

**BOROUGH OF HIGHLANDS  
COUNTY OF MONMOUTH, NEW JERSEY**

**REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2014**

**BOROUGH OF HIGHLANDS**

**COUNTY OF MONMOUTH**

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**COUNTY OF MONMOUTH**

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**COUNTY OF MONMOUTH**

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**BOROUGH OF HIGHLANDS**

**COUNTY OF MONMOUTH**

**PART I**

**REPORT OF AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Highlands  
County of Monmouth  
Highlands, New Jersey

We have audited the accompanying balance sheets of the various funds and the comparative statement of general fixed asset account group of the Borough of Highlands (the "Borough"), as of December 31, 2014 and 2013, and the related statements of operations and changes in fund balance for the years then ended, the related statements of revenues and statements of expenditures for the year ended December 31, 2014 and the related notes to the financial statements which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Qualified Opinion on Length of Service Award Program" paragraph, however, we were not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the Length of Service Award Program.

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, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Local Government Services, Department of Community Affairs, 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 matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2014 and 2013 and the respective changes in financial position, for the years then ended.

### **Basis for Qualified Opinion on Length of Service Award Program**

The financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund and represents 16.19% and 15.49% of the assets and liabilities as of December 31, 2014 and 2013 respectively, of the Borough's Trust Funds.

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

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Length of Service Award Program" paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the Borough Trust Funds, for the years ended December 31, 2014 and 2013 on the basis of accounting described in Note 1 to the financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the current fund, general capital fund, animal control trust fund, trust other fund, open space trust fund, water-sewer utility fund, payroll fund and the general fixed asset account group of the Borough as of December 31, 2014 and 2013, and the results of its operations and changes in fund balance of the individual funds for the years then ended and the revenues and expenditures for the year ended December 31, 2014, on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1 to the financial statements.

## **Uncertainties Regarding Community Disaster Loan**

As discussed in Note 20E the Borough received a Community Disaster Loan from the United States Government Department of Homeland Security in the amount of \$2,363,102.00 due to potential losses in revenue as a result of Hurricane Sandy. In accordance with directives from the State of New Jersey these loans were realized as revenue in various funds of the Borough for the year ended December 31, 2013. The loans have not been recorded as loans payable on the balance sheets of the Borough. Federal guidelines stipulate that under certain conditions these loans may be forgiven. As of the date of this report there is no decision that the loan was or will be forgiven. Our opinion is not modified with respect to this matter.

## **Other Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements. The accompanying financial information listed as supplementary exhibits and supplementary data in the table of contents are presented for purposes of additional analysis as required by the Division of Local Government Services and are not a required part of the financial statements.

The accompanying financial information listed as supplementary exhibits and supplementary data in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Except for the LOSAP Fund supplementary exhibits, such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund supplementary information been audited, in our opinion, the supplementary exhibits and supplementary data are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2015, 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 agreement 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Halzet, New Jersey  
October 27, 2015

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

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

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Highlands  
County of Monmouth  
Highlands, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Highlands, of the State of New Jersey (the "Borough"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated October 27, 2015. The financial statements of the Length of Service Award Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, Government Auditing Standards and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America. As described in Note 1, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was also qualified because the Division of Local Government Services does not require the Length of Service Award Program to be audited, only reviewed.

## **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with these 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.

We noted certain matters that we have reported to management of the Borough in the Schedule of Findings and Recommendations section of this 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Hazlet, New Jersey  
October 27, 2015

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

<b>ASSETS</b>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Cash	A-4	\$ 5,225,482.76	\$ 7,479,943.99
Cash - Change Fund	A	445.00	445.00
		<u>5,225,927.76</u>	<u>7,480,388.99</u>
Due from State of New Jersey-Ch.20, P.L. 1971	A-9	<u>250.00</u>	<u>250.00</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	799,313.22	602,882.93
Tax Title Liens Receivable	A-6	45,042.55	41,103.48
Property Acquired for Taxes	A-7	212,600.00	212,600.00
Demolition Lien Receivable		40,786.77	40,786.77
Revenue Accounts Receivable	A-8	4,750.99	4,733.08
Interfund - Animal Control Trust Fund	A-10	2,367.19	
		<u>1,104,860.72</u>	<u>902,106.26</u>
		<u>6,331,038.48</u>	<u>8,382,745.25</u>
Deferred Charges:			
Special Emergency Authorizations			
(N.J.S. 40A:4-55)	A-11	2,557,216.03	3,355,216.03
		<u>2,557,216.03</u>	<u>3,355,216.03</u>
		<u>8,888,254.51</u>	<u>11,737,961.28</u>
Federal and State Grant Fund:			
Cash	A-4	210,707.22	189,497.73
Grants Receivable	A-27	51,153.74	128,540.34
		<u>261,860.96</u>	<u>318,038.07</u>
Total Assets		\$ <u>9,150,115.47</u>	\$ <u>12,055,999.35</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3/A-12	\$ 922,505.32	\$ 1,608,199.37
Reserve for Encumbrances	A-13	340,729.54	447,835.56
Accounts Payable	A-14	135,630.67	172,528.27
Prepaid Taxes	A-16	70,918.62	195,758.17
Tax Overpayments	A-15	50,165.49	81,191.77
Regional High School Tax Payable	A-17	96,651.10	85,176.56
County Taxes Payable	A-18	32,336.01	2,937.92
Local School Taxes Payable	A-19	20,552.00	58,184.00
Business Improvement Tax Payable	A-20		555.00
Due to State of New Jersey - Marriage License	A-22	575.00	300.00
Due to State of New Jersey - DCA Training Fees	A-23	4,722.00	10,088.82
Special Emergency Note Payable	A-25	1,730,000.00	5,386,077.00
Accrued Interest on Loans	A-3	37,616.29	9,248.63
Reserve for Tax Appeals		100,000.00	100,000.00
Reserve for FEMA	A-4	844,853.79	
Reserve for Special Emergency Appropriation - Hurricane Sandy	A-12	864,779.28	
Reserve for Insurance Proceeds	A-26	27,200.00	27,200.00
Reserve for Supplemental Energy Tax Receipts	A-2		13,157.00
		<hr/>	<hr/>
		5,279,235.11	8,198,438.07
Reserve for Receivables and Other Assets	A	1,104,860.72	902,106.26
Fund Balance	A-1	<hr/>	<hr/>
		2,504,158.68	2,637,416.95
		<hr/>	<hr/>
		8,888,254.51	11,737,961.28
Federal and State Grant Fund:			
Appropriated Reserves	A-28	245,362.74	168,972.49
Unappropriated Reserves	A-29	12,212.23	140,630.84
Reserve for Encumbrances	A-30	3,164.11	7,312.86
Due to State of New Jersey	A-31	1,121.88	1,121.88
		<hr/>	<hr/>
		261,860.96	318,038.07
		<hr/>	<hr/>
Total Liabilities, Reserves and Fund Balance		\$ <hr/>	\$ <hr/>
		9,150,115.47	12,055,999.35

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	A-2	\$ 2,000,000.00	\$ 422,285.00
Miscellaneous Revenue Anticipated	A-2	2,032,929.38	3,881,926.07
Receipts from Delinquent Taxes	A-2	601,179.18	725,743.96
Receipts from Current Taxes	A-2	14,902,919.15	14,346,148.35
Non-Budget Revenues	A-2	44,174.78	35,101.26
Other Credits to Income:			
Animal Control - Statutory Excess	A-10	2,367.19	105.00
Unexpended Balance of Appropriation Reserves	A-12	571,037.57	281,936.49
Accounts Payable Cancelled	A-14	114,675.27	8,460.00
Grants Appropriated Canceled	A-28	<u>3,075.00</u>	<u>1,086.32</u>
Total Revenue		<u>20,272,357.52</u>	<u>19,703,293.12</u>
Expenditures:			
Budget Appropriations Within Caps:			
Operations:			
Salaries and Wages	A-3	2,895,128.00	2,744,124.50
Other Expenses	A-3	3,575,168.00	5,249,575.53
Deferred Charges and Statutory Expenditures	A-3	566,595.00	565,670.73
Budget Appropriations Excluded from Caps:			
Operations:			
Salaries and Wages	A-3	10,000.00	
Other Expenses	A-3	529,428.98	561,925.99
Capital Improvements	A-3	171,100.00	112,500.00
Municipal Debt Service	A-3	897,655.97	587,098.83
Deferred Charges - Municipal	A-3	<u>898,000.00</u>	<u>1,068,000.00</u>
		<u>9,543,075.95</u>	<u>10,888,895.58</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
County Taxes	A-18	\$ 1,910,343.14	\$ 1,853,476.58
Local District School Tax	A-19	2,958,596.00	3,012,680.00
Regional High School Tax	A-17	3,997,203.50	4,089,839.67
Business Improvement District Tax	A-20	50,000.00	50,000.00
Local Municipal Open Space Tax	A-21	28,630.90	28,764.98
Senior Citizens Deductions Disallowed	A-9	7,000.00	4,500.00
Accounts Payable	A-14		255.12
Grants Receivable Canceled	A-27	3,075.00	300.00
Interfund Advanced	A-10	2,367.19	21.00
Refund Prior Year Tax Revenue	A-15	3,809.61	4,577.55
Refund Prior Year Revenue	A-4	1,514.50	
Reserve for Tax Appeals			100,000.00
Total Expenditures		<u>18,505,615.79</u>	<u>20,033,310.48</u>
Excess/(Deficit) in Revenue		1,766,741.73	(330,017.36)
Add:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Year:			
Special Emergency Authorizations	A-3/A-11	<u>100,000.00</u>	<u>2,000,000.00</u>
Statutory Excess to Fund Balance		1,866,741.73	1,669,982.64
Fund Balance, January 1, 2014	A	<u>2,637,416.95</u>	<u>1,389,719.31</u>
		4,504,158.68	3,059,701.95
Decreased by:			
Utilized as Anticipated Revenue	A-1/A-2	<u>2,000,000.00</u>	<u>422,285.00</u>
Fund Balance December 31	A	<u>\$ 2,504,158.68</u>	<u>\$ 2,637,416.95</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 2,000,000.00		\$ 2,000,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	13,700.00		25,168.80	\$ 11,468.80
Other	A-8	20,000.00		19,560.00	(440.00)
Fees and Permits	A-8	50,000.00		83,572.00	33,572.00
Fines and Costs:					
Municipal Court	A-8	60,000.00		89,000.02	29,000.02
Interest and Costs on Taxes	A-8	75,000.00		112,607.37	37,607.37
Interest on Investments and Deposits	A-8	30,000.00		89,607.94	59,607.94
Cable T.V. Franchise Fees	A-8	20,798.85		20,798.85	
Consolidated Municipal Property Tax Relief Aid	A-8	16,121.00		16,121.00	
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	A-8	338,438.00		338,438.00	
Reserve for Supplemental Energy Receipts Tax 2013	A-8	13,157.00		13,157.00	
Uniform Construction Fees	A-8	100,000.00		306,546.82	206,546.82
Recycling Tonnage Grant	A-27	3,646.69		3,646.69	
Municipal Alliance	A-27		\$ 28,525.00	28,525.00	
Municipal Alliance on Alcoholism and Drug Abuse	A-27	14,262.50		14,262.50	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Municipal Alliance on Alcoholism and Drug Abuse- Match	A-27	\$ 1,782.82		\$ 1,782.82	
Municipal Alliance - Program Donations	A-27	375.00		375.00	
NY/NJ Snowflake Foundation	A-27	135,000.00		135,000.00	
Clean Communities Grant	A-27		\$ 10,888.67	10,888.67	
Summer Food Program	A-27		11,797.86	11,797.86	
Body Armor Grant	A-27	1,984.15		1,984.15	
American Water Rain Barrel	A-27		10,000.00	10,000.00	
Hurricane Sandy National Emergency Grant	A-27	23,795.00		23,795.00	
General Capital Fund Balance	A-8	38,100.00		38,100.00	
Lease of Borough Property	A-8	35,000.00		39,697.00	\$ 4,697.00
Housing Authority - Pilot	A-8	22,000.00		28,077.00	6,077.00
Police Off Duty Administrative Fees	A-8	3,000.00		10,805.00	7,805.00
Federal Emergency Management Agency	A-8	400,000.00		400,000.00	
Insurance Proceeds - Fire House	A-8	40,000.00		159,614.89	119,614.89
Total Miscellaneous Revenues	A-1	<u>1,456,161.01</u>	<u>61,211.53</u>	<u>2,032,929.38</u>	<u>515,556.84</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1/A-2	\$ <u>435,000.00</u>		\$ <u>601,179.18</u>	\$ <u>166,179.18</u>
		1,891,161.01	\$ <u>61,211.53</u>	2,634,108.56	681,736.02
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>6,591,359.63</u>		<u>7,126,344.30</u>	<u>534,984.67</u>
		8,482,520.64	61,211.53	9,760,452.86	1,216,720.69
Non-Budget Revenues	A-1/A-2	<u>                    </u>	<u>                    </u>	<u>44,174.78</u>	<u>44,174.78</u>
Total		\$ <u><u>10,482,520.64</u></u>	\$ <u><u>61,211.53</u></u>	\$ <u><u>11,804,627.64</u></u>	\$ <u><u>1,260,895.47</u></u>
	<u>Ref.</u>	A-3	A-3		

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2014

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	A-1/A-5	\$	14,902,919.15
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Allocated to School, County, Business Improvement District and Municipal Open Space Taxes	A-5		<u>8,877,080.04</u>
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Balance for Support of Municipal Budget Appropriations			6,025,839.11
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Add:			
Reserve for Uncollected Taxes	A-3		<u>1,100,505.19</u>
			7,126,344.30

Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>7,126,344.30</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-5	\$	<u>601,179.18</u>
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	A-2	\$	<u><u>601,179.18</u></u>
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The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2014

Analysis of Non-Budget Revenues:

Fire Safety LEA Rebate	\$	5,831.48
Prior Year Reimbursements		95.62
Motor Vehicle Inspection Fees		250.00
State of NJ - Election Reimbursements		901.96
State of NJ - Senior Citizen Administration Fee		840.00
Code Enforcement Penalties		11,930.00
Copies		1,044.75
6% Penalties		2,512.73
Restitution		280.00
Premium on Sale of Special Emergency Notes		395.00
Hurricane Sandy - Community Development		18,222.44
Other Miscellaneous Revenue		<u>1,870.80</u>
A-2/A-4	\$	<u><u>44,174.78</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Canceled</u>
<u>Operations Within CAPS</u>					
<u>General Government Functions</u>					
Borough Administrator					
Salaries and Wages	\$ 100,205.00	\$ 100,205.00	\$ 98,703.37	\$ 1,501.63	
Other Expenses	4,000.00	4,000.00	2,655.96	1,344.04	
Central Services					
Salaries and Wages	29,760.00	29,760.00	27,168.13	2,591.87	
Other Expenses	37,000.00	37,000.00	23,537.29	13,462.71	
Borough Council					
Salaries and Wages	13,000.00	13,000.00	13,000.00		
Other Expenses	67,850.00	67,850.00	67,522.59	327.41	
Borough Clerk					
Salaries and Wages	64,500.00	65,500.00	65,261.84	238.16	
Other Expenses	38,600.00	37,600.00	29,613.26	7,986.74	
Financial Administration					
Salaries and Wages	121,175.00	115,675.00	105,741.90	9,933.10	
Other Expenses	19,100.00	19,100.00	13,050.95	6,049.05	
Audit Services	33,900.00	33,900.00	33,900.00		
Collection of Taxes					
Salaries and Wages	58,000.00	58,000.00	55,274.18	2,725.82	
Other Expenses	10,585.00	10,585.00	7,768.82	2,816.18	
Assessment of Taxes					
Salaries and Wages	25,435.00	25,435.00	25,423.92	11.08	
Other Expenses	48,205.00	48,205.00	22,161.53	26,043.47	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
Legal Services and Costs					
Other Expenses	\$ 177,500.00	\$ 177,500.00	\$ 131,462.60	\$ 46,037.40	
Engineering Services and Costs					
Other Expenses	150,000.00	160,000.00	149,717.00	10,283.00	
Master Plan		100,000.00	4,500.00	95,500.00	
<u>Code Enforcement</u>					
Code Enforcement Officer					
Salaries and Wages	45,000.00	45,000.00	36,058.92	8,941.08	
Other Expenses	25,100.00	25,100.00	6,877.05	18,222.95	
Other Expenses - Substandard Housing	40,000.00	40,000.00		40,000.00	
<u>Municipal Land Use Law (N.J.S.A:55D-1)</u>					
Planning Board					
Salaries and Wages	6,000.00	6,000.00	5,500.08	499.92	
Other Expenses	24,625.00	24,625.00	17,551.09	7,073.91	
Zoning Board of Adjustment					
Salaries and Wages	6,000.00	6,000.00	5,500.08	499.92	
Other Expenses	25,775.00	25,775.00	18,421.17	7,353.83	
Affordable Housing					
Salaries and Wages	1.00	1.00		1.00	
Other Expenses	1.00	1.00		1.00	
<u>Insurance</u>					
General Liability	108,500.00	108,500.00	108,488.71	11.29	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Workers Compensation	\$ 148,500.00	\$ 148,500.00	\$ 148,441.61	\$ 58.39	
Employee Group Insurance	1,029,000.00	1,029,000.00	929,184.66	99,815.34	
Unemployment Insurance	30,000.00	30,000.00	30,000.00		
<u>Public Safety Functions</u>					
Fire					
Other Expenses	67,400.00	67,400.00	66,927.80	472.20	
Police					
Salaries and Wages	1,782,000.00	1,762,500.00	1,749,961.96	12,538.04	
Other Expenses	86,066.00	105,566.00	99,750.44	5,815.56	
Dispatch					
Salaries and Wages	164,000.00	164,000.00	155,190.54	8,809.46	
Other Expenses	1,500.00	1,500.00	78.00	1,422.00	
Municipal Court					
Salaries and Wages	19,525.00	19,525.00	16,302.00	3,223.00	
Other Expenses	9,910.00	9,910.00	555.00	9,355.00	
First Aid Contribution	30,000.00	36,000.00	30,990.00	5,010.00	
Emergency Management Services					
Salaries and Wages	3,875.00	3,875.00	3,649.92	225.08	
Other Expenses	20,000.00	20,000.00	12,016.56	7,983.44	
Public Defender					
Salaries and Wages	4,900.00	4,900.00	3,499.92	1,400.08	
Fire Hydrant Fees	61,000.00	61,000.00	50,099.37	10,900.63	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Canceled</u>
Uniform Fire Safety Act					
Salaries and Wages	\$ 27,400.00	\$ 28,900.00	\$ 28,510.00	\$ 390.00	
Other Expenses	4,700.00	4,700.00	2,643.89	2,056.11	
Municipal Prosecutor					
Salaries and Wages	18,150.00	16,150.00	15,246.00	904.00	
<u>Public Works Functions</u>					
Road Repair and Maintenance					
Salaries and Wages	178,000.00	173,000.00	162,746.49	10,253.51	
Other Expenses	55,000.00	55,000.00	35,868.51	19,131.49	
Snow Removal					
Salaries and Wages	25,000.00	25,000.00	23,286.76	1,713.24	
Other Expenses	40,000.00	40,000.00	32,051.35	7,948.65	
Sanitation					
Salaries and Wages	2,100.00	2,100.00	1,250.00	850.00	
Other Expenses	50,350.00	50,350.00	11,363.80	38,986.20	
Other Expenses - Contractual Services	212,000.00	212,000.00	195,271.21	16,728.79	
Mechanical Garage					
Salaries and Wages	1.00	1.00		1.00	
Other Expenses	4,000.00	4,000.00	3,992.20	7.80	
Public Buildings and Grounds					
Salaries and Wages	19,400.00	19,400.00	15,980.85	3,419.15	
Other Expenses	80,000.00	80,000.00	62,703.07	17,296.93	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
Shade Tree Commission					
Other Expenses	\$ 1,000.00	\$ 1,000.00		\$ 1,000.00	
Condominium Services					
Other Expenses	28,000.00	28,000.00	\$ 10,198.09	17,801.91	
<u>Health and Human Services</u>					
Services of Monmouth County Regional Health					
Commission Contract (R.S. 40:13)	61,900.00	61,900.00	61,839.00	61.00	
Environmental Commission					
Other Expenses	1,000.00	1,000.00	290.00	710.00	
Dog Control					
Other Expenses	18,000.00	18,000.00	7,120.00	10,880.00	
Community-School Substance Abuse Program	3,000.00	3,000.00	631.25	2,368.75	
N.J. Public Employees Occupational Safety and					
Health Act					
Other Expenses	4,500.00	4,500.00		4,500.00	
<u>Park and Recreation Functions</u>					
Beachfront Maintenance					
Salaries and Wages	13,200.00	13,200.00		13,200.00	
Other Expenses	12,950.00	12,950.00	11,017.95	1,932.05	
Parks and Playgrounds					
Other Expenses	12,450.00	12,450.00	4,707.28	7,742.72	
Celebration of Public Events, Anniversary or Holiday					
Other Expenses	3,000.00	3,000.00	1,100.39	1,899.61	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
Community Center					
Salaries and Wages	\$ 103,000.00	\$ 103,000.00	\$ 94,688.43	\$ 8,311.57	
Other Expenses	25,000.00	25,000.00	16,732.65	8,267.35	
<u>Education Functions</u>					
Expenses of Participation in Free County Library					
Salaries and Wages	1.00	1.00		1.00	
Other Expenses	1.00	1.00		1.00	
<u>Uniform Construction Code - Appropriation Offset by</u> <u>Dedicated Revenues (N.J.A.C. 5:23-4.17)</u>					
Construction Code Official					
Salaries and Wages	95,000.00	95,000.00	95,000.00		
Other Expenses	23,200.00	23,200.00	22,289.04	910.96	
<u>Unclassified:</u>					
Accumulated Sick Leave	32,000.00	32,000.00	32,000.00		
<u>Utility Expenses and Bulk Purchases</u>					
Electricity	60,000.00	55,000.00	34,590.31	20,409.69	
Street Lighting	54,000.00	54,000.00	49,347.60	4,652.40	
Telephone	32,000.00	32,000.00	25,601.70	6,398.30	
Water	11,500.00	11,500.00	8,719.51	2,780.49	
Natural Gas	15,000.00	15,000.00	14,555.93	444.07	
Telecommunication Costs	33,000.00	33,000.00	26,992.70	6,007.30	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Gasoline and Diesel Fuel	\$ 75,000.00	\$ 75,000.00	\$ 59,559.89	\$ 15,440.11	
Landfill/Solid Waste Disposal Costs					
Monmouth County Reclamation Center					
Other Expenses	<u>199,000.00</u>	<u>199,000.00</u>	<u>156,441.13</u>	<u>42,558.87</u>	
Total Operations Within CAPS	6,370,296.00	6,470,296.00	5,695,845.20	774,450.80	
Detail:					
Salaries and Wages	2,924,628.00	2,895,128.00	2,802,945.29	92,182.71	
Other Expenses	<u>3,445,668.00</u>	<u>3,575,168.00</u>	<u>2,892,899.91</u>	<u>682,268.09</u>	
<u>Deferred Charges and Statutory Expenditures Within CAPS</u>					
Statutory Expenditures:					
Contributions to:					
Public Employee Retirement System	104,271.00	104,271.00	93,775.73	10,495.27	
Social Security System (O.A.S.I.)	118,200.00	118,200.00	111,605.14	6,594.86	
Police and Firemen's System of N.J.	339,124.00	339,124.00	317,199.00	21,925.00	
Defined Contribution Retirement Program	<u>5,000.00</u>	<u>5,000.00</u>	<u>1,190.53</u>	<u>3,809.47</u>	
Total Deferred Charges and Statutory Expenditures Within CAPS	<u>566,595.00</u>	<u>566,595.00</u>	<u>523,770.40</u>	<u>42,824.60</u>	
Total Appropriations Within CAPS	<u>6,936,891.00</u>	<u>7,036,891.00</u>	<u>6,219,615.60</u>	<u>817,275.40</u>	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
<u>Operations Excluded from CAPS</u>		<u>Modification</u>	<u>Charged</u>		<u>Canceled</u>
Length of Service Awards Program	\$ 45,000.00	\$ 45,000.00	\$ 43,700.00	\$ 1,300.00	
9-1-1	13,953.15	13,953.15	13,953.15		
Stormwater Management	37,000.00	37,000.00	9,970.00	27,030.00	
Recycling Tax (N.J.S.A. 13:1E-96.5):					
Other Expenses	9,000.00	9,000.00	1,695.73	7,304.27	
Employee Group Insurance					
Atlantic Highlands - Maintenance of Motor Vehicles	90,500.00	90,500.00	49,239.59	41,260.41	
Atlantic Highlands - Municipal Court	72,050.00	72,050.00	72,050.00		
Declared State of Emergency					
Costs for Snow Removal NJSA 40A:4-45.45(b) and					
40A:4-45.3(bb)					
Salaries and Wages	10,000.00	10,000.00		10,000.00	
Other Expenses	10,000.00	10,000.00	5,857.62	4,142.38	
<u>Public and Private Programs Offset by Revenues</u>					
Summer Food Service for Children PY	1,085.33	1,085.33	1,085.33		
Summer Food Service for Children		11,797.86	11,797.86		
Municipal Alliance on Alcoholism & Drug Abuse					
County Share	14,262.50	14,262.50	14,262.50		
Municipal Share	3,565.63	3,565.63	3,565.63		
Alliance Program Donations	375.00	375.00	375.00		
Municipal Alliance		28,525.00	28,525.00		
NY/NJ Snowflake Foundation	135,000.00	135,000.00	135,000.00		

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Matching Funds for Grants	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00		
American Water Rain Barrel Rehabilitation Fund		10,000.00	10,000.00		
Recycling Tonnage Grant	3,646.69	3,646.69	3,646.69		
Hurricane Sandy National Emergency Grant	23,795.00	23,795.00	23,795.00		
Clean Communities Grant		10,888.67	10,888.67		
Body Armor Grant	1,984.15	1,984.15	1,984.15		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Operations - Excluded from CAPS	478,217.45	539,428.98	448,391.92	\$ 91,037.06	
Detail:					
Salaries and Wages	10,000.00	10,000.00		10,000.00	
Other Expenses	468,217.45	529,428.98	448,391.92	81,037.06	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	478,217.45	539,428.98	448,391.92	91,037.06	
<u>Capital Improvements Excluded from CAPS</u>					
Capital Improvement Fund	83,000.00	83,000.00	83,000.00		
Firehouse Facility Upgrade and Equipment	38,100.00	38,100.00	34,318.86	3,781.14	
Firehouse Repairs and Equipment due to Water Pipe Break	50,000.00	50,000.00	39,588.28	10,411.72	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Improvements - Excluded from CAPS	171,100.00	171,100.00	156,907.14	14,192.86	
<u>Municipal Debt Service Excluded from CAPS</u>					
Payment of Bond Principal	367,000.00	367,000.00	367,000.00		
Payment of Bond Anticipation Notes and Capital Notes	15,700.00	15,700.00	15,700.00		
Interest on Bonds	262,740.00	262,740.00	262,590.19		\$ 149.81
Interest on Notes	191,495.00	191,495.00	191,495.00		

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Canceled</u>
Capital Lease Obligations					
Principal	\$ 48,000.00	\$ 48,000.00	\$ 48,000.00		
Interest	12,872.00	12,872.00	12,870.78		\$ 1.22
	<u>897,807.00</u>	<u>897,807.00</u>	<u>897,655.97</u>		<u>151.03</u>
Total Municipal Debt Service Excluded from CAPS					
<u>Deferred Charges - Municipal - Excluded from CAPS</u>					
<u>Deferred Charges</u>					
Special Emergency Authorizations-					
5 Years (N.J.S.A. 40A4-55)	898,000.00	898,000.00	\$ 898,000.00		
	<u>898,000.00</u>	<u>898,000.00</u>	<u>898,000.00</u>		
Total Deferred Charges - Municipal - Excluded from CAPS					
	<u>2,445,124.45</u>	<u>2,506,335.98</u>	<u>2,400,955.03</u>	\$ <u>105,229.92</u>	<u>151.03</u>
Total General Appropriations Excluded from CAPS					
	9,382,015.45	9,543,226.98	8,620,570.63	922,505.32	151.03
Subtotal General Appropriations	<u>1,100,505.19</u>	<u>1,100,505.19</u>	<u>1,100,505.19</u>		
Reserve for Uncollected Taxes					
Total General Appropriations	\$ <u>10,482,520.64</u>	\$ <u>10,643,732.17</u>	\$ <u>9,721,075.82</u>	\$ <u>922,505.32</u>	\$ <u>151.03</u>
<u>Ref.</u>	A-2	A-3	A-1/A-3	A/A-1	

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2014

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget	A-2	\$ 10,482,520.64
Added by N.J.S. 40A:4-87	A-2	61,211.53
Special Emergency Authorization	A-1/A-11	<u>100,000.00</u>
	A-3	<u><u>\$ 10,643,732.17</u></u>
		<u>Paid or Charged</u>
Disbursements	A-4	\$ 7,101,416.35
Special Emergency Authorizations	A-11	898,000.00
Reserve for Encumbrances	A-13	340,729.54
Accrued Interest on Loans	A	28,367.66
Appropriated Reserves for		
Federal and State Grants	A-28	252,057.08
Reserve for Uncollected Taxes	A-2	<u>1,100,505.19</u>
	A-3	<u><u>\$ 9,721,075.82</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

As of December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Animal Control Trust Fund:			
Cash	B-1	\$ 10,547.24	\$ 10,886.93
Change Fund		40.00	40.00
		<u>10,587.24</u>	<u>10,926.93</u>
Trust Other Fund:			
Cash	B-1	1,265,585.92	1,147,475.05
		<u>1,265,585.92</u>	<u>1,147,475.05</u>
Open Space Trust Fund:			
Cash	B-1	154,408.94	126,126.94
		<u>154,408.94</u>	<u>126,126.94</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Investments	B-10	276,326.56	235,446.36
		<u>276,326.56</u>	<u>235,446.36</u>
		<u>\$ 1,706,908.66</u>	<u>\$ 1,519,975.28</u>
<b>LIABILITIES AND RESERVES</b>			
Animal Control Trust Fund:			
Reserve for Encumbrances	B-5	\$	\$ 100.00
Reserve for Animal Control Expenditures	B-2	8,197.85	10,826.93
Due to State	B-3	22.20	
Interfund - Current Fund	B-4	2,367.19	
		<u>10,587.24</u>	<u>10,926.93</u>
Trust Other Fund:			
Encumbrances Payable	B-6	193,948.54	70,830.46
Accounts Payable	B-7	150.19	-
Various Reserves	B-8	1,071,487.19	1,076,644.59
		<u>1,265,585.92</u>	<u>1,147,475.05</u>
Open Space Trust Fund:			
Reserve for Encumbrances	B-9	4,974.00	-
Reserve for Open Space	B-9	149,434.94	126,126.94
		<u>154,408.94</u>	<u>126,126.94</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Reserve for Length of Service Award Program	B-11	276,326.56	235,446.36
		<u>276,326.56</u>	<u>235,446.36</u>
		<u>\$ 1,706,908.66</u>	<u>\$ 1,519,975.28</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>			
Cash	C-2	\$ 4,945,964.57	\$ 7,495,281.07
Community Development Block Grant Receivable	C-6	178,077.00	178,077.00
Federal Emergency Management Agency Receivable	C-7	2,854,000.00	2,854,000.00
Exxon Mobile Receivable	C-8	137,000.00	137,000.00
Due from Monmouth County Improvement Authority	C-9		66,014.00
Deferred Charges to Future Taxation:			
Funded	C-4	5,497,750.00	5,366,000.00
Unfunded	C-5	<u>11,140,446.40</u>	<u>8,500,896.40</u>
		\$ <u><u>24,753,237.97</u></u>	\$ <u><u>24,597,268.47</u></u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 4,999,000.00	\$ 5,366,000.00
Downtown Business Improvement Zone Loan Payable	C-11	498,750.00	
Bond Anticipation Notes	C-12	3,744,020.00	6,503,908.00
Improvement Authorizations:			
Funded	C-13	762,004.75	1,126,265.11
Unfunded	C-13	9,782,771.54	7,240,023.64
Reserve for Encumbrances	C-16	1,377,694.34	1,245,167.47
Accounts Payable	C-15	3,597.75	3,597.75
Capital Improvement Fund	C-17	100,476.26	17,476.26
Miscellaneous Reserves	C-14	60,041.08	59,441.42
Reserve for Receivables	C-7	2,854,000.00	2,854,000.00
Fund Balance	C-1	<u>570,882.25</u>	<u>181,388.82</u>
		\$ <u><u>24,753,237.97</u></u>	<u><u>24,597,268.47</u></u>

There were bonds and notes authorized but not issued on December 31, 2014 of \$7,396,426.40 (Exhibit C-18).

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance, December 31, 2013	C	\$	181,388.82
Increased by:			
Premium on Sale of Notes	C-2	\$	2,478.00
Funded Improvement Authorizations Canceled	C-13	<u>425,115.43</u>	
			<u>427,593.43</u>
			608,982.25
Decreased by:			
Appropriated to 2014 Budget Revenue	C-2		<u>38,100.00</u>
Balance, December 31, 2014	C	\$	<u><u>570,882.25</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

<b>ASSETS</b>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Operating Fund</u>			
Cash	D-5	\$ 1,299,714.97	\$ 966,650.39
Advanced to Trustee	D-5	158,418.00	
Change Fund	D	<u>100.00</u>	<u>100.00</u>
		<u>1,458,232.97</u>	<u>966,750.39</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	<u>295,912.62</u>	<u>335,959.74</u>
Total Operating Fund		<u>1,754,145.59</u>	<u>1,302,710.13</u>
<u>Capital Fund</u>			
Cash	D-5	16,234.44	16,234.44
Fixed Capital	D-13	7,072,529.82	1,349,459.48
Fixed Capital Authorized and Uncompleted	D-14	<u>58,201.66</u>	<u></u>
Total Capital Fund		<u>7,146,965.92</u>	<u>1,365,693.92</u>
Total Assets		\$ <u><u>8,901,111.51</u></u>	\$ <u><u>2,668,404.05</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,			<u>2014</u>	<u>2013</u>
		<u>Ref.</u>		
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
<u>Operating Fund</u>				
Appropriation Reserves	D-4/D-8	\$	112,057.76	\$ 48,941.27
Reserve for Encumbrances	D-9		172,827.45	103,897.50
Customer Overpayments	D-10		17,481.87	16,690.99
Accrued Interest on Bonds and Loans	D-11		100,441.49	4,155.69
Accounts Payable	D-12		68,694.08	5,205.00
Contingent Liabilities				52,239.80
			<u>471,502.65</u>	<u>231,130.25</u>
Reserve for Receivables and Other Assets	D		295,912.62	335,959.74
Fund Balance	D-1		<u>986,730.32</u>	<u>735,620.14</u>
Total Operating Fund			<u>1,754,145.59</u>	<u>1,302,710.13</u>
<u>Capital Fund</u>				
Capital Improvement Fund	D-15		6,750.00	6,750.00
Reserve for Down Payments on Capital Improvements	D-16		100.00	100.00
Reserve for Amortization	D-17		1,156,267.95	1,079,459.48
Serial Bonds Payable	D-18		3,964,800.00	270,000.00
Loans Payable	D-19		1,951,461.87	
Improvements Authorizations:				
Unfunded	D-20		58,201.66	
Fund Balance	D-2		<u>9,384.44</u>	<u>9,384.44</u>
Total Capital Fund			<u>7,146,965.92</u>	<u>1,365,693.92</u>
Total Liabilities, Reserves and Fund Balance		\$	<u>8,901,111.51</u>	\$ <u>2,668,404.05</u>

There were bonds and notes authorized but not issued on December 31, 2014 of \$58,201.66. (Exhibit D-21)

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	D-3	\$ 180,000.00	\$ 250,000.00
Sewer Rents	D-3	1,732,738.29	1,785,948.01
Community Disaster Loan			300,000.00
Sale of Water System Escrow	D-3	52,263.42	
Other Credits to Income:			
Non-Budget Revenues	D-3	55,781.32	55,775.95
Unexpended Balance of Appropriation Reserves	D-8	17,382.08	58,538.09
Cancel Accounts Payable	D-12	5,205.00	
Total Revenue		<u>2,043,370.11</u>	<u>2,450,262.05</u>
Expenditures:			
Operating	D-4	1,361,530.00	1,666,024.00
Debt Service	D-4	236,494.93	31,000.00
Deferred Charges and Statutory Expenditures	D-4	14,235.00	21,573.00
Total Expenditures		<u>1,612,259.93</u>	<u>1,718,597.00</u>
Statutory Excess to Fund Balance		431,110.18	731,665.05
Fund Balance January 1	D	<u>735,620.14</u>	<u>253,955.09</u>
.		1,166,730.32	985,620.14
Decreased by:			
Utilization as Anticipated Revenue	D-1/D-3	<u>180,000.00</u>	<u>250,000.00</u>
Fund Balance December 31	D	<u>\$ 986,730.32</u>	<u>\$ 735,620.14</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Ref.

