Net Position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS) or by visiting their website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Police and Firemen's Retirement System (PFRS)**

The information for PFRS was abstracted from State of New Jersey Police and Firemen's Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2019 and June 30, 2018 Independent Auditor's Report dated June 5, 2020 and May 15, 2019 respectively.

The Borough reported liability net of the Special Funding situation, is \$7,612,980.00 and \$7,863,492.00 for its proportionate share of the net pension liability at December 31, 2019 and December 31, 2018, respectively. The net pension liability was measured as of June 30, 2019 and June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

	June 30, (Measurement Date)	
	<u>2019</u>	<u>2018</u>
Local Group Share	\$ 14,170,193,618	\$ 13,531,648,591
Borough Proportionate Percentage	0.0622086336 %	0.0581118549 %
Difference - Increase	0.0040967787	

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. **PENSION PLANS (CONTINUED)**

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

For the year ended December 31, 2019, the Borough's recognizable pension expense was \$180,379.00. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Changes in assumptions	\$ 260,862	\$ 2,460,445
Net difference between expected and actual experience	64,263	48,199
Net difference between projected and actual investment earnings on pension plan investment	-	103,153
Changes in proportion	858,928	455,635
Borough contributions subsequent to yearend	<u>628,376</u>	<u>                    </u>
Total	<u>\$ 1,812,429</u>	<u>\$ 3,067,432</u>

The \$628,376.00 reported as deferred outflows of resources related to pensions resulting from entities contributions subsequent to the measurement date (i.e. for the Borough year ending December 31, 2018, the *plan measurement date* is June 30, 2018) will be recognized as a reduction of the net pension liability in the Borough year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense based on local share is as follows:

<u>Year Ended December 31.</u>	<u>Amount</u>
2020	\$ (399,115)
2021	(837,806)
2022	(593,342)
2023	(292,477)
2024	(163,931)

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

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

Additional Information:

Collective (local employers) balances are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$ 1,198,936,924	\$ 4,286,994,294
Collective deferred inflows of resources	\$ 4,874,748,912	\$ 1,988,215,695
Collective pension expense	1,325,963,796	1,270,762,352
Collective net pension liability		
Local Group	\$ 14,170,193,618	\$ 15,369,699,278
Less: Special Funding Situation (1)	1,932,374,825	1,838,050,687
	<u>\$ 12,237,818,793</u>	<u>\$ 13,531,648,591</u>
Borough's proportion (of Local Group)	0.0622086336 %	0.0581118549 %

(1) A *special funding situation* exists for the local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The State special funding situation net pension liability amount of \$1,838,050,687 and \$1,729,193,507 as of June 30, 2018 and June 30, 2017, respectively, are the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. Since the local employers do not contribute under this legislation directly to the plan (except for employer required contribution amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local employers related to this legislation. However, the notes to the financial statements of the local employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

	<u>State Proportionate Share</u> <u>Net Pension Liability</u> <u>Attributed to Borough</u>	<u>State Pension</u> <u>Expense Proportion</u>
June 30, 2019	\$ 1,202,104.00	\$ 139,675.00
June 30, 2018	1,068,125.00	125,618.00
June 30, 2017	974,461.00	119,199.00

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions:

Inflation:	
Police	2.75%
Wages	3.00%
Salary Increases:	
Through all Future Years	3.25 – 15.25% (based on years of services)
Investment Rate of Return	7.00%

Mortality Rates

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

Note 10. PENSION PLANS (CONTINUED)

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

Long-Term 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 real 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 Equivalent	5.00	2.00
U.S. Treasurer	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 Market Equities	6.50	11.37
Private Equity	<u>12.00</u>	10.85
	<u>100.00 %</u>	

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. PENSION PLANS (CONTINUED)

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

Discount Rate

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

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate.

