Report of Audit

on the

Financial Statements
and Supplementary Schedules

of the

Borough of Island Heights

in the

County of Ocean
New Jersey

for the

Year Ended
December 31, 2025

BOROUGH OF ISLAND HEIGHTS

INDEX

BOROUGH OF ISLAND HEIGHTS

INDEX (CONTINUED)

BOROUGH OF ISLAND HEIGHTS

PART I

INDEPENDENT AUDITOR'S REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES AND DATA

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

FINANCIAL STATEMENTS - REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2025

Basis for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the regulatory financial statements in accordance with the regulatory basis of accounting prescribed by the Division, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the regulatory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Prior Period Financial Statements

The financial statements of the Borough as of December 31, 2024, were audited by other auditors whose report dated July 18, 2025, expressed an adverse opinion on the financial statements as to the conformity of the financial statements with accounting principles generally accepted in the United State of America and an unmodified opinion on those financial statements in accordance with the basis of financial reporting prescribed by the division.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's 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 Borough's internal control over financial reporting and compliance.

Suplee Clooney & Company

CERTIFIED PUBLIC ACCOUNTANTS

Robert W Swisher

REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 26, 2026

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 Borough's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

Suplee, Clooney & Company

CERTIFIED PUBLIC ACCOUNTANTS

REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 26, 2026

CURRENT FUND

"A"
SHEET #2

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2025	BALANCE DECEMBER 31, 2024
LIABILITIES, RESERVES AND FUND BALANCE			
Current Fund:			
Appropriation Reserves	A-3:A-10	$ 207,814.93	$ 122,874.41
Due to State of New Jersey Other	A-11	3,641.00	5,790.00
Tax Overpayments	A-12	20,573.89	11,452.68
Prepaid Taxes	A-13	70,695.44	59,047.45
Due County - Added and Omitted Taxes	A-14	14,552.96	10,244.01
Local District School Tax Payable	A-15	140,430.00	115,368.00
Regional School District Tax Payable	A-16	114,804.69	20,405.49
Prepaid Revenue	A-17	920.00	1,140.00
Accounts Payable	A-18	10,270.19	5,014.23
Interfunds Payable	A-19	82,040.89	95,834.39
Miscellaneous Reserves	A-20	95,828.18	99,033.64
Reserve for Encumbrances	A-21	116,316.65	154,534.00
		877,888.82	700,738.30
Reserve for Receivables		625,198.95	162,116.82
Fund Balance	A-1	359,232.95	1,094,535.34
		1,862,320.72	1,957,390.46
Federal and State Grant Fund:			
Reserve for Encumbrances	A-21	9,126.50	8,464.05
Grants - Appropriated	A-24	90,287.33	189,047.28
		99,413.83	197,511.33
		$ 1,961,734.55	$ 2,154,901.79

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

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2025	YEAR ENDED DECEMBER 31, 2024
EXPENDITURES (CONTINUED)			
Excess/(Deficit) in Revenue		$ 68,197.61	$ 897,689.68
Fund Balance, January 1	A	1,094,535.34	1,000,345.66
		1,162,732.95	1,898,035.34
Decreased by:			
Utilized as Anticipated Revenue	A-1	803,500.00	803,500.00
Fund Balance, December 31	A	$ 359,232.95	$ 1,094,535.34

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

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

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

	REF.		
ANALYSIS OF REALIZED REVENUE			
AMOUNT TO BE RAISED BY TAXATION FOR SUPPORT OF MUNICIPAL BUDGET			
Current Tax Collections	A-1:A-6	$	8,512,285.22
Appropriation "Reserve for Uncollected Taxes"	A-3		157,424.94
			8,669,710.16
Less: Allocated to School and County Taxes	A-6		6,434,472.36
	A-2	$	2,235,237.80
RECEIPTS FROM DELINQUENT TAXES			
Delinquent Tax Collections	A-6	$	129,446.64
	A-1:A-2	$	129,446.64
MISCELLANEOUS REVENUES			
Revenue Accounts Receivable	A-9	$	618,103.29
Special Law Enforcement Officer - Island Heights BOE Current Year Receivable ($17,970.48-$5,938.92)	A-9		12,031.56
Prepaid Revenue Applied	A-17		1,140.00
Interfund - Federal and State Grant Fund	A-19		8,459.75
	A-1:A-2	$	639,734.60
ANALYSIS OF NON-BUDGET REVENUE			
Bail Forfeiture		$	1,220.00
Board of Education Snow Removal Agreement			3,000.00
Borough Facilities Property Rental			800.00
Election Polling Place Reimbursement			400.00
Kiwanis Donation			1,144.00
Police Special Duty Administrative Fees			14,640.00
Property Owners List			70.00
Rebates and Reimbursements			452.22
Recycling Revenue Sharing			1,466.20
Sailfest Proceeds			2,720.00
Seniors & Veterans Deduction Administrative Fee			191.96
State Fire Rebate			1,829.75
Trash Receptacle Purchase			1,400.00
Unclassified			226.12
	A-1:A-2:A-4	$	29,560.25

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

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

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

OPERATIONS WITHIN CAPS (CONTINUED)	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
Insurance						
General Liability Insurance	$ 56,048.00	$ 56,548.00	$ 56,548.00	$	$	$
Worker Compensation	79,496.00	79,496.00	79,496.00			
Employee Group Insurance	308,000.00	298,000.00	274,984.70		23,015.30	
Health Benefit Waiver	8,000.00	12,000.00	11,687.32		312.68	
Public Safety Functions						
Police						
Salaries and Wages	703,341.00	703,341.00	679,908.80		23,432.20	
Other Expenses	68,500.00	68,500.00	41,780.34	15,556.15	11,163.51	
Medical Testing	1,500.00	1,500.00	523.50	100.00	876.50	
Emergency Management						
Salaries and Wages	3,150.00	3,150.00	3,150.00			
Other Expenses	5,500.00	5,500.00	2,529.17	1,351.00	1,619.83	
Volunteer Fire Company						
Other Expenses	5,000.00	5,000.00	840.00	4,020.00	140.00	
Contribution	80,000.00	80,000.00	60,000.00	20,000.00		
Volunteer First Aid Squad Company						
Other Expenses	1,000.00	813.00		39.73	773.27	
Contribution	5,000.00	9,000.00		9,000.00		
Municipal Prosecutor						
Other Expenses	7,500.00	7,500.00	5,250.00	750.00	1,500.00	
Municipal Court						
Salaries and Wages	28,384.00	26,084.00	22,850.37		3,233.63	
Other Expenses	2,500.00	2,800.00	2,636.38	44.10	119.52	
Public Defender						
Other Expenses	2,000.00	2,000.00			2,000.00	
Public Works Functions						
Public Buildings and Grounds						
Salaries and Wages	222,502.00	232,502.00	231,031.85		1,470.15	
Other Expenses	88,000.00	84,000.00	56,273.69	22,145.16	5,581.15	
Snow Removal						
Salaries and Wages	9,000.00	9,000.00			9,000.00	
Other Expenses	9,000.00	9,000.00		1,500.00	7,500.00	
Shade Tree						
Other Expenses	2,500.00	2,500.00			2,500.00	
Solid Waste Collection						
Contractual	25,000.00	25,000.00	16,289.26	8,689.25	21.49	
Other Expenses	75,000.00	70,800.00	65,547.21	5,000.00	252.79	

