

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

**AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2016**

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

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COUNTY OF MONMOUTH, NEW JERSEY**

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COUNTY OF MONMOUTH, NEW JERSEY**

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH**

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying comparative statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Highlands, County of Monmouth, State of New Jersey as of December 31, 2016 and 2015, and the related comparative statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and comparative statement of general fixed assets group of accounts - regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Highlands County of Monmouth, State of New Jersey, as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Fund, and represent 14.39% and 15.02% of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the , County of Monmouth, State of New Jersey, as of December 31, 2016 and 2015, and the results of its operations and changes in fund balance --regulatory basis of such funds for the years then ended, and the related statement of revenues--regulatory basis, statement of expenditures--regulatory basis of the various funds, and the related notes to financial statements, for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2017, on our consideration of the Borough of Highland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Highland's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA #483

Freehold, New Jersey
July 12, 2017

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

Honorable Mayor and Members
of the Borough Council
Borough of 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Borough of Highlands (herein referred to as "the Borough"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 12, 2017. Our report indicated that the Borough's financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Our report on the financial statements - regulatory basis included a qualified opinion on the financial statements of the Length of Service Award Program Fund ("LOSAP") Trust Fund. As discussed in Note 1 the LOSAP Trust Fund financial statements 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 nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough of Highlands's financial statements as of and for the year ended December 31, 2016. With the exception of the LOSAP Trust Fund our opinion on the financial statements- regulatory basis was unmodified.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA #483

Freehold, New Jersey
July 12, 2017

BASIC FINANCIAL STATEMENTS

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 5,831,898.25	\$ 5,785,916.03
Change Fund	A-5	445.00	445.00
Due From State of New Jersey - Senior Citizens' and Veterans' Deductions	A-7	648.37	-
Due From State -Non Federal Cost Share CDBG #3	A-4	256,711.91	-
		<u>6,089,703.53</u>	<u>5,786,361.03</u>
Receivables and Other Assets			
With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	441,345.49	690,261.18
Tax Title Liens	A-8	54,797.00	55,693.38
Demolition Lien Receivable	A-9	40,786.77	40,786.77
Property Acquired for Taxes	A-10	212,600.00	212,600.00
Revenue Accounts Receivable	A-11	6,251.53	7,827.80
Due from Animal Control Fund	B	-	2,495.78
		<u>755,780.79</u>	<u>1,009,664.91</u>
Total Receivables and Other Assets			
Deferred Charges:			
Community Disaster Loan	A	2,063,102.00	2,063,102.00
Special Emergency Authorization	A-12	223,968.35	1,234,216.03
		<u>2,287,070.35</u>	<u>3,297,318.03</u>
		<u>9,132,554.67</u>	<u>10,093,343.97</u>
Federal and State Grants:			
Cash	A-4	91,944.83	7,131.87
Grants Receivable	A-23	518,455.06	1,536,556.75
		<u>610,399.89</u>	<u>1,543,688.62</u>
Total Assets		<u>\$ 9,742,954.56</u>	<u>\$ 11,637,032.59</u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Liabilities:			
Appropriation Reserves	A-3	\$ 1,213,105.96	\$ 694,415.52
Encumbrances Payable	A-3	355,758.60	437,591.42
Accounts Payable	A-14	117,261.01	137,676.29
Prepaid Taxes	A-15	93,823.06	80,623.57
County Taxes	A-16	-	19,332.82
Regional High School Taxes	A-17	220,464.10	123,326.10
Local School Taxes	A-18	169,324.00	100,673.00
Tax Overpayments	A-19	178,483.84	113,649.21
Special Emergency Note Payable	A-20	-	875,271.00
Due From State of New Jersey - Senior Citizens' and Veterans' Deductions	A-7	-	1,351.63
Due to State of NJ	A-21	6,829.91	9,200.91
Accrued Interest on Loan	A	94,351.83	65,984.29
Various Reserves	A-22	318,676.95	1,078,813.56
Community Disaster Loan Payable	A	<u>2,063,102.00</u>	<u>2,063,102.00</u>
		4,831,181.26	5,801,011.32
Reserve for Receivables and Other Assets	A	755,780.79	1,009,664.91
Fund Balance	A-1	<u>3,545,592.62</u>	<u>3,282,667.74</u>
		<u>9,132,554.67</u>	<u>10,093,343.97</u>
Federal and State Grants:			
Encumbrances Payable	A-24	144,582.70	921,499.17
Reserve For Grants:			
Appropriated	A-24	401,464.83	296,830.28
Unappropriated	A-25	63,230.48	49,237.29
Due to Capital Fund	A-4	-	275,000.00
Due to State	A	<u>1,121.88</u>	<u>1,121.88</u>
Federal and State Grants:		<u>610,399.89</u>	<u>1,543,688.62</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 9,742,954.56</u>	<u>\$ 11,637,032.59</u>

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

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:		
Fund Balance Anticipated	\$ 1,500,000.00	\$ 898,588.00
Miscellaneous Revenue Anticipated	2,345,911.47	4,418,937.95
Receipt from Delinquent Taxes	551,670.27	765,907.54
Receipt from Current Taxes	16,136,808.05	15,586,577.13
Non-Budget Revenue	197,345.97	98,875.13
Other Credits To Income:		
Unexpended Balance of Appropriation Reserves	743,200.69	740,491.90
Interfunds Returned	2,495.78	2,367.19
Accounts Payable Cancelled	25,097.32	1,082.50
	<hr/>	<hr/>
Total Revenue	21,502,529.55	22,512,827.34
	<hr/>	<hr/>
Expenditures:		
Budget Appropriations Within "CAPS":		
Operations:		
Salaries and Wages	3,267,000.00	2,753,938.00
Other Expenses	3,783,340.00	3,537,664.00
Deferred Charges and Statutory Expenditures	572,291.00	542,109.00
Appropriations Excluded From "CAPS":		
Operations:		
Salaries and Wages	-	437,062.00
Other Expenses	650,098.07	1,818,820.72
Capital Improvements	481,500.00	400,000.00
Municipal Debt Service	908,749.81	799,838.71
Deferred Charges and Statutory Expenditures	1,010,247.68	1,323,000.00
County Taxes	1,792,099.73	1,914,225.03
Due County Added Taxes	14,518.23	19,332.82
Regional High School Taxes	3,831,432.00	3,968,628.00
Local District School Tax	3,335,949.00	3,227,450.00
Business Improvement District Tax	60,000.00	60,000.00
Municipal Open Space Tax	29,379.15	28,912.00
Prior Year Senior Citizen & Vet Disallowed	3,000.00	4,750.00

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Total Expenditures	<u>19,739,604.67</u>	<u>20,835,730.28</u>
Excess/(Deficit) in Revenue	1,762,924.88	1,677,097.06
Statutory Excess To Fund Balance	1,762,924.88	1,677,097.06
Fund Balance, January 1	<u>3,282,667.74</u>	<u>2,504,158.68</u>
	5,045,592.62	4,181,255.74
Decreased By:		
Utilized as Anticipated Revenue	<u>1,500,000.00</u>	<u>898,588.00</u>
Fund Balance, December 31	<u><u>\$ 3,545,592.62</u></u>	<u><u>\$ 3,282,667.74</u></u>

The accompanying Notes to Financials Statements 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, 2016

	Anticipated <u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	Amount <u>Realized</u>	Excess/ <u>(Deficit)</u>
Surplus Anticipated	\$ 1,500,000.00	\$ -	\$ 1,500,000.00	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	15,000.00	-	16,395.00	1,395.00
Other	18,000.00	-	19,225.40	1,225.40
Fees and Permits	80,000.00	-	75,459.95	(4,540.05)
Fines and Costs - Municipal Court	65,000.00	-	101,140.31	36,140.31
Interest and Costs on Taxes	100,000.00	-	116,239.13	16,239.13
Interest on Investments	50,000.00	-	63,870.67	13,870.67
Cable Television Franchise Fee	20,000.00	-	25,603.35	5,603.35
Consolidated Municipal Property Tax				
Relief Aid	10,764.00	-	10,764.00	-
Energy Receipts Tax	343,795.00	-	343,795.00	-
Uniform Construction Code Fees	200,000.00	-	325,577.00	125,577.00
Lease of Borough Property	45,000.00	-	42,230.00	(2,770.00)
Housing Authority - PILOT	25,000.00	-	28,203.00	3,203.00
Police Off-Duty Administrative Fees	5,000.00	-	22,111.00	17,111.00
FEMA Proceeds	568,247.68	-	568,247.68	-
Non Federal Cost Share (Match) Program	256,711.91	-	256,711.91	-
Drive Sover Get Pulled Over	1,540.00	-	1,540.00	-
Clean Community	13,238.07	-	13,238.07	-
Municipal Alliance - Grant Match	2,565.63	-	2,565.63	-
Municipal Alliance - 159	-	28,525.00	28,525.00	-
Drunk Driving - 159	-	10,124.98	10,124.98	-
Summer Food Program	10,769.88	-	10,769.88	-
LED Hazard Grant	230,000.00	-	230,000.00	-
Alcohol Education and Rehabilitation Fund	4,891.90	-	4,891.90	-
Hurricane Sandy Emergency Grant	28,682.61	-	28,682.61	-
				-
Total Miscellaneous Revenues	2,094,206.68	38,649.98	2,345,911.47	213,054.81
Receipts From Delinquent Taxes	650,000.00	-	551,670.27	(98,329.73)
Amount To Be Raised By Taxes For Support of Municipal Budget	7,525,868.51	-	8,270,567.94	744,699.43
Budget Totals	11,770,075.19	38,649.98	12,668,149.68	859,424.51
Non-Budget Revenue	-	-	197,345.97	197,345.97
Total General Revenues	\$ 11,770,075.19	\$ 38,649.98	\$ 12,865,495.65	\$ 1,056,770.48

The accompanying Notes to Financials Statements 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, 2016**

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue From Collections	\$ 16,136,808.05
Less: Allocated to School and County Taxes	<u>8,966,240.11</u>
Balance for Support of Municipal Budget Appropriations	7,170,567.94
Add: "Appropriation Reserve for Uncollected Taxes"	<u>1,100,000.00</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 8,270,567.94</u></u>
Receipts From Delinquent Taxes:	
Delinquent Tax Collections	\$ 545,868.14
Tax Title Lien Collections	<u>5,802.13</u>
	<u><u>\$ 551,670.27</u></u>
Miscellaneous Revenue Not Anticipated:	
Fire Safety	\$ 5,114.53
Year-end Tax Penalty	11,875.80
Prior Year Reimbursements	98,899.00
Administration Fee - Senior Citizens' and Veterans'	967.40
Copies	617.60
Insurance Proceeds	39,440.32
Inspection Fines	200.00
Sale of Assets	19,356.46
Miscellaneous - Other	<u>20,874.86</u>
	<u><u>\$ 197,345.97</u></u>