The following presents the collective net pension liability inclusive of the Special Funding situation of the participating employers as of (*measurement dates*) June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

		December 31, 2019		
		<u>[Measurement Date June 30, 2018]</u>		
		1% Decrease	At Current	1% Increase
		<u>5.85%</u>	<u>Discount Rate</u>	<u>7.85%</u>
			<u>6.85%</u>	
Borough's proportionate share				
of the pension liability	\$ 10,289,604	\$ 7,612,980	\$ 5,397,187	
		December 31, 2018		
		<u>[Measurement Date June 30, 2018]</u>		
		1% Decrease	At Current	1% Increase
		<u>5.51%</u>	<u>Discount Rate</u>	<u>7.51%</u>
			<u>6.51%</u>	
Borough's proportionate share				
of the pension liability	\$ 11,953,861	\$ 7,863,442	\$ 6,438,816	



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 10. **PENSION PLANS (CONTINUED)**

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

**Pension Plan Fiduciary Net Position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System or by visiting their website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

Note 11. **POST EMPLOYMENT RETIREMENT BENEFITS**

In addition to the pension benefits described in Note 10, the Borough provides post retirement healthcare benefits for employees who retire with 25 years or more of service and their dependents. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the Borough plan becomes the secondary insurer.

**Plan Description – New Jersey State Health Benefits Program ("NJSHBP")**

The NJSHBP as of July 1, 2018 had "local employees" statewide of 66,213 active and 29,812 retired for a total of 96,025 members. The Borough at December 31, 2019 had 44 active and 24 retired employees for a total participation of 68.

The Borough contributes to the NJSHBP, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. NJSHBP 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. NJSHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The New Jersey State Health Benefits ("NJSHB") Commission is the executive body established by statute to be responsible for the operation of the NJSHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/health-benefits.shtml](http://www.state.nj.us/treasury/pensions/health-benefits.shtml).

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – New Jersey State Health Benefits Program ("NJSHBP")  
(Continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the state legislature. Participating local government units are contractually required to contribute at a rate assessed each year by the NJSHBP. The NJSHB Commission sets the employer contribution rate based on the annual required contribution of the employers (ARC) as established in an annual rate recommendation report.

The NJSHBP issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and the actuarial valuation. Those reports may be obtained by writing to the State of New Jersey Department of Treasury, Division of Pension and Benefits, 50 West State Street, Trenton, NJ 08625-0299 or on the State of New Jersey website.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The NJSHB Commission sets the employer contribution rate based on the annual required contribution (ARC) of the employers as established in an annual rate recommendation report.

Contributions to pay for the health premiums of participating retirees in the NJSHBP are billed to the Borough on a monthly basis. The number of employees covered and approximate cost for the past three years were as follows:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2019	24	\$ 347,097.36
2018	25	326,314.26
2017	25	517,282.46

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, refer to the State of New Jersey, Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – New Jersey State Health Benefits Program ("NJSHBP")  
(Continued)

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.

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.

GASB Statement No. 75 requires participating employers in the plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. 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.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – New Jersey State Health Benefits Program ("NJSHBP")  
(Continued)

The portion of the OPEB Liability that was associated with the Borough recognized is as follows:

<u>December 31 [Measurement Date]</u>	
<u>2019</u>	<u>2018</u>
\$ 6,177,550.00	\$ 8,168,888.00

The proportion of the PERS Net OPEB Liability associated with the Borough's liability is as follows:

<u>December 31 [Measurement Date]</u>	
<u>2019</u>	<u>2018</u>
0.045604 %	0.052142 %

Total Nonemployer OPEB Liability

The total nonemployer 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%
<u>PERS:</u>	<u>(based on age)</u>
Salary increases:	
through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
<u>PFRS:</u>	
Police and Firemen's Retirement	
System Rate for Future Years	3.25% - 15.25%

Mortality: PERS – Preretirement mortality rates were based on Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Mortality: PFRS – Post-retirement mortality rates were based on Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11    **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

**Total Nonemployer OPEB Liability (Continued)**

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

**Health Care Trend Assumptions**

For pre-Medicare medical benefits, the trend 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% and decreases to a 4.5% long-term trend rate after eight years.