Balance, December 31, 2013 and 2014

D

\$ 9,384.44

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2014

	<u>Ref.</u>	Anticipated <u>Budget</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	D-1	\$ 180,000.00	\$ 180,000.00	
Sewer Rents	D-1/D-7	1,427,502.00	1,732,738.29	\$ 305,236.29
Sale of Water System Escrow	D-1	52,263.00	52,263.42	0.42
		<u>1,659,765.00</u>	<u>1,965,001.71</u>	<u>305,236.71</u>
Non-Budget Revenues	D-1/D-3/D-5		55,781.32	55,781.32
		<u>\$ 1,659,765.00</u>	<u>\$ 2,020,783.03</u>	<u>\$ 361,018.03</u>

Ref. D-4

Analysis of Non-Budget Revenues

Interest Earned on Delinquent Accounts	\$ 41,142.15
Street Opening Permits	6,150.00
Interest on Investments and Deposits	7,408.99
Miscellaneous	<u>1,080.18</u>
D-3	<u>\$ 55,781.32</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**WATER - SEWER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended December 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Operating:					
Salaries and Wages	\$ 79,805.00	\$ 79,805.00	\$ 76,417.76	\$ 3,387.24	
Other Expenses	1,152,838.00	1,108,838.00	1,005,107.19	103,730.81	
Shared Services - Sewer Operator	67,437.00	100,437.00	100,311.20	125.80	
Group Insurance	24,000.00	25,000.00	24,409.64	590.36	
Workers Compensation Insurance	27,000.00	27,000.00	25,213.72	1,786.28	
Other Insurances	20,450.00	20,450.00	18,777.47	1,672.53	
Debt Service:					
Payment of Bond Principal	18,000.00	18,000.00	18,000.00		
Interest on Bonds	184,000.00	184,000.00	138,981.11		\$ 45,018.89
NJ EITF Principal	59,000.00	59,000.00	58,808.47		191.53
NJ EITF Interest	13,000.00	23,000.00	20,705.35		2,294.65
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	7,225.00	7,225.00	6,478.00	747.00	
Social Security System (O.A.S.I.)	6,110.00	6,110.00	6,092.26	17.74	
Unemployment Compensation Insurance	900.00	900.00	900.00		
	<u>\$ 1,659,765.00</u>	<u>\$ 1,659,765.00</u>	<u>\$ 1,500,202.17</u>	<u>\$ 112,057.76</u>	<u>\$ 47,505.07</u>
<u>Ref.</u>	D-3	D-3	D-1	D/D-1	
Analysis of Paid or Charged:					
Cash Disbursements	D-5		\$ 1,167,688.26		
Accrued Interest Payable	D-11		159,686.46		
Reserve for Encumbrances	D-9		<u>172,827.45</u>		
			<u>\$ 1,500,202.17</u>		

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL FIXED ASSET ACCOUNT GROUP  
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS  
REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
General Fixed Assets:			
Land	E-1	\$ 1,097,800.00	\$ 1,097,800.00
Buildings and Improvements	E-1	5,772,197.90	5,772,197.90
Machinery and Equipment	E-1	<u>4,023,955.33</u>	<u>3,890,885.75</u>
		\$ <u><u>10,893,953.23</u></u>	\$ <u><u>10,760,883.65</u></u>
Investments in General Fixed Assets	E-1	\$ <u><u>10,893,953.23</u></u>	\$ <u><u>10,760,883.65</u></u>

The accompanying notes are and integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

PAYROLL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of December 31,

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ <u>33,003.64</u>	\$ <u>5,997.77</u>
<b>LIABILITIES</b>		
Payroll Liabilities	\$ <u>33,003.64</u>	\$ <u>5,997.77</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.    Reporting Entity**

This report includes the financial statements of the Borough of Highlands (the “Borough”), within the County of Monmouth, in the State of New Jersey and reflects the activities of the Municipality which is under the control of the Mayor and Borough Council. The financial statements of the Boards of Education, the Volunteer Fire Department and First Aid Squads are reported separately since their activities are administered by separate boards.

The governing body is also responsible for appointing members to the Atlantic Highlands/Highlands Regional Sewerage Authority (AHHRSA), but the Borough’s accountability for this organization does not extend beyond making the appointments. The AHHRSA was dissolved effective April 1, 2014.

**B.    Description of Funds**

The Governmental Accounting Standards Board (“GASB”) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles generally accepted in the United States of America. The GASB Codification established seven major fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The accounting policies of the Borough conform to the accounting principles and practices applicable to municipalities prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The accompanying financial statements are presented in the format prescribed by the State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and are 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:

Current Fund - resources and expenditures for governmental operations of a general nature.

Grant Fund - accounts for receipts and disbursements of Federal and State Grants.

Trust Funds - receipts, custodianship, and disbursements of monies 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. General bonds and notes payable are recorded in this fund and are offset by deferred charges to future taxation.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Water-Sewer Utility Operating and Capital Funds - are used to account for Water/Sewer operations that are financed through user fees. The funds are operated on a basis similar to private business enterprises where the intent is that the costs of providing the Water/Sewer Utility to the general public be financed through user fees. Operations related to the acquisition of Water/Sewer capital facilities are recorded within the Water/Sewer Utility Capital Fund. Bonds and notes payable of the utility are recorded in the Utility Capital Fund.

Payroll Fund - receipts and disbursements to account for the payroll and payroll tax liabilities of the Borough.

General Fixed Assets Account Group - 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 differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

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

Grant Revenues and Expenditures - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they are earned and the expenditures to be recognized when the liability is incurred.

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

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting (continued)

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

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

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2014 is set forth in Note 7.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick 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.

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

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 as reserves. GAAP does not require the establishment of an offsetting reserve.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting (continued)

Inventories of Supplies - the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The inventories have offsetting reserve amounts.

Fixed Assets - Utility - property and equipment purchased by the Utility Fund is recorded in the Utility Capital Fund at cost and is adjusted for dispositions and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Utility Capital Fund represents the aggregate charges (capital outlay and debt service) to the operating budget for the costs of acquisitions of property and equipment and proceeds from grants-in-aid. The utilities do not record depreciation of property and equipment. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by enterprise funds.

Reserve for Sale of Municipal Assets - the proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

General Fixed Assets - property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from accounting principles generally accepted in the United States of America. The following is a brief description of the Directive.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation on general fixed assets is recorded in the financial statements.

Fixed assets acquired through grants-in-aid or contributed capital are not accounted for separately.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Acquisition of the Atlantic Highlands/Highlands Regional Sewerage Authority - Effective March 31, 2014, the Atlantic Highlands/Highlands Regional Sewerage Authority ("AHHRSA") was dissolved. Based upon the dissolution agreement the Borough of Atlantic Highlands received forty eight percent of the assets and liabilities of the AHHRSA while the Borough of Highlands received fifty two percent effective April 1, 2014.

The AHHRSA reported its net position under accounting principles general accepted in the United States of America while the Borough of Atlantic Highlands and the Borough of Highlands ("the Boroughs") report under the regulatory basis of accounting as promulgated the State of New Jersey, Division of Local Government Services, Department of Community Affairs. Because of the differences in reporting the statement of net position could not be allocated to the respective Boroughs based upon the above noted percentages. In addition, the AHHRSA bond resolutions include bond covenants that place restrictions upon certain funds which are controlled by a trustee. The bonds were not able to be defeased or called and accordingly the restricted funds are under the control of the trustee. In accordance with an interlocal service agreement between the Boroughs, the Borough of Atlantic Highlands is performing the accounting for the trust accounts.

The accounting for the activity of the former AHHRSA is reflected in the Borough's Water/Sewer Utility Fund.

As noted above a direct conversion of the statement of net position of the AHHRSA and an allocation between the Boroughs based upon the percentages in the agreement could not be done. The following is a summary of the conversion of the net position of the AHHRSA and the current accounting:

Cash and Investments - In accordance with an interlocal service agreement, the Borough of Atlantic Highlands is performing all accounting functions for the former AHHRSA bank accounts and accordingly, all cash and investments within these accounts is reflected on the Water/Sewer Utility Fund balance sheet of the Borough of Atlantic Highlands. Although reflected on the Borough of Atlantic Highlands Water/Sewer Utility Balance Sheet the allocation remains forty eight percent Borough of Atlantic Highlands and fifty two percent Borough of Highlands. The accounting for the cash and investment accounts is as follows:

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting (continued)

Acquisition of the Atlantic Highlands/Highlands  
Regional Sewerage Authority (continued)

AHHRSA Operating Cash Account - The AHHRSA operating cash account was recorded at the value as of April 1, 2014. All receipts that were due the AHHRSA but not collected at the time of dissolution were deposited to this account. The more significant items were reimbursements from the Federal Emergency Management Agency for Hurricane Sandy and final drawdowns against the New Jersey Environmental Infrastructure loans. Any funds collected by the Borough of Highlands were turned over to the Borough of Atlantic Highlands for deposit to the account. All obligations of the AHHRSA were paid from this account. This cash account is included in Cash and Investments of the Water/Sewer Utility Operating Fund balance sheet of the Borough of Atlantic Highlands and is offset by a Reserve for Former Atlantic Highlands/Highlands Regional Sewerage Authority which allocates the reserve between the Boroughs based upon the above noted percentages. At such time it is determined that all obligations have been satisfied, the Borough of Atlantic Highlands will pay to the Borough of Highlands, fifty two percent of the remaining balance.

AHHRSA Cash and Investments Held by Trustee - The AHHRSA cash and investment accounts held by trustee were recorded at the value as of April 1, 2014. The most significant activity in these accounts is the deposit of funds for the payment of debt service by the Boroughs and the payment of the debt service. The Boroughs deposit funds monthly based upon the payments required by the trustee. In accordance with the bond resolutions of the Authority, debt service deposits exceed actual debt service payments. A stipulated amount of cash or investments must be in the trustee accounts to pay future debt service. The Boroughs report under the regulatory basis of accounting in which debt service payments are charged to the budget based upon actual debt service requirements. Deposits in excess of actual debt service requirements are recorded in the Water/Sewer Utility Operating Fund as Advanced to Trustee. The cash and investments held by the trustee are reflected on the Water/Sewer Utility Capital Fund balance sheet of the Borough of Atlantic Highlands and are offset by Bond Covenant Reserves which are allocated between the Boroughs based upon the above percentages. At such time that all debt service is paid related to the debt restricted by the bond covenants or the debt is defeased or called, the Borough of Atlantic Highlands will pay the Borough of Highlands fifty two percent of the cash and investment balance and will retain the remaining balance.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting (continued)

Acquisition of the Atlantic Highlands/Highlands  
Regional Sewerage Authority (continued)

Fixed Assets and Debt - Debt assumed by the Boroughs on April 1, 2014 was allocated based upon the above percentages. Fixed assets authorized and completed were recorded at an amount equal to the debt assumed. The fixed assets and debt are recorded in the Water/Sewer Utility Capital Fund.

D. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements 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. Budgets and Budgetary Accounting

The Borough of Highlands must adopt an annual budget in accordance with N.J.S.A. 40A:4-4 et al. N.J.S.A. 40A:4-5 which requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulated in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Cash, Cash Equivalents and Investments

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The Borough of Highlands is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

The Borough considers highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**NOTE 2    CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Deposits

All bank deposits as of the balance sheet date are either insured or covered by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (see Note 1 - Cash, Cash Equivalents and Investments).

At December 31, 2014, the Borough's deposits had a carrying amount of \$13,162,234.70 and a bank balance of \$13,125,301.03. Of the bank balance \$326,702.07 was covered by federal depository insurance, and the remainder was covered by the Governmental Unit Deposit Protection Act.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 2    CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2014, the Borough's bank balance was not exposed to custodial credit risk.

Investments

As of December 31, 2014, the Borough had the following investments:

	<u>Book Value</u>	<u>Fair Value</u>
LOSAP	\$276,326.56	\$276,326.56

The fair value of investments was based on quoted market prices.

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

Interest Rate Risk - Investments

LOSAP investment options are at the discretion of each individual participant and not the Borough.

All investments are in financial institutions in accordance with New Jersey state statutes. The Borough does not have an investment policy that would further limit its investment choices and it places no limit on the amount that can be invested with any one issuer.

**NOTE 3    BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

At December 31, 2014, the Borough of Highlands had authorized but not issued bonds and notes as follows:

General Capital Fund:	
Bonds and Notes	\$ 7,396,426.40
Water-Sewer Utility Capital Fund:	
Bonds and Notes	58,201.66

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 4    LONG-TERM DEBT**

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

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 4    LONG-TERM DEBT (continued)**

As of December 31, 2014 the Borough's long-term debt is summarized as follows:

General Obligation Bonds

\$474,000.00 2006 Bonds due in annual installments ranging from \$54,000.00 to \$57,000.00 through December, 2016, interest rate of 5.00%.	\$        111,000.00
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\$3,178,000.00 2008 Bonds due in annual installments ranging from \$129,000.00 to \$220,000.00 through December, 2028, interest rates ranging from 4.00% to 5.25%.	2,488,000.00
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\$760,000.00 2011 Bonds due in annual installments ranging from \$70,000.00 to \$90,000.00 through January, 2021, interest rates ranging from 2.50% to 5.00%.	560,000.00
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\$645,000.00 2012 Bonds due in annual installments ranging from \$35,000.00 to \$55,000.00 through December 2027, interest rates ranging from 2.00% to 4.00%	575,000.00
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\$1,350,000.00 2013 Bonds due in annual installments ranging from \$95,000.00 to \$145,000.00 through December 2025, interest rates ranging from 3.00% to 5.00%.	<u>1,265,000.00</u>
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Total	\$ <u><u>4,999,000.00</u></u>
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Water-Sewer Utility Capital Bonds

\$195,000.00 2008 Bonds due in annual installments ranging from \$8,000.00 to \$14,000.00 through December, 2028, interest rates ranging from 4.00% to 5.25%.	\$        152,000.00
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\$130,000.00 2011 Bonds due in annual installments ranging from \$10,000.00 to \$15,000.00 through January, 2021, interest rates ranging from 2.50% to 5.00%.	100,000.00
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**NOTE 4 LONG-TERM DEBT (continued)**

Total	\$	3,964,800.00
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Fiscal	Water-Sewer Utility Capital Fund		
Year	Principal	Interest	Total
2015	\$ 155,800.00	\$ 189,012.26	\$ 344,812.26
2016	163,400.00	184,628.01	348,028.01
2017	172,200.00	178,091.26	350,291.26
2018	177,400.00	169,441.26	346,841.26
2019	186,200.00	160,353.76	346,553.76
2020-2024	1,027,800.00	653,323.80	1,681,123.80
2025-2029	1,257,800.00	369,241.26	1,627,041.26
2030-2032	<u>824,200.00</u>	<u>60,385.00</u>	<u>884,585.00</u>
Total	\$ <u>3,964,800.00</u>	\$ <u>1,964,476.61</u>	\$ <u>5,929,276.61</u>

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 4    LONG-TERM DEBT (continued)**

General Capital Fund Loans

The Borough has been awarded a Downtown Business Improvement Zone Loan in the amount of \$525,000.00 from the New Jersey Department of Community Affairs. As of December 31, 2014 the Borough has received \$498,750.00 of the total loan. Upon completion of the appropriate reports the Borough will receive the balance of the funds and an amortization schedule. It is anticipated that this will be a fifteen year loan at 0.00% interest.

Water-Sewer Utility Capital Loans

\$284,270.34 New Jersey Environmental Infrastructure Trust Fund  
Loan due in semi-annual installments ranging from \$6,048.30 to  
\$12,096.61 through 2029 at an interest rate of 0.00%. \$    272,173.73

\$101,400.00 New Jersey Environmental Infrastructure Trust Fund  
Loan due in annual installments ranging from \$5,200.00 to \$7,800.00  
Through 2029 at interest rates ranging from 3.000% to 5.00%. 96,200.00

\$1,244,600.00 New Jersey Environmental Infrastructure Trust Fund  
Loan due in semi-annual installments ranging from \$20,755.93 to  
\$41,511.99 through 2033 at an interest rate of 0.000% 1,183,088.14

\$400,000.00 New Jersey Environmental Infrastructure Trust Fund  
Loan due in annual installments ranging from \$15,000.00 to  
\$30,000.00 through 2033 at interest rates ranging from 3.000% to 5.000% 400,000.00

\$ 1,951,461.87

Schedule of Annual Debt Service for principal and interest over the next five years and five year increments thereafter for loans issued and outstanding is as follows:

General Capital Fund

The Borough currently has a balance of \$498,750.00 recorded as a loan payable from a potential loan of \$525,000.00. Debt service payments are currently not known. It is anticipated that this will be a fifteen year loan at 0.00% interest.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 4    LONG-TERM DEBT (continued)**

Fiscal Year	Water-Sewer Utility Capital Fund		
	Principal	Interest	Total
2015	\$ 100,612.70	\$ 24,656.26	\$ 125,268.96
2016	100,612.70	23,946.26	124,558.96
2017	100,612.70	23,236.26	123,848.96
2018	100,612.70	20,185.26	120,797.96
2019	100,612.70	17,134.26	117,746.96
2020-2024	533,263.50	68,645.30	601,908.80
2025-2029	561,063.58	39,738.30	600,801.88
2030-2033	<u>354,071.29</u>	<u>13,293.78</u>	<u>367,365.07</u>
Total	\$ <u>1,951,461.87</u>	\$ <u>230,835.68</u>	\$ <u>2,182,297.55</u>

**Capital Lease Program**

In 2013 the Borough closed on capital lease agreements with the Monmouth County Improvement Authority involving Capital Equipment Pooled Lease Revenue Bonds.