The accompanying Notes to Financials Statements 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, 2016**

	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Original Budget</u>	<u>Budget After Modifications</u>		<u>Encumbered</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Borough Administrator:						
Salaries and Wages	\$ 112,000.00	\$ 112,000.00	\$ 110,299.13	-	\$ 1,700.87	-
Other Expenses	3,500.00	3,500.00	2,687.01	122.48	690.51	-
Central Services:						
Salaries and Wages	32,500.00	32,500.00	31,468.22	-	1,031.78	-
Other Expenses	38,000.00	38,000.00	32,005.01	5,978.76	16.23	-
Borough Council:						
Other Expenses	66,000.00	66,000.00	39,109.25	10,398.26	16,492.49	-
Borough Clerk:						
Salaries and Wages	72,000.00	77,000.00	77,000.00	-	-	-
Other Expenses	65,000.00	65,000.00	45,178.33	2,227.25	17,594.42	-
Financial Administration:						
Salaries and Wages	127,000.00	127,000.00	122,225.91	-	4,774.09	-
Other Expenses	17,500.00	17,500.00	8,494.02	2,514.18	6,491.80	-
Audit Services	33,900.00	33,900.00	-	33,900.00	-	-
Collection of Taxes:						
Salaries and Wages	66,000.00	66,000.00	65,026.11	-	973.89	-
Other Expenses	9,000.00	9,000.00	6,832.88	201.58	1,965.54	-
Assessment of Taxes:						
Salaries and Wages	27,500.00	27,500.00	26,267.16	-	1,232.84	-
Other Expenses	39,000.00	39,000.00	23,322.41	4,415.89	11,261.70	-
Legal Services:						
Other Expenses	220,000.00	220,000.00	164,796.77	45,553.41	9,649.82	-
Engineering Services:						
Other Expenses	210,000.00	210,000.00	135,850.68	30,000.00	44,149.32	-

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or	Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications	Charged	Encumbered	Reserved	
Code Enforcement:						
Salaries and Wages	75,000.00	75,000.00	68,653.41	-	6,346.59	-
Other Expenses	15,000.00	15,000.00	10,209.17	-	4,790.83	-
Other Expenses - Substandard Housing	35,000.00	35,000.00	11,150.00	-	23,850.00	-
LAND USE ADMINISTRATION						
Planning Board:						
Salaries and Wages	3,000.00	3,000.00	2,500.00	-	500.00	-
Other Expenses	20,000.00	20,000.00	14,179.50	2,173.75	3,646.75	-
Zoning Board of Adjustments:						
Salaries and Wages	3,000.00	3,000.00	2,375.00	-	625.00	-
Other Expenses	20,000.00	20,000.00	5,973.00	3,000.00	11,027.00	-
INSURANCE						
General Liability	145,000.00	145,000.00	137,835.68	-	7,164.32	-
Workmen's Compensation	200,000.00	200,000.00	186,956.21	-	13,043.79	-
Employee Group Health	1,155,740.00	1,155,740.00	864,921.12	-	290,818.88	-
PUBLIC SAFETY						
Fire:						
Other Expenses	64,000.00	64,000.00	35,733.35	28,037.86	228.79	-
Police Department:						
Salaries and Wages	1,995,000.00	1,888,000.00	1,653,316.80	-	234,683.20	-
Other Expenses	126,200.00	126,200.00	90,086.11	23,082.25	13,031.64	-
Dispatch:						
Salaries and Wages	170,000.00	170,000.00	165,555.79	-	4,444.21	-
Other Expenses	1,500.00	1,500.00	-	-	1,500.00	-

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or	Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications	Charged	Encumbered	Reserved	
Municipal Court:						
Salaries and Wages	15,000.00	15,000.00	13,500.00	-	1,500.00	-
Other Expenses	6,500.00	6,500.00	4,506.00	-	1,994.00	-
First Aid Organization Contribution	28,500.00	28,500.00	24,079.35	4,399.69	20.96	-
Emergency Management Services:						
Salaries and Wages	4,000.00	4,000.00	3,650.76	-	349.24	-
Other Expenses	18,000.00	18,000.00	7,946.56	8,612.81	1,440.63	-
Public Defender:						
Salaries and Wages	3,000.00	3,000.00	-	-	3,000.00	-
Fire Hydrant Fees	63,000.00	63,000.00	63,000.00	-	-	-
Uniform Fire Safety Act:						
Salaries and Wages	28,000.00	28,000.00	26,523.64	-	1,476.36	-
Other Expenses	5,000.00	5,000.00	102.00	-	4,898.00	-
Municipal Prosecutor's Office:						
Salaries and Wages	18,000.00	18,000.00	15,246.00	-	2,754.00	-
PUBLIC WORKS FUNCTIONS						
Road Repair and Maintenance:						
Salaries and Wages	230,000.00	230,000.00	197,031.97	-	32,968.03	-
Other Expenses	50,000.00	50,000.00	38,581.31	2,445.61	8,973.08	-
Snow Removal:						
Salaries and Wages	35,000.00	35,000.00	11,922.78	-	23,077.22	-
Other Expenses	50,000.00	50,000.00	23,455.21	-	26,544.79	-
Mechanical Garage:						
Other Expenses	5,000.00	7,000.00	4,998.77	-	2,001.23	-
Public Buildings:						
Salaries and Wages	25,000.00	25,000.00	17,954.86	-	7,045.14	-
Other Expenses	95,000.00	110,000.00	94,035.12	12,705.79	3,259.09	-

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications		Encumbered	Reserved	
Shade Tree Commission:						
Other Expenses	900.00	900.00	75.00	-	825.00	-
Condo Services Act:						
Other Expenses	33,000.00	33,000.00	13,874.71	-	19,125.29	-
HEALTH AND HUMAN SERVICES						
Services of Monmouth County Regional						
Health Commission Contract (RS 40:13):	67,000.00	67,000.00	66,120.00	-	880.00	-
Environmental Commission:						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Dog Control:						
Other Expenses	12,000.00	12,000.00	5,890.00	624.00	5,486.00	-
Sanitation Control						
Salaries and Wages	3,000.00	-	2,000.00	-	-	-
Other Expenses	40,000.00	3,000.00	31,284.02	-	1,000.00	-
Other Expenses - Contractual Services	225,000.00	40,000.00	224,692.09	-	8,715.98	-
Community-School Substance Safety and Health	3,000.00	225,000.00	1,668.12	-	307.91	-
NJ Public Employees Occupational Safety and Health		3,000.00			1,331.88	
Other Expenses	4,500.00	4,500.00	-	-	4,500.00	-
PARK AND RECREATION FUNCTIONS						
Beachfront Maintenance:						
Salaries and Wages	30,000.00	30,000.00	-	-	30,000.00	-
Other Expenses	12,100.00	12,100.00	9,503.85	276.15	2,320.00	-
Parks and Playgrounds:						
Other Expenses	10,800.00	70,800.00	4,910.99	62,469.79	3,419.22	-
Celebration of Public Events:						
Other Expenses	2,700.00	2,700.00	890.53	-	1,809.47	-

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications		Encumbered	Reserved	
Community Center:						
Salaries and Wages	110,000.00	110,000.00	77,186.81	-	32,813.19	-
Other Expenses	23,000.00	23,000.00	16,420.31	3,005.27	3,574.42	-
Accumulated Sick Leave	75,000.00	75,000.00	75,000.00	-	-	-
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code	110,000.00	110,000.00	103,989.08	-	6,010.92	-
Salaries and Wages	10,000.00	10,000.00	3,707.48	1,728.99	4,563.53	-
Other Expenses						
UTILITY EXPENSE AND BULK PURCHASES						
Electricity	52,000.00	52,000.00	51,662.66	72.89	264.45	-
Street Lighting	50,000.00	50,000.00	43,942.93	5,238.63	818.44	-
Telephone	30,000.00	30,000.00	21,584.13	4,452.85	3,963.02	-
Water	15,000.00	15,000.00	11,308.25	697.46	2,994.29	-
Natural Gas	16,000.00	16,000.00	10,739.39	2,746.30	2,514.31	-
Telecommunication Costs	33,000.00	33,000.00	29,500.00	3,500.00	-	-
Gasoline and Diesel Fuel	60,000.00	60,000.00	36,302.30	7,577.93	16,119.77	-
LANDFILL / SOLID WASTE DISPOSAL COSTS						
Monmouth County Reclamation Center	200,000.00	200,000.00	148,191.57	33,868.09	17,940.34	-
Other Expenses						
Total Operations Within "CAPS"	7,075,340.00	7,050,340.00	5,676,986.58	346,027.92	1,027,325.50	-
Detail:						
Salaries and Wages	3,369,000.00	3,267,000.00	2,868,693.43	-	398,306.57	-
Other Expenses	3,706,340.00	3,783,340.00	2,808,293.15	346,027.92	629,018.93	-

The accompanying Notes to Financials Statements 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, 2016**

	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Original Budget</u>	<u>Budget After Modifications</u>		<u>Encumbered</u>	<u>Reserved</u>	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"						
Statutory Expenditures:						
Contribution To:						
Public Employees' Retirement System	87,835.00	87,835.00	87,835.00	-	-	-
Social Security System (O.A.S.I.)	122,000.00	127,000.00	127,000.00	-	-	-
Defined Contribution Retirement Program	5,000.00	5,000.00	1,197.48	-	3,802.52	-
Police and Firemen's Retirement System	352,456.00	352,456.00	352,456.00	-	-	-
Total Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"	567,291.00	572,291.00	568,488.48	-	3,802.52	-
Total General Appropriations for Municipal Purposes Within "CAPS"	7,642,631.00	7,622,631.00	6,245,475.06	346,027.92	1,031,128.02	-
OPERATIONS - EXCLUDED FROM "CAPS"						
Length of Service Award Program	65,000.00	65,000.00	23,850.00	-	41,150.00	-
911 Telecommunications	14,500.00	14,500.00	10,500.00	-	4,000.00	-
Stormwater Management	50,000.00	50,000.00	15,938.16	-	34,061.84	-
Recycling Tax	4,000.00	4,000.00	630.62	35.64	3,333.74	-
Employee Group Insurance	19,260.00	19,260.00	19,260.00	-	-	-
Total Other Operations Excluded From "CAPS"	152,760.00	152,760.00	70,178.78	35.64	82,545.58	-