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

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

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

	APPROPRIATED		EXPENDED			UNEXPENDED
OPERATIONS WITHIN CAPS (CONTINUED)	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELED
Unclassified						
Gasoline	$ 20,000.00	$ 20,000.00	$ 16,696.62	$	$ 3,303.38	$
Electricity	36,000.00	36,000.00	27,253.91		8,746.09	
Telephone	20,000.00	25,000.00	24,884.25		115.75	
Natural Gas	20,000.00	21,500.00	21,252.24		247.76	
Street Lighting	21,000.00	21,000.00	20,999.19		.81	
Other Common Operating						
Deferred Sick Time	2,000.00	2,000.00			2,000.00	
Total Operations within Caps	2,505,961.06	2,505,274.06	2,194,515.20	116,316.65	194,442.21	
Detail:						
Salaries and Wages	1,276,347.00	1,298,747.00	1,251,380.11		47,366.89	
Other Expenses	1,229,614.06	1,206,527.06	943,135.09	116,316.65	147,075.32	
DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN CAPS						
Statutory Expenditures						
Contribution to:						
Public Employees Retirement System	32,037.00	32,037.00	32,037.00			
Social Security System (O.A.S.I.)	102,000.00	102,500.00	102,497.25		2.75	
Police & Firemen's Retirement System of New Jersey	173,608.00	173,608.00	173,608.00			
Unemployment Compensation	9,500.00	9,500.00	8,559.57		940.43	
Defined Contribution Retirement Program	2,000.00	2,000.00	670.46		1,329.54	
Total Deferred Charges and Statutory Expenditures within Caps	319,145.00	319,645.00	317,372.28		2,272.72	
Total Appropriations within Caps	2,825,106.06	2,824,919.06	2,511,887.48	116,316.65	196,714.93	

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

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

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

OPERATIONS EXCLUDED FROM CAPS (CONTINUED)	REF.	APPROPRIATED BUDGET	APPROPRIATED BUDGET AFTER MODIFICATION	EXPENDED PAID OR CHARGED	EXPENDED ENCUMBERED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELED
DEFERRED CHARGES							
Emergency Authorizations		$ 50,000.00	$ 50,000.00	$ 50,000.00	$	$	$
Deferred Charges to Future Taxation -Unfunded Ordinance 00-02/05-04		4,749.00	4,749.00	4,749.00			
General Capital Fund Over Expenditures		55,251.00	55,251.00	47,029.18			8,221.82
Total Deferred Charges - Municipal -Excluded from Caps		110,000.00	110,000.00	101,778.18			8,221.82
Total General Appropriations excluded from Caps		639,036.00	647,682.75	628,359.18		11,100.00	8,223.57
Subtotal General Appropriations		3,464,142.06	3,472,601.81	3,140,246.66	116,316.65	207,814.93	8,223.57
Reserve for Uncollected Taxes		157,424.94	157,424.94	157,424.94			
		$ 3,621,567.00	$ 3,630,026.75	$ 3,297,671.60	$ 116,316.65	$ 207,814.93	$ 8,223.57
	REF.	A-2		A1:A-3	A-1:A21	A, A-1	A-1
Appropriation by 40A:4-87	A-2		$ 8,459.75				
Budget	A-2		3,621,567.00				
			$ 3,630,026.75				
Deferred Charge - Emergency	A			$ 50,000.00			
Reserve for Uncollected Taxes	A-2			157,424.94			
Disbursements	A-4			3,081,786.91			
Interfund - Federal & State Grants	A-19			8,459.75			
				$ 3,297,671.60			

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

TRUST FUND

GENERAL CAPITAL FUND

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

STATEMENT OF GENERAL CAPITAL FUND BALANCE - REGULATORY BASIS

	REF.		
Balance December 31, 2024	C	$	271,724.78
Decreased by:			
Payment to Current Fund as Anticipated Revenue	C-2		60,000.00
Balance December 31, 2025	C	$	211,724.78

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

WATER - SEWER UTILITY FUND

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2025	BALANCE DECEMBER 31, 2024
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves	D-4:D-10	$ 25,831.53	$ 45,007.62
Unapplied Receipts	D-8		2,353.75
Overpayments	D-11	2,466.30	3,868.74
Prepayments	D-11	753.46	458.41
Accrued Interest on Bonds, Notes and Loans	D-12	17,360.59	20,165.11
Accounts Payable	D-10:D-1	109.50	4,861.38
Reserve for Encumbrances	D-13	30,112.35	38,458.69
		76,633.73	115,173.70
Reserve for Receivables		80,424.14	84,554.69
Fund Balance	D-1	60,625.96	234,331.55
Total Operating Fund		217,683.83	434,059.94
Capital Fund:			
Reserve for Encumbrances	D-13	382,293.92	952,996.53
Interfunds Payable	D-16	192.34	50,040.12
Improvement Authorizations:			
Funded	D-18	208,578.96	23,613.88
Unfunded	D-18	332,512.34	474,095.09
Capital Improvement Fund	D-19	153,460.00	138,460.00
Serial Bonds Payable	D-20	2,100,000.00	2,211,000.00
N.J. I-Bank Loans Payable	D-21	964,744.78	1,219,880.15
N.J. I-Bank Interim Construction Loan Payable	D-22	622,352.00	
Reserve for Amortization	D-23	8,251,204.17	6,163,414.95
Deferred Reserve for Amortization	D-24	208,578.96	1,383,828.71
Fund Balance	D-2	67,752.22	257,752.22
Total Capital Fund		13,291,669.69	12,875,081.65
		$ 13,509,353.52	$ 13,309,141.59

There were bonds and notes authorized but not issued on December 31, 2025 of $739,663.90 (Schedule D-25) and on December 31, 2024 of $1,850,000.00.

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

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY FUND

STATEMENT OF UTILITY CAPITAL FUND BALANCE - REGULATORY BASIS

	REF.	
Balance December 31, 2024	D	$ 257,752.22
Decreased by:		
Appropriation to Finance Improvement Authorizations	D-18	$ 190,000.00
Balance December 31, 2025	D	$ 67,752.22

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

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY OPERATING FUND

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

	REF.	APPROPRIATONS		EXPENDED			UNEXPENDED
		BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELED
Operating:							
Salaries and Wages		$ 177,296.00	$ 177,296.00	$ 167,096.72	$	$ 10,199.28	$
Other Expenses		221,000.00	217,000.00	175,481.30	30,112.35	11,406.35	
Ocean County Utilities Authority		231,000.00	235,000.00	234,855.08		144.92	
Group Insurance		35,000.00	35,000.00	35,000.00			
Liability Insurance		30,000.00	30,000.00	30,000.00			
Capital Improvements:							
Capital Improvement Fund		25,000.00	25,000.00	25,000.00			
Debt Service:							
Payment of Bond Anticipation & Capital Notes		111,000.00	111,000.00	111,000.00			
Interest on Bonds		69,895.00	69,895.00	68,894.38			1,000.62
N.J. I-Bank Loan - Principal		255,136.00	255,136.00	255,135.37			0.63
N.J. I-Bank Loan - Interest		39,551.00	39,551.00	39,540.38			10.62
Statutory Expenditures:							
Contribution to:							
Public Employees Retirement System		10,000.00	10,000.00	10,000.00			
Social Security System (O.A.S.I.)		11,000.00	11,000.00	7,791.05		3,208.95	
Unemployment Compensation Insurance		1,300.00	1,300.00	427.97		872.03	
		$ 1,217,178.00	$ 1,217,178.00	$ 1,160,222.25	$ 30,112.35	$ 25,831.53	$ 1,011.87
	REF.	D-3		D-1	D-1:D-13	D:D-1	
Disbursements	D-5			$ 1,051,787.49			
Accrued Interest on Bonds and Notes	D-12			108,434.76			
				$ 1,160,222.25			

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

GENERAL FIXED ASSETS ACCOUNT GROUP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Borough of Island Heights conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Island Heights are organized on the basis of funds and account groups which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity.

As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

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

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

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

Water - Sewer Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned water - sewer utility.