As of December 31, 2014 the Borough's capital lease obligations are as follows:

\$378,000.00 Series 2013 due in annual installments ranging from \$29,000.00 to \$51,000.00 through October 2023, coupon rate, ranging from 1.00% to 5.00%. \$ 330,000.00

Schedule of Annual Debt Service for principal and interest over the next five years and five-year increments thereafter for the capital lease program are as follows:

Fiscal Year	General Capital Fund		
	Principal	Interest	Total
2015	\$ 50,000.00	\$ 14,300.00	\$ 64,300.00
2016	51,000.00	12,300.00	63,300.00
2017	29,000.00	9,750.00	38,750.00
2018	30,000.00	8,300.00	38,300.00
2019	31,000.00	6,800.00	37,800.00
2020-2023	<u>139,000.00</u>	<u>14,160.00</u>	<u>153,160.00</u>
Total	\$ <u>330,000.00</u>	\$ <u>65,610.00</u>	\$ <u>395,610.00</u>

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 4    LONG-TERM DEBT (continued)**

Changes in Long-Term Outstanding Debt

Transactions for the year ended December 31, 2014 are summarized as follows:

	Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014
<u>General Capital Fund</u>				
Serial Bonds	\$ 5,366,000.00	\$ -	\$ 367,000.00	\$ 4,999,000.00
Capital Lease	378,000.00	-	48,000.00	330,000.00
Loan Payable	-	498,750.00	-	498,750.00
	<u>5,744,000.00</u>	<u>498,750.00</u>	<u>415,000.00</u>	<u>5,827,750.00</u>
<u>Water-Sewer Utility Capital Fund</u>				
Serial Bonds	270,000.00	3,712,800.00	18,000.00	3,964,800.00
Loans Payable	-	2,010,270.34	58,808.47	1,951,461.87
	<u>270,000.00</u>	<u>5,723,070.34</u>	<u>76,808.47</u>	<u>5,916,261.57</u>
Total	\$ <u>6,014,000.00</u>	\$ <u>6,221,820.34</u>	\$ <u>491,808.47</u>	\$ <u>11,744,011.87</u>

Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.50% of the average of the last three preceding year's equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2014 was 2.570%. The Borough's remaining borrowing power is 0.930%.

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

**NOTE 5    SHORT-TERM DEBT**

Bond Anticipation Notes

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuing of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 5    SHORT-TERM DEBT (continued)**

On December 31, 2014, the Borough's outstanding bond anticipation notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>				
Design and Permitting for for Projects	01-16-14	01-16-15	\$ 392,300.00	1.375%
Hazard Mitigation Program	11-13-14	11-13-15	1,144,000.00	1.500%
Reconstruction of North Street Pump Station	11-13-14	11-13-15	1,621,000.00	1.500%
Improvements to Community Center	01-16-14	01-16-15	378,720.00	1.375%
Acquisition of Ambulances	01-16-14	01-16-15	<u>208,000.00</u>	1.375%
Total			\$ <u>3,744,020.00</u>	

Special Emergency Notes (40A:4-55)

The Borough issues special emergency notes to fund special emergency appropriations prior to the funds being raised in the budget. The term of the notes cannot exceed one year but the notes may be renewed from time to time, but at least 1/5 of all such notes, and the renewals thereof, shall mature and be paid in each year, so that all notes and renewals shall have matured and have been paid not later than the last day of the fifth year following the date of the special emergency resolution.

On December 31, 2014, the Borough's outstanding special emergency notes were as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Revaluation	01-16-14	01-16-15	\$ 42,000.00	1.375%
Accumulated Leave	01-16-14	01-16-15	44,000.00	1.375%
Hurricane Sandy	11-13-14	11-13-15	<u>1,644,000.00</u>	1.625%
Total			\$ <u>1,730,000.00</u>	

Emergency Notes

The Borough issues emergency notes to fund emergency appropriations prior to the funds being raised in the budget. The term of the notes cannot exceed one year.

On December 31, 2014, the Borough had no outstanding emergency notes.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 5    SHORT-TERM DEBT (continued)**

Changes in Short-Term Debt

Transactions for the year ended December 31, 2014 are summarized as follows:

	Balance December 31, 2013	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2014
<u>Current Fund</u>				
Special Emergency Notes	\$5,386,077.00	\$ 1,730,000.00	\$ 5,386,077.00	\$ 1,730,000.00
<u>General Capital Fund</u>				
Bond Anticipation Notes	<u>6,503,908.00</u>	<u>586,720.00</u>	<u>3,346,608.00</u>	<u>3,744,020.00</u>
Total	\$ <u>11,889,985.00</u>	\$ <u>2,316,720.00</u>	\$ <u>8,732,685.00</u>	\$ <u>5,474,020.00</u>

**NOTE 6    DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

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

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 7    DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the following deferred charges are shown on the balance sheets of the various funds:

<u>Current Fund:</u>	Balance December 31, 2014	2015 Budget Appropriation	Balance to Succeeding Budget
Special Emergency Authorization:			
Revaluation	\$ 42,000.00	\$ 36,000.00	\$ 6,000.00
Accumulated Sick Leave	44,000.00	22,000.00	22,000.00
Hurricane Sandy	2,371,216.03	1,245,000.00	1,126,216.03
Preparation of Master Plan	<u>100,000.00</u>	<u>20,000.00</u>	<u>80,000.00</u>
	\$ <u>2,557,216.03</u>	\$ <u>1,323,000.00</u>	\$ <u>1,234,216.03</u>

**NOTE 8    TAXES COLLECTED IN ADVANCE**

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

	Balance <u>December 31, 2014</u>	Balance <u>December 31, 2013</u>
Prepaid Taxes	\$70,918.62	\$195,758.17

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 9 FIXED ASSETS AND FIXED CAPITAL**

Changes in fixed assets and fixed capital for the year ended December 31, 2014 were as follows:

	Balance December 31, 2013	<u>Additions</u>	<u>Deductions</u>	Balance December 31, 2014
<u>Fixed Assets</u>				
Land	\$ 1,097,800.00	\$ -	\$ -	\$ 1,097,800.00
Buildings and Improvements	5,772,197.90	-	-	5,772,197.90
Machinery and Equipment	<u>3,890,885.75</u>	<u>139,858.13</u>	<u>6,788.55</u>	<u>4,023,955.33</u>
	\$ <u>10,760,883.65</u>	\$ <u>139,858.13</u>	\$ <u>6,788.55</u>	\$ <u>10,893,953.23</u>
<u>Fixed Capital-</u>				
<u>Water/Sewer Utility</u>				
Water/Sewer System	\$ <u>1,349,459.48</u>	\$ <u>5,723,070.34</u>	\$ <u>-</u>	\$ <u>7,072,529.82</u>

**NOTE 10 ASSESSMENT AND COLLECTION OF PROPERTY TAXES**

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1st in each year and filed with the County Board of Taxation ("Board") by January 10th of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 20th with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector ("Collector") on or before June 3rd. In accordance with N.J.S.A. 54:4-66 tax bills are prepared and mailed by the Collector twice a year and are due quarterly on February 1st, May 1st, August 1st and November 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. Any taxes not paid as of December 31 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 11 LOCAL DISTRICT SCHOOL AND REGIONAL HIGH SCHOOL TAXES**

Local District School and Regional High School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 provides that any municipality that levies school taxes on a school year basis may defer from the municipal purposes tax levy 50% (fifty percent) of the levy. The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. At year end taxes due consisted of the following:

	<u>Local District School Tax</u>		<u>Regional High School Tax</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Balance of Tax	\$ 1,500,320.00	\$ 1,537,012.00	\$ 2,060,936.10	\$ 2,118,095.06
Deferred	<u>1,479,768.00</u>	<u>1,478,828.00</u>	<u>1,964,285.00</u>	<u>2,032,918.50</u>
Taxes Payable	\$ <u>20,552.00</u>	\$ <u>58,184.00</u>	\$ <u>96,651.10</u>	\$ <u>85,176.56</u>

**NOTE 12 FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2014 which are appropriated and included as anticipated revenue in the 2015 municipal budget for the year ending December 31, 2015 were as follows:

Current Fund	\$ 898,588.00
Water-Sewer Utility Fund	150,000.00

**NOTE 13 PENSION PLANS**

Plan Description

Substantially, all Borough employees participate in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plans are cost-sharing multiple-employer defined benefit plans and, as such, do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Borough is not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE 13 PENSION PLANS (continued)**

Funding Policy

Employee contributions are currently 6.92% and 10% of their base wages for PERS and PFRS, respectively. Employer's contributions are actuarially determined annually by the Division of Pensions. Borough contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
SFY 2012	\$ 157,121.00	\$ 317,828.00
CY 2013	105,177.00	358,870.73
CY 2014	98,943.00	317,199.00

All contributions were equal to the required contributions.

Under the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for PERS members increased effective July 1, 2014 from 6.78% to 6.92%. The contribution rate will increase by 0.14% each year on July 1 until July 1, 2017 and increase 0.16% on July 1, 2018 when the rate will be 7.50%.

**NOTE 14 POST EMPLOYMENT RETIREMENT BENEFITS**

Effective for fiscal year 2010, the Borough implemented GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively. Prior to February 2011, the Borough administered a single-employer defined benefit healthcare plan. The plan provided postemployment healthcare benefits through the Borough's group health insurance plan. Effective February 2011, the Borough joined the New Jersey State Health Benefits Program.

Plan Description

In addition to the pension benefits described in Note 13, the Borough contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 14 POST EMPLOYMENT RETIREMENT BENEFITS (continued)**

Plan Description (continued)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2011, the Borough authorized participation in the SHPB's post-employment benefit program through resolution number 10-212. To receive lifetime health benefits paid for by the Borough, an employee must meet the following criteria (unless otherwise expressly provided by Collective Bargaining Agreements, personal service contract, or by law):

1. The employee has twenty-five (25) years or more of service credit in a state or locally administered retirement system and a period of service of at least twenty-five (25) years with the Borough of Highlands at the time of retirement; or
2. The employee is sixty-five (65) years or older with twenty-five (25) years or more of service credit in a state or locally administered retirement system and a period of service of at least fifteen (15) years with the Borough at the time of retirement; or
3. The employee is sixty-five (65) years or older with at least twenty (20) years of service with the Borough; and
4. The employee was eligible for employee medical coverage during the last five years of their employment with the Borough; and
5. The employee retires from an employment position with the Borough of Highlands under a Service Retirement as defined by the Public Employee's Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS") or under the express terms of any Collective Bargaining Agreement or personal services agreement.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the SHBP. That report 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.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-employment health 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.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 14 POST EMPLOYMENT RETIREMENT BENEFITS (continued)**

Funding Policy (continued)

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough currently contributes on a pay-as-you-go basis based upon monthly invoices from the State of New Jersey Division of Pensions. Employees are not required to contribute. Contributions to the plan and the number of former employees eligible for and participating in the post-employment health care benefits program with the SHBP for the six month transition year ended December 31, 2012, for the calendar year ended December 31, 2013 and for the calendar year ended December 31, 2014 was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Number of Employees</u>
TY 2012	\$ 209,404.56	22
CY 2013	496,251.02	23
CY 2014	408,165.60	21

All contributions were equal to the required contributions.

**NOTE 15 DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not ordinarily available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are for the exclusive benefit of the Plan participants and their beneficiaries and the assets cannot be diverted to any other purpose. The Borough serves as Trustee under the Plan.

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED**

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

Annual Contributions - The minimum and maximum annual contributions to be made by the Borough for each active volunteer member shall be in accordance with N.J.S.A. 40A:14-183 (from \$100.00 to \$1,150.00 per year of active emergency service), commencing with the fiscal year 2005-2006. There shall be no contributions made for prior years' service.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED (continued)**

Appropriations - Appropriations for the purpose of funding the Borough’s LOSAP plan shall be included as a separate line item in the Borough’s budget, commencing with the year 2005-2006.

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

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

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

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

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

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

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED (continued)**

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

**NOTE 17 INTERFUND BALANCES**

The composition of interfund balances as of December 31, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current Fund	Animal Control Fund	\$2,367.19

**NOTE 18 INTERFUND TRANSFERS**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Animal Control Trust Fund	Current Fund	\$2,367.19

The transfer represents the statutory excess in the animal control trust fund. The calculation is done as of year end and then the transfer to the current fund occurs in the subsequent year.

**NOTE 19 RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the Monmouth County Municipal Joint Insurance Fund. The public entity risk pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation. The Joint Insurance Fund will be self-sustaining through member premiums. The Joint Insurance Fund contracts for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability, and workmen’s compensation. There were no settlements in excess of insurance coverage in 2014, 2013, and 2012.

**NOTE 20 CONTINGENT LIABILITIES**

**A. Accrued Sick and Vacation - Unaudited**

The Borough has a potential contingent liability for accrued unused sick and vacation days under the adopted policies and procedures of the Borough. The Borough has a potential liability of \$1,031,743.00 at December 31, 2014. In accordance with New Jersey principles, these amounts are not reported as an expenditure or liability in the accompanying statements. The reserve for accumulated leave at December 31, 2014 was \$104,469.71 as reported in the schedule of various reserves in the Borough Trust Fund.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 20 CONTINGENT LIABILITIES (continued)**

**B. Unemployment Compensation Insurance**

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq). The Borough has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The Reserve for Unemployment Compensation Insurance at December 31, 2014 and 2013 totaled \$229,891.99 and \$247,419.15, respectively.

**C. Litigation**

The Borough is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, Borough Officials, based upon the opinion of the Borough's Counsel, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material adverse effect on the Borough's financial position or adversely affect the Borough's ability to levy, collect, and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

**D. Federal and State Grants**

The Borough receives financial assistance from the U.S. government and the State of New Jersey in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, cost previously reimbursed could be disallowed and require payments to the grantor agency. As of December 31, 2014, the Borough estimates that no material liabilities will result from such audits.

**E. Community Disaster Loan**

During the year ending December 3, 2013 the Borough realized \$2,363,102.00 as revenue from Community disaster Loans received from the United States Government Department of Homeland Security, Federal Emergency Management Agency. \$2,063,102.00 and \$300,000.00 were realized as revenue in the Current Fund and the Water-Sewer Utility Operating Fund, respectively.

The Community Disaster Loan Program is a program administered by the United States Department of Homeland Security, Federal Emergency Management Agency. Loans are made to local governments in designated major disaster areas. As a result of Hurricane Sandy in October, 2012 the Borough was designated as a major disaster area.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE 20 CONTINGENT LIABILITIES (continued)**

E. Community Disaster Loan (continued)

In accordance with directives from the State of New Jersey these loans were realized as revenue during the year ended December 31, 2013.

In accordance with federal guidelines the loans will be forgiven if certain revenue criteria are met in future years. If the criteria are not met the loans will have to be established on the respective balance sheets of the Borough.

Municipalities in the State of New Jersey report under the regulations promulgated by the State of New Jersey. As of the date of this report there has been no determination as to how the loans will be established on the various balance sheets. They may be established as a reduction of fund balance or another method may be utilized such as establishing a deferred charge with an offsetting loan payable.

**NOTE 21 SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events occurring after December 31, 2014 through the date of October 27, 2015, which is the date the financial statements were available to be issued.

On February 15, 2015 the Borough adopted a capital ordinance appropriating \$1,386,000.00 for various improvements. The ordinance is funded by \$782,830.00 of debt, \$15,093.00 from the capital improvement fund and \$588,077.00 in grants.

On April 1, 2015 the Borough adopted a refunding bond ordinance appropriating \$2,600,000 to refund a portion of the currently outstanding 2008 bond issue.

On September 2, 2015 the Borough adopted an ordinance authorizing a lease purchase agreement with the Monmouth County Improvement Authority for various vehicles in the amount of \$130,000.00.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**SCHEDULE OF CASH**

	<u>Ref.</u>	<u>Regular</u>		<u>Grant Fund</u>
Balance, December 31, 2013			\$ 7,479,943.99	\$ 189,497.73
Increased by Receipts:				
State of New Jersey (Ch. 20, P.L. 1971)	A-9	\$ 38,000.00		
Taxes Receivable	A-5	15,182,282.76		
Revenue Accounts Receivable	A-8	1,777,714.69		
Interfund -Federal and State Grant Fund	A-24		\$ 9,999.39	
Federal and State Grants Receivable	A-27		175,738.45	
Unappropriated Grant Reserves	A-29		12,212.23	
NJ DCA Training Fees	A-23	15,673.18		
Marriage License Fees	A-22	875.00		
Non-Budget Revenues	A-2	44,174.78		
Tax Overpayments	A-15	58,292.50		
Prepaid Taxes	A-16	70,918.62		
Reserve for FEMA Cash Receipts	A	844,853.79		
Special Emergency Notes Payable	A-25	<u>1,730,000.00</u>		
			<u>19,762,785.32</u>	<u>197,950.07</u>
			27,242,729.31	387,447.80
Decreased by Disbursements:				
2014 Budget Appropriations	A-3	7,101,416.35		
2013 Appropriation Reserves	A-12	526,797.70		
County Taxes Payable	A-18	1,880,945.05		
Regional High School Tax	A-17	3,985,728.96		
Local District School Tax	A-19	2,996,228.00		
Business Improvement District Tax	A-20	50,555.00		
Interfund -Federal and State Grant Fund	A-24	9,999.39		
Federal/State Grant Appropriations	A-28		176,740.58	
Accounts Payable	A-14	15,642.71		
Tax Overpayments Refunded	A-15	12,070.99		
Refund Prior Year Revenue	A-1	1,514.50		
Marriage License Fees	A-22	600.00		
NJ DCA Training Fees	A-23	21,040.00		
Special Emergency Notes Payable	A-25	5,386,077.00		
Municipal Open Space Tax Payable	A-21	<u>28,630.90</u>		
			<u>22,017,246.55</u>	<u>176,740.58</u>
Balance, December 31, 2014	A		\$ <u><u>5,225,482.76</u></u>	\$ <u><u>210,707.22</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>Year</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>2014 Levy</u>	<u>Collections</u> <u>2013</u>	<u>2014</u>	Chapter 20, P.L. 1971 Senior Citizens and Veterans	Tax Overpayments Applied	Transfer to Tax Title Liens	Canceled, Remitted or Abated	Balance <u>Dec. 31, 2014</u>
2013	\$ 602,882.93			\$ 601,179.18	\$ (7,000.00)			\$ 8,703.75	
	602,882.93			601,179.18	(7,000.00)			8,703.75	
2014		\$ 15,710,678.40	\$ 195,758.17	14,581,103.58	45,000.00	\$ 81,057.40	\$ 3,939.07	4,506.96	\$ 799,313.22
	\$ 602,882.93	\$ 15,710,678.40	\$ 195,758.17	\$ 15,182,282.76	\$ 38,000.00	\$ 81,057.40	\$ 3,939.07	\$ 13,210.71	\$ 799,313.22
<u>Ref.</u>	A	A-5	A-2/A-16	A-2/A-4	A-2/A-9	A-2/A-15	A-6		A

Analysis of 2014 Property Tax Levy

Ref.