**Discount Rate**

The discount rate for June 30, 2019 and June 30, 2018 were 3.50% and 3.87%, respectively. 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.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

**Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate**

The following represents the total nonemployer OPEB liability as of June 30, 2019 and June 30, 2018, calculated using the discount rate as disclosed above as well as what the total nonemployer 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:

<u>June 30, 2019 [Measurement Date]</u>		
<u>At 1% Decrease (1.00%)</u>	<u>At Discount Rate (3.50%)</u>	<u>At 1% Increase (1.00%)</u>
\$ 7,142,819	\$ 6,177,550	\$ 5,393,140

<u>June 30, 2018 [Measurement Date]</u>		
<u>At 1% Decrease (2.87%)</u>	<u>At Discount Rate (3.87%)</u>	<u>At 1% Increase (4.87%)</u>
\$ 9,584,266	\$ 8,168,888	\$ 7,038,322

**Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate**

The following represents the total nonemployer OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the total nonemployer 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>June 30, 2019 [Measurement Date]</u>		
<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 5,213,091	\$ 6,177,550	\$ 7,407,880

<u>June 30, 2018 [Measurement Date]</u>		
<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 6,814,162	\$ 8,168,888	\$ 9,922,104

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2014.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

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

For the year ended June 30, 2019, the Borough recognized OPEB benefit of \$167,017.00 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

The following table illustrates the Deferred Inflows and Outflows as of June 30, 2019 under GASB 75 prior to any reduction due to the Fiscal Year 2020 amortizations.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	\$ 5,089	
Difference between Expected and Actual Expenses		\$ 1,806,556
Changes in Assumptions		2,189,186
Changes in Proportion	<u>920,236</u>	<u>1,687,574</u>
Sub-total	<u>\$ 925,325</u>	<u>\$ 5,683,316</u>

Amount recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

**Measurement Period Ending June 30,**

2020	\$ (649,949)
2021	(649,949)
2022	(650,348)
2023	(650,993)
2024	(651,582)
Total Thereafter	(737,834)

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

**Additional Information**

Collective balances of the Local Retirement Group are as follows:

	<u>June 30, [Measurement Date]</u>	
	<u>2019</u>	<u>2018</u>
Deferred outflows of resources	\$ 2,410,248,763	\$ 1,943,490,463
Deferred inflows of resources	7,456,321,741	5,841,224,248
Net OPEB liability	8,020,352,361	9,452,773,649
Total expenses (benefit) - non-employer	(53,011,396)	421,637,696
Borough proportionate percentage	0.045604000 %	0.052142000 %

Shown below are details regarding the Collective (Total) OPEB Liability for the measurement period:

	<u>[Measurement Date]</u>	
	<u>2019</u>	<u>2018</u>
	<u>Total OPEB Liability</u>	
Balance as of June 30,	\$ 15,981,103,227	\$ 20,629,044,656
Changes Recognized for the Fiscal Year:		
Service Cost	\$ 666,574,660	\$ 896,235,148
Interest on the Total OPEB Liability	636,082,461	764,082,232
Changes of Assumptions	(1,635,760,217)	(2,314,240,675)
Change in Benefit Term	(1,903,958)	
Difference between Expected and Actual Expenses	(1,399,921,930)	(3,626,384,047)
Gross Benefit Payments	(470,179,613)	(421,621,253)
Contributions from the Member	43,249,952	53,987,166
Net Changes	\$ (2,161,858,645)	\$ (4,647,941,429)
Balance as of June 30	<u>\$ 13,819,244,582</u>	<u>\$ 15,981,103,227</u>



**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

**Additional Information (Continued)**

Changes of assumptions and other inputs reflect a change in the discount rate to 3.50% in 2019 from 3.87% in 2018. The component of the Net OPEB Collective (Total) Liability is as follows:

	<i>Measurement Date</i>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 13,819,244,582	\$ 15,981,103,227
Plan Fiduciary Net Position	<u>273,182,482</u>	<u>314,485,086</u>
Net OPEB Liability	\$ <u>13,546,062,100</u>	\$ <u>15,666,618,141</u>
Net Position as a Percentage of OPEB Liability	2.00%	1.97%
Special Funding Situation	\$ 5,525,718,739	\$ 6,213,844,492
Non-special Funding Situation	<u>8,293,525,843</u>	<u>9,767,258,735</u>
	\$ <u>13,819,244,582</u>	\$ <u>15,981,103,227</u>