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or		Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications	Charged		Encumbered	Reserved	
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS							
Atlantic Highlands							
Maintenance of Motor Vehicles	75,000.00	75,000.00	45,780.53		9,695.04	19,524.43	-
Municipal Court	77,000.00	77,000.00	74,960.82		-	2,039.18	-
Total Interlocal Municipal Service Agreements	152,000.00	152,000.00	120,741.35		9,695.04	21,563.61	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES							
Hurricane Sandy Emergency Grant	28,682.61	28,682.61	28,682.61		-	-	-
LED Hazard Grant	230,000.00	230,000.00	230,000.00		-	-	-
Clean Communities	13,238.07	13,238.07	13,238.07		-	-	-
Matching Funds for Grants	15,000.00	15,000.00	7,131.25		-	7,868.75	-
Municipal Alliance - 159	-	28,525.00	28,525.00		-	-	-
Drunk Driving Enforcement Fund - 159	-	10,124.98	10,124.98		-	-	-
Alcohol Education and Rehabilitation Fund	4,891.90	4,891.90	4,891.90		-	-	-
Click It or Ticket	1,540.00	1,540.00	1,540.00		-	-	-
Alliance Grant - Municipal Share	2,565.63	2,565.63	2,565.63		-	-	-
Summer Food Program	10,769.88	10,769.88	10,769.88		-	-	-
Total Public and Private Programs Offset By Revenue	306,688.09	345,338.07	337,469.32		-	7,868.75	-
Total Operations - Excluded From "CAPS"	611,448.09	650,098.07	528,389.45		9,730.68	111,977.94	-
Detail:							
Other Expenses	611,448.09	650,098.07	528,389.45		9,730.68	111,977.94	-

The accompanying Notes to Financials Statements 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, 2016**

	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Original Budget</u>	<u>Budget After Modifications</u>		<u>Encumbered</u>	<u>Reserved</u>	
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund	400,000.00	400,000.00	400,000.00	-	-	-
Replace Check Valves	70,000.00	70,000.00	-	-	70,000.00	-
Police Equipment	11,500.00	11,500.00	11,500.00	-	-	-
Total Capital Improvements - Excluded From "CAPS"	481,500.00	481,500.00	411,500.00	-	70,000.00	-
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal	400,000.00	420,000.00	420,000.00	-	-	-
Payment of Bond Anticipation Notes	125,771.00	125,771.00	125,771.00	-	-	-
Interest on Bonds	239,000.00	239,000.00	203,911.54	-	-	35,088.46
Interest on Notes	49,390.32	49,390.32	49,018.90	-	-	371.42
Interest on Special Emergency Notes	19,693.60	19,693.60	19,693.60	-	-	-
Capital Lease Obligations:						
Principal	73,000.00	73,000.00	73,000.00	-	-	-
Interest	17,393.50	17,393.50	17,354.77	-	-	38.73
Total Municipal Debt Service - Excluded From "CAPS"	924,248.42	944,248.42	908,749.81	-	-	35,498.61

The accompanying Notes to Financials Statements 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, 2016**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Cancelled
	Original Budget	Budget After Modifications		Encumbered	Reserved	
Deferred Charges - Municipal - Excluded From "CAPS"						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-54)	1,010,247.68	1,010,247.68	1,010,247.68	-	-	-
Total Deferred Charges - Municipal - Excluded From "CAPS"	1,010,247.68	1,010,247.68	1,010,247.68	-	-	-
Total General Appropriations for Municipal Purposes - Excluded From "CAPS"	3,027,444.19	3,086,094.17	2,858,886.94	9,730.68	181,977.94	35,498.61
Subtotal General Appropriations	10,670,075.19	10,708,725.17	9,104,362.00	355,758.60	1,213,105.96	35,498.61
Reserve for Uncollected Taxes	1,100,000.00	1,100,000.00	1,100,000.00	-	-	-
Total General Appropriations	\$ 11,770,075.19	\$ 11,808,725.17	\$ 10,204,362.00	\$ 355,758.60	\$ 1,213,105.96	\$ 35,498.61
Budget as Adopted	\$ 11,770,075.19					
Added by N.J.S.A. 40A:4-87	38,649.98					
	<u>\$ 11,808,725.17</u>					
Analysis of Paid or Charged:						
Reserve For:						
Uncollected Taxes			\$ 1,100,000.00			
Federal and State Grants			330,338.07			
Accrued Interest on CDL Loan			28,367.54			
Deferred Charges			1,010,247.68			
Cash Disbursements			7,735,408.71			
			<u>\$ 10,204,362.00</u>			

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash	B-1	\$ 6,272.19	\$ 9,639.32
Change Fund		40.00	40.00
		<u>6,312.19</u>	<u>9,679.32</u>
Other Trust Funds:			
Cash - Trust Other	B-1	<u>1,691,559.64</u>	<u>1,613,654.53</u>
Open Space Trust Fund:			
Cash	B-1	<u>191,072.26</u>	<u>174,026.91</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Investments	B-7	<u>338,434.05</u>	<u>317,632.74</u>
Total Assets		<u><u>\$2,227,378.14</u></u>	<u><u>\$2,114,993.50</u></u>
<u>Liabilities and Reserves</u>			
Animal Control Fund:			
Due to State	B-2	\$ 66.00	\$ 1.20
Reserve For Animal Control Fund Expenditures	B-3	6,246.19	7,182.34
Due Current Fund - Statutory Excess	B-4	-	2,495.78
		<u>6,312.19</u>	<u>9,679.32</u>
Other Trust Funds:			
Reserve For:			
Accounts Payable	B	1,224.34	570.57
Reserve For Encumbrances	B-5	54,119.84	5,033.04
Various Reserves	B-5	<u>1,636,215.46</u>	<u>1,608,050.92</u>
		<u>1,691,559.64</u>	<u>1,613,654.53</u>
Open Space Trust Fund:			
Reserve For Encumbrances	B-6	11,670.70	18,166.71
Reserve For Open Space	B-6	<u>179,401.56</u>	<u>155,860.20</u>
		<u>191,072.26</u>	<u>174,026.91</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Reserve for Length of Service Award Program	B-8	<u>338,434.05</u>	<u>317,632.74</u>
Total Liabilities and Reserves		<u><u>\$ 2,227,378.14</u></u>	<u><u>\$ 2,114,993.50</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash	C-2	\$ 3,431,029.26	\$ 3,616,183.56
Community Development Block Grant Receivable	C-6	-	178,077.00
FEMA Receivable	C-7	2,854,000.00	2,854,000.00
NJ DOT Recievable	C-9	102,500.00	410,000.00
FEMA Account Receivable - Borough Hall (Ord. 16-7)	C-8	956,561.25	-
Due from Grant Fund	A	-	275,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	4,606,750.00	5,114,750.00
Unfunded	C-5	13,607,485.40	14,508,256.40
Total Assets		<u>\$ 25,558,325.91</u>	<u>\$ 26,956,266.96</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds	C-10	\$ 4,108,000.00	\$ 4,616,000.00
Downtown Business Improvement Zone Loan Payable	C-11	498,750.00	498,750.00
Bond Anticipation Notes	C-12	3,603,229.00	3,729,000.00
Accounts Payable	C	3,597.75	3,597.75
Encumbrances Payable	C-13	1,027,340.71	1,484,863.14
Improvement Authorizations:			
Funded	C-13	1,920,258.99	725,535.75
Unfunded	C-13	10,908,791.28	12,327,361.40
Capital Improvement Fund	C-14	395,383.26	485,383.26
Various Reserves	C-15	61,249.67	60,643.41
Reserve for Receivables	C-7	2,854,000.00	2,854,000.00
Fund Balance	C-1	177,725.25	171,132.25
Total Liabilities, Reserves and Fund Balance		<u>\$ 25,558,325.91</u>	<u>\$ 26,956,266.96</u>

There were bonds and notes authorized but not issued on December 31, 2016 in the amount of \$10,004,256.40 and on December 31, 2015 in the amount of \$10,779,256.40.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 171,132.25
Increased By:	
Premium on Sale of Bond Anticipation Notes	<u>6,593.00</u>
Balance, December 31, 2016	<u><u>\$ 177,725.25</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Operating Fund:			
Cash - Checking	D-5	\$ 731,594.04	\$ 1,061,120.50
Investment in General Capital Fund	D-5	898,197.00	377,280.00
Advanced to Trustee	D	158,418.00	158,418.00
Change Fund	D	100.00	100.00
		<u>1,788,309.04</u>	<u>1,596,918.50</u>
Receivables with Full Reserves:			
Water-Sewer Rents Receivable	D-7	264,029.65	323,083.81
Water-Sewer Municipal Liens Receivable	D-21	418.93	-
		<u>264,448.58</u>	<u>323,083.81</u>
Deferred Charges:			
Community Disaster Loan		300,000.00	300,000.00
		<u>300,000.00</u>	<u>300,000.00</u>
Total Operating Fund		<u>2,352,757.62</u>	<u>2,220,002.31</u>
Capital Fund:			
Cash - Checking	D-5	131,234.44	16,234.44
Fixed Capital	D-9	6,686,859.48	7,072,529.82
Fixed Capital Authorized and Uncompleted	D-10	-	58,201.66
Total Capital Fund		<u>6,818,093.92</u>	<u>7,146,965.92</u>
Total Assets		<u>\$ 9,170,851.54</u>	<u>\$ 9,366,968.23</u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4	\$ 113,044.50	\$ 47,809.04
Encumbrances Payable	D-4	210,530.34	220,289.74
Debt Service - AHHRSA Reserve	D-22	156,000.00	-
Sewer Rent Overpayments	D-12	23,959.08	16,431.99
Accrued Interest on Bonds	D-13	104,394.83	102,543.79
Accounts Payable	D-8	54,703.70	64,144.15
Community Disaster Loan Payable		<u>300,000.00</u>	<u>300,000.00</u>
		<u>962,632.45</u>	<u>751,218.71</u>
Reserve for Receivables	D	264,448.58	323,083.81
Fund Balance	D-1	<u>1,125,676.59</u>	<u>1,145,699.79</u>
		<u>1,390,125.17</u>	<u>1,468,783.60</u>
Total Operating Fund		<u>2,352,757.62</u>	<u>2,220,002.31</u>
Capital Fund:			
Serial Bonds	D-14	3,642,600.00	3,809,000.00
Loans Payable	D-15	1,428,552.56	1,850,849.17
Improvement Authorizations:			
Unfunded	D-16	-	58,201.66
Capital Improvement Fund	D-17	6,750.00	6,750.00
Deferred Reserve for Amortization			
Reserve for Amortization	D-18	1,730,706.92	1,412,680.65
Reserve for Down Payment on Improvements	D-19	100.00	100.00
Fund Balance	D-2	<u>9,384.44</u>	<u>9,384.44</u>
Total Capital Fund		<u>6,818,093.92</u>	<u>7,146,965.92</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 9,170,851.54</u>	<u>\$ 9,366,968.23</u>

There were bonds and notes authorized but not issued at December 31, 2016 of \$0.00 and at December 31, 2015 of \$58,201.66.