Tax Yield:

General Purpose Tax	\$ 15,386,248.05
Special District Tax	50,037.55
Added Taxes	266,120.68
6% Penalty	8,272.12

A-5 \$ 15,710,678.40

Tax Levy:

Regional High School Tax	A-17	\$ 3,928,570.00
Local District School Tax	A-19	2,959,536.00
County Taxes:		
County Tax	A-18	\$ 1,679,416.53
County Library Tax	A-18	107,023.67
County Open Space Tax	A-18	91,566.93
Due County for Added and Omitted Taxes	A-18	32,336.01
Total County Taxes		1,910,343.14
Business Improvement District Tax	A-20	50,000.00
Local Municipal Open Space Tax	A-21	28,630.90
Local Tax for Municipal Purposes	A-2	6,591,359.63
Add: Additional Tax Levied		242,238.73
		6,833,598.36

A-5 \$ 15,710,678.40

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

CURRENT FUND  
 SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 41,103.48
Increased by:		
Transfer from Taxes Receivable	A-5	<u>3,939.07</u>
Balance, December 31, 2014	A	\$ <u><u>45,042.55</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
 (AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	A	\$ <u><u>212,600.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Balance Dec. 31, 2013</u>	<u>Accrued in 2014</u>	<u>Collected</u>	<u>Balance Dec. 31, 2014</u>				
Licenses:									
Alcoholic Beverages	A-2	\$	25,168.80	\$	25,168.80				
Other	A-2		19,560.00		19,560.00				
Fees and Permits	A-2		83,572.00		83,572.00				
Municipal Court:									
Fines and Costs	A-2	\$	4,733.08	89,017.93	89,000.02	\$	4,750.99		
Interest and Costs on Taxes	A-2		112,607.37	112,607.37					
Interest on Investments and Deposits	A-2		89,607.94	89,607.94					
Cable T.V. Franchise Fees	A-2		20,798.85	20,798.85					
Consolidated Municipal Property Tax Relief Aid	A-2		16,121.00	16,121.00					
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	A-2		338,438.00	338,438.00					
Reserve for Supplemental Energy Receipts Tax 2013	A-2		13,157.00	13,157.00					
Uniform Construction Code Fees	A-2		306,546.82	306,546.82					
General Capital Fund Balance	A-2		38,100.00	38,100.00					
Lease of Borough Property	A-2		39,697.00	39,697.00					
Housing Authority - Pilot	A-2		28,077.00	28,077.00					
Police Off Duty Administrative Fees	A-2		10,805.00	10,805.00					
Federal Emergency Management Agency	A-2		400,000.00	400,000.00					
Insurance Proceeds	A-2		159,614.89	159,614.89					
		\$	<u>4,733.08</u>	\$	<u>1,790,889.60</u>	\$	<u>1,790,871.69</u>	\$	<u>4,750.99</u>
	<u>Ref.</u>	A					A		
Cash Receipts	A-4			\$	1,777,714.69				
Reserve for Supplemental Energy Receipts Tax Reciepts	A				<u>13,157.00</u>				
				\$	<u>1,790,871.69</u>				

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

CURRENT FUND  
SCHEDULE OF DUE FROM STATE - Ch.20, P.L. 1971

	<u>Ref.</u>		
Balance, December 31, 2013	A	\$	250.00
Increased by:			
Deductions per Tax Duplicate:			
Senior Citizens		\$	13,000.00
Veterans			31,750.00
Deductions Allowed by Tax Collector			250.00
	A-5		<u>45,000.00</u>
			45,250.00
Decreased by:			
Received from State of New Jersey	A-4		38,000.00
Senior Citizens Deductions Disallowed by Collector -2013	A-1/A-5		<u>7,000.00</u>
			<u>45,000.00</u>
Balance, December 31, 2014	A	\$	<u><u>250.00</u></u>

SCHEDULE OF INTERFUND RECEIVABLE - ANIMAL CONTROL TRUST FUND

	<u>Ref.</u>		
Increased by:			
Statutory Excess	A-1	\$	<u>2,367.19</u>
Balance, December 31, 2014	A	\$	<u><u>2,367.19</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF DEFERRED CHARGES  
SPECIAL EMERGENCY AUTHORIZATIONS

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	1/5 of <u>Net Amount</u> <u>Authorized</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Added in</u> <u>2014</u>	<u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
10-06-10	Revaluation	\$ 180,000.00	\$ 36,000.00	\$ 78,000.00		\$ 36,000.00	\$ 42,000.00
02-02-11	Accumulated Sick Leave	110,000.00	22,000.00	66,000.00		22,000.00	44,000.00
11-21-12	Hurricane Sandy	2,200,000.00	440,000.00	1,611,216.03		440,000.00	1,171,216.03
03-20-13	Hurricane Sandy	2,000,000.00	400,000.00	1,600,000.00		400,000.00	1,200,000.00
04-16-14	Preparation of Master Plan	100,000.00	20,000.00	<u>                    </u>	\$ <u>100,000.00</u>	<u>                    </u>	<u>100,000.00</u>
				\$ <u>3,355,216.03</u>	\$ <u>100,000.00</u>	\$ <u>898,000.00</u>	\$ <u>2,557,216.03</u>
			<u>Ref.</u>	A	A-1/A-3	A-3	A

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> <u>Dec.31, 2013</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<u>Operations Within CAPS</u>					
General Government:					
Borough Administrator					
Other Expenses	\$ 1,604.06	\$ 1,127.46	\$ 2,731.52	\$ 1,023.46	\$ 1,708.06
Central Services					
Salaries and Wages	1,800.91		1,800.91		1,800.91
Other Expenses	10,258.52	1,046.29	11,304.81	1,661.28	9,643.53
Borough Council					
Other Expenses	6,141.98	2,475.00	8,616.98	7,392.44	1,224.54
Borough Clerk					
Salaries and Wages	908.16		908.16		908.16
Other Expenses	1,775.19	7,874.25	9,649.44	8,319.31	1,330.13
Financial Administration					
Salaries and Wages	1,149.97		1,149.97		1,149.97
Other Expenses	2,963.58	312.66	3,276.24	1,450.79	1,825.45
Audit Services		33,900.00	33,900.00	33,900.00	
Collection of Taxes					
Salaries and Wages	1,019.36		1,019.36		1,019.36
Other Expenses	3,172.58	206.23	3,378.81	193.44	3,185.37
Assessment of Taxes					
Other Expenses	4,659.98	26,176.40	30,836.38	26,176.40	4,659.98

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> <u>Dec.31, 2013</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Legal Services and Costs					
Other Expenses	\$ 31,875.85	\$ 16,197.21	\$ 48,073.06	\$ 16,322.54	\$ 31,750.52
Engineering Services and Costs					
Other Expenses	6,000.00	37,500.00	43,500.00	43,500.00	
Code Enforcement Officer					
Salaries and Wages	4,640.34		4,640.34		4,640.34
Other Expenses	3,396.09	94.91	3,491.00	94.91	3,396.09
Other Expenses - Substandard Housing	20,213.23		20,213.23		20,213.23
Municipal Land Use Law (N.J.S.A. 40A:55D-1):					
Planning Board					
Other Expenses	5,748.01	7,185.89	12,933.90	7,600.18	5,333.72
Zoning Board of Adjustment					
Other Expenses	4,610.83	4,351.89	8,962.72	4,635.71	4,327.01
Public Safety:					
Fire					
Other Expenses	9,062.15	19,779.30	28,841.45	27,028.15	1,813.30
Police					
Salaries and Wages	32,492.16		32,492.16	4,390.29	28,101.87
Other Expenses	19,099.20	35,034.06	54,133.26	35,353.85	18,779.41
Dispatch					
Salaries and Wages	7,646.14		7,646.14		7,646.14
Other Expenses	1,500.00		1,500.00		1,500.00

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance <u>Dec.31, 2013</u>	Reserve for <u>Encumbrances</u>	Balance <u>After</u> <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Municipal Court					
Salaries and Wages	\$ 2,038.44		\$ 2,038.44		\$ 2,038.44
Other Expenses	5,333.63	\$ 477.00	5,810.63	\$ 543.00	5,267.63
First Aid Organization Contribution	2,544.86	2,419.95	4,964.81	1,997.00	2,967.81
Emergency Management Services					
Other Expenses	1,079.83	5,006.40	6,086.23	5,006.40	1,079.83
Fire Hydrant Fees	7,798.83		7,798.83	4,836.47	2,962.36
Uniform Fire Safety Act					
Salaries and Wages	2,480.00		2,480.00		2,480.00
Other Expenses	1,571.18	993.32	2,564.50	1,050.05	1,514.45
Streets and Roads:					
Road Repairs and Maintenance					
Salaries and Wages	10,676.85		10,676.85		10,676.85
Other Expenses	14,108.73	10,910.81	25,019.54	13,160.18	11,859.36
Snow Removal					
Salaries and Wages	7,524.25		7,524.25		7,524.25
Other Expenses	21,960.89	5,985.11	27,946.00	8,860.11	19,085.89
Sanitation					
Other Expenses	17,489.00	698.00	18,187.00	1,158.00	17,029.00
Mechanical Garage					
Other Expenses	2,183.12	69.84	2,252.96	69.91	2,183.05

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance <u>Dec.31, 2013</u>	Reserve for <u>Encumbrances</u>	Balance <u>After</u> <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Public Buildings and Grounds					
Salaries and Wages	\$ 3,351.00		\$ 3,351.00		\$ 3,351.00
Other Expenses	31,644.09	\$ 2,952.33	34,596.42	\$ 4,167.03	30,429.39
Shade Tree Commission					
Other Expenses	1,000.00		1,000.00		1,000.00
Condominium Services					
Other Expenses	19,848.06	937.77	20,785.83	3,061.71	17,724.12
Environmental Commission					
Other Expenses	1,000.00		1,000.00		1,000.00
Dog Control					
Other Expenses	9,835.00		9,835.00	720.00	9,115.00
Community-School Substance Abuse Program	3,000.00		3,000.00		3,000.00
N.J. Public Employees Occupational Safety and Health Act:					
Other Expenses	2,000.00		2,000.00		2,000.00
Parks and Playgrounds					
Other Expenses	3,479.96	295.30	3,775.26	238.40	3,536.86
Other Expenses	1,150.85		1,150.85		1,150.85
Community Center					
Salaries and Wages	5,020.98		5,020.98		5,020.98
Other Expenses	8,793.21	306.08	9,099.29	2,162.98	6,936.31

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance <u>Dec.31, 2013</u>	Reserve for <u>Encumbrances</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
Salaries and Wages	\$ 8,750.86		\$ 8,750.86		\$ 8,750.86
Other Expenses	853.56	\$ 742.71	1,596.27	\$ 1,042.71	553.56
Unclassified:					
Hurricane Sandy - Special Emergency	968,308.87	179,658.92	1,147,967.79	1,147,967.79	
Utility Expense and Bulk Purchases					
Electricity	38,455.85		38,455.85	3,398.11	35,057.74
Street Lighting	9,692.24		9,692.24	4,135.37	5,556.87
Telephone	11,739.68		11,739.68	1,800.95	9,938.73
Water	5,576.95		5,576.95	391.50	5,185.45
Natural Gas	13,246.15		13,246.15	1,421.88	11,824.27
Telecommunication Costs	3,728.92	908.34	4,637.26	597.61	4,039.65
Gasoline and Diesel Fuel	9,982.84	1,923.94	11,906.78	2,901.82	9,004.96
Monmouth County Reclamation Center					
Other Expenses	29,792.61	2,890.49	32,683.10	8,899.17	23,783.93
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	6,380.75		6,380.75		6,380.75
Defined Contribution Retirement Program	1,842.55		1,842.55		1,842.55

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance <u>Dec.31, 2013</u>	Reserve for <u>Encumbrances</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<u>Operations - Excluded from CAPS</u>					
Length of Service Awards Program	\$ 45,000.00		\$ 45,000.00		\$ 45,000.00
Stormwater Management	18,409.31	\$ 30,295.14	48,704.45	\$ 30,835.14	17,869.31
Recycling Tax (N.J.S.A. 13:1E-96.5):					
Other Expenses	2,761.55		2,761.55	237.99	2,523.56
Employee Group Insurance	10,786.21		10,786.21	387.40	10,398.81
Atlantic Highlands - Maintenance of Motor Vehicles	<u>54,239.42</u>	<u>7,102.56</u>	<u>61,341.98</u>	<u>14,905.93</u>	<u>46,436.05</u>
	<u>\$ 1,608,199.37</u>	<u>\$ 447,835.56</u>	<u>\$ 2,056,034.93</u>	<u>\$ 1,484,997.36</u>	<u>\$ 571,037.57</u>
	A	A-13			A-1
			<u>Ref,</u>		
Detail:					
Cash Disbursements			A-4	\$ 526,797.70	
Reserve for Hurricane Sandy			A	864,779.28	
Accounts Payable			A-14	<u>93,420.38</u>	
				<u>\$ 1,484,997.36</u>	

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>		
Balance, December 31, 2013	A	\$	447,835.56
Increased by:			
Current Appropriations Charged	A-3		340,729.54
			<u>788,565.10</u>
Decreased by:			
Applied to Appropriation Reserves	A-12		447,835.56
			<u>447,835.56</u>
Balance, December 31, 2014	A	\$	<u><u>340,729.54</u></u>

SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>		
Balance, December 31, 2013	A	\$	172,528.27
Increased by:			
Transfer from Appropriation Reserves	A-12		93,420.38
			<u>265,948.65</u>
Decreased by:			
Cash Disbursed	A-4	\$	15,642.71
Canceled	A-1		<u>114,675.27</u>
			<u>130,317.98</u>
Balance, December 31, 2014	A	\$	<u><u>135,630.67</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

	<u>Ref.</u>		
Balance, December 31, 2013	A	\$	81,191.77
Increased by:			
Cash Receipts	A-4	\$	58,292.50
Operations	A-1		<u>3,809.61</u>
			<u>62,102.11</u>
			143,293.88
Decreased by:			
Applied to Taxes Receivable	A-5		81,057.40
Refunded	A-4		<u>12,070.99</u>
			<u>93,128.39</u>
Balance, December 31, 2014	A	\$	<u><u>50,165.49</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF PREPAID TAXES

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 195,758.17
Increased by:		
Collections, 2015 Taxes	A-4	70,918.62
		<u>266,676.79</u>
Decreased by:		
Applied to Taxes Receivable	A-5	195,758.17
		<u>195,758.17</u>
Balance, December 31, 2014	A	\$ <u>70,918.62</u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2013		
School Tax Payable	A	\$ 85,176.56
School Tax Deferred		<u>2,032,918.50</u>
		\$ 2,118,095.06
Increased by:		
Levy - School Year July 1, 2014 to June 30, 2015	A-5	3,928,570.00
		<u>6,046,665.06</u>
Decreased by:		
Payments	A-4	3,985,728.96
		<u>3,985,728.96</u>
Balance, December 31, 2014:		
School Tax Payable	A	96,651.10
School Tax Deferred		<u>1,964,285.00</u>
		\$ <u>2,060,936.10</u>
<u>2014 Liability for Regional High School Tax</u>		
Tax Paid	A-4	\$ 3,985,728.96
School Tax Payable, December 31, 2014	A	96,651.10
		<u>4,082,380.06</u>
School Tax Payable, December 31, 2013	A	85,176.56
		<u>85,176.56</u>
Amount Charged to 2014 Operations	A-1	\$ <u>3,997,203.50</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

	<u>Ref.</u>		
Balance, December 31, 2014	A	\$	2,937.92
Increased by:			
County Tax	A-5	\$	1,679,416.53
County Library Tax	A-5		107,023.67
County Open Space Tax	A-5		91,566.93
Due County for Added and Omitted Taxes	A-5		32,336.01
	A-1		<u>1,910,343.14</u>
			1,913,281.06
Decreased by:			
Payments	A-4		<u>1,880,945.05</u>
Balance, December 31, 2014	A	\$	<u><u>32,336.01</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>		
Balance, December 31, 2013			
School Tax Payable	A	\$	58,184.00
School Tax Deferred			<u>1,478,828.00</u>
		\$	1,537,012.00
Increased by:			
Levy - School Year July 1, 2014 to June 30, 2015	A-5		<u>2,959,536.00</u>
			4,496,548.00
Decreased by:			
Payments	A-4		<u>2,996,228.00</u>
Balance, December 31, 2014			
School Tax Payable	A	\$	20,552.00
School Tax Deferred			<u>1,479,768.00</u>
		\$	<u><u>1,500,320.00</u></u>
<u>2014 Liability for Local District School Tax</u>			
Tax Paid	A-4	\$	2,996,228.00
School Tax Payable, December 31, 2014	A		<u>20,552.00</u>
			3,016,780.00
School Tax Payable, December 31, 2013	A		<u>58,184.00</u>
Amount Charged to 2014 Operations	A-1	\$	<u><u>2,958,596.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF BUSINESS IMPROVEMENT TAX PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 555.00
Increased by:		
Business Improvement Tax	A-1/A-5	<u>50,000.00</u> 50,555.00
Decreased by:		
Cash Disbursed	A-4	\$ <u>50,555.00</u>

SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
Municipal Open Space Tax Levy	A-1/A-5	\$ <u>28,630.90</u> 28,630.90
Decreased by:		
Cash Disbursed	A-4	\$ <u>28,630.90</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF DUE TO STATE OF NEW JERSEY  
MARRIAGE LICENSE FEES

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 300.00
Increased by:		
Receipts	A-4	875.00
		<u>1,175.00</u>
Decreased by:		
Disbursements	A-4	600.00
		<u>600.00</u>
Balance, December 31, 2014	A	\$ <u><u>575.00</u></u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA TRAINING FEES

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 10,088.82
Increased by:		
Receipts	A-4	15,673.18
		<u>15,673.18</u>
Decreased by:		
Disbursements	A-4	21,040.00
		<u>21,040.00</u>
Balance, December 31, 2014	A	\$ <u><u>4,722.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF INTERFUND - FEDERAL AND STATE GRANT FUND

	<u>Ref.</u>			
Increased by:				
2014 Anticipated Revenue	A-27	\$	242,057.69	
Grants Appropriated Cancelled	A-28		3,075.00	
Cash Disbursed	A-4		<u>9,999.39</u>	
				\$ <u>255,132.08</u>
				<u>255,132.08</u>
Decreased by:				
Grants Receivable Cancelled	A-27		3,075.00	
2014 Budget Appropriations	A-28		<u>252,057.08</u>	
				\$ <u><u>255,132.08</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF SPECIAL EMERGENCY NOTES PAYABLE

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursed</u>	<u>Balance Dec. 31, 2014</u>
10-06-10	Revaluation	\$ 180,000.00	01-16-13	01-16-14	0.900%	\$ 78,000.00		\$ 78,000.00	
02-02-11	Accumulated Sick Leave	110,000.00	01-16-13	01-16-14	0.900%	66,000.00		66,000.00	
11-21-12/ 03-20-13	Hurricane Sandy	4,200,000.00	06-07-13	01-16-14	1.130%	2,000,000.00		2,000,000.00	
11-21-12/ 03-20-13	Hurricane Sandy	4,200,000.00	12-05-13	12-04-14	2.000%	3,242,077.00		3,242,077.00	
10-06-10	Revaluation	180,000.00	01-16-14	01-16-15	1.375%		\$ 42,000.00		\$ 42,000.00
02-02-11	Accumulated Sick Leave	110,000.00	01-16-14	01-16-15	1.375%		44,000.00		44,000.00
11-21-12/ 03-20-13	Hurricane Sandy	4,200,000.00	11-13-14	11-13-15	1.625%		<u>1,644,000.00</u>		<u>1,644,000.00</u>
						<u>\$ 5,386,077.00</u>	<u>\$ 1,730,000.00</u>	<u>\$ 5,386,077.00</u>	<u>\$ 1,730,000.00</u>
				<u>Ref.</u>		A	A-4	A-4	A