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of $5,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

The General Fixed Assets that have been acquired and that are utilized in the Current and General capital Funds are instead accounted for in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets or reported in the financial statements.

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

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

Fixed Capital - Water - Sewer Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water - Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represents charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) (Continued) - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

Leases - Under GAAP, lease receivables are measured at the present value of the lease payments expected to be received during the lease term. Payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, and less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right-to-use assets on the statements of net position.

New Jersey's municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording lease receivables, deferred outflows, lease liabilities or deferred inflows on their balance sheets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Of the cash on deposit in the bank, $250,000.00 was covered by FDIC Insurance and a collateral pool under NJ GUDPA covered $1,573,229.91. An amount of $74,490.47 was on deposit in the name of various developers for escrow and is insured by FDIC Insurance or uninsured depending on the deposits of the in

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.496%.

	GROSS DEBT	DEDUCTIONS	NET DEBT
Water - Sewer Utility Debt	4,426,760.68	3,959,090.88	467,669.80
General Debt	2,387,915.01		2,387,915.01
	$ 6,814,675.69	$ 3,959,090.88	$ 2,855,584.81

Net debt of $2,855,584.81 divided by equalized valuation basis per N.J.S. 40A:2-2, as amended, of $575,734,630.00 equals 0.496%.

SUMMARY OF MUNICIPAL DEBT

	YEAR 2025	YEAR 2024	YEAR 2023
Issued:			
General:			
Bonds, Notes and Loans	$ 706,470.24	$ 880,863.94	$ 689,514.17
Water - Sewer Utility:			
Bonds, Notes and Loans	3,687,096.78	3,430,880.15	3,792,937.20
Total Issued	4,393,567.02	4,311,744.09	4,482,451.37
Less:			
Funds Temporarily Held to Pay Bonds, Notes and Loans, Accounts Receivable and Self Liquidating Purpose	3,959,090.88	2,082,154.13	5,142,937.20
Net Debt Issued	434,476.14	2,229,589.96	(660,485.83)
Authorized But Not Issued:			
General:			
Bonds, Notes and Loans	1,681,444.77	1,139,736.77	1,861,957.51
Water - Sewer Utility:			
Bonds, Notes and Loans	739,663.90	1,850,000.00	1,350,000.00
Total Authorized But Not Issued	2,421,108.67	2,989,736.77	3,211,957.51
Net Bonds and Notes Issued and Authorized But Not Issued	$ 2,855,584.81	$ 5,219,326.73	$ 2,551,471.68

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT OBLIGATIONS

The Borough's long-term debt is summarized as follows:

General Capital Fund:

Serial Bonds:

3.75% General Improvement Bonds Series 2011 Issued November 30, 2011, installment maturities to November 30, 2026	$108,000.00
4.00% General Improvement Bonds Series 2019 Issued December 5, 2019, installment maturities to December 1, 2029	180,000.00
	$288,000.00

The General Capital Fund bonds mature serially in installments to the year 2029. Aggregate debt service requirements during the next four fiscal years are as follows:

YEAR	PRINCIPAL	INTEREST
2026	$ 138,000.00	$ 11,250.00
2027	50,000.00	6,000.00
2028	50,000.00	4,000.00
2029	50,000.00	2,000.00
	$ 288,000.00	$ 23,250.00

Green Trust Loan Program:

The Borough has a low interest (2%) loan under the New Jersey Department of Environmental Protection's Green Trust Loan Program. The loan for the River Avenue Boardwalk was approved on June 27, 2006. The Borough must repay the loan in semi-annual installments over twenty years. Loan payments are due through 2026.

Debt service requirements during the next fiscal year is as follows:

YEAR	PRINCIPAL	INTEREST
2026	$18,470.24	$184.72

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Water - Sewer Utility Capital Fund (Continued):

N.J. I-Bank Loans (Continued):

Utility System Trust Loan 2006 A	$ 13,432.96
Utility System Fund Loan 2006 A	9,896.10
Utility System Trust Loan 2010 B	612,000.00
Utility System Fund Loan 2010 B	329,415.72
	$964,744.78

Debt Service requirements during the next five fiscal years are as follows:

YEAR	PRINCIPAL	INTEREST
2026	$ 261,956.17	$ 36,117.16
2027	242,627.11	29,235.00
2028	205,161.50	23,925.00
2029	124,000.00	18,300.00
2030	131,000.00	12,720.00
	$ 964,744.78	$ 120,297.16

SHORT-TERM DEBT OBLIGATIONS

General Capital Fund:

Bond Anticipation Notes

ORDINANCE NUMBER	DESCRIPTION	AMOUNT	INTEREST RATE
24-07	Acquisition of Fire Truck	$ 400,000.00	6.49%
		$ 400,000.00	

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2025, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2026, as adopted were as follows:

Current Fund	$ 345,000.00
Water - Sewer Utility Fund	59,000.00

NOTE 6: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County, the Local School District and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

NOTE 7: TAXES AND WATER – SEWER CHARGES COLLECTED IN ADVANCE

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

	BALANCE DECEMBER 31, 2025	BALANCE DECEMBER 31, 2024
Prepaid Taxes	$70,695.44	$59,047.45
Tax Overpayments	20,573.89	11,452.68
Water - Sewer Prepaid	753.46	458.41
Water - Sewer Overpayments	2,466.30	3,868.74

NOTE 8: TAX APPEALS

The Municipality is responsible for the assessment and collection of property taxes in accordance with New Jersey statutes. Property valuations are established by the Municipal Tax Assessor and are subject to appeal by taxpayers. Appeals are first heard at the County Board of Taxation, with further appeal rights to the New Jersey Tax Court.

Tax appeals can result in reductions to assessed valuations, which may require the Municipality to issue tax refunds for prior years. The financial impact of tax appeals varies depending on the volume of appeals, the complexity of the cases, and the outcomes rendered by the County Board of Taxation or the Tax Court.

As of December 31, 2025, no tax appeals were pending.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance program for municipalities within the State. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2025:

Fund	Interfunds Receivable	Interfunds Payable
Current Fund	$ 235,270.91	$ 82,040.89
Federal and State Grant Fund	82,040.89	
Animal Control Trust Fund		0.32
Trust Other Fund		249.18
General Capital Fund		435,021.41
Water - Sewer Utility Operating Fund	192.34	
Water - Sewer Utility Capital Fund	200,000.00	192.34
	$ 517,504.14	$ 517,504.14

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 13: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrprts.shtml.

NOTE 13: PENSION PLANS (CONTINUED)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group life insurance benefits is based on actual claims paid. For fiscal year 2025, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. During 2025, PERS provides for employee contributions of 7.50% of employees' base salary.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For the fiscal year 2025, the State contributed an amount less than the actuarially determined amount. During 2025, PFRS provides for employee contributions of 10.00% of employees' base salary.

The Borough's share of regular pension costs, which is based upon the annual billings received from the State, amounted to $286,223 for 2025, $296,387 for 2024 and $286,309 for 2023.

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

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

Public Employees Retirement System (PERS)

At June 30, 2025, the State reported a net pension liability of $309,852.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. 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 employers, actuarially determined. At June 30, 2025, the Borough's proportion was 0.0025194023 percent, which was a decrease of 0.0005699170 percent from its proportion measured as of June 30, 2024.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which rolled forward to June 30, 2025. These actuarial valuations used the following assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	3.25 – 7.75% Based on Years of Service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2016 General Below-Median Income Employee mortality table with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Post-retirement mortality rates were based on the Pub-2016 General Below-Median Income Healthy Retiree mortality table with a 93.3% adjustment for males and 99.5% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2016 Non-Safety Disabled Retiree mortality table with a 156.9% adjustment for males and 139.0% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2024.