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING
FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:		
Surplus Anticipated	\$ 250,000.00	\$ 150,000.00
Sewer Rents	1,667,263.92	1,703,923.88
Miscellaneous Revenue	53,002.05	68,810.99
Other Credits To Income:		
Appropriation Reserves Lapsed	68,441.19	118,293.99
Cancel Accrued Interest	-	11,846.53
Cancel Accounts Payable	4,850.75	6.78
	<u>2,043,557.91</u>	<u>2,052,882.17</u>
Total Revenue		
	<u>2,043,557.91</u>	<u>2,052,882.17</u>
Expenditures:		
Operating:		
Salaries and Wages	93,000.00	86,000.00
Other Expenses	1,275,500.00	1,174,000.00
Debt Service	432,581.11	468,412.70
Deferred Charges and Statutory Expenditures	12,500.00	15,500.00
	<u>1,813,581.11</u>	<u>1,743,912.70</u>
Excess/(Deficit) in Revenue	229,976.80	308,969.47
Fund Balance, January 1	<u>1,145,699.79</u>	<u>986,730.32</u>
	1,375,676.59	1,295,699.79
Decreased By:		
Utilized as Anticipated Revenue	<u>250,000.00</u>	<u>150,000.00</u>
Fund Balance, December 31	<u><u>\$ 1,125,676.59</u></u>	<u><u>\$ 1,145,699.79</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015

9,384.44

The accompanying Notes to Financial Statements 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, 2016**

	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Fund Balance Anticipated	\$ 250,000.00	\$ 250,000.00	\$ -
Rents - Water-Sewer	1,570,000.00	1,667,263.92	97,263.92
Interest on Delinquent Accounts	30,000.00	36,479.29	6,479.29
Miscellaneous	1,305.78	16,522.76	15,216.98
	<u>\$ 1,851,305.78</u>	<u>\$ 1,970,265.97</u>	<u>\$ 118,960.19</u>

Analysis of Miscellaneous Revenue Not Anticipated

Miscellaneous	\$ 8,900.00
Interest Earned on Investments	<u>7,622.76</u>
	<u>\$ 16,522.76</u>

The accompanying Notes to Financial Statements 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, 2016**

	Appropriations		Expended			
	Original Budget	Budget After Modifications	Paid or Charged	Encumbrances	Reserved	Cancelled
Operating:						
Sewer:						
Salaries and Wages	\$ 93,000.00	\$ 93,000.00	\$ 84,085.33	\$ -	\$ 8,914.67	\$ -
Other Expenses	1,022,500.00	1,022,500.00	766,317.71	178,059.08	78,123.21	-
Shared Services:						
Sewer Operator	175,000.00	175,000.00	142,429.70	32,471.26	99.04	-
Group Insurance	28,000.00	28,000.00	23,837.82	-	4,162.18	-
Workers Compensation Insurance	28,000.00	28,000.00	6,486.22	-	21,513.78	-
Other Insurances	22,000.00	22,000.00	22,000.00	-	-	-
Total Operating	1,368,500.00	1,368,500.00	1,045,156.78	210,530.34	112,812.88	-
Debt Service:						
Payment of Bond Principal	163,400.00	163,400.00	163,400.00	-	-	-
Interest on Bonds	182,642.65	182,642.65	174,452.89	-	-	8,189.76
NJEIT - Principal	100,612.70	100,612.70	83,316.09	-	-	17,296.61
NJEIT - Interest	23,650.43	23,650.43	11,412.13	-	-	12,238.30
Total Debt Service	470,305.78	470,305.78	432,581.11	-	-	37,724.67
Statutory Expenditures:						
Contributions To:						
Public Employees Retirement System	5,000.00	5,000.00	5,000.00	-	-	-
Social Security System (O.A.S.I.)	7,500.00	7,500.00	7,268.38	-	231.62	-
Total Statutory Expenditures	12,500.00	12,500.00	12,268.38	-	231.62	-
Total Sewer Utility Appropriations	\$ 1,851,305.78	\$ 1,851,305.78	\$ 1,490,006.27	\$ 210,530.34	\$ 113,044.50	\$ 37,724.67
Cash Disbursed			\$ 1,480,324.48			
Accrued Interest on Bonds			9,681.79			
			<u>\$ 1,490,006.27</u>			

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

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	Balance December 31, <u>2016</u>	Balance December 31, <u>2015</u>
Land	E-1	\$ 1,097,800.00	\$ 1,097,800.00
Building	E-1	5,772,197.90	5,772,197.90
Machinery and Equipment	E-1	<u>4,310,900.83</u>	<u>4,234,484.33</u>
Total General Fixed Assets	E-1	<u>\$ 11,180,898.73</u>	<u>\$ 11,104,482.23</u>
Investment in General Fixed Assets		<u>\$ 11,180,898.73</u>	<u>\$ 11,104,482.23</u>

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

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
PAYROLL FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	F-1	\$ 5,874.05	\$ 50,408.19
Total Assets		<u>\$ 5,874.05</u>	<u>\$ 50,408.19</u>
<u>Liabilities and Reserves</u>			
Payroll Liabilities	F-1	\$ 5,874.05	\$ 50,408.19
Total Liabilities and Reserves		<u>\$ 5,874.05</u>	<u>\$ 50,408.19</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Borough of Highlands, County of Monmouth, New Jersey ("Borough") operates under the Borough form of New Jersey municipal government, and is governed by a mayor and a borough council. The financial statements of the Borough include every board, body, officer or commission maintained wholly or in part by funds appropriated by the Borough, as required by the provision of N.J.S. 40A:5-5.

Component Units

The Borough of Highlands had no component units as defined by Governmental Accounting Standards Board Statement No.14, as amended by GASB Statements No. 39 and 61.

Basis of Accounting, Measurement Focus and Basis of Presentation

The financial statements of the Borough of Highlands contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, and Division of Local Government Services. The principles and practices established by the Requirements of Audit are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Borough of Highlands accounts for its financial transactions through the use of separate funds which are described as follows:

Current Fund - resources and expenditures for government operations of a general nature, including Federal and State Grant funds.

Trust Funds – various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Water-Sewer Utility Operating and Capital Funds - are used to account for water and 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 and sewer utility to the general public be financed through user fees. Operations relating to the acquisition of water and sewer capital facilities are recorded within the Water-Sewer Utility Capital Fund.

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

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its current, open space trust and water-sewer utility funds in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* 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 circulating in the Borough. 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.40AA-9*. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

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.

Cash and Cash Equivalents - Cash and cash equivalents include petty cash, change funds, and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

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 in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A.17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to 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, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Borough requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the current fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets - Accounting for governmental fixed assets, as required by *N.J.A.C.5:30-5.6*, differs in certain respects from accounting principles generally accepted in the United States of America.

In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Foreclosed Property - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the Borough to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed assets account group. If such property is converted to a municipal use, it will be recorded in the general fixed assets account group.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally over-expenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Fund Balances - Fund balances included in the current fund and utility operating funds represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the County of Monmouth, the Highlands Board of Education and the Henry Hudson Regional School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Borough is responsible for levying, collecting, and remitting school taxes for the Highlands Board of Education and the Henry Hudson Regional School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31 and for the regional high school district the Borough's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2015 and decreased by the amount deferred at December 31, 2016.

County Taxes - The Borough is responsible for levying, collecting, and remitting county taxes for the County of Monmouth. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by May 5th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid; however, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with *N.J.A.C.5:30-5.2*. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Long-Term Debt - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Volunteer Length of Service Award Plan - 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 members. 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".

The LOSAP Trust Fund has 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 nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements.

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 Accounts Statements for Accounting and Auditing Review Services.

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 Operating Fund balance sheet of the Borough of

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

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.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Borough implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Borough is required to measure certain investments at fair value for financial reporting purposes. In addition, the Borough is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Borough's financial statements.

The Borough implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Borough's financial statements.

The Borough implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Borough's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Borough's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Borough's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Borough's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Borough's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Subsequent Events - The Borough of Highlands has evaluated subsequent events occurring after December 31, 2016 through the date of July 12, 2017, which is the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

The Borough is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2016 and reported at fair value are as follows:

Type	Carrying Value
Deposits	
Demand Deposits	\$ 12,082,261.76
	<hr/>
Total Deposits	\$ 12,082,261.76
	<hr/>
The Borough's Cash and Cash Equivalents are Reported as Follows:	
Current Fund	\$ 5,806,908.04
Grant Fund	91,944.83
Animal Control Fund	6,272.19
Trust Other Funds	1,686,332.65
Open Space Trust Fund	191,072.26
Payroll Trust	5,874.05
General Capital Fund	3,431,029.26
Water-Sewer Operating Fund	731,594.04
Water-Sewer Capital Fund	131,234.44
	<hr/>
Total Cash and Cash Equivalents	\$ 12,082,261.76
	<hr/>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 2. Cash and Cash Equivalents (continued):

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits might not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Borough relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule that follows.

As of December 31, 2016, the Borough's bank balance of \$12,408,999.92 was insured or collateralized as follows:

Insured	\$ 350,241.09
Uninsured and collateralized	1,622,296.39
Collateralized in the Borough's name under GUDPA	<u>10,436,462.44</u>
	<u><u>\$ 12,408,999.92</u></u>

Note 3. Investment

The Borough's Water-Sewer Operating fund holds an investment in the General Capital fund bond anticipation notes in the amount of \$898,197.00. The note is an interest free internal note due from the Borough's Water-Sewer Operating fund. The notes mature on 10/11/2017 in amount of \$347,649.00, 365,660.00, and 184,888.00, respectively. There is no custodial, interest rate, credit or concertation of credit risk associated with this type of investment.