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
SCHEDULE OF RESERVE FOR INSURANCE PROCEEDS

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	A	\$ <u><u>27,200.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

FEDERAL AND STATE GRANT FUND  
SCHEDULE OF GRANTS RECEIVABLE

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	2014 <u>Anticipated</u> <u>Revenue</u>	<u>Cash</u> <u>Received</u>	Transferred From <u>Unappropriated</u> <u>Reserves</u>	<u>Canceled</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Municipal Alliance on Alcoholism and Drug Abuse	\$ 9,064.46	\$ 42,787.50	\$ 23,326.96			\$ 28,525.00
Municipal Alliance on Alcoholism and Drug Abuse- Match		2,157.82	2,157.82			
Recycling Tonnage Grant		3,646.69		\$ 3,646.69		
Clean Communities Program		10,888.67	10,888.67			
Summer Food Program	4,604.59	11,797.86	10,192.89			6,209.56
American Rain Barrel		10,000.00				10,000.00
NY/NJ Snowflake Foundation		135,000.00		135,000.00		
Body Armor Grant		1,984.15		1,984.15		
Drive Sober or Get Pulled Over Year End Holiday Crackdown	4,400.00		1,325.00		\$ 3,075.00	
Bullet Proof Vest Program	1,738.00					1,738.00
FFY 12 Urban Area Security Initiative	85,800.00		83,213.68			2,586.32
Hurricane Sandy National Emergency Grant	22,933.29	23,795.00	44,633.43			2,094.86
	<u>\$ 128,540.34</u>	<u>\$ 242,057.69</u>	<u>\$ 175,738.45</u>	<u>\$ 140,630.84</u>	<u>\$ 3,075.00</u>	<u>\$ 51,153.74</u>
<u>Ref.</u>	A	A-2/A-24	A-4	A-29	A-1/A-24	A

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**FEDERAL AND STATE GRANT FUND**  
**SCHEDULE OF APPROPRIATED RESERVES**

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Transfer from</u> <u>2014 Budget</u> <u>Appropriation</u>	<u>Prior Year</u> <u>Reserve for</u> <u>Encumbrances</u>	<u>Paid</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Canceled</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Drunk Driving Enforcement Fund	\$ 6,221.33			\$ 989.50	\$ 165.00		\$ 5,066.83
Alcohol Education Rehabilitation Fund	1,308.32						1,308.32
Recycling Tonnage Grant	4,720.97	\$ 3,646.69					8,367.66
Municipal Alliance on Alcoholism and Drug Abuse - 2014		53,859.38		30,470.56	419.66		22,969.16
Municipal Alliance on Alcoholism and Drug Abuse - 2013	473.06		\$ 4,767.51	5,225.51			15.06
Summer Food Program	6,927.13	12,883.19		11,003.28			8,807.04
Body Armor Grant	3,887.59	1,984.15	845.35	3,483.70			3,233.39
Clean Communities Program	22,367.53	10,888.67		6,800.00			26,456.20
Comcast Cable Technology Grant	20,500.00						20,500.00
Stormwater Management	52.76						52.76
Drive Sober or Get Pulled Over Year End Holiday Crackdown	4,050.00			975.00		\$ 3,075.00	
Sustainable Jersey Small Grants Program	1,000.00						1,000.00
U.S. Department of Justice: Bullet Proof Vest Program	1,738.00			858.55	879.45		
FFY 12 Urban Area Security Initiative	85,800.00			83,213.68			2,586.32
Hurricane Sandy National Emergency Grant	9,925.80	23,795.00		33,720.80			
American Rain Barrel		10,000.00					10,000.00
NY/NJ Snowflake Foundation		135,000.00					135,000.00
Assistance to Firefighters			1,700.00		1,700.00		
	<u>\$ 168,972.49</u>	<u>\$ 252,057.08</u>	<u>\$ 7,312.86</u>	<u>\$ 176,740.58</u>	<u>\$ 3,164.11</u>	<u>\$ 3,075.00</u>	<u>\$ 245,362.74</u>
<u>Ref.</u>	A	A-3	A-30	A-4	A-30	A-1/A-24	A

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	<u>Balance Dec. 31, 2013</u>	<u>Funding Received</u>	<u>Realized as Revenue</u>	<u>Balance Dec. 31, 2014</u>
N.J./N.Y. Snowflake				
Foundation Fund of the				
Community Foundation	\$ 135,000.00		\$ 135,000.00	
Alcohol Education and Rehabilitation		\$ 1,240.68		\$ 1,240.68
Municipal Allicanc - Local Match		2,565.63		2,565.63
Body Armor	1,984.15	1,680.92	1,984.15	1,680.92
Recycling Tonnage Grant	3,646.69		3,646.69	
Highway Safety		6,725.00		6,725.00
	<u>\$ 140,630.84</u>	<u>\$ 12,212.23</u>	<u>\$ 140,630.84</u>	<u>\$ 12,212.23</u>
	A	A-4	A-27	A

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY  
  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, December 31, 2013	A	\$ 7,312.86
Increased by:		
Appropriated Reserves Charged	A-28	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">3,164.11</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
		10,476.97
Decreased by:		
Applied to Appropriated Reserves	A-28	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">7,312.86</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
Balance, December 31, 2014	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 3,164.11</div> <div style="border-top: 3px double black; width: 100px;"></div> </div>

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 1,121.88</div> <div style="border-top: 3px double black; width: 100px;"></div> </div>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

TRUST FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Animal Control</u> <u>Trust Fund</u>	<u>Trust Other Fund</u>	<u>Open Space Trust Fund</u>
Balance, December 31, 2013	B	\$ 10,886.93	\$ 1,147,475.05	\$ 126,126.94
Increased by Receipts:				
Reserve for Animal Control				
Trust Fund Expenditures	B-2	\$ 4,195.97		
Due to State of New Jersey	B-3	427.80		
Accounts Payable	B-7		\$ 150.19	
Various Reserves	B-8		923,054.36	
Reserve for Open Space	B-9			\$ 29,508.00
		<u>4,623.77</u>	<u>923,204.55</u>	<u>29,508.00</u>
		15,510.70	2,070,679.60	155,634.94
Decreased by Disbursements:				
Reserve for Animal Control				
Trust Fund Expenditures	B-2	4,557.86		
Due State of New Jersey	B-3	405.60		
Various Reserves	B-8		805,093.68	
Reserve for Open Space	B-9			1,226.00
		<u>4,963.46</u>	<u>805,093.68</u>	<u>1,226.00</u>
Balance, December 31, 2014	B	\$ <u><u>10,547.24</u></u>	\$ <u><u>1,265,585.92</u></u>	\$ <u><u>154,408.94</u></u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

ANIMAL CONTROL TRUST FUND  
 SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance, December 31, 2013	B	\$	10,826.93
Increased by:			
Dog License Fees Collected		\$	4,100.20
Interest Earned			74.77
Miscellaneous			21.00
	B-1		<u>4,195.97</u>
Reserve for Encumbrances	B-5		<u>100.00</u>
			4,295.97
			<u>15,122.90</u>
Deceased by:			
Expenditures Under R.S. 4:19-15.11	B-1	4,557.86	
Interfund - Current Fund	B-4	<u>2,367.19</u>	
			<u>6,925.05</u>
Balance, December 31, 2014	B	\$	<u><u>8,197.85</u></u>

License and Penalty Fees Collected:

<u>Year</u>	<u>Amount</u>
2012	\$ 5,115.71
2013	<u>3,082.14</u>
	<u>\$ 8,197.85</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

ANIMAL CONTROL TRUST FUND  
SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Increased by:		
Cash Receipts	B-1	\$ <u>427.80</u>
		427.80
Decreased by:		
Cash Disbursements	B-1	<u>405.60</u>
Balance, December 31, 2014	B	\$ <u><u>22.20</u></u>

SCHEDULE OF INTERFUND - CURRENT FUND

	<u>Ref.</u>	
Increased by:		
Statutory Excess	B-2	\$ <u>2,367.19</u>
Balance, December 31, 2014	B	\$ <u><u>2,367.19</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

ANIMAL CONTROL TRUST FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>		
Balance, December 31, 2013	B	\$	100.00
Decreased by:			
Reserve for Animal Control Expenditures	B-2	\$	<u>100.00</u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**TRUST OTHER FUND**  
**SCHEDULE OF RESERVE FOR ENCUMBRANCES**

	<u>Ref.</u>	
Balance, December 31, 2013	B	\$ 70,830.46
Increased by:		
Transfer from Various Reserves	B-8	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">193,948.54</div> <hr style="width: 100px;"/> </div>
		264,779.00
Decreased by:		
Transfer to Various Reserves	B-8	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">70,830.46</div> <hr style="width: 100px;"/> </div>
Balance, December 31, 2014	B	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 193,948.54</div> <hr style="width: 100px; border-top: 3px double black;"/> </div>

**SCHEDULE OF ACCOUNTS PAYABLE**

	<u>Ref.</u>	
Increased by:		
Cash Receipts	B-1	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 150.19</div> <hr style="width: 100px;"/> </div>
Balance, December 31, 2014	B	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 150.19</div> <hr style="width: 100px; border-top: 3px double black;"/> </div>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

TRUST OTHER FUND  
SCHEDULE OF VARIOUS RESERVES

	Balance		Increased by:		Decreased by:	
	<u>Dec. 31, 2013</u>		Prior Year <u>Encumbrances</u>	Cash <u>Receipts</u>	Cash <u>Disbursed</u>	Reserve for <u>Encumbrances</u>
						Balance <u>Dec. 31, 2014</u>
Street Opening Permits	\$ 8,000.00			\$ 500.00		\$ 8,500.00
Escrows	59,430.17	\$	222.65	60,014.97	\$	32,258.07
Third Party Lien Redemptions	1,053.94		28,651.81	417,160.60		14,664.17
Tax Sale Premiums	444,900.00		41,200.00	215,600.00		399,500.00
Parking Offense Adjudication Act (Per N.J.S.A 40A:4-39)	331.00			120.00		451.00
Public Defender	4,893.67			835.00		5,728.67
Recycling	515.49			952.75		1,468.24
Deposits - Baymens Association	5,000.00					5,000.00
Pelekanous Engineer Fees	1,817.72					1,817.72
Legal Escrow	500.00					500.00
Police Off Duty	12,906.00			65,750.00	63,950.00	14,706.00
Uniform Fire Penalties	2,210.08			1,462.00		3,672.08
Fire Penalties (Fire Department)	688.64					688.64
Recreation	220.00			2,308.00	2,082.00	446.00
Library	7,003.32					7,003.32
Unemployment	247,419.15			44,604.14	62,131.30	229,891.99
Engineering Inspection Fees	62,297.69		248.00	6,551.02	4,453.79	64,642.92
Performance Bonds	88,008.69			62,413.34	31,356.35	119,065.68
Maintenance Bonds	1,785.20				298.20	1,487.00
Accumulated Leave	76,678.04			32,000.00	4,208.33	104,469.71
Police Explorers	19,059.01		508.00	12,730.00	5,663.14	26,179.87
Sale of Property	22,350.00					22,350.00
Law Enforcement	9,576.78			52.54	2,633.21	6,996.11
	<u>\$ 1,076,644.59</u>	<u>\$</u>	<u>70,830.46</u>	<u>923,054.36</u>	<u>\$ 805,093.68</u>	<u>\$ 193,948.54</u>
						<u>\$ 1,071,487.19</u>

Ref

B

B-6

B-1

B-1

B-6

B

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

OPEN SPACE TRUST FUND  
SCHEDULE OF RESERVE FOR OPEN SPACE

	Ref.		
Balance, December 31, 2013	B	\$	126,126.94
Increased by:			
Tax Levy		\$	28,630.90
Interest Earned			877.10
	B-1		<u>29,508.00</u>
			155,634.94
Decreased by:			
Cash Disbursements	B-1		1,226.00
Reserve for Encumbrances	B		<u>4,974.00</u>
			<u>6,200.00</u>
Balance, December 31, 2014	B	\$	<u><u>149,434.94</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")  
SCHEDULE OF INVESTMENTS

	<u>Ref.</u>		
Balance, December 31, 2013	B	\$	235,446.36
Increased by:			
Borough Contributions	B-11	\$	43,700.00
Interest Earned	B-11		4,021.14
Increase in Value of Investments	B-11		<u>3,975.71</u>
			<u>51,696.85</u>
			287,143.21
Decreased by:			
Withdrawals	B-11		<u>10,816.65</u>
Balance, December 31, 2014	B	\$	<u><u>276,326.56</u></u>

LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")  
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD PROGRAM

	<u>Ref.</u>		
Balance, December 31, 2013	B	\$	235,446.36
Increased by:			
Borough Contributions	B-10	\$	43,700.00
Interest Earned	B-10		4,021.14
Increase in Value of Investments	B-10		<u>3,975.71</u>
			<u>51,696.85</u>
			287,143.21
Decreased by:			
Withdrawals	B-10		<u>10,816.65</u>
Balance, December 31, 2014	B	\$	<u><u>276,326.56</u></u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>		
Balance, December 31, 2013	C	\$	7,495,281.07
Increased by Receipts:			
Premium on Sale of Notes	C-1	\$	2,478.00
Bond Anticipation Notes	C-12		586,720.00
Downtown Business Improvement Zone Loan Fund	C-11		498,750.00
Monmouth County Improvement Authority	C-9		70,026.00
Budget Appropriations:			
Capital Improvement Fund	C-17		83,000.00
Miscellaneous Reserves	C-14		599.66
			<u>1,241,573.66</u>
			8,736,854.73
Decreased by Disbursements:			
Appropriated to 2014 Budget Revenue	C-1		38,100.00
Monmouth County Improvement Authority	C-9		4,012.00
Bond Anticipation Notes	C-12		3,330,908.00
Improvement Authorizations	C-13		351,856.16
Encumbrances Payable	C-16		66,014.00
			<u>3,790,890.16</u>
Balance, December 31, 2014	C	\$	<u><u>4,945,964.57</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
ANALYSIS OF GENERAL CAPITAL CASH

	Balance Dec. 31, 2014
Capital Improvement Fund	\$ 100,476.26
Capital Fund Balance	570,882.25
Community Development Block Grant Receivable	(178,077.00)
Exxon Mobile Receivable	(137,000.00)
Accounts Payable	3,597.75
Reserve for Encumbrances	1,377,694.34
Miscellaneous Reserves	60,041.08

Improvement Authorizations:

Ordinance Number	Improvement Description	
94-18	Rehabilitation of Low - Mod Income Housing - RCA Middletown	47,136.00
98-11/02-22/04-10	Construction of Firehouse - Emergency Management Facility	3,592.00
09-28	Design and Permitting of Various Projects	7,050.24
11-22	Acquisition of Computers and Software	19,309.24
12-12	Improvements to Washington Avenue	95,381.40
12-17	Acquisition of Fire Truck	24,915.86
12-20	Construction of Stormwater Pump Station & Drainage Improvements	(23,500.00)
13-17	Wall Reconstruction	156,260.25
13-19	Hazard Mitigation Program	1,019,000.00
13-20	Reconstruction of North Street Pump Station	1,564,911.90
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	(560,000.00)
13-26	Flood Mitigation Project	380,750.00
13-29	Improvements to Community Center	413,380.00
13-33	Acquisition of Ambulances	163.00
		<u>\$ 4,945,964.57</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>	
Balance, December 31, 2013	C	\$ 5,366,000.00
Increased by:		
Transfer from Deferred Charges to Future Taxation - Unfunded	C-5	<u>498,750.00</u> 5,864,750.00
Decreased by:		
Budget Appropriation to Pay Bonds	C-10	<u>367,000.00</u>
Balance, December 31, 2014	C	\$ <u><u>5,497,750.00</u></u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Analysis of Balance, December 31, 2014							
		Balance Dec. 31, 2013	2014 Authorizations	Budget Appropriation	Transferred to Deferred Taxation Funded	Balance Dec. 31, 2014	Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
09-28	Design and Permitting for Various Projects	\$ 408,000.00		\$ 15,700.00		\$ 392,300.00	\$ 392,300.00		
12-12	Improvements to Washington Avenue	480,253.40				480,253.40			\$ 480,253.40
12-20	Construction of Stormwater Pump Station & Drainage Improvements	1,200,000.00				1,200,000.00		\$ 23,500.00	1,176,500.00
13-19	Hazard Mitigation Program	1,144,000.00				1,144,000.00	1,144,000.00		
13-20	Reconstruction of North Street Pump Station	1,621,923.00				1,621,923.00	1,621,000.00		923.00
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	2,300,000.00				2,300,000.00		560,000.00	1,740,000.00
13-26	Flood Mitigation Project	760,000.00			\$ 498,750.00	261,250.00			261,250.00
13-29	Improvements to Community Center	378,720.00				378,720.00	378,720.00		
13-33	Acquisition of Ambulances	208,000.00				208,000.00	208,000.00		
14-8	Construction of Stormwater Pump Station & Other Stormwater System & Drainage Improvements		\$ 3,154,000.00			3,154,000.00			3,154,000.00
		<u>\$ 8,500,896.40</u>	<u>\$ 3,154,000.00</u>	<u>\$ 15,700.00</u>	<u>\$ 498,750.00</u>	<u>\$ 11,140,446.40</u>	<u>\$ 3,744,020.00</u>	<u>\$ 583,500.00</u>	<u>\$ 6,812,926.40</u>
<u>Ref.</u>	C		C-13/C-18	C-12	C-4/C-18	C	C-12	C-3	
							<u>Ref.</u>		
							Improvement Authorizations Unfunded	C-13	\$ 9,782,771.54
							Less: Unexpended Proceeds of Bond Anticipation Notes:		
							<u>Ordinance</u>		
							09-28	\$ 7,050.24	
							13-19	1,019,000.00	
							13-20	1,564,911.90	
							13-29	378,720.00	
							13-33	163.00	
									<u>2,969,845.14</u>
							C-5		<u>\$ 6,812,926.40</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

Ref.