NOTE 13: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

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

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2025 respectively, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of 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:

	June 30, 2025		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
Borough's proportionate share of the pension liability	$424,170.00	$309,852.00	$212,424.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2025, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

NOTE 13: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

For the year ended June 30, 2025, the State recognized an actuarially determined pension expense of $149,875.00 The pension expense recognized in the Borough's financial statements based on the April 1, 2025, billing was $173,608.00.

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 93,591.00	$ 21,712.00
Changes of assumptions	57,142.00	14,442.00
Net difference between projected and actual earnings on pension plan investments		55,962.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	210,770.00	100,035.00
	$ 361,503.00	$ 192,151.00

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2026	$ 86,006.00
2027	3,879.00
2028	12,705.00
2029	27,164.00
2030	39,598.00
	$ 169,352.00

NOTE 13: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (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 percent at June 30, 2025) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2025 are summarized in the following table:

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

NOTE 13: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Special Funding Situation

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

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2025 and 2024 is 0.0113907422% and 0.0125507000% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2025 and 2024 was $27,487.00 and $29,395.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2025 and 2024 was $27,487.00 and $29,395.00, respectively.

At June 30, 2025 and 2024, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is $234,900.00 and $255,518.00, respectively.

At June 30, 2025, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	$1,142,381.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	231,900.00
	$1,374,281.00

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 (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions.

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

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

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated OPEB (benefit)/expense as follows:

Year Ended June 30,	Amount
2025	($15,138.20)
2026	85,897.80
2027	149,155.80
2028	92,301.80
2029	117,697.80
Thereafter	47,822.00
	$477,737.00

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:	
Public Employees Retirement System (PERS):	
Initial fiscal year applied	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	3.25% to 16.25%

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

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Health Care Trend Assumption

For Pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 19.38% in fiscal year 2026 and decreases to 4.50% in fiscal year 2034. For HMO, the trend rate is increasing to 20.15% in fiscal year 2026 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (2.93%)	At Discount Rate (3.93%)	1.00% Increase (4.93%)
Borough's proportionate share of the Net OPEB Liability	$3,292,420.00	$2,826,375.00	$2,453,110.00

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Borough as of the June 30, 2024 measurement date, calculated using the healthcare trend rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Borough's proportionate share of the Net OPEB Liability	$2,390,540.00	$2,826,375.00	$3,386,740.00

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions

NOTE 17: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2025, the following deferred charges are shown on the balance sheets of the various funds:

	BALANCE DECEMBER 31, 2025	2026 BUDGET APPROPRIATION	BALANCE TO BUDGETS OF SUCCEEDING YEARS
Water-Sewer Capital Fund:			
Cost of Improvements Authorized Ord. #22-06	$141,580.00	-0-	$141,580.00

NOTE 18: FIXED ASSETS

Below is a summary of the General Fixed Assets Account Group for the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
Land	$183,483.00	16,997,117.00		$17,180,600.00
Buildings and Building Imp.	$1,357,829.40	1,335,570.60		2,693,400.00
Equipment, Machinery and Vehicles	2,065,565.72	$114,353.28		2,179,919.00
	$3,606,878.12	$18,447,040.88	$0.00	$22,053,919.00

*The fixed asset inventory for land and buildings has not been updated since 2021 and the valuations of Borough owned property have changed significantly since then. Since inadequate documentation exists as to the cost or estimated historical cost of the properties, the valuations at December 31, 2025 reflect the most recent assessed valuation of the Borough owned properties as determined by the Borough Tax Assessor.

BOROUGH OF ISLAND HEIGHTS

SUPPLEMENTARY SCHEDULES – ALL FUNDS

YEAR ENDED DECEMBER 31, 2025

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF CHANGE FUNDS

	REF.	
Balance, December 31, 2024 and 2025	A	$ 50.00

ANALYSIS OF BALANCE

Finance	$ 50.00

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	REF		
Balance, December 31, 2024	A		$ 31,765.68
Increased by:			
Added Tax Title Liens		$ 553.75	
Transfer from Taxes Receivable	A-6	3,541.79	
			4,095.54
			35,861.22
Decreased by:			
Transfers to Property Acquired for Taxes	A-8		34,995.71
Balance, December 31, 2025	A		$ 865.51

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES

(AT ASSESSED VALUATION)

Increased by:			
Transferred from Tax Title Liens	A-7	$ 34,995.71	
Adjustment to Assessed Valuation		177,404.29	
			$ 212,400.00
Balance, December 31, 2025	A		$ 212,400.00

"A-10"
SHEET #1

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES

OPERATIONS WITHIN CAPS	BALANCE DECEMBER 31, 2024	BALANCE AFTER TRANSFER	PAID OR CHARGED	BALANCE LAPSED
General Administration				
Salaries and Wages	$ 14.09	$ 14.09	$	$ 14.09
Other Expenses	757.60	2,852.35	2,604.10	248.25
Mayor and Council				
Other Expenses	5.00	955.00	950.00	5.00
Municipal Clerk				
Other Expenses	119.97	2,684.83	2,395.28	289.55
Advertising	791.75	791.75		791.75
Elections				
Other Expenses	704.71	704.71		704.71
Financial Administration				
Salaries and Wages	3.36	3.36		3.36
Other Expenses	1,579.03	3,666.23	1,650.10	2,016.13
Computerized Data Processing				
Other Expenses	172.58	1,418.83	1,237.20	181.63
Collection of Taxes				
Other Expenses	1,259.50	555.50	296.00	259.50
Tax Assessment				
Salaries and Wages	8.66	8.66		8.66
Other Expenses	438.16	950.00	557.40	392.60
Cost of Tax Appeals	3,000.00			

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES

OPERATIONS WITHIN CAPS (CONTINUED)	BALANCE DECEMBER 31, 2024	BALANCE AFTER TRANSFER	PAID OR CHARGED	BALANCE LAPSED
Emergency Management Service				
Other Expenses	$ 832.40	$ 2,752.90	$ 1,920.50	$ 832.40
First Aid				
Other Expenses	1,000.00	1,000.00	1,000.00	
Contribution	5,000.00	5,000.00	5,000.00	
Fire Department				
Other Expenses	471.00	471.00		471.00
Contribution	18,750.00	18,750.00	18,750.00	
Municipal Prosecutor				
Other Expenses		750.00	750.00	
Municipal Court				
Salaries and Wages	1,591.10	1,591.10		1,591.10
Other Expenses	672.78	672.78	31.50	641.28
Public Defender				
Other Expenses	500.00	500.00		500.00
Public Buildings/Grounds/Parks/Playgrounds Beaches				
Salaries and Wages	5,544.58	1,544.58		1,544.58
Other Expenses	1,346.01	21,495.42	11,656.04	9,839.38
Solid Waste Collection				
Contractual	907.34	53,754.45	35,838.17	17,916.28
Other Expenses	450.00	450.00		450.00

"A-10"
SHEET #5

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES

OPERATIONS WITHIN CAPS (CONTINUED)	BALANCE DECEMBER 31, 2024	BALANCE AFTER TRANSFER	PAID OR CHARGED	BALANCE LAPSED
Recreation				
Salaries and Wages	$ 1,000.00	$ 1,000.00	$	$ 1,000.00
Other Expenses	256.25	1,737.25	1,279.21	458.04
Deferred Sick Time	2,000.00	2,000.00		2,000.00
Construction Code Official				
Salaries and Wages	128.54	128.54		128.54
Other Expenses	453.41	453.41		453.41
Fire Official				
Salaries and Wages	0.04	0.04		0.04
Other Expenses	293.24	323.24	30.00	293.24
Unclassified				
Gasoline	1,106.53	1,606.53	1,232.52	374.01
Electricity	4,614.11	6,476.17	1,862.06	4,614.11
Telephone	478.82	478.82	301.14	177.68
Natural Gas	4,786.81	4,786.81	3,345.99	1,440.82
Street Lighting	1,908.28	1,908.28		1,908.28