**Other**

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the Borough. The reporting of these benefits are the responsibility of the individual local Borough. The Borough provides Chapter 88 Reimbursement to retirees for the share of Medicare premiums that are withheld from the social security benefits. Amounts paid for the prior three years are as follow:

<u>Year</u>	<u>Number of Employees</u>	<u>Amount</u>
2019	7	\$ 16,917.60
2018	12	15,142.80
2017	11	13,217.80

Employees of which there are fourteen (14) other that will become eligible when they attain Social Security retirement age will also receive the benefits.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Special Funding Situation – PFRS

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 direction 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.

The Borough has the following attributed to it related to the Special Funding Situation:

<u>December 31,</u>	<u># of</u>	<u>Percent of</u>	<u>State</u>	<u>Expense and</u>
	<u>Employees</u>	<u>Total State</u>	<u>Proportionate</u>	<u>Related Revenue</u>
		<u>Liability</u>	<u>Share of Net</u>	<u>Attributed</u>
			<u>OPEB Liability</u>	<u>to Borough</u>
2019	16	0.053670 %	\$ 2,965,653	\$ 39,310
2018	18	0.063345	3,936,160	119,152
2017	18	0.064667	5,623,063	402,421

Note 12. **RISK MANAGEMENT**

Property and Liability Insurance

The Borough together with other governmental units is a member of the Monmouth County Municipal Joint Insurance Fund ("JIF"). The JIF, which is organized and operated pursuant to the regulatory Borough of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. In addition, the JIF has obtained cost effective reinsurance and excess liability coverages for participant local units.

For the year ending December 31, 2019, the Fund provided the following types of coverages: Auto, General Liability, Workmen's Compensation, Property, Public Officials Liability, Boiler and Public Official Surety/Dishonesty coverage.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 12. **RISK MANAGEMENT (CONTINUED)**

**Property and Liability Insurance (Continued)**

The Borough has contracted with the JIF for coverage and is subject to certain policy limits. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees.

**New Jersey Unemployment Compensation Insurance**

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and prior two years:

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Interest</u> <u>Earned</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 37,619.37	\$ 0.00	\$ 12,165.19	\$ 228,103.80
2018	60,168.54	0.00	33,425.52	202,649.62
2017	35,000.00	15.52	10,330.39	175,906.60

Note 13. **INTERFUNDS RECEIVABLE AND PAYABLE**

Interfunds receivable and payable balances at December 31, 2019 were as follows:

<u>Fund</u>	<u>Interfunds</u> <u>Receivable</u>	<u>Interfunds</u> <u>Payable</u>
Current	\$ 83,942.60	\$ 52,687.64
Grant	12,687.34	
Payroll Trust		17,446.44
Sewer Utility Operating	40,000.00	
Beach Utility Operating		66,495.86
	<u>\$ 136,629.94</u>	<u>\$ 136,629.94</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

**Note 14. SEGMENT INFORMATION FOR UTILITY OPERATING ENTERPRISE FUNDS**

The Borough of Bradley Beach maintains enterprise funds that provides sewer to the residents and businesses of the Borough; and the luxuries of a beach town to the residents and tourists visiting the Jersey Shore. Segment information for the year ended December 31, 2019 is as follows:

	<u>Beach Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise (Utility) Fund</u>
Revenue and Other Income Realized:			
Operating Fund Balance Appropriated	\$ 168,164.00	\$ 120,771.00	\$ 288,935.00
Rents	1,814,623.61	1,980,980.66	3,795,604.27
Miscellaneous	<u>82,000.00</u>	<u>                    </u>	<u>82,000.00</u>
Budget Revenue Totals	2,064,787.61	2,101,751.66	4,166,539.27
Other Credits to Income:			
Nonbudget Revenue	23,025.69	44,516.09	67,541.78
Other Credits to Income	<u>73,939.55</u>	<u>229,233.48</u>	<u>303,173.03</u>
Total Revenues	<u>\$ 2,161,752.85</u>	<u>\$ 2,375,501.23</u>	<u>\$ 4,537,254.08</u>
Expenditures:			
Operating	\$ 1,550,213.00	1,592,826.00	\$ 3,143,039.00
Capital Improvements		94,000.00	94,000.00
Debt Service	255,826.00	227,749.00	483,575.00
Deferred Charges and Statutory Expenditures	<u>81,000.00</u>	<u>87,646.00</u>	<u>168,646.00</u>
Total Expenditures	<u>\$ 1,887,039.00</u>	<u>\$ 2,002,221.00</u>	<u>\$ 3,889,260.00</u>
Excess in Revenue	<u>\$ 274,713.85</u>	<u>\$ 373,280.23</u>	<u>\$ 647,994.08</u>
Statutory Excess in Revenue	\$ 274,713.85	\$ 373,280.23	\$ 647,994.08
Fund Balance, January 1	<u>182,375.30</u>	<u>1,764,555.29</u>	<u>1,946,930.59</u>
	<u>\$ 457,089.15</u>	<u>\$ 2,137,835.52</u>	<u>\$ 2,594,924.67</u>
Decreased by:			
Utilization as Anticipated Revenue	<u>\$ 168,164.00</u>	<u>\$ 120,771.00</u>	<u>\$ 288,935.00</u>
Fund Balance, December 31	<u>\$ 288,925.15</u>	<u>\$ 2,017,064.52</u>	<u>\$ 2,305,989.67</u>

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 15. **DEFERRED COMPENSATION PLAN**

The Borough of Bradley Beach offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The Plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" modified several provisions of Section 457 of the Internal Revenue Code. The most significant change in the law related to the ownership of the fund. The Deferred Compensation Plan is administered by the Public Employees Benefits Service Company (PEBSCO).

Note 16. **SERVICE AGREEMENT AND REQUIRED RESERVE**

In accordance with the service agreement with the Township of Neptune Sewerage Borough (the "TNSA"), which the Borough assumed in its creation by the Township of Neptune, the Borough remits an additional 2% of its annual obligation to the TNSA. This additional 2% is a reserve held and invested by the TNSA on behalf of the Borough. The 2% reserve payments will be made to the TNSA until the required minimum balance is equal to the next two quarterly payments due to the TNSA.

The total sewer rent reserve increased by interest earned of \$9,864.27, additional excess reserve funded of \$3,500.00 resulting in a total reserve balance at December 31, 2019 to \$400,721.82 which is in the 2019 requirement.

The Rent Reserve on deposit at TNSA is not under the Borough's control nor is the reserve an asset of the Borough and, therefore, is not included on the Borough's Balance Sheet.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 17. CONTINGENT LIABILITIES

A. Accrued Sick Pay

The Borough of Bradley Beach has policies for employees depending on the department and level that they work for are to be compensated for vested rights in unused sick time at retirement. In some cases the sick pay buyout is subject to a maximum amount, depending on the collective bargaining agreement or Borough ordinance. In other cases depending on date of hire the buyout is unlimited.

The gross potential accrued sick pay liability as of December 31, 2019 for all Borough employees, based on data on file in the Finance Office, is \$1,298,148.60. This amount is not an immediate liability and the likelihood of this amount becoming due and payable at any time in the near future is remote. However, the potential exists that the Borough may have, in the event that an employee is out of work on an extended illness and because of the nature of their position, to temporarily replace the employee, which could result ultimately in additional cost to the Borough. The various funds contain reserves as follows:

<u>Fund</u>	<u>Reserve Balance</u> <u>December 31, 2019</u>
Current	\$ 73,825.44
Beach	20,000.00
Sewer	50,000.00
	<u>\$ 143,825.44</u>

B. New Jersey State Health Benefits

The Borough is a participant in the New Jersey State Health Benefits Plan (the Plan) for medical coverage for its employees and their families. In 1992, the Plan allowed participating municipalities the option to defer one month's premium payment until such time when the municipality elected to terminate the Plan coverage. The Borough of Spotswood elected to defer the one-month payment and did not provide for twelve payments in the 1992 Municipal Budget. The deferred payment represents a contingent liability of the Borough. The Borough has not terminated its plan coverage as of the date of this report.