Balance, December 31, 2014 and 2013	C	\$ <u><u>178,077.00</u></u>
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Detail:

Ordinance

Number

Description

13-20	Reconstruction of North Street Pump Station	\$ <u><u>178,077.00</u></u>
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**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF FEDERAL EMERGENCY MANAGEMENT AGENCY  
GRANTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2014 and 2013	C	\$ <u><u>2,854,000.00</u></u>

## Detail:

Ordinance  
Number

Description

13-19	Hazard Mitigation Program	\$ 784,000.00
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	<u>2,070,000.00</u>
		\$ <u><u>2,854,000.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF EXXON MOBILE RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2014 and 2013	C	\$ <u>137,000.00</u>

## Detail:

Ordinance  
Number

Description

12-22	Reconstruction of Bayside Drive	\$ <u>137,000.00</u>
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**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF DUE FROM MONMOUTH COUNTY IMPROVEMENT AUTHORITY

	<u>Ref.</u>	
Balance, December 31, 2013	C	\$ 66,014.00
Increased by:		
Cash Disbursements	C-2	<u>4,012.00</u>
		70,026.00
Decreased by:		
Cash Receipts	C-2	<u>70,026.00</u>
Balance, December 31, 2014	C	\$ <u><u>-</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
General Improvements	12/05/06	\$ 474,000.00	12/01/15	\$ 54,000.00	5.00%			
			12/01/16	57,000.00	5.00%	\$ 163,000.00	\$ 52,000.00	\$ 111,000.00
General Improvements	12/04/08	3,178,000.00	12/01/15	129,000.00	5.00%			
			12/01/16	138,000.00	4.00%			
			12/01/17	143,000.00	4.00%			
			12/01/18	150,000.00	5.25%			
			12/01/19	156,000.00	4.50%			
			12/01/20	166,000.00	4.50%			
			12/01/21	169,000.00	5.00%			
			12/01/22	179,000.00	5.25%			
			12/01/23	189,000.00	5.00%			
			12/01/24	201,000.00	5.125%			
			12/01/25	208,000.00	5.125%			
			12/01/26-28	220,000.00	5.00%	2,613,000.00	125,000.00	2,488,000.00
General Improvements	01/24/11	760,000.00	01/15/15	70,000.00	2.50%			
			01/15/16	70,000.00	2.75%			
			01/15/17	75,000.00	5.00%			
			01/15/18	80,000.00	5.00%			
			01/15/19	85,000.00	5.00%			
			01/15/20	90,000.00	5.00%			
			01/15/21	90,000.00	5.00%	630,000.00	70,000.00	560,000.00

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
General Improvements	12/19/12	645,000.00	12/01/15	35,000.00	2.00%			
			12/01/16	40,000.00	2.50%			
			12/01/17	40,000.00	3.00%			
			12/01/18	40,000.00	3.00%			
			12/01/19	40,000.00	3.00%			
			12/01/20	40,000.00	4.00%			
			12/01/21	45,000.00	4.00%			
			12/01/22	45,000.00	4.00%			
			12/01/23	45,000.00	4.00%			
			12/01/24	50,000.00	2.00%			
			12/01/25	50,000.00	3.00%			
			12/01/26	50,000.00	2.00%			
			12/01/27	55,000.00	2.00%	610,000.00	35,000.00	575,000.00
General Improvements	12/24/13	1,350,000.00	12/01/15	95,000.00	3.00%			
			12/01/16	95,000.00	4.00%			
			12/01/17	100,000.00	4.00%			
			12/01/18	105,000.00	4.00%			
			12/01/19	110,000.00	4.00%			
			12/01/20	110,000.00	5.00%			
			12/01/21	115,000.00	5.00%			
			12/01/22	125,000.00	5.00%			
			12/01/23	130,000.00	5.00%			
			12/01/24	135,000.00	5.00%			
			12/01/25	145,000.00	5.00%	1,350,000.00	85,000.00	1,265,000.00
						<u>\$ 5,366,000.00</u>	<u>\$ 367,000.00</u>	<u>\$ 4,999,000.00</u>
			<u>Ref.</u>			C	C-4	C

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF DOWNTOWN BUSINESS IMPROVEMENT ZONE LOAN FUND PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2013	C	\$ -
Increased by:		
Cash Receipts	C-2	<u>498,750.00</u>
Balance, December 31, 2014	C	<u><u>\$ 498,750.00</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2013	Issued for Cash	Paid by Capital Cash	Funded By Budget Appropriations	Balance Dec. 31, 2014
09-28	Design and Permitting for Various Projects	01/21/10	01/16/14	01/16/15	1.375%	\$ 408,000.00			\$ 15,700.00	\$ 392,300.00
11-12	Various Road Improvements	06/07/13				357,485.00		\$ 357,485.00		-
12-12	Improvements to Washington Avenue	06/07/13				150,000.00		150,000.00		-
12-17	Acquisition of Fire Truck	06/07/13				522,500.00		522,500.00		-
13-19	Hazard Mitigation Program	12/05/13	11/13/14	11/13/15	1.50%	1,144,000.00				1,144,000.00
13-20	Reconstruction of North Street Pump Station	12/05/13	11/13/14	11/13/15	1.50%	1,621,923.00		923.00		1,621,000.00
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	12/05/13				2,300,000.00		2,300,000.00		-
13-29	Improvements to Community Center	01/16/14	01/16/14	01/16/15	1.375%		\$ 378,720.00			378,720.00
13-33	Acquisition of Ambulances	01/16/14	01/16/14	01/16/15	1.375%		208,000.00			208,000.00
						<u>\$ 6,503,908.00</u>	<u>\$ 586,720.00</u>	<u>\$ 3,330,908.00</u>	<u>\$ 15,700.00</u>	<u>\$ 3,744,020.00</u>
					<u>Ref.</u>	C	C-2/C-18	C-2	C-5	C

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Date	Amount	Balance December 31, 2013		Increased by		Decreased by			Balance December 31, 2014	
				Funded	Unfunded	2014 Authorizations	Prior Year Encumbrances	Paid or Charged	Reserve for Encumbrances	Authorizations Canceled	Funded	Unfunded
94-18	Rehabilitation of Low - Mod Income Housing RCA - Middletown	09-14-94	\$ 925,000.00	\$ 47,136.00							\$ 47,136.00	
98-11/ 02-22/ 04-10	Construction of Firehouse - Emergency Management Facility	12-16-98/ 11-06-02/ 08-18-04	1,375,000.00	3,592.00			\$ 5,000.00		\$ 5,000.00		3,592.00	
09-28	Design and Permitting for Various Projects	12-02-09	446,000.00		\$ 7,050.24							\$ 7,050.24
11-07	Reconstruction of Bay Avenue	03-16-11	760,000.00	323,208.02			28.72			\$ 323,236.74	-	
11-12	Various Road Improvements	05-04-11	575,000.00	101,869.14			9.55			101,878.69	-	
11-22	Acquisition of Computers and Software	11-20-11	68,000.00	19,309.24							19,309.24	
12-12	Improvements to Washington Avenue	04-18-12	700,000.00	95,957.40	480,253.40		67,264.97	\$ 576.00	67,264.97		95,381.40	480,253.40
12-17	Acquisition of Fire Truck	09-05-12	1,215,000.00	24,915.86							24,915.86	
12-20	Construction of Stormwater Pump Station & Drainage Improvements	10-17-12	1,200,000.00		1,200,000.00			19,156.12	4,343.88			1,176,500.00
12-22	Reconstruction of Bayside Drive	12-05-12	137,000.00	4,434.20			18,628.17	21,749.08	1,313.29		-	
13-17	Wall Reconstruction	09-18-13	500,000.00	427,563.25			60,763.00	45,781.41	286,284.59		156,260.25	
13-19	Hazard Mitigation Program	09-18-13	1,144,000.00		1,019,000.00		125,000.00	24,060.00	100,940.00			1,019,000.00
13-20	Reconstruction of North Street Pump Station	10-24-13	1,800,000.00		1,565,000.00		159,459.06	14,457.10	144,167.06			1,565,834.90
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	09-18-13	2,300,000.00		1,740,000.00		560,000.00	109,957.50	450,042.50			1,740,000.00
13-26	Flood Mitigation Project	10-03-13	800,000.00		642,000.00		158,000.00	62,154.95	95,845.05		380,750.00	261,250.00

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Date	Amount	Balance December 31, 2013		Increased by		Decreased by			Balance December 31, 2014	
				Funded	Unfunded	2014 Authorizations	Prior Year Encumbrances	Paid or Charged	Reserve for Encumbrances	Authorizations Canceled	Funded	Unfunded
13-29	Improvements to Community Center	11-06-13	450,000.00	46,280.00	378,720.00		25,000.00	13,964.00	22,656.00		34,660.00	378,720.00
13-33	Acquisition of Ambulances	12-04-13	240,000.00	32,000.00	208,000.00			40,000.00	199,837.00			163.00
14-8	Construction of Stormwater Pump Station & Other Stormwater System & Drainage Improvements	04-16-14	3,154,000.00			3,154,000.00						3,154,000.00
				\$ 1,126,265.11	\$ 7,240,023.64	\$ 3,154,000.00	\$ 1,179,153.47	\$ 351,856.16	\$ 1,377,694.34	\$ 425,115.43	\$ 762,004.75	\$ 9,782,771.54
		<u>Ref.</u>		C	C	C-5	C-16	C-2	C-16	C-1	C	C

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF MISCELLANEOUS RESERVES

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Reserve for RCA Interest - Middletown	\$ 45,080.42	\$ 599.66	\$ 45,680.08
Reserve for Parking Improvements	450.00		450.00
Reserve for Sidewalk Fund	<u>13,911.00</u>	<u></u>	<u>13,911.00</u>
	\$ <u>59,441.42</u>	\$ <u>599.66</u>	\$ <u>60,041.08</u>
<u>Ref.</u>	C	C-2	C

Exhibit C-15

SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2014 and 2013	C	\$ <u>3,597.75</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>		
Balance, December 31, 2013	C	\$	1,245,167.47
Increased by:			
Charged to Improvement Authorizations	C-13		1,377,694.34
			<u>2,622,861.81</u>
Decreased by:			
Transfer to Improvement Authorizations	C-13	\$	1,179,153.47
Cash Disbursements	C-2		66,014.00
			<u>1,245,167.47</u>
Balance, December 31, 2014	C	\$	<u><u>1,377,694.34</u></u>

Exhibit C-17

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance, December 31, 2013	C	\$	17,476.26
Increased by:			
2014 Budget Appropriation	C-2		83,000.00
			<u>83,000.00</u>
Balance, December 31, 2014	C	\$	<u><u>100,476.26</u></u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

GENERAL CAPITAL FUND  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED  
 BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2013	2014 Authorizations	Bond Anticipation Notes Issued	Downtown Business Improvement Loan Fund	Bond Anticipation Notes Paid by Capital Cash	Balance Dec. 31, 2014
12-12	Improvements to Washington Avenue	\$ 330,253.40				\$ 150,000.00	\$ 480,253.40
12-20	Construction of Stormwater Pump Station & Drainage Improvements	1,200,000.00					1,200,000.00
13-20	Reconstruction of North Street Pump Station					923.00	923.00
13-23	Removal of Disaster Related Debris & Demolition of Various Structures					2,300,000.00	2,300,000.00
13-26	Flood Mitigation Project	760,000.00			\$ 498,750.00		261,250.00
13-29	Improvements to Community Center	378,720.00		\$ 378,720.00			-
13-33	Acquisition of Ambulances	208,000.00		208,000.00			-
14-8	Construction of Stormwater Pump Station & Other Stormwater System & Drainage Improvements		\$ 3,154,000.00				3,154,000.00
		\$ 2,876,973.40	\$ 3,154,000.00	\$ 586,720.00	\$ 498,750.00	\$ 2,450,923.00	\$ 7,396,426.40
<u>Ref.</u>			C-5	C-12	C-5	C-12	(Footnote C)

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

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

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2013	D	\$ 966,650.39	\$ 16,234.44
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$ 1,718,722.44	
Contingent Liabilities		23.62	
Non-Budget Revenues	D-3	55,781.32	
Customer Overpayments	D-10	<u>17,481.87</u>	
		1,792,009.25	
		<u>2,758,659.64</u>	<u>16,234.44</u>
Decreased by Disbursements:			
2014 Appropriations	D-4	1,167,688.26	
2013 Appropriation Reserves	D-8	66,762.61	
Customer Overpayments	D-10	2,675.14	
Advanced to Trustee	D	158,418.00	
Accrued Interest on Bonds and Notes	D-11	<u>63,400.66</u>	
		<u>1,458,944.67</u>	
Balance, December 31, 2014	D	\$ <u><u>1,299,714.97</u></u>	\$ <u><u>16,234.44</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

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

	Balance Dec. 31, 2013 and <u>Dec. 31, 2014</u>
Capital Improvement Fund	\$ 6,750.00
Down Payments on Capital Improvements	100.00
Fund Balance	<u>9,384.44</u>
	\$ <u><u>16,234.44</u></u>
<u>Ref.</u>	D

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>		
Balance, December 31, 2013	D		\$ 335,959.74
Increased by:			
Sewer Rents Levied			<u>1,692,691.17</u>
			2,028,650.91
Decreased by:			
Collections	D-5	\$ 1,718,722.44	
Overpayments Applied	D-10	<u>14,015.85</u>	
	D-3		<u>1,732,738.29</u>
Balance, December 31, 2014	D		<u><u>\$ 295,912.62</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance December 31, 2013	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Operating:					
Salaries and Wages	\$ 8,673.36		\$ 8,673.36		\$ 8,673.36
Other Expenses	34,288.89	\$ 103,897.50	138,186.39	\$ 135,456.69	2,729.70
Group Insurance	276.84		276.84		276.84
Workers Compensation Insurance	2,343.66		2,343.66		2,343.66
Other Insurances	1,658.26		1,658.26		1,658.26
Statutory Expenditures:					
Public Employees Retirement System	18.00		18.00		18.00
Social Security System (O.A.S.I.)	782.26		782.26		782.26
Unemployment Compensation Insurance	900.00		900.00		900.00
	<u>\$ 48,941.27</u>	<u>\$ 103,897.50</u>	<u>\$ 152,838.77</u>	<u>\$ 135,456.69</u>	<u>\$ 17,382.08</u>
<u>Ref.</u>	D	D-9			D-1
Cash Disbursed	D-5			\$ 66,762.61	
Accounts Payable	D-12			<u>68,694.08</u>	
	D-8			<u>\$ 135,456.69</u>	

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**WATER - SEWER UTILITY OPERATING FUND**  
**SCHEDULE OF RESERVE FOR ENCUMBRANCES**

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 103,897.50
Increased by:		
Transferred from Budget Appropriations	D-4	<u>172,827.45</u> 276,724.95
Decreased by:		
Transferred to Appropriation Reserves	D-8	<u>103,897.50</u>
Balance, December 31, 2014	D	\$ <u><u>172,827.45</u></u>

**SCHEDULE OF CUSTOMER OVERPAYMENTS**

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 16,690.99
Increased by:		
Cash Receipts	D-5	<u>17,481.87</u> 34,172.86
Decreased by:		
Cash Disbursed	D-5	\$ 2,675.14
Applied to Consumer Accounts Receivable	D-7	<u>14,015.85</u> <u>16,690.99</u>
Balance, December 31, 2014	D	\$ <u><u>17,481.87</u></u>

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**WATER UTILITY OPERATING FUND**  
**SCHEDULE OF ACCRUED INTEREST PAYABLE**

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 4,155.69
Increased by:		
Budget Appropriations	D-4	159,686.46
		<u>163,842.15</u>
Decreased by:		
Interest Paid	D-5	63,400.66
		<u>63,400.66</u>
Balance, December 31, 2014	D	\$ <u><u>100,441.49</u></u>

Analysis of Accrued Interest December 31, 2014

Principal Outstanding December 31, 2014	Interest Rate	From	To	Period	Amount
Serial Bonds:					
\$ 152,000.00	Various	12-01-14	12-31-14	30 Days	\$ 617.61
110,000.00	Various	07-16-14	12-31-14	165 Days	2,022.40
3,712,800.00	Various	07-16-14	12-31-14	165 Days	82,058.17
Community Disaster Loan:					
300,000.00	1.375%	09-03-13	12-31-14	478 Days	5,469.86
NJEIT Loans:					
368,373.73	Various	08-01-14	12-31-14	150 Days	1,820.00
1,583,088.14	1.375%	08-01-14	12-31-14	150 Days	<u>8,453.45</u>
					\$ <u><u>100,441.49</u></u>

Disclosure: The Community Disaster Loan is not recorded in the financial statements. The Loan was recognized as revenue in accordance with the agreement. The loan will be audited in the future by the state or federal government and they will determine if the funds will have to be repaid as a loan or if it will remain as Borough fund balance. The Borough has opted to establish an accrual for the interest due as of December 31, 2013 & 2014 in anticipation of the revenue being converted to a loan. If the revenue is not converted to a loan, the accrued interest will be cancelled.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 5,205.00
Increased by:		
Transfer from Appropriation Reserves	D-8	<u>68,694.08</u>
		73,899.08
Decreased by:		
Cancelled	D-1	<u>5,205.00</u>
Balance, December 31, 2014	D	\$ <u><u>68,694.08</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 1,349,459.48
Increased by:		
Transfer from Fixed Capital Authorized and Uncompleted	D-14	<u>5,723,070.34</u>
Balance, December 31, 2014	D	<u><u>\$ 7,072,529.82</u></u>
Springs and Wells		\$ 40,716.85
Distribution Mains and Accessories		153,471.61
General Equipment		62,579.40
Sewerage Treatment Plant and Lines		278,088.19
Reconstruction of Sewer Lift Station		75,000.00
Construction of Back Wash		116,666.26
Repair to Pumping Station		15,000.00
Ordinance 07-15 Rehabilitation of Sanitary Sewer System		607,937.17
AHHRSA Debt - Bonds		3,712,800.00
AHHRSA Debt - Loans		<u>2,010,270.34</u>
		<u><u>\$ 7,072,529.82</u></u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Ordinance		<u>2014 Authorizations</u> Deferred Charges to Future Revenue	Transfer to Fixed Capital	Balance Dec. 31, 2014
		Date	Amount			
14-02	Dissolution of the AHHRSA	02-05-14	\$ 5,731,272.00	\$ 5,731,272.00	\$ 5,723,070.34	\$ 8,201.66
14-05	Replacement of Force Mains	03-05-14	50,000.00	<u>50,000.00</u>	<u>                    </u>	<u>50,000.00</u>
				<u>\$ 5,781,272.00</u>	<u>\$ 5,723,070.34</u>	<u>\$ 58,201.66</u>
			<u>Ref.</u>	D-20	D-13	D