Note 4. Interfund Receivables and Payables

As of December 31, 2016 the Borough of Highlands did not have any interfund balances.

The purpose of interfund transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

The summary of interfund transfers follows:

Fund	Transfers In	Transfers Out
Current Fund	\$ 2,495.78	\$ -
Federal and State Grant Fund	-	275,000.00
General Capital Fund	275,000.00	-
Trust - Animal Control Fund	<u>-</u>	<u>2,495.78</u>
	<u><u>\$ 277,495.78</u></u>	<u><u>\$ 277,495.78</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 5. Property Taxes

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Tax Rate	\$ 2.767	\$ 2.795	\$ 2.698
Apportionment of Tax Rate:			
Municipal	1.268	1.206	1.156
County	0.303	0.333	0.329
Local School	0.562	0.561	0.519
Regional School	0.629	0.690	0.689
Municipal Open Space	0.005	0.005	0.005

Net Valuation Taxable:

2016	\$ 593,478,415.00	
2015		\$ 575,476,442.00
2014		\$ 570,283,471.00

Comparison of Tax Levies and Collection Currently

Year	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 16,613,865.82	\$ 16,136,808.05	97.13%
2015	16,316,169.66	15,586,577.13	95.53%
2014	15,710,678.40	14,902,919.15	94.85%

Delinquent Taxes and Tax Title Liens

Year Ended December 31	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage of Tax Levy
2016	\$ 54,797.00	\$ 441,345.49	\$ 496,142.49	3.04%
2015	55,693.38	690,261.18	745,954.56	4.57%
2014	45,042.55	799,313.22	844,355.77	5.37%

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 5. Property Taxes (continued):

Comparison of Sewer Utility Rents Levied

<u>Year</u>	<u>Levy</u>	<u>Prior Year Delinquent</u>	<u>Cash Collections</u>	<u>Collection Percentage</u>
2016	\$ 1,608,514.45	\$ 323,083.81	\$ 1,667,568.61	86.33%
2015	1,731,095.07	295,912.62	1,702,874.00	84.01%
2014	1,692,691.17	335,959.74	1,732,738.29	85.41%

Note 6. Deferred Charges to be Raised In Succeeding Years' Budgets

The following deferred charges are shown on the December 31, 2016 Balance Sheets and will be raised in succeeding years' budgets:

Current Fund:

Special Emergency Authorizations (N.J.S.A. 40 A: 4-54)	
Superstorm Sandy	\$ 163,968.35
Community Disaster Loan	2,063,102.00
Special Emergency Authorizations (N.J.S.A. 40 A: 4-55)	
Master Plan	60,000.00
	<u>\$ 2,287,070.35</u>

Water-Sewer Utility Operating Fund:

Community Disaster Loan	\$ 300,000.00
	<u>\$ 300,000.00</u>

Note 7. Fund Balances Appropriated

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

Current Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Balance</u>
2016	\$ 3,545,592.62	\$ 1,200,000.00	33.84%
2015	3,403,369.74	2,000,000.00	58.77%
2014	2,504,158.68	898,588.00	35.88%
2013	2,637,416.95	2,000,000.00	75.83%
2012	1,389,719.31	422,285.00	30.39%

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 7. Fund Balances Appropriated (continued):

Water-Sewer Utility Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Balance</u>
2016	\$ 1,125,676.59	\$ 250,000.00	22.21%
2015	1,145,699.79	250,000.00	21.82%
2014	986,730.32	150,000.00	15.20%
2013	735,620.14	180,000.00	24.47%
2012	253,955.09	250,000.00	98.44%

Note 8. Pension Obligations

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Borough reported a liability of \$3,031,071 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .01023%, which was an increase of .0001% from its proportion measured as of June 30, 2015.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	802,694	301,007
Deferred Inflows of Resources	344,957	63,220
Net Pension Liability	3,031,071	2,293,413
Municipality's Portion of the Plan's Total Net Pension Liability	0.01023%	0.01022%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 56,369	\$ -
Changes of Assumptions	627,876	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	115,577	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	2,872	344,957
	<u>\$ 802,694</u>	<u>\$ 344,957</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

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

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

	Year Ending		
	<u>Dec 31,</u>	<u>PERS</u>	
	2017	\$ 100,519	
	2018	100,520	
	2019	134,740	
	2020	110,995	
	2021	10,967	
		<u>\$ 457,741</u>	
		<u>Deferred Outflows</u>	<u>Deferred Inflows of</u>
		<u>of Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
June 30, 2014		-	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Changes of Assumptions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
June 30, 2014		-	5.00
June 30, 2015		-	5.00
June 30, 2016		5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	6.44
June 30, 2015		5.72	5.72
June 30, 2016		5.57	5.57

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

<u>PERS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 3,714,223	\$ 3,031,071	\$ 2,467,069

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

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

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

The following represents the membership tiers for PFRS:

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

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$340,583 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense - At December 31, 2016, the Borough's proportionate share of the PFRS net pension liability is valued to be \$7,979,495.00. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .04177%, which was a decrease of .00159% from its proportion measured as of June 30, 2015.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

Collective Balances at December 31, 2016 & December 31, 2015		
	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	1,854,181	1,577,054
Deferred Inflows of Resources	394,715	398,029
Net Pension Liability	7,979,495	7,222,344
Municipality's Portion of the Plan's Total Net Pension Liability	0.04177%	0.04336%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 52,307
Changes of Assumptions	1,105,226	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	559,107	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>189,848</u>	<u>342,408</u>
	<u>\$ 1,854,181</u>	<u>\$ 394,715</u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

	Year Ending Dec 31,	PFRS		
	2017	\$ 359,441		
	2018	359,443		
	2019	491,465		
	2020	289,120		
	2021	<u>(40,003)</u>		
		<u>\$ 1,459,466</u>		
			Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014		-	-	-
June 30, 2015		-	-	5.53
June 30, 2016		-	-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014		6.17	-	-
June 30, 2015		5.53	-	-
June 30, 2016		5.58	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014		-	5.00	5.00
June 30, 2015		-	5.00	5.00
June 30, 2016		5.00	-	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014		6.17	6.17	6.17
June 30, 2015		5.53	5.53	5.53
June 30, 2016		5.58	5.58	5.58

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$670,080.00 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2016 was .05670%, which was an increase of .00095% from its proportion measured as of June 30, 2015, which is the same proportion as the Borough's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 7,979,495
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>670,080</u>
Total Net Pension Liability	<u><u>\$ 8,649,575</u></u>

For the year ended December 31, 2016, the Borough's total allocated pension expense was \$817,294.00.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

<u>PFRS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

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

	▼ Decrease (4.55%)	▼ Discount Rate (5.55%)	▼ Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 11,152,993	\$ 8,649,575	\$ 6,608,188

Pension Plan Fiduciary Net Position

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

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 9. Capital Debt

Summary of Municipal Debt

	2016	2015	2014
Issued:			
General Capital Fund:			
Bonds, Notes and Loans	\$ 8,209,979.00	\$ 8,843,750.00	\$ 9,241,770.00
Sewer Utility Fund:			
Bonds, Notes and Loans	5,071,152.56	5,659,849.17	5,916,261.87
Total Issued	13,281,131.56	14,503,599.17	15,158,031.87
Deductions:			
Funds on Hand to Pay Bonds, Self Liquidating Debt:	5,071,152.56	5,718,050.83	5,974,463.53
	5,071,152.56	5,718,050.83	5,974,463.53
Net Debt Issued	8,209,979.00	8,785,548.34	9,183,568.34
Authorized but Not Issued:			
General Capital Fund:			
Bonds and Notes	10,004,256.40	10,779,256.40	7,396,426.40
Sewer Utility Fund:			
Bonds and Notes	-	58,201.66	58,201.66
Total Authorized but not Issued	10,004,256.40	10,837,458.06	7,454,628.06
Net Bonds and Notes Issued & Authorized but Not Issued	\$ 18,214,235.40	\$ 19,623,006.40	\$ 16,638,196.40

Summary of Statutory Debt Condition - Annual Debt Statement - Amended

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 3.001%.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 9. Capital Debt (continued):

	Gross Debt	Deductions	Net Debt
Regional School Debt	\$ 2,709,484.69	\$ 2,709,484.69	\$ -
Local School Debt	155,000.00	155,000.00	-
General Debt	18,214,235.40	-	18,214,235.40
Sewer Utility Debt	5,071,152.56	5,071,152.56	-
	<hr/>	<hr/>	<hr/>
Total	\$ 26,149,872.65	\$ 7,935,637.25	\$ 18,214,235.40
	<hr/>	<hr/>	<hr/>

Net Debt \$ 18,214,235.40 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$606,985,855.33 is 3.001%.

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

3.5% of Equalized Valuation Basis (Municipal)	\$ 21,244,504.94
Less: Net Debt	<u>18,214,235.40</u>
Remaining Borrowing Power	<u><u>\$ 3,030,269.54</u></u>

Calculation of Self - Liquidating Purpose - Sewer Utility Fund per NJS 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for the Year	\$ 1,961,365.97
Deductions:	
Operating Maintenance Costs and Statutory Expenditures	\$ 1,381,000.00
Debt Service per Sewer Utility Account	<u>470,305.78</u>
Total Deductions	<u>1,851,305.78</u>
Excess/(Deficit) in Revenues*	<u><u>\$ 110,060.19</u></u>

*If Deficit in Revenues the Sewer Utility Debt is not Deductible.