C. Litigation

There are no matters of litigation that would, in the result of an adverse outcome, have a material impact on the financial condition of the Borough.

**BOROUGH OF BRADLEY BEACH**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

Note 17. CONTINGENT LIABILITIES (CONTINUED)

D. Grants

The Borough of Bradley Beach participates in federally, state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

E. Reserve for State Tax Appeals

The Borough has a Reserve for State Tax Appeals at December 31, 2019 of \$18,000.00 which represents an estimate for several tax appeals that are pending for 2019. In the event the appeals are awarded in excess of that amount, then a charge to Fund Balance/(Operations) will be needed.

F. Length of Service Award Program (LOSAP)

On November 3, 2020, the voters of the Borough approved a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The maximum amount of annual funds approved are \$15,000.00, which will be provided for in subsequent year's budgets.

Note 18. SUBSEQUENT EVENT: COVID-19 CORONAVIRUS PANDEMIC

The COVID-19 Coronavirus outbreak in the United States has caused the Governor of the State of New Jersey to mandate closures and a curfew for all nonessential citizens and businesses. The management of the Borough (which is essential) has evaluated the impact of the situation and has determined that overall there is no adverse impact on its December 31, 2019 financial statements (*audited*). Financial impact in 2020 is uncertain at this time. A significant portion of the revenue to support Borough operations is taxation; however, the outcome is uncertain at this time. It is not known at this time if there are any federal or state funds available for impact relief.

**APPENDIX D**

**PROPOSED FORM OF BOND COUNSEL OPINION**





A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
Riverview Plaza  
10 Highway 35  
Red Bank, NJ 07701-5902  
732-268-8000  
FAX 732-345-8420

May \_\_, 2021

Mayor and Borough Council  
of the Borough of Bradley Beach  
Bradley Beach, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$4,330,000 aggregate principal amount of General Obligation Bonds, Series 2021, consisting of \$3,321,000 General Improvement Bonds, Series 2021A, \$734,000 Beach Utility Bonds, Series 2021B, and \$275,000 Sewer Utility Bonds, Series 2021C (collectively, the "Bonds") of the Borough of Bradley Beach, in the County of Monmouth (the "Borough"), a body politic and corporate of the State of New Jersey.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council and published and approved as required by law, and by a resolution duly adopted by the Borough Council on March 23, 2021.

The Bonds are being issued to (i) provide for the current refunding of a \$3,224,000 portion of Bond Anticipation Notes of the Borough issued in the aggregate amount of \$3,224,000 on March 12, 2021 and maturing on May 12, 2021; (ii) permanently finance various capital improvements of the Borough in the amount of \$1,106,000; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first day of May and November (each an "Interest Payment Date"), commencing November 1, 2021, in each year until maturity or prior redemption,

as applicable. The Bonds shall mature on May 1 in each of the years, in the principal amounts and at the interest rates as follows:

General Improvement Bonds, Series 2021A

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2022	\$225,000		2028	\$280,000	
2023	235,000		2029	290,000	
2024	245,000		2030	300,000	
2025	250,000		2031	310,000	
2026	260,000		2032	320,000	
2027	270,000		2033	336,000	

Beach Utility Bonds, Series 2021B

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2022	\$50,000		2027	\$75,000	
2023	55,000		2028	80,000	
2024	60,000		2029	85,000	
2025	65,000		2030	94,000	
2026	70,000		2031	100,000	

Sewer Utility Bonds, Series 2021C

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2022	\$15,000		2028	\$30,000	
2023	15,000		2029	30,000	
2024	20,000		2030	30,000	
2025	25,000		2031	30,000	
2026	25,000		2032	30,000	
2027	25,000				

The Bonds are subject to optional redemption prior to their stated maturities.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, and (iii) the Borough has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Borough will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the Borough with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined one of each of the Bonds, as executed by the Borough, and, in our opinion, the form of such Bond and its execution are regular and proper.