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF DUE FROM/TO STATE OF NEW JERSEY

	REF.	TOTAL (MEMO ONLY)	DCA TRAINING FEES	CH. 20 P.L. 1971	MARRIAGE LICENSES
Balance, December 31, 2024 - (Due From)/Due To	A	$ (4,565.19)	$ 5,265.00	$ (10,355.19)	$ 525.00
Increased/Decreased by:					
Deductions:					
Per Billings	A-6	9,500.00		9,500.00	
Disbursements	A-4	8,321.00	7,896.00		425.00
Total Increases/Decreases		17,821.00	7,896.00	9,500.00	425.00
Total Increases/Decreases and Balances		(22,386.19)	(2,631.00)	(19,855.19)	100.00
Decreased/Increased by:					
Receipts	A-4	15,769.95	6,047.00	9,597.95	125.00
Total Decreases/Increases		15,769.95	6,047.00	9,597.95	125.00
Balance, December 31, 2025 - (Due From)/Due To	A	$ (6,616.24)	$ 3,416.00	$ (10,257.24)	$ 225.00

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	REF.		
Balance, December 31, 2024	A		$ 10,244.01
Increased by:			
General County Tax	A-6	$ 1,644,752.46	
County Library Tax	A-6	164,576.49	
County Health	A-6	97,350.51	
County Open Space Preservation	A-6	69,972.94	
Added and Omitted Taxes	A-6	14,552.96	
	A-1:A-6		1,991,205.36
			2,001,449.37
Decreased by:			
Payments	A-4		1,986,896.41
Balance, December 31, 2025	A		$ 14,552.96

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

PREPAID REVENUE

	REF.	
Balance, December 31, 2024	A	$ 1,140.00
Increased by:		
Receipts	A-4	920.00
		2,060.00
Decreased by:		
Application to Anticipated Revenue	A-2	1,140.00
Balance, December 31, 2025		$ 920.00

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF INTERFUNDS

	REF.	TOTAL (MEMO ONLY)	FEDERAL AND STATE GRANT FUND	ANIMAL CONTROL TRUST FUND	OTHER TRUST FUND	GENERAL CAPITAL FUND
Balance, December 31, 2024 - Due From/(Due To)	A	$ (95,256.89)	$ (95,834.39)	$ 0.75	$ 274.03	$ 302.72
Increased/Decreased by:						
Disbursements	A-4	345,090.34	106,557.25	5.86	3,143.57	235,383.66
2025 Budget Revenues Realized	A-2	8,459.75	8,459.75			
Total Increases/Decreases		353,550.09	115,017.00	5.86	3,143.57	235,383.66
Total Increases/Decreases and Balances		258,293.20	19,182.61	6.61	3,417.60	235,686.38
Decreased/Increased by:						
2025 Budget Appropriations	A-3	8,459.75	8,459.75			
Receipts	A-4	96,603.43	92,763.75	6.29	3,168.42	664.97
Total Decreases/Increases		105,063.18	101,223.50	6.29	3,168.42	664.97
Balance, December 31, 2025 - Due From/(Due To)	A	$ 153,230.02	$ (82,040.89)	$ 0.32	$ 249.18	$ 235,021.41

BOROUGH OF ISLAND HEIGHTS

CURRENT FUND

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	REF.	TOTAL (MEMO ONLY)	CURRENT FUND	FEDERAL AND STATE GRANT FUND
Balance, December 31, 2024	A	$ 162,998.05	$ 154,534.00	$ 8,464.05
Increased by:				
2025 Budget Appropriations	A-3	116,316.65	116,316.65	
Grant Appropriated Reserves	A-24	9,126.50		9,126.50
		125,443.15	116,316.65	9,126.50
		288,441.20	270,850.65	17,590.55
Decreased by:				
2024 Appropriation Reserves	A-10	154,534.00	154,534.00	
Grant Appropriated Reserves	A-24	8,464.05		8,464.05
		162,998.05	154,534.00	8,464.05
Balance, December 31, 2025	A	$ 125,443.15	$ 116,316.65	$ 9,126.50

BOROUGH OF ISLAND HEIGHTS

FEDERAL AND STATE GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2024	2025 BUDGET REVENUE REALIZED	RECEIPTS	BALANCE DECEMBER 31, 2025
ARP - Firefighter Equipment Grant	$ 288.00	$	$	$ 288.00
Body Armor Replacement Fund	8,650.74			8,650.74
Body Worn Camera Grant	16,304.00		16,304.00	
Clean Communities Grant		5,791.34	5,791.34	
Community Development Block Grant	3,106.50			3,106.50
Local Recreation Improvement Grant	63,000.00		63,000.00	
OEM 966	327.70			327.70
Recycling Tonnage Grant		2,668.41	2,668.41	
Sustainable Jersey Small Grants Program	10,000.00		5,000.00	5,000.00
	$ 101,676.94	$ 8,459.75	$ 92,763.75	$ 17,372.94
REF.	A	A-22	A-22	A

BOROUGH OF ISLAND HEIGHTS

TRUST FUND

SCHEDULE OF CASH

	REF.	ANIMAL CONTROL TRUST FUND	TRUST OTHER FUND
Balance December 31, 2024	B	$ 884.25	$ 337,611.72
Increased by Receipts:			
Reserve for Animal Control Trust Fund Expenditures	B-2	568.80	
Due State of New Jersey	B-3	55.20	
Interfunds	B-4	5.86	3,143.57
Miscellaneous Reserves	B-6		225,138.31
		629.86	228,281.88
		1,514.11	565,893.60
Decreased by Disbursements:			
Reserve for Animal Control Trust Fund Expenditures	B-2	1,102.94	
Due State of New Jersey	B-3	56.40	
Interfunds	B-4	6.29	3,168.42
Miscellaneous Reserves	B-6		156,037.63
		1,165.63	159,206.05
Balance December 31, 2025	B	$ 348.48	$ 406,687.55

BOROUGH OF ISLAND HEIGHTS

TRUST FUND

SCHEDULE OF INTERFUNDS

	REF.	TOTAL (MEMO ONLY)	ANIMAL CONTROL TRUST FUND	TRUST OTHER FUND
Balance, December 31, 2024 - Due From/(Due To)	B	$ (274.78)	$ (0.75)	$ (274.03)
Increased/Decreased by:				
Receipts	B-1	3,149.43	5.86	3,143.57
		(3,424.21)	(6.61)	(3,417.60)
Decreased/Increased by:				
Disbursements	B-1	3,174.71	6.29	3,168.42
Balance, December 31, 2025 - Due From/(Due To)	B	$ (249.50)	$ (0.32)	$ (249.18)

SCHEDULE OF RESERVE FOR ENCUMBRANCES

		TRUST OTHER FUND
Increased by:		
Transfer from:		
Miscellaneous Reserves	B-6	$ 7,357.16
Balance, December 31, 2025	B	$ 7,357.16

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF CASH

	REF.		
Balance, December 31, 2024	C		$ 246,677.25
Increased by:			
Deferred Charges to Future Taxation - Unfunded	C-5	$ 4,749.00	
Interfunds	C-7	435,383.66	
Capital Improvement Fund	C-9	120,000.00	
Bond Anticipation Notes	C-11	400,000.00	
Reserve for Benches	C-14	3,010.47	
			963,143.13
			1,209,820.38
Decreased by:			
Capital Surplus to Current Fund	C-1	$ 60,000.00	
Interfunds	C-7	664.97	
Improvement Authorizations	C-8	701,926.10	
Bond Anticipation Notes	C-11	400,000.00	
			1,162,591.07
Balance, December 31, 2025	C		$ 47,229.31