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016

Note 9. Capital Debt (continued)

A. Serial Bonds Payable

Schedule of Annual Debt Service for Principal and Interest for the next five (5) years and increments thereafter for Bonded Debt Issued and Outstanding:

General Capital Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 358,000.00	\$ 279,668.76	\$ 637,668.76
2018	375,000.00	264,873.76	639,873.76
2019	385,000.00	109,325.00	494,325.00
2020	395,000.00	135,750.00	530,750.00
2021	410,000.00	116,400.00	526,400.00
2022-2026	1,720,000.00	321,900.00	2,041,900.00
2027-2028	465,000.00	25,700.00	490,700.00
	<u>\$ 4,108,000.00</u>	<u>\$ 1,253,617.52</u>	<u>\$ 5,361,617.52</u>

Water-Sewer Capital Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 172,200.00	\$ 183,441.26	\$ 355,641.26
2018	177,400.00	174,791.26	352,191.26
2019	186,200.00	159,845.00	346,045.00
2020	194,000.00	150,440.00	344,440.00
2021	204,400.00	140,480.00	344,880.00
2022-2026	1,097,600.00	544,965.00	1,642,565.00
2027-2031	1,358,600.00	237,555.00	1,596,155.00
2032	252,200.00	6,305.00	258,505.00
	<u>\$ 3,642,600.00</u>	<u>\$ 1,597,822.52</u>	<u>\$ 5,240,422.52</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 9. Capital Debt (continued):

A. Serial Bonds Payable (continued):

Advance Refunding of General Obligation Bond, Series 2016

During March of 2016, the Borough had a partial defeasance of the 2008 Series Bonds. The Council issued \$1,955,000.00 of general obligation refunding bonds Series 2016 to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term Debt.

In summary, the advance refunding of outstanding callable 2008 serial bonds generated \$91,000.00 in gross debt service savings and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$211,163.52, or a net annual present value savings of 10.320798%. The bonds are due to mature annually through the 2023 fiscal year at annual interest rates ranging from 4.00% to 5.00%.

B. NJEIT Loans Payable

Schedule of Annual Debt Service for Principal and Interest for the next five (5) years and increments thereafter for New Jersey Infrastructure Trust and Fund Loans Issued and Outstanding:

Year	Information for Debt Service Note		
	Principal	Interest	Total
2017	\$ 77,267.79	\$ 14,106.26	\$ 91,374.05
2018	77,267.79	13,356.26	90,624.05
2019	77,267.79	12,606.26	89,874.05
2020	82,267.79	11,856.26	94,124.05
2021	82,267.79	10,856.26	93,124.05
2022-2026	416,338.95	39,681.30	456,020.25
2027-2031	436,338.95	20,031.30	456,370.25
2032-2033	179,535.71	2,731.26	182,266.97
Total	\$ 1,428,552.56	\$ 125,225.16	\$ 1,553,777.72

The Borough has recognized the deobligation of the NJEIT 2010 Loan Series A in the 2016 year because of damages to AHHRSA's system that were caused by Hurricane Irene and Sandy. The last parts of the 2010 NJEIT Project were not completed until early 2014. This was shortly before the AHHRSA was dissolved by the two Boroughs. The Borough decided not to take advantage of the NJEIT funding and deobligated these funds.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 9. Capital Debt (continued):

C. Bond Anticipation Notes Payable

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding ten years. 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 an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. Legal installments must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance.

On December 31, 2016, the Borough's outstanding bond anticipation notes were as follows:

<u>Orinance Number</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
09-28	Various Projects	0.00%	347,649.00
13-19	Hazard Mitigation Program	2.000%	1,104,551.00
	Reconstruction of North		
13-20	Street Pump Stations	2.000%	1,600,481.00
13-29	Improvements to Community Center	0.00%	365,660.00
13-33	Acquisition of Ambulances	0.00%	184,888.00

D. Capital Lease Obligations

In 2013 and 2015, the Borough closed on capital lease agreements with Monmouth County Improvement Authority for \$378,000.00 and \$128,000, respectively, due in annual installments ranging from \$25,000.00 to \$37,000.00 terminating in October 2023 at interest rates from 4.00% to 5.00%.

Debt service requirements for Capital Lease obligations during the next several years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 54,000.00	\$ 14,800.00	\$ 68,800.00
2018	56,000.00	12,350.00	68,350.00
2019	58,000.00	9,550.00	67,550.00
2020	61,000.00	6,960.00	67,960.00
2021	34,000.00	4,240.00	38,240.00
2022-2023	<u>72,000.00</u>	<u>4,360.00</u>	<u>76,360.00</u>
	<u>\$ 335,000.00</u>	<u>\$ 52,260.00</u>	<u>\$ 387,260.00</u>

E. Bonds and Notes Authorized But Not Issued

At December 31, 2016, the Borough had authorized but not issued bonds and notes of the General Capital Fund in the amount of \$10,004,256.40.

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016

Note 9. Capital Debt (continued):

F. Downtown Business Improvement Loan

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. This loan is to be used to support the Borough's commitment to the Stormwater Drainage improvements project estimated to cost over \$4,000,000.00. 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.

G. Summary of Changes in Capital Debt

During the fiscal year ended December 31, 2016 the following changes occurred in capital debt:

	Balance				Balance		Due
	Decemeber 31,	Issued	Canceled/	Retired	Decemeber 31,		Within
	2015		Deobligated		2016		One Year
General Capital Fund:							
Serial Bonds	\$ 4,616,000.00	\$ 1,840,000.00	\$ -	\$ 2,348,000.00	\$ 4,108,000.00	\$	358,000.00
BAN's	3,729,000.00	3,729,000.00	-	3,854,771.00	3,603,229.00		3,603,229.00
Downtown Business Loan	498,750.00	-	-	-	498,750.00		-
Authorized but not Issued	10,779,256.40	1,710,000.00	-	2,485,000.00	10,004,256.40		-
Total General Capital	19,623,006.40	7,279,000.00	-	8,687,771.00	18,214,235.40		3,961,229.00
Sewer Utility Capital Fund:							
Serial Bonds	3,809,000.00	115,000.00	-	281,400.00	3,642,600.00		172,200.00
NJEIT Loans	1,850,849.17	-	345,028.82	77,267.79	1,428,552.56		77,267.79
Authorized but not Issued	58,201.66	-	58,201.66	-	-		-
Total Sewer Utility Capital	\$ 5,718,050.83	\$ 115,000.00	\$ 403,230.48	\$ 358,667.79	\$ 5,071,152.56	\$	249,467.79

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 10. FEMA Community Disaster Loan

During the year ended December 31, 2013, the Borough submitted a formal request for a FEMA Community Disaster Loan (CDL) in the amount of \$2,363,102.00 in relation to Super Storm Sandy losses and expenditures. The Borough drew down \$2,363,102.00 of the total amount with an interest rate of 0.625%. The Borough's accrued interest at December 31, 2016 is \$94,351.83.

The interest rate on the loan is the U.S. Treasury rate for 5-year maturities on the date the Promissory Note is executed. The term of the loan is usually 5 years, but may be extended. Interest accrues on the funds as they are disbursed. When applicable, the Assistance Administrator of the Disaster Assistance Directorate may cancel repayment of all or part of the loan if the revenues of the applicant in the three fiscal years following the financial year of the disaster are insufficient to meet the operating budget because of disaster related revenue losses and un-reimbursed disaster related operating expenses.

This amount was recognized as revenue for the year ended December 31, 2013 in the Current Fund and the Water-Sewer Utility Fund.

Note 11. Accrued Sick and Vacation Benefits

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. Effective for financial statements dated December 31, 1987, the State has required all municipalities to disclose the estimated current cost of unused sick and vacation benefits at year-end.

The Borough has permitted employees to accrue unused vacation and sick leave, which may be taken off or paid at a later date with the exception of sick leave. The Borough estimated the current cost of such unpaid compensation as of December 31, 2016 to be approximately \$504,130.56. The amount is not reported either as an expenditure or liability.

Note 12. Contingent Liabilities

State and Federal Grants

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the 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, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2015, the Borough estimates that no material liabilities will result from such audits.

Pending Litigation

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 13. 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 joint insurance 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 participates in the Municipal Excess Liability Program which has a contract for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workman's compensation.

Note 14. Post Employment Benefits

In 2011, the Borough started contributing to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

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 SHBP's post-retirement benefit program.

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. Effective for January 1, 2011, the Borough authorized participation in the SHBP'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):

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

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

The employee is sixty-five (65) years or older with at least twenty (20) years of service with the Borough; and

The employee was eligible for employee medical coverage during the last five years of their employment with the Borough; and

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.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 14. Post Employment Benefits (continued):

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 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, PO Box 295, Trenton, New Jersey 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2015.pdf>.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. Plan members or beneficiaries receiving benefits do not make any contributions.

Note 15. Deferred Compensation Program

The Borough has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C.381; P.L. 1978, C.39; P.L. 1980, C.78; and P.L. 1997, C.116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Borough has engaged a private contractor to administer the Plan.

Note 16. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group for the year 2016:

	December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2016</u>
Land	\$ 1,097,800.00	\$ -	\$ -	\$ 1,097,800.00
Buildings and Improvements	5,772,197.90	-	-	5,772,197.90
Machinery and Equipment	4,234,484.33	99,167.50	22,751.00	4,310,900.83
Total	<u>\$ 11,104,482.23</u>	<u>\$ 99,167.50</u>	<u>\$ 22,751.00</u>	<u>\$ 11,180,898.73</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 17. Accounts Receivable

Accounts receivable at December 31, 2016 consisted of intergovernmental grants, taxes, water and sewer rents and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Borough's individual major and fiduciary funds, in the aggregate, are as follows:

	Current Fund	State & Federal Grant Fund	General Capital Fund	Utility Operating Fund	Total
State Aid	\$ -	\$ 8,683.96	\$ -	\$ -	\$ 8,683.96
Federal Aid	-	502,503.89	3,913,061.25	-	4,415,565.14
Taxes	496,142.49	-	-	-	496,142.49
Water/Sewer	-	-	-	264,448.58	264,448.58
Other	259,638.30	-	-	-	259,638.30
Total	\$ 755,780.79	\$ 511,187.85	\$ 3,913,061.25	\$ 264,448.58	\$ 5,444,478.47

Note 18. Local School District 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 Borough that levies school taxes on a school year basis may defer from the municipal purposes tax levy 50% 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 to the District consisted of the following:

	Local District School Tax		Regional High School Tax	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Balance of Tax	\$ 1,649,092.00	\$ 1,580,441.00	\$ 2,087,611.10	\$ 2,087,611.00
Deferred	1,479,768.00	1,479,768.00	1,867,147.00	1,964,285.00
Tax Payable / (Receivable)	\$ 169,324.00	\$ 100,673.00	\$ 220,464.10	\$ 123,326.00

Note 19. 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 First Aid Squad members. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a "Length of Service Award Plan under Section 457(e) 11 of the Internal Revenue Code".

Annual Contributions – The annual contribution to be made by the Borough for each active volunteer member was \$1,150.00 per year of active emergency service.