Mayor and Borough Council  
of the Borough of Bradley Beach  
May \_\_, 2021  
Page 4

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

## FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of May \_\_, 2021 (the "Disclosure Certificate") is executed and delivered by the Borough of Bradley Beach, in the County of Monmouth, State of New Jersey (the "Borough" or the "Issuer") in connection with the issuance of its \$4,330,000 aggregate principal amount of General Obligation Bonds, Series 2021, consisting of \$3,321,000 General Improvement Bonds, Series 2021A, \$734,000 Beach Utility Bonds, Series 2021B, and \$275,000 Sewer Utility Bonds, Series 2021C (collectively, the "Bonds"), all such Bonds being dated \_\_, 2021. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Borough Council and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the Borough Council on March 23, 2021. The Borough covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borough for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The Borough acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Borough pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

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

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The Borough or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final

official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The Borough shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2020, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Borough may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Borough are not available by September 1 of each year, the Borough shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Borough, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Borough.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2020, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the Borough does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Borough (if the Dissemination Agent is not the Borough).

(d) Each year the Dissemination Agent shall file a report with the Borough (if the Dissemination Agent is not the Borough), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the Borough changes, the Borough shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Borough, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. (a) The Borough's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Borough (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. Certain financial information and operating data of the Borough consisting of (i) the Borough's indebtedness, (ii) the Borough's most current adopted budget, (iii) the Borough's property valuation information, and (iv) the Borough's tax rate, levy and collection data, as applicable.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borough is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borough shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;



5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the Borough;
13. The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The Borough shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the Borough may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Borough has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the Borough shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the Borough (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Borough is not the Dissemination Agent) and the Borough shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Borough determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Borough) and the Dissemination Agent (if the Dissemination Agent is not the Borough) shall be instructed by the Borough not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the Borough (if the Dissemination Agent is not the Borough). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Borough's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an "Obligated Person" (as defined in the Rule). The Borough shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the

Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Borough has previously entered into continuing disclosure undertakings under the Rule with respect to its own obligations. The Borough appointed NW Financial Group, LLC, Hoboken, New Jersey in January of 2021 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

SECTION 8. Dissemination Agent; Compensation. The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Borough. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borough may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Borough to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Borough, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The Borough shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borough shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of

the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Borough shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borough to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Borough to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Borough agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Borough) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Borough further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Borough under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borough, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Borough

Ms. Sandra Rice  
Chief Financial Officer  
Borough of Bradley Beach  
701 Main Street  
Bradley Beach, New Jersey 07720

(b) Copies of all notices to the Dissemination Agent from  
time to time with respect to the Bonds:

initially: Ms. Sandra Rice  
Chief Financial Officer  
Borough of Bradley Beach  
701 Main Street  
Bradley Beach, New Jersey 07720

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Borough and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Borough and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

**BOROUGH OF BRADLEY BEACH**

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**SANDRA RICE,**  
**Chief Financial Officer**

**Acknowledged and Accepted by:**  
**DISSEMINATION AGENT**

**N/A**  

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**AUTHORIZED SIGNATORY**

## EXHIBIT A

### NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Bradley Beach, in the County of Monmouth,  
State of New Jersey

Name of Bond Issue: \$4,330,000 aggregate principal amount of General Obligation  
Bonds, Series 2021, consisting of \$3,321,000 General  
Improvement Bonds, Series 2021A, \$734,000 Beach Utility  
Bonds, Series 2021B, and \$275,000 Sewer Utility Bonds,  
Series 2021C (collectively, the "Bonds")  
Dated May \_\_, 2021  
(CUSIP Number \_\_\_\_\_)

Date of Issuance: May \_\_, 2021

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an  
Annual Report with respect to the above-named Bonds as required by the Bond  
Resolution and a Continuing Disclosure Certificate dated as of May \_\_, 2021 executed by  
the Borough.

DATED: \_\_\_\_\_

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DISSEMINATION AGENT  
(on behalf of the Borough)

cc: Borough of Bradley Beach