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	D	\$ <u>6,750.00</u>

SCHEDULE OF RESERVE FOR DOWN PAYMENTS  
ON CAPITAL IMPROVEMENTS

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	D	\$ <u>100.00</u>

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance, December 31, 2013	D	\$ 1,079,459.48
Increased by:		
Serial Bonds Payable	D-18	\$ 18,000.00
Loans Payable	D-19	<u>58,808.47</u>
		<u>76,808.47</u>
Balance, December 31, 2014	D	\$ <u>1,156,267.95</u>

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF WATER - SEWER UTILITY SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
Rehabilitation of Sanitary Sewer System	12-01-08	\$ 195,000.00	12-01-15	\$ 8,000.00	5.000%				
			12-01-16	8,000.00	4.000%				
			12-01-17	9,000.00	4.000%				
			12-01-18	9,000.00	5.250%				
			12-01-19	10,000.00	4.500%				
			12-01-20	10,000.00	4.500%				
			12-01-21	10,000.00	5.000%				
			12-01-22	11,000.00	5.250%				
			12-01-23	11,000.00	5.000%				
			12-01-24	12,000.00	5.125%				
			12-01-25	13,000.00	5.125%				
			12-01-26	13,000.00	5.000%				
			12-01-27	14,000.00	5.000%				
			12-01-28	14,000.00	5.000%	\$ 160,000.00		\$ 8,000.00	\$ 152,000.00
Rehabilitation of Sanitary Sewer System	01-24-11	130,000.00	01-15-15	10,000.00	2.50%				
			01-15-16	15,000.00	2.75%				
			01-15-17	15,000.00	5.00%				
			01-15-18	15,000.00	5.00%				
			01-15-19	15,000.00	5.00%				
			01-15-20	15,000.00	5.00%				
			01-15-21	15,000.00	5.00%	110,000.00		10,000.00	100,000.00

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF WATER - SEWER UTILITY SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
2011 MCIA (AHHRSA)	04-14-14	\$ 3,712,800.00	01-15-15	\$ 137,800.00	2.50%			
			01-15-16	140,400.00	2.75%			
			01-15-17	148,200.00	5.00%			
			01-15-18	153,400.00	5.00%			
			01-15-19	161,200.00	5.00%			
			01-15-20	169,000.00	5.00%			
			01-15-21	179,400.00	5.00%			
			01-15-22	189,800.00	5.00%			
			01-15-23	197,600.00	5.00%			
			01-15-24	208,000.00	5.00%			
			01-15-25	218,400.00	5.00%			
			01-15-26	228,800.00	5.00%			
			01-15-27	239,200.00	5.00%			
			01-15-28	252,200.00	5.00%			
			01-15-29	265,200.00	5.00%			
			01-15-30	280,800.00	5.00%			
			01-15-31	291,200.00	5.00%			
			01-15-32	252,200.00	5.00%			
						\$ 3,712,800.00		3,712,800.00
					\$ 270,000.00	\$ 3,712,800.00	\$ 18,000.00	\$ 3,964,800.00
				<u>Ref.</u>	D	D-20	D-17	D

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF WATER - SEWER UTILITY LOANS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
New Jersey Environmental Infrastructure Trust Fund 2010 (AHHRSA)	04-01-14	\$ 284,270.34	02-01-15	\$ 6,048.30	0.000%			
			08-01-15	12,096.61	0.000%			
			02-01-16	6,048.30	0.000%			
			08-01-16	12,096.61	0.000%			
			02-01-17	6,048.30	0.000%			
			08-01-17	12,096.61	0.000%			
			02-01-18	6,048.30	0.000%			
			08-01-18	12,096.61	0.000%			
			02-01-19	6,048.30	0.000%			
			08-01-19	12,096.61	0.000%			
			02-01-20	6,048.30	0.000%			
			08-01-20	12,096.61	0.000%			
			02-01-21	6,048.30	0.000%			
			08-01-21	12,096.61	0.000%			
			02-01-22	6,048.30	0.000%			
			08-01-22	12,096.61	0.000%			
			02-01-23	6,048.30	0.000%			
			08-01-23	12,096.61	0.000%			
			02-01-24	6,048.30	0.000%			
			08-01-24	12,096.61	0.000%			
			02-01-25	6,048.30	0.000%			
			08-01-25	12,096.61	0.000%			
			02-01-26	6,048.30	0.000%			
			08-01-26	12,096.61	0.000%			
			02-01-27	6,048.30	0.000%			
			08-01-27	12,096.61	0.000%			
			02-01-28	6,048.30	0.000%			
			08-01-28	12,096.61	0.000%			
			02-01-29	6,048.30	0.000%			
			08-01-29	12,096.69	0.000%	\$ 284,270.34	\$ 12,096.61	\$ 272,173.73

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF WATER - SEWER UTILITY LOANS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
New Jersey Environmental Infrastructure Trust Fund Series 2010A (AHHRSA)	04-01-14	\$ 101,400.00	08-01-15/18	\$ 5,200.00	5.000%			
			08-01-19	5,200.00	4.000%			
			08-01-20	5,200.00	5.000%			
			08-01-21	5,200.00	3.000%			
			08-01-22	5,200.00	4.000%			
			08-01-23/25	7,800.00	4.000%			
			08-01-26	7,800.00	3.500%			
			08-01-27/29	7,800.00	4.000%	\$ 101,400.00	\$ 5,200.00	\$ 96,200.00
New Jersey Environmental Infrastructure Trust Fund Series 2014A (AHHRSA)	05-21-14	1,224,600.00	02-01-15	20,755.93	0.000%			
			08-01-15	41,511.86	0.000%			
			02-01-16	20,755.93	0.000%			
			08-01-16	41,511.86	0.000%			
			02-01-17	20,755.93	0.000%			
			08-01-17	41,511.86	0.000%			
			02-01-18	20,755.93	0.000%			
			08-01-18	41,511.86	0.000%			
			02-01-19	20,755.93	0.000%			
			08-01-19	41,511.86	0.000%			
			02-01-20	20,755.93	0.000%			
			08-01-20	41,511.86	0.000%			
			02-01-21	20,755.93	0.000%			
			08-01-21	41,511.86	0.000%			
			02-01-22	20,755.93	0.000%			
			08-01-22	41,511.86	0.000%			
			02-01-23	20,755.93	0.000%			
			08-01-23	41,511.86	0.000%			
			02-01-24	20,755.93	0.000%			
			08-01-24	41,511.86	0.000%			

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF WATER - SEWER UTILITY LOANS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Issued</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2014</u>
New Jersey Environmental Infrastructure Trust Series 2014A (AHHRSA) (continued)	05-21-14	\$ 1,224,600.00	02-01-25	\$ 20,755.93	0.000%			
			08-01-25	41,511.86	0.000%			
			02-01-26	20,755.93	0.000%			
			08-01-26	41,511.86	0.000%			
			02-01-27	20,755.93	0.000%			
			08-01-27	41,511.86	0.000%			
			02-01-28	20,755.93	0.000%			
			08-01-28	41,511.86	0.000%			
			02-01-29	20,755.93	0.000%			
			08-01-29	41,511.86	0.000%			
			02-01-30	20,755.93	0.000%			
			08-01-30	41,511.86	0.000%			
			02-01-31	20,755.93	0.000%			
			08-01-31	41,511.86	0.000%			
			02-01-32	20,755.93	0.000%			
			08-01-32	41,511.86	0.000%			
			02-01-33	20,755.93	0.000%			
			08-01-33	41,511.99	0.000%	\$ 1,224,600.00	\$ 41,511.86	\$ 1,183,088.14
New Jersey Environmental Infrastructure Fund Series 2014A (AHHRSA)	05-21-14	400,000.00	08-01-15/16	15,000.00	3.000%			
			08-01-17/19	15,000.00	5.000%			
			08-01-20/24	20,000.00	5.000%			
			08-01-25	20,000.00	3.000%			
			08-01-26/31	25,000.00	3.000%			
			08-01-32	25,000.00	3.125%			
			08-01-33	30,000.00	3.250%	400,000.00		400,000.00
						<u>\$ 2,010,270.34</u>	<u>\$ 58,808.47</u>	<u>\$ 1,951,461.87</u>
					<u>Ref.</u>	D-20	D-17	D

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Amount</u>	<u>Increased by 2014 Authorizations</u>	<u>Decreased by Debt Assumed from AHHRSA</u>	<u>Balance December 31, 2014 Unfunded</u>
14-02	Dissolution of the Atlantic Highlands/Highlands Regional Sewerage Authority (AHHRSA)	02-05-14	\$ 5,731,272.00	\$ 5,731,272.00	\$ 5,723,070.34	\$ 8,201.66
14-05	Replacement of Force Mains	03-05-14	50,000.00	<u>50,000.00</u>	<u>                    </u>	<u>50,000.00</u>
				<u>\$ 5,781,272.00</u>	<u>\$ 5,723,070.34</u>	<u>\$ 58,201.66</u>
		<u>Ref.</u>		D-14/D-21		D
	Serial Bonds Payable	D-18			\$ 3,712,800.00	
	Loans Payable	D-19			<u>2,010,270.34</u>	
					<u>\$ 5,723,070.34</u>	

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date</u>	<u>2014 Authorizations</u>	<u>Loans Payable Issued</u>	<u>Serial Bonds Issued</u>	<u>Balance Dec. 31, 2014</u>
14-02	Dissolution of the Atlantic Highlands/Highlands Regional Sewerage Authority (AHHRSA)	02-05-14	\$ 5,731,272.00	\$ 2,010,270.34	\$ 3,712,800.00	\$ 8,201.66
14-05	Replacement of Force Mains	03-05-14	<u>50,000.00</u>	<u>                    </u>	<u>                    </u>	<u>50,000.00</u>
			<u>\$ 5,781,272.00</u>	<u>\$ 2,010,270.34</u>	<u>\$ 3,712,800.00</u>	<u>\$ 58,201.66</u>
			D-20	D-19	D-18	D

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL FIXED ASSET ACCOUNT GROUP  
SCHEDULE OF INVESTMENTS IN GENERAL FIXED ASSETS

	Balance <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>Dec. 31, 2014</u>
General Fixed Assets:				
Land	\$ 1,097,800.00			\$ 1,097,800.00
Buildings and Improvements	5,772,197.90			5,772,197.90
Machinery and Equipment	<u>3,890,885.75</u>	\$ <u>139,858.13</u>	\$ <u>6,788.55</u>	<u>4,023,955.33</u>
	<u>\$ 10,760,883.65</u>	\$ <u>139,858.13</u>	\$ <u>6,788.55</u>	<u>\$ 10,893,953.23</u>
<u>Ref.</u>	E			E

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH**  
**SUPPLEMENTARY DATA**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION (Excludes Business Improvement District)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ <u>2.698</u>	\$ <u>2.594</u>	\$ <u>2.545</u>
Apportionment of Tax Rate			
Municipal	1.156	1.047	1.026
County	.329	.321	.329
Local School	.519	.514	.506
Regional High School	.689	.707	.679
Municipal Open Space	.005	.005	.005
Assessed Valuation			
2014	\$570,283,471.00		
2013		\$575,346,016.00	
2012			\$606,348,709.00

**COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future levies. The CY years are for twelve months while the TY year is for a six month period.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
CY 2014	\$ 15,710,678.40	\$ 14,902,919.15	94.85%
CY 2013	15,008,440.94	14,346,148.35	95.58%
TY 2012	7,646,046.60	7,099,520.92	92.85%

**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. The CY years are for twelve months while the TY year is for a six month period.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
CY 2014	\$ 45,042.55	\$ 799,313.22	\$ 844,355.77	5.37%
CY 2013	41,103.48	602,882.93	643,986.41	4.29%
TY 2012	37,662.10	724,981.78	762,643.88	9.97%

### **PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

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

<u>Year</u>	<u>Amount</u>
CY 2014	\$ 212,600.00
CY 2013	212,600.00
TY 2012	212,600.00

### **COMPARISON OF WATER-SEWER UTILITY RENTS LEVIED**

The following CY years are for twelve months while the TY year is for a six month period.

<u>Year</u>	<u>Levy</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
CY 2014	\$ 1,692,691.17	\$ 335,959.74	\$ 1,732,738.29
CY 2013	1,778,205.10	343,702.65	1,785,948.01
TY 2012	874,612.68	244,071.49	774,981.52

### **COMPARATIVE SCHEDULE OF FUND BALANCES**

<u>Year</u>	<u>Balance</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>		
December 31, 2014	\$ 2,504,158.68	\$ 898,588.00
December 31, 2013	2,637,416.95	2,000,000.00
December 31, 2012	1,389,719.31	422,285.00
*June 30, 2012	833,223.08	317,500.00
June 30, 2011	700,103.46	651,000.00
<u>Water-Sewer Utility Fund</u>		
December 31, 2014	\$ 986,730.32	\$ 150,000.00
December 31, 2013	735,620.14	180,000.00
December 31, 2012	253,955.09	250,000.00
*June 30, 2012	240,637.06	200,000.00
June 30, 2011	214,483.64	214,000.00

\*The Borough was granted permission from the State of New Jersey Local Finance Board to revert to a calendar year. The amounts utilized in the budget of the succeeding year are for a six month transition year budget.

**SUMMARY OF MUNICIPAL DEBT (Excluding Current and Operating Debt and Type 1 School Debt)**

	<u>CY 2014</u>	<u>CY 2013</u>	<u>TY 2012</u>
Issued			
General	\$ 9,241,770.00	11,869,908.00	\$ 5,425,375.00
Water-Sewer Utility	<u>5,916,261.87</u>	<u>270,000.00</u>	<u>287,000.00</u>
Total Issued	<u>15,158,031.87</u>	<u>12,139,908.00</u>	<u>5,712,375.00</u>
<u>Authorized but not Issued</u>			
General	7,396,426.40	2,876,973.40	2,785,488.40
Water-Sewer Utility	<u>58,201.66</u>	<u>-</u>	<u>-</u>
Total Authorized but Not Issued	<u>7,454,628.06</u>	<u>2,876,973.40</u>	<u>2,785,488.40</u>
Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>22,612,659.93</u>	\$ <u>15,016,881.40</u>	\$ <u>8,497,863.40</u>

**SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT**

The summarization statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 2.570%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School	\$ 3,191,899.30	\$ 3,191,899.30	\$ -
Local School District	-	-	-
General Debt	16,638,196.40	-	16,638,196.40
Water-Sewer Utility	<u>5,975,463.53</u>	<u>5,975,463.53</u>	<u>-</u>
	\$ <u>25,805,559.23</u>	\$ <u>9,167,362.83</u>	\$ <u>16,638,196.40</u>

Net Debt \$16,638,196.40 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$647,335,121.67 equals 2.570%.

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

3 1/2% of Equalized Valuation Basis	\$	22,656,729.25
Net Debt		<u>16,638,196.40</u>
Remaining Borrowing Power	\$	<u>6,018,532.85</u>

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

Cash Receipts from Fees, Rents or Other			
Charges for the Year		\$	2,020,783.03
Deductions:			
Operating and Maintenance Cost	\$	1,375,765.00	
Debt Service		<u>236,494.93</u>	
			<u>1,612,259.93</u>
Excess in Revenues		\$	<u>408,523.10</u>

The Chief Financial Officer should file an amended annual debt statement.

\* \* \* \* \*

**BOROUGH OF HIGHLANDS  
OFFICIALS IN OFFICE AND SURETY BONDS**

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

<b><u>Name</u></b>	<b><u>Position</u></b>
Frank Nolan	Mayor
Rebecca Kane	Council President
Douglas Card	Council Member - 07/01/14-12/31/14
Chris Francy	Council Member - 01/01/14-06/30/14
Kevin Redmond	Council Member
Tara Ryan	Council Member
Carolyn Cummins	Municipal Clerk
Patrick J. DeBlasio	Tax Collector/Chief Financial Officer
Peter Locascio	Judge
Sonia Paxton	Court Administrator

All employees are covered by a public employee dishonesty bond in the amount of \$50,000.00 by the Monmouth Joint Insurance Fund.

There is a blanket bond for secondary coverage with the Municipal Excess Liability Joint Insurance Fund in the amount of \$950,000.00 for public employees. This bond is subject to deductibles based upon other required coverage.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH**  
**PART II**  
**GENERAL COMMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

## **GENERAL COMMENTS**

### **Contracts and Agreements Required To Be Advertised for N.J.S. 40A:11-4**

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

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Borough Counsel’s opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Solid Waste and Recyclable Materials Collection Service  
Two Ambulances  
Construction/Code/Planning Software Licensing, Database and Maintenance Services  
Replacement of 8 Bay Street Retaining Wall Project

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

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

Our examination of expenditures did not reveal any individual payments in excess of the bid threshold “for the provision or performance of any goods or services” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of N.J.S. 40A:11-6.

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

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

### GENERAL COMMENTS (continued)

#### Collection of Interest on Delinquent Tax, Assessments and Sewer Charges

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes and assessments on or before the date when they would become delinquent.

The Governing Body adopted the following resolution authorizing interest to be charged on delinquent taxes, water-sewer rents, and assessments:

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Council of the Borough of Highlands, Monmouth County, New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date; and 18% per annum on any amount in excess of \$1,500.00 becoming delinquent after due date; and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.
2. There will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph 2 of this resolution shall be charged interest from the due date as set forth in paragraph 1 of this resolution.

#### Tax Sale

The last tax sale was held on December 1, 2014 it was complete.

#### Tax Title Liens

The following comparison is made of the number of tax title liens receivable at year end of the last three (3) years.

<u>Year</u>	<u>Number of Liens</u>
2014	5
2013	5
2012	5

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis. Certain liens have been in existence for greater than two years.

Appreciation

I desire to express my appreciation for the cooperation received from the Borough Officials and Employees and the courtesies extended during the course of the audit.

Very truly yours,

*Charles J. Fallon RMA*

Charles J. Fallon  
Registered Municipal Accountant # 506  
For the Firm  
FALLON & LARSEN LLP

**BOROUGH OF HIGHLANDS**

**COUNTY OF MONMOUTH**

**PART III**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**BOROUGH OF HIGHLANDS  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Other Matters

Financial Administration

2014-1      **Comment:** The Borough's Reserve for Third Party Liens, Premiums, Street Openings and Off Duty Police are not supported by detailed subsidiary records or the subsidiary records contain unidentified amounts.

**Recommendation:** That a detailed analysis of Third Party Liens, Premiums, Street Openings and Off Duty Police be maintained and reconciled to the general ledger on a monthly basis.

2014-2      **Comment:** Interfunds receivable and payable are reflected on the various balance sheets of the funds at December 31, 2014.

**Recommendation:** None. The interfund was created as a result of an audit adjustment.