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	REF.		
Balance, December 31, 2024	C		$ 480,863.94
Decreased by:			
2025 Budget Appropriations to Pay:			
Serial Bonds	C-10	$ 138,000.00	
Green Trust Loan	C-12	36,393.70	
			174,393.70
Balance, December 31, 2025	C		$ 306,470.24

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF GRANTS RECEIVABLE

	REF.	
Balance, December 31, 2024	C	$ 188,920.00
Increased by:		
Grants Awarded	C-5	303,255.00
Balance, December 31, 2025	C	$ 492,175.00

ANALYSIS OF BALANCE

Road Improvements - Holly & Lake (DOT) (2022-10/25-05)	$ 94,750.00
Road Improvements - Garden, Garfield & Maple (DOT) (2023-11/25-06)	94,170.00
Chestnut, Park & Westray Avenues Improvement Project (DOT) (2025-10)	303,255.00
	$ 492,175.00

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2024 FUNDED	BALANCE DECEMBER 31, 2024 UNFUNDED	2025 AUTHORIZATION	DECREASED	BALANCE DECEMBER 31, 2025 FUNDED	BALANCE DECEMBER 31, 2025 UNFUNDED
00-02/05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Ave, Construction of Gazebos	05/16/00	$ 620,000.00	$	$	$	$ (5,309.08)	$	$ 5,309.08
20-02	Various Capital Improvements	07/01/20	161,500.00	57,122.23			38,048.23	19,074.00	
21-06	Various Capital Improvements	06/15/21	235,000.00				(12,175.35)	12,175.35	
22-10/25-05	Road Improvements - Holly & Lake	Various	750,000.00		51,605.71	200,000.00	139,531.34		112,074.37
23-08	Various Capital Improvements	06/19/23	250,000.00				(15,220.66)	15,220.66	
23-11/25-06	Road Improvements -Garden, Garfield & Maple	Various	600,000.00			150,000.00	93,467.31		56,532.69
24-04	Various Capital Improvements	07/28/24	250,000.00	90,327.00			61,448.91	28,878.09	
24-07	Acquisition of Fire Truck	07/16/24	1,000,000.00		543,525.00		4,098.92		539,426.08
25-08	Various Capital Improvements	07/08/25	200,000.00			200,000.00	40,781.00	159,219.00	
25-10	Chesnut, Park & Westray Avenues Improvement Project	07/08/25	500,000.00			500,000.00	48,800.00	254,455.00	196,745.00
				$ 147,449.23	$ 595,130.71	$ 1,050,000.00	$ 393,470.62	$ 489,022.10	$ 910,087.22
			REF.	C	C			C	C
	Deferred Charges to Future Taxation Unfunded		C-5			$ 850,000.00			
	Capital Improvement Fund		C-9			200,000.00			
						$ 1,050,000.00			
	Disbursements		C-2				$ 701,926.10		
	Capital Improvement Fund		C-9				167,790.00		
	Reserve for Encumbrances		C-13				57,411.25		
	Reserve for Encumbrances		C-13				(533,656.73)		
							$ 393,470.62		

"C-10"

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF SERIAL BONDS PAYABLE

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2025 DATE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2025 AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2024	DECREASED	BALANCE DECEMBER 31, 2025
Series 2011	11/30/11	$ 1,623,000.00	11/30/26	$ 108,000.00	3.750%	$ 216,000.00	$ 108,000.00	$ 108,000.00
Series 2019	12/05/19	340,000.00	11/15/26	30,000.00	4.000%			
	02/18/82		11/15/2027-2029	50,000.00	4.000%	210,000.00	30,000.00	180,000.00
						$ 426,000.00	$ 138,000.00	$ 288,000.00
					REF.	C	C-4	C

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF GREEN TRUST LOAN PAYABLE

	REF.	
Balance December 31, 2024	C	$ 54,863.94
Decreased by:		
Paid by Budget Appropriation	C-4	36,393.70
Balance December 31, 2025	C	$ 18,470.24

MATURITY SCHEDULE

DUE	PRINCIPAL	INTEREST	PAYMENT
March 2026	$ 18,470.24	$ 184.72	$ 18,654.96
	$ 18,470.24	$ 184.72	$ 18,654.96

BOROUGH OF ISLAND HEIGHTS

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR BENCHES

PURPOSE	BALANCE DECEMBER 31, 2024	INCREASE	BALANCE DECEMBER 31, 2025
Benches	$ 3,787.53	$ 3,010.47	$ 6,798.00
	$ 3,787.53	$ 3,010.47	$ 6,798.00
REF.	C	C-2	C

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY FUND

SCHEDULE OF CASH

	REF.	OPERATING	CAPITAL
Balance, December 31, 2024	D	$ 299,465.13	$ 46,957.84
Increased by Receipts:			
Water Tower Antenna Lease	D-3	60,153.46	
Miscellaneous	D-3	46,432.55	
Water Rents Receivable	D-7	877,993.24	
Interfunds	D-9	111,715.68	
Overpayments	D-11	6,114.38	
Prepayments	D-11	753.46	
Interfunds	D-16		61,867.90
Capital Improvement Fund	D-19		25,000.00
N.J. I-Bank Interim Construction Loan Payable	D-22		622,352.00
Reserve for Amortization	D-23		346,404.10
		1,103,162.77	1,055,624.00
		1,402,627.90	1,102,581.84
Decreased by Disbursements:			
Budget Appropriations	D-4	1,051,787.49	
Interfunds	D-9	61,867.90	
Appropriation Reserves	D-10	39,687.46	
Overpayments	D-11	978.42	
Accrued Interest on Bonds, Notes and Loans	D-12	111,239.28	
Interfunds	D-16		311,715.68
Improvement Authorizations	D-18		727,320.28
		1,265,560.55	1,039,035.96
Balance, December 31, 2025	D	$ 137,067.35	$ 63,545.88

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY OPERATING FUND

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	REF.				
Balance December 31, 2024	D			$	84,554.69
Increased by:					
Water-Sewer Rents Levied					879,712.33
					964,267.02
Decreased by:					
Collection	D-5	$	877,993.24		
Overpayments and Prepayments Applied	D-11		5,849.64		
	D-3				883,842.88
Balance December 31, 2025	D			$	80,424.14

"D-8"

SCHEDULE OF UNAPPLIED RECEIPTS

Balance December 31, 2024	D	$	2,353.75
Decreased by:			
Application to Miscellaneous Revenue	D-3	$	2,353.75

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY OPERATING FUND

SCHEDULE OF APPROPRIATION RESERVES

	REF.	BALANCE DECEMBER 31, 2024	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED
Operations					
Salaries and Wages		$ 19,844.79	$ 19,844.79	$	$ 19,844.79
Other Expenses		41,869.83	41,869.83	39,796.96	2,072.87
Ocean County Utilities Authority		17,029.95	17,029.95		17,029.95
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)		3,878.47	3,878.47		3,878.47
Unemployment Compensation Insurance		843.27	843.27		843.27
		$ 83,466.31	$ 83,466.31	$ 39,796.96	$ 43,669.35
					D-1
Appropriation Reserves - 2024	D	$ 45,007.62			
Reserve for Encumbrances	D-13	38,458.69			
		$ 83,466.31			
Accounts Payable	D			$ 109.50	
Disbursements	D-5			39,687.46	
				$ 39,796.96	

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY OPERATING FUND

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS

	REF.		
Balance, December 31, 2024	D	$	20,165.11
Increased by:			
Budget Appropriations for:			
Interest on Bonds, Notes and Loans	D-4		108,434.76
			128,599.87
Decreased by:			
Interest Paid	D-5		111,239.28
Balance, December 31, 2025	D	$	17,360.59