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS (continued):
YEAR ENDED DECEMBER 31, 2016**

Note 19. Length of Service Award Program (“LOSAP”) (unaudited) (continued):

Appropriations – Appropriations for the purpose of funding the Borough’s LOSAP shall be included as a separate line item in the Borough’s budget.

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 emergency service in the Point Pleasant Borough First Aid Squad. Annual contributions shall only be made by the Borough, however, for those active volunteer members who have earned the minimum number of points performing certain volunteer services on a yearly basis.

Determination as to Eligibility – Each emergency service organization shall provide to the Borough Administrator, acting as the Plan Administrator of the 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, participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

Terms of Participation – The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust.

Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

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

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 Accounts Statements for Accounting and Auditing Review Services.

SUPPLEMENTARY SCHEDULES

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CURRENT FUND

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR/TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2015	\$ 5,785,916.03	\$ 7,131.87
Increased By Receipts:		
Miscellaneous Revenue Not Anticipated	\$ 197,345.97	-
Veterans and Senior Citizens	35,500.00	-
Taxes Receivable	16,360,069.88	-
Revenue Accounts Receivable	1,447,325.72	-
Prepaid Taxes	93,823.06	-
Due to State of NJ	17,638.00	-
Various Reserves	410,966.15	-
Interfund - Current Fund	-	7,131.25
Interfund - Animal Control	2,495.78	-
Grants Receivable	-	1,300,881.19
Reserve for Federal and State Grants - Unappropriated	-	61,551.76
	<u>18,565,164.56</u>	<u>1,369,564.20</u>
	24,351,080.59	1,376,696.07
Decreased By Disbursements:		
2016 Budget Appropriations	7,735,408.71	-
Appropriation Reserves	333,225.66	-
Accounts Payable	36,403.11	-
County Taxes	1,825,950.78	-
Regional High School Taxes	3,734,294.00	-
Local School Taxes	3,267,298.00	-
Business District Taxes	60,000.00	-
Municipal Open Space Taxes	28,912.00	-
Due to State of NJ	20,009.00	-
Various Reserves	427,855.08	-
Special Emergency Note Payable	875,271.00	-
Disbursement to Trust Fund	175,000.00	-
Interfund - General Capital	-	275,000.00
Reserve for Federal and State Grants	-	1,009,751.24
	<u>18,519,627.34</u>	<u>1,284,751.24</u>
Balance, December 31, 2016	<u>\$ 5,831,453.25</u>	<u>\$ 91,944.83</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF CHANGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015

\$ 445.00

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Year</u>	Balance December 31, 2015	2016 Levy	Added Taxes	<u>2015</u>	<u>2016</u>	Senior Citizens' and Veterans' Deductions	Transfer to Liens	<u>Cancelled</u>	Balance December 31, 2016
2015	\$ 690,261.18	\$ -	\$ 3,000.00	\$ -	\$ 545,368.14	\$ 500.00	\$ 60.79	\$ 147,332.25	\$ -
2016	-	16,477,590.39	136,275.43	80,623.57	16,016,184.48	40,000.00	4,743.11	30,969.17	441,345.49
	\$ 690,261.18	\$ 16,477,590.39	\$ 139,275.43	\$ 80,623.57	\$ 16,561,552.62	\$ 40,500.00	\$ 4,803.90	\$ 178,301.42	\$ 441,345.49

Analysis of Property Tax Levy

Tax Yield:

General Purpose Tax:

General Property Tax

Added and Omitted Taxes

\$ 16,613,865.82

Tax Levy:

Regional High School Tax

Local District School Tax

Business Improvement District Tax

Local Municipal Open Space Tax

County Tax

County Added Taxes

\$ 3,734,294.00
3,335,949.00
60,000.00
29,379.15
\$ 1,792,099.73
14,518.23
1,806,617.96

Local Taxes for Municipal Purposes

Add: Additional Tax Levied

7,525,868.51
121,757.20
7,647,625.71

\$ 16,613,865.82

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF DUE FROM/(TO) STATE OF NEW JERSEY -
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Balance, December 31, 2015		\$ (1,351.63)
Increased By:		
Senior Citizens' Deductions Per Billing	\$ 11,000.00	
Veterans' Deductions Per Tax Billing	28,500.00	
Veterans Deductions Allowed		
By Tax Collector - 2016	<u>500.00</u>	
		<u>40,000.00</u>
		38,648.37
Decreased By:		
Cash Receipts	35,500.00	
Prior Year Senior Tax Deductions Disallowed		
by Tax Collector	<u>2,500.00</u>	
		<u>38,000.00</u>
Balance, December 31, 2016		<u><u>\$ 648.37</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 55,693.38
Increased By:		
Interest from Tax Sale	\$ 101.85	
Transfers From Taxes Receivable	4,743.11	
Tax Sale	60.79	
	<hr/>	4,905.75
		60,599.13
Decreased By:		
Collections		<hr/> 5,802.13
Balance, December 31, 2016		<hr/> <hr/> \$ 54,797.00

**SCHEDULE OF DEMOLITION LIEN RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015	<hr/> <hr/> \$ 40,786.77
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**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015	<hr/> <hr/> \$ 212,600.00
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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	Accrued in <u>2016</u>	<u>Collections</u>	Balance December 31, <u>2016</u>
Licenses:				
Alcoholic Beverages	\$ -	\$ 16,395.00	\$ 16,395.00	\$ -
Other	-	19,225.40	19,225.40	-
Fees and Permits	-	75,459.95	75,459.95	-
Fines and Costs - Municipal Court	7,827.80	99,564.04	101,140.31	6,251.53
Interest and Costs on Taxes	-	116,239.13	116,239.13	-
Interest on Investments	-	63,870.67	63,870.67	-
Cable Television Franchise Fee	-	25,603.35	25,603.35	-
Consolidated Municipal Property Tax				
Relief Aid	-	10,764.00	10,764.00	-
Energy Receipts	-	343,795.00	343,795.00	-
Uniform Construction Code Fees	-	325,577.00	325,577.00	-
Lease of Borough Property	-	42,230.00	42,230.00	-
Housing Authority - PILOT	-	28,203.00	28,203.00	-
Police off-duty Administrative Fees	-	22,111.00	22,111.00	-
Non Federal Cost Share (Match) Program	-	256,711.91	256,711.91	-
	<u>\$ 7,827.80</u>	<u>\$ 1,445,749.45</u>	<u>\$ 1,447,325.72</u>	<u>\$ 6,251.53</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF DEFERRED CHARGES
SPECIAL EMERGENCY AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Year</u>	<u>Description</u>	<u>Amount</u>	Balance December 31, <u>2015</u>	Raised in 2016 <u>Budget</u>	Balance December 31, <u>2016</u>
<u>Special Emergency Authorization:</u>					
<u>N.J.S.A. 40A:4-54:</u>					
2012	Superstorm Sandy	\$ 2,200,000.00	\$ 332,216.03	\$ 332,216.03	\$ -
2013	Superstorm Sandy	2,000,000.00	800,000.00	636,031.65	163,968.35
<u>N.J.S.A. 40A:4-55:</u>					
2011	Accumulated Sick Leave	110,000.00	22,000.00	22,000.00	-
2014	Preparation of Master Plan	100,000.00	80,000.00	20,000.00	60,000.00
			<u>\$ 1,234,216.03</u>	<u>\$ 1,010,247.68</u>	<u>\$ 223,968.35</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	December 31, 2015		Balance After	Paid or	Balance
	<u>Reserved</u>	<u>Encumbrances</u>	<u>Modifications</u>	<u>Charged</u>	<u>Lapsed</u>
GENERAL GOVERNMENT					
Borough Administrator:					
Salaries and Wages	\$ 3,688.96	\$ -	\$ 3,688.96	\$ -	\$ 3,688.96
Other Expenses	1,788.63	96.49	1,885.12	96.49	1,788.63
Central Services:					
Salaries and Wages	1,436.09	-	1,436.09	-	1,436.09
Other Expenses	6,996.15	9,908.18	16,904.33	11,812.37	5,091.96
Borough Council:					
Other Expenses	6,392.70	3,637.21	10,029.91	1,870.86	8,159.05
Borough Clerk:					
Salaries and Wages	1,683.40	-	1,683.40	-	1,683.40
Other Expenses	5.00	4,055.22	4,060.22	3,333.05	727.17
Financial Administration:					
Salaries and Wages	3,760.66	-	3,760.66	-	3,760.66
Other Expenses	2,851.31	7,354.69	10,206.00	7,149.19	3,056.81
Audit Services	-	33,900.00	33,900.00	33,900.00	-
Collection of Taxes:					
Salaries and Wages	2,590.52	-	2,590.52	-	2,590.52
Other Expenses	153.19	4,338.00	4,491.19	3,150.00	1,341.19
Assessment of Taxes:					
Salaries and Wages	683.27	-	683.27	-	683.27
Other Expenses	3,904.85	6,551.24	10,456.09	6,551.24	3,904.85
Legal Services:					
Other Expenses	7,942.21	22,352.67	30,294.88	2,946.25	27,348.63
Engineering Services:					
Other Expenses	953.42	13,927.93	14,881.35	14,881.16	0.19
Code Enforcement:					
Salaries and Wages	32,350.20	-	32,350.20	-	32,350.20
Other Expenses	21,454.87	945.13	22,400.00	10,545.13	11,854.87
Other Expenses - Substandard Housing	35,000.00	-	35,000.00	-	35,000.00
Planning Board:					
Salaries and Wages	729.09	-	729.09	-	729.09
Other Expenses	11,679.59	2,390.83	14,070.42	1,083.59	12,986.83
Zoning Board of Adjustments:					
Salaries and Wages	499.92	-	499.92	-	499.92
Other Expenses	8,935.78	213.03	9,148.81	384.47	8,764.34
Insurance					
General Liability	11,370.05	2,500.00	13,870.05	2,500.00	11,370.05
Workmen's Compensation	410.75	-	410.75	-	410.75
Employee Group Health	25,657.47	796.18	26,453.65	796.18	25,657.47
Fire:					
Other Expenses	767.86	19,680.58	20,448.44	19,810.27	638.17
Police Department:					
Salaries and Wages	115,059.52	-	115,059.52	-	115,059.52
Other Expenses	7,730.59	95,069.70	102,800.29	101,981.50	818.79
Dispatch:					
Salaries and Wages	14,943.72	-	14,943.72	-	14,943.72
Other Expenses	1,500.00	-	1,500.00	-	1,500.00
Municipal Court:					