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF FIXED CAPITAL

ACCOUNT		REF.	BALANCE DECEMBER 31, 2024	ADDITIONS ORDINANCE	BALANCE DECEMBER 31, 2025
Wells			$ 910,460.73	$	$ 910,460.73
Sewer Mains			243,700.00		243,700.00
Treatment Plant			3,063,936.03		3,063,936.03
Pumping Station Structures and Improvements			288,878.35		288,878.35
Sewer Flusher, Pumps and Equipment			44,000.00		44,000.00
Electric Power Pumping Equipment			5,023.85		5,023.85
Other Power and Pumping Equipment			2,200.00		2,200.00
Transmission Main and Accessories			7,922.63		7,922.63
Tank and Standpipes			1,706,792.72		1,706,792.72
Distribution Main, Accessories, Distribution System and Rehabilitation of System			516,037.43		516,037.43
Fire Hydrants			2,700.00		2,700.00
Truck Equipment, Utility Truck and Backhoe			75,700.00		75,700.00
Engineering			1,838.29		1,838.29
Legal			1,033.94		1,033.94
Interest During Construction			172.72		172.72
Sewer Plant			409,065.08		409,065.08
Water - Sewer System Improvements			553,353.98	(141,580.00)	411,773.98
Water Meters			58,000.00		58,000.00
Rehabilitation of Sewer Lines and Water Mains			44,964.99		44,964.99
Office and Computer Equipment			15,000.00		15,000.00
Renovations to Water Tower			136,669.82		136,669.82
Drainage Improvements			10,426.00		10,426.00
Purchase of Pick-Up Truck			53,196.25		53,196.25
Filter Media and Plant Upgrades			69,841.88		69,841.88
Filter Media and Plant Upgrades System	Ord. # 07-14			158.12	158.12
Rehab. & Repair of the Sanitary Sewer System	Ord. # 09-04			19,843.39	19,843.39
Replacement of Pump Stations	Ord. # 09-08			70,000.00	70,000.00
Replacement of Pump Stations (Amending 09-08)	Ord. # 10-04			17,250.00	17,250.00
Repair and Replacement of Fire Hydrants	Ord. # 10-06			252,402.73	252,402.73
Various Water and Sewer Improvements	Ord. # 16-09			929,189.25	929,189.25
Various Water and Sewer Improvements	Ord. # 18-12			728,441.00	728,441.00
Various Water and Sewer Improvements	Ord. # 19-01			408,000.00	408,000.00
Various Water and Sewer Improvements	Ord. # 19-10			269,545.67	269,545.67
Various Water and Sewer Improvements	Ord. # 22-06			150,000.00	150,000.00
Water Meter Replacement Project	Ord. # 23-14			899,635.85	899,635.85
Various Water and Sewer Improvements	Ord. # 24-02			467,851.81	467,851.81
Various Water and Sewer Improvements	Ord. # 25-09			53,800.00	53,800.00
			$ 8,220,914.69	$ 4,124,537.82	$ 12,345,452.51
		REF.	D		D
		D-15		$ 4,266,117.82	
		D-17		(141,580.00)	
				$ 4,124,537.82	

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF INTERFUNDS

	REF.	TOTAL (MEMO ONLY)	GENERAL CAPITAL	WATER - SEWER OPERATING
Balance, December 31, 2024 - (Due From)/Due To	D	$ 50,040.12	$	$ 50,040.12
Increased/Decreased by:				
Receipts	D-5	61,867.90		61,867.90
		111,908.02		111,908.02
Decreased/Increased by:				
Disbursements	D-5	311,715.68	200,000.00	111,715.68
Balance December 31, 2025 - (Due From)/Due To	D	$ (199,807.66)	$ (200,000.00)	$ 192.34

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2024 FUNDED	BALANCE DECEMBER 31, 2024 UNFUNDED	INCREASED	DECREASED	BALANCE DECEMBER 31, 2025 FUNDED	BALANCE DECEMBER 31, 2025 UNFUNDED
09-04	Rehab. & Repair of the Sanitary Sewer System	07/28/09	$ 20,000.00	$ 378.61	$	$	$ 222.00	$ 156.61	$
10-06	Repair and Replacement of Fire Hydrants	04/27/10	275,860.00	23,235.27			(222.00)	23,457.27	
16-09	Various Water and Sewer Improvements	08/09/16	937,500.00				(8,310.75)	8,310.75	
19-10	Various Water and Sewer Improvements	10/22/19	300,000.00				(30,454.33)	30,454.33	
23-14	Water Meter Replacement Project	12/12/23	1,200,000.00		399,545.44		99,181.29		300,364.15
24-02	Various Water and Sewer Improvements	03/04/24	500,000.00		74,549.65		42,401.46		32,148.19
25-09	Various Water and Sewer Improvements	07/08/25	200,000.00			200,000.00	53,800.00	146,200.00	
				$ 23,613.88	$ 474,095.09	$ 200,000.00	$ 156,617.67	$ 208,578.96	$ 332,512.34
			REF.	D	D			D	D
	Fund Balance		D-2			$ 190,000.00			
	Capital Improvement Fund		D-19			10,000.00			
						$ 200,000.00			
	Disbursements		D-5				$ 727,320.28		
	Reserve for Encumbrances		D-13				382,293.92		
	Reserve for Encumbrances		D-13				(952,996.53)		
							$ 156,617.67		

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF SERIAL BONDS PAYABLE

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2025 DATE	AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2024	DECREASED	BALANCE DECEMBER 31, 2025
Water - Sewer Improvement Bonds	11/30/11	$ 754,000.00	2026	40,000.00	3.750%	$ 91,000.00	$ 51,000.00	$ 40,000.00
Utility General Obligation Bonds	12/05/19	2,420,000.00	2026	60,000.00	4.000%			
			2027	80,000.00	4.000%			
			2028	115,000.00	4.000%			
			2029-30	120,000.00	4.000%			
			2031	120,000.00	2.450%			
			2032	120,000.00	2.500%			
			2033	120,000.00	2.600%			
			2034	115,000.00	2.650%			
			2035	115,000.00	2.700%			
			2036	115,000.00	2.750%			
			2037	115,000.00	2.800%			
			2038	115,000.00	2.850%			
			2039	105,000.00	2.875%			
			2040-2044	105,000.00	3.000%	2,120,000.00	60,000.00	2,060,000.00
						$ 2,211,000.00	$ 111,000.00	$ 2,100,000.00
					REF.	D	D-23	D

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF N.J. I-BANK TRUST LOAN PAYABLE

PURPOSE	DATE OF ISSUE	MATURITIES OF LOAN OUTSTANDING DECEMBDER 31, 2025		INTEREST RATE	BALANCE DECEMBER 31, 2024	DECREASED	BALANCE DECEMBER 31, 2025
		DATE	AMOUNT				
Utility System	2006	2026	$ 13,432.96	4.25%	$ 27,641.91	$ 14,208.95	$ 13,432.96
					$ 27,641.91	$ 14,208.95	$ 13,432.96

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF N.J. I-BANK TRUST LOAN PAYABLE

PURPOSE	DATE OF ISSUE	MATURITIES OF LOAN OUTSTANDING DECEMBER 31, 2025 DATE	AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2024	DECREASED	BALANCE DECEMBER 31, 2025
Utility System	2010	2026	$ 114,000.00	5.00%	$	$	$
		2027	118,000.00	5.00%			
		2028	125,000.00	5.00%			
		2029	124,000.00	5.00%			
		2030	131,000.00	5.00%	718,000.00	106,000.00	612,000.00
					$ 718,000.00	$ 106,000.00	$ 612,000.00

"D-22"

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF N.J. I-BANK INTERIM CONSTRUCTION LOAN PAYABLE

	REF.	
Increased by:		
Receipts	D-5	$ 622,352.00
Balance December 31, 2025	D	$ 622,352.00

BOROUGH OF ISLAND HEIGHTS

WATER - SEWER UTILITY CAPITAL FUND

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ORDINANCE	BALANCE DECEMBER 31, 2024	FIXED CAPITAL AUTHORIZED	TO RESERVE FOR AMORTIZATION FIXED CAPITAL	BALANCE DECEMBER 31, 2025
	Unidentified		$ 1,321,449.75	$	$ (1,321,449.75)	$
09-04	Rehab and Repair of the Sanitary Sewer System	07/28/09	156.61			156.61
10-06	Repair and Replacement of Fire Hydrants	04/27/10	23,457.27			23,457.27
16-09	Various Water and Sewer Improvements	08/09/16	8,310.75			8,310.75
19-10	Various Water and Sewer Improvements	10/22/19	30,454.33			30,454.33
25-09	Various Water and Sewer Improvements	07/08/25		200,000.00	(53,800.00)	146,200.00
			$ 1,383,828.71	$ 200,000.00	$ (1,375,249.75)	$ 208,578.96
		REF.	D	D-15	D-23	D

BOROUGH OF ISLAND HEIGHTS

PART II

STATISTICAL DATA

OFFICIALS IN OFFICE AND SURETY BONDS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2025

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE - WATER - SEWER UTILITY FUND

	YEAR 2025 AMOUNT	%	YEAR 2024 AMOUNT	%
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	$ 175,000.00	14.37%	$ 200,000.00	15.09%
Collection of Water - Sewer Rents	883,842.88	72.60%	966,882.20	72.94%
Miscellaneous - Other Than Water - Sewer Rents	158,617.66	13.03%	158,746.85	11.98%
TOTAL INCOME	1,217,460.54	100.00%	1,325,629.05	100.00%
EXPENDITURES				
Budget Expenditures:				
Operating	694,296.00	57.09%	715,821.00	57.55%
Capital Improvements	25,000.00	2.06%	25,000.00	2.00%
Debt Service	474,570.13	39.02%	480,595.66	38.65%
Deferred Charges and Statutory Expenditures	22,300.00	1.83%	22,300.00	1.79%
TOTAL EXPENDITURES	1,216,166.13	100.00%	1,243,716.66	100.00%
Excess in Revenue	1,294.41		81,912.39	
Fund Balance, January 1	234,331.55		352,419.16	
	235,625.96		434,331.55	
Less: Utilization as Anticipated Revenue	175,000.00		200,000.00	
Fund Balance, December 31	$ 60,625.96		$ 234,331.55	

DELINQUENT TAXES AND TAX TITLE LIENS

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

DECEMBER 31, YEAR	AMOUNT OF TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF TAX LEVY
2025	865.51	$ 157,538.05	$ 158,403.56	1.82%
2024	31,765.68	129,773.64	161,539.32	1.97%
2023	55,216.83	100,514.29	155,731.12	1.97%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31st based on the last assessed valuation of such properties was as follows:

YEAR	AMOUNT
2025	$212,400.00
2024	NONE
2023	NONE

COMPARISON OF WATER-SEWER UTILITY LEVIES

YEAR	LEVY	CASH COLLECTION
2025	$ 879,712.33	$ 883,842.88*
2024	968,140.96	966,890.74*
2023	1,032,823.07	1,039,758.55*

*Includes collection of prior year's levies

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

NAME	TITLE	AMOUNT OF BOND	NAME OF SURETY
E. Steven Doyle	Mayor	*	
Rolf Weber	Council President	*	
Robert Baxter	Council Member	*	
Alan Fumo	Council Member	*	
Brian Gabriel	Council Member	*	
Lynn Pendelton	Council Member	*	
Susan Healy	Council Member	*	
Louis Palazzo	Chief Financial Officer	2,000,000.00	MEL/JIF
Jeanette Larrison	Tax Collector/Utility Collector	2,000,000.00	MEL/JIF
Sean Asay	Municipal Clerk	2,000,000.00	MEL/JIF
Benjamin H. Mabie III, Esq.	Municipal Court Judge	2,000,000.00	MEL/JIF
Elizabeth Boettger	Court Administrator (01/01/2025-11/30/2025)	2,000,000.00	MEL/JIF
Keturah Coronato	Court Administrator (12/01/2025-12/31/2025)	2,000,000.00	MEL/JIF
Steven A. Zabarsky	Attorney		
Van Cleef Engineering	Engineer		

*Borough employees, other than the Chief Financial Officer, Tax/Utility Collectors, Judge and Court Administrator, were covered by a blanket bond in the amount of $2,000,000.00 of which $50,000.00 is provided by the Ocean County Joint Insurance Fund and $1,950,000.00 through the Municipal Excess Liability Joint Insurance Fund.

COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS (CONTINUED)

CONTRACTS OR AGREEMENTS NOT REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-6.1

N.J.S.A. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L. 1971, c.198 (C.40A11-5), except for paragraph (a) of that subsection concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor."

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND WATER-SEWER RENTS

The Statutes provide the method for authorizing interest and the maximum rate to be charged for the non-payment of taxes, assessments, or water-sewer rents on or before the date when they would become delinquent.

The governing body on January 2, 2025, adopted the following resolution authorizing interest to be charged on delinquent taxes, assessments, and water-sewer rents:

> "BE IT RESOLVED that the governing body of the Borough of Barnegat Light set the rate of interest to be charged on delinquent water and sewer accounts and delinquent taxes at 8% per annum on the first $ 1,500 of the delinquency and 18% per annum on any amount in excess of $ 1,500 and 6% to be collected against a delinquency in excess of $10,000 on properties that fail to pay the delinquency prior to the end of the calendar year. A 10-day grace period shall be permitted as provided by N.J.S.A. 54:4-67."

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

FOLLOW–UP OF PRIOR YEAR FINDINGS

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

The 2024 Audit contained no findings.

CURRENT YEAR FINDINGS

25-01 **Finding** - There were deferred charges to future taxation unfunded balances as of December 31, over five years old.

Criteria - Upon authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation and/or water/sewer rates. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S. 40A:2-4, the Borough may levy taxes on all taxable property within its jurisdiction or raise water/sewer rates to repay its debt. The Borough raises the debt requirements for its debt in its current and/or utility budgets as funds are raised thereby reducing the deferred charges.

25-02 **Finding** - The Analyses of General Capital and Utility Capital Fund Cash includes cash deficits for ordinances over 5 years old.

Criteria - Upon authorization of general and utility capital projects, the Borough establishes deferred charges for the cost of the general and utility capital projects to be raised by future taxation and/or established water/sewer rates. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of water/sewer capital projects. According to N.J.S. 40A:2-4, the Borough may levy taxes on all taxable property within its jurisdiction, or set water/sewer rates accordingly, to repay its debt. The Borough raises the debt requirements for its debt in its current budget and/or utility budget as funds are raised thereby reducing the deferred charges.

25-03 **Finding** - Interfund receivables and payables appear on the balance sheets of the various funds as of December 31.

Criteria - Interfunds have an effect on cash flow and with respect to the current fund, interfund receivables impact upon the amount of fund balance that can be utilized in a budget cycle.

25-04 **Finding** - The fixed asset listing required to be maintained in accordance with N.J.A.C. 5:30-5.6 did not include all assets that were required to be included.

Criteria - For fixed asset accounting and reporting purposes, all capital assets are grouped into the following fixed asset categories: Land, Buildings, Improvements Other than Buildings, Equipment, Construction Work-in-Progress and Lease Purchase Agreements. The fixed asset inventory maintained on the Edmunds system did not include land & buildings and several items of equipment and vehicles. The figures used in the audit were obtained from other sources. All fixed asset information should be incorporated within the fixed asset inventory maintained on the Edmunds system.