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>December 31, 2015</u>		<u>Balance After</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Reserved</u>	<u>Encumbrances</u>	<u>Modifications</u>	<u>Charged</u>	<u>Lapsed</u>
Salaries and Wages	9,729.17	-	9,729.17	-	9,729.17
Other Expenses	1,260.27	250.00	1,510.27	250.00	1,260.27
First Aid Organization Contribution	-	14,926.66	14,926.66	14,926.66	-
Emergency Management Services:					
Salaries and Wages	350.08	-	350.08	-	350.08
Other Expenses	619.33	11,192.35	11,811.68	10,402.37	1,409.31
Public Defender:					
Salaries and Wages	4,270.85	-	4,270.85	-	4,270.85
Fire Hydrant Fees	0.78	2,983.00	2,983.78	179.46	2,804.32
Uniform Fire Safety Act:					
Salaries and Wages	660.00	-	660.00	-	660.00
Other Expenses	699.50	2,500.00	3,199.50	2,500.00	699.50
Municipal Prosecutor's Office:					
Salaries and Wages	3,024.83	-	3,024.83	-	3,024.83
Road Repair and Maintenance:					
Salaries and Wages	51,373.53	-	51,373.53	-	51,373.53
Other Expenses	6,596.79	8,766.92	15,363.71	8,861.15	6,502.56
Snow Removal:					
Salaries and Wages	17,085.27	-	17,085.27	-	17,085.27
Other Expenses	2,068.00	-	2,068.00	-	2,068.00
Sanitation Contractual:					
Other Expenses	1,166.67	-	1,166.67	-	1,166.67
Other Expenses - Contractual Services	134.28	19,200.00	19,334.28	17,277.42	2,056.86
Mechanical Garage:					
Other Expenses	0.59	-	0.59	-	0.59
Public Buildings:					
Salaries and Wages	91.09	-	91.09	-	91.09
Other Expenses	19,801.98	8,270.26	28,072.24	26,374.63	1,697.61
Shade Tree Commission:					
Other Expenses	842.00	-	842.00	-	842.00
Condo Services Act:					
Other Expenses	296.99	14,500.00	14,796.99	8,326.72	6,470.27
Services of Monmouth County Regional Health Commission Contract (RS 40:13):	1,413.00	-	1,413.00	-	1,413.00
Environmental Commission:					
Other Expenses	1,000.00	-	1,000.00	-	1,000.00
Dog Control:					
Other Expenses	11,274.00	-	11,274.00	-	11,274.00
NJ Public Employees Occupational Safety and Health					
Other Expenses	4,500.00	-	4,500.00	-	4,500.00
Beachfront Maintenance:					
Salaries and Wages	11,000.00	-	11,000.00	-	11,000.00
Other Expenses	1,709.71	-	1,709.71	-	1,709.71
Parks and Playgrounds:					
Other Expenses	918.00	562.00	1,480.00	577.20	902.80
Celebration of Public Events:					
Other Expenses	2,075.00	-	2,075.00	-	2,075.00
Community Center:					
Salaries and Wages	16,164.63	-	16,164.63	-	16,164.63
Other Expenses	312.78	5,255.29	5,568.07	5,213.99	354.08
Accumulated Sick Leave	14,495.44				

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	December 31, 2015		Balance After	Paid or	Balance
	<u>Reserved</u>	<u>Encumbrances</u>	<u>Modifications</u>	<u>Charged</u>	<u>Lapsed</u>
State Uniform Construction Code					
Salaries and Wages	37,930.49	-	37,930.49	-	37,930.49
Other Expenses	20,313.91	117.51	20,431.42	-	20,431.42
Utility Expense and Bulk Purchases					
Electricity	86.53	15,700.00	15,786.53	2,650.94	13,135.59
Street Lighting	12,793.39	-	12,793.39	1,552.32	11,241.07
Telephone	3,029.08	5,000.00	8,029.08	2,004.00	6,025.08
Water	-	755.64	755.64	571.59	184.05
Natural Gas	185.11	5,300.00	5,485.11	788.86	4,696.25
Telecommunication Costs	75.89	5,328.74	5,404.63	718.75	4,685.88
Gasoline and Diesel Fuel	22,732.99	13,000.00	35,732.99	2,162.19	33,570.80
Monmouth County Reclamation Center					
Other Expenses	35,881.05	18,000.00	53,881.05	9,849.32	44,031.73
Statutory Expenditures:					
Contribution To:					
Social Security System (O.A.S.I.)	8,676.67	-	8,676.67	8,676.67	-
Defined Contribution Retirement Program	5,000.00	-	5,000.00	-	5,000.00
Length of Service Award Program	-	8,200.00	8,200.00	8,200.00	-
911 Telecommunications	23.42	-	23.42	-	23.42
Stormwater Management	-	25,376.33	25,376.33	14,112.00	11,264.33
Recycling Tax	8,092.22	300.00	8,392.22	226.86	8,165.36
Atlantic Highlands					
Maintenance of Motor Vehicles	12,362.69	24,389.64	36,752.33	5,115.96	31,636.37
Municipal Court	1,509.00	-	1,509.00	-	1,509.00
Matching Funds for Grants	7,868.75	-	7,868.75	-	7,868.75
Total General Appropriations	<u>\$ 694,415.52</u>	<u>\$ 437,591.42</u>	<u>\$ 1,117,511.50</u>	<u>\$ 374,310.81</u>	<u>\$ 743,200.69</u>

Cash Disbursements	\$ 333,225.66
Accounts Payable	<u>41,085.15</u>
	<u>\$ 374,310.81</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 137,676.29
Increased By:		
2015 Appropriation Reserves		<u>41,085.15</u>
		178,761.44
Decreased By:		
Cash Disbursements	\$ 36,403.11	
Cancelled To Operations	<u>25,097.32</u>	
		<u>61,500.43</u>
Balance, December 31, 2016		<u><u>\$ 117,261.01</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF PREPAID TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 80,623.57
Increased By:	
Cash Receipts:	
Collection of 2017 Taxes	<u>93,823.06</u>
	174,446.63
Decreased By:	
Amount Applied To 2016 Taxes	<u>80,623.57</u>
Balance, December 31, 2016	<u><u>\$ 93,823.06</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 19,332.82
Increased By:		
2016 Tax Levy:		
County Tax	\$ 1,591,409.09	
County Library Tax	109,276.29	
County Open Space Fund Tax	91,414.35	
Due County for Added Taxes	<u>14,518.23</u>	
		<u>1,806,617.96</u>
		1,825,950.78
Decreased By:		
Cash Disbursements		<u>1,825,950.78</u>
Balance, December 31, 2016		<u><u>\$ -</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAXES PAYABLE/RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015:		
School Tax Payable	\$ 123,326.10	
School Tax Deferred	<u>1,964,285.00</u>	
		\$ 2,087,611.10
Increased By:		
Levy (School Year July 1, 2016 to June 30, 2017)		<u>3,734,294.00</u>
		5,821,905.10
Decreased By:		
Cash Disbursements		<u>3,734,294.00</u>
Balance, December 31, 2016:		
School Tax Payable	220,464.10	
School Tax Deferred	<u>1,867,147.00</u>	
		<u>\$ 2,087,611.10</u>
<u>2016 Liability for Regional District School Tax</u>		
Tax Payable, December 31, 2016	\$ 220,464.10	
Tax Paid	<u>3,734,294.00</u>	
		3,954,758.10
Less:		
Tax Payable, December 31, 2015		<u>123,326.10</u>
Amount Charged To 2016 Operations		<u>\$ 3,831,432.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015:		
School Tax Payable	\$ 100,673.00	
School Tax Deferred	<u>1,479,768.00</u>	
		\$ 1,580,441.00
Increased By:		
Levy (School Year July 1, 2016 to June 30, 2017)		<u>3,335,949.00</u>
		4,916,390.00
Decreased By:		
Cash Disbursements		<u>3,267,298.00</u>
Balance, December 31, 2016:		
School Tax Payable	169,324.00	
School Tax Deferred	<u>1,479,768.00</u>	
		<u>\$ 1,649,092.00</u>
<u>2016 Liability for Local District School Tax</u>		
Tax Payable/(Prepaid), December 31, 2016	\$ 169,324.00	
Tax Paid	<u>3,267,298.00</u>	
		<u>3,436,622.00</u>
Less:		
Tax Payable/(Prepaid), December 31, 2015	<u>100,673.00</u>	
Amount Charged To 2016 Operations		<u>\$ 3,335,949.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 113,649.21
Increased By:	
Transferred From Taxes	<u>217,383.00</u>
	331,032.21
Decreased By:	
Tax Overpayments Refunded	<u>152,548.37</u>
Balance, December 31, 2016	<u><u>\$ 178,483.84</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF SPECIAL EMERGENCY NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Resolution Date</u>	<u>Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Decrease</u>	<u>Balance December 31, 2016</u>
11/21/12 - 3/20/13	Hurricane Sandy	11/13/2014	11/10/2016	2.25%	875,271.00	875,271.00	-
					<u>\$ 875,271.00</u>	<u>\$ 875,271.00</u>	<u>\$ -</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	<u>Increased</u>	<u>Decreased</u>	Balance December 31, <u>2016</u>
Due to State:				
Marriage License	\$ 56.00	\$ 494.00	\$ 550.00	\$ -
DCA Training Fees	9,144.91	17,144.00	19,459.00	6,829.91
	<u>\$ 9,200.91</u>	<u>\$ 17,638.00</u>	<u>\$ 20,009.00</u>	<u>\$ 6,829.91</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF VARIOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	<u>Increased</u>	Transfer to Storm Recovery Trust	<u>Decreased</u>	Balance December 31, <u>2016</u>
Reserve For:					
Insurance Proceeds	\$ 27,200.00	\$ -	\$ -	\$ -	\$ 27,200.00
Tax Appeals	100,000.00	-	-	51,990.16	48,009.84
Master Plan	85,982.70	-	-	44,136.82	41,845.88
Hurricane Sandy - FEMA Receipts	568,247.68	217,143.43	175,000.00	568,247.68	42,143.43
Special Emergency Appropriations - Hurricane Sandy	297,383.18	37,822.72	-	331,728.10	3,477.80
Reserve for Debt Service - AHHRSA	-	156,000.00	-	-	156,000.00
	<u>\$ 1,078,813.56</u>	<u>\$ 410,966.15</u>	<u>\$ 175,000.00</u>	<u>\$ 996,102.76</u>	<u>\$ 318,676.95</u>

Cash Receipts

410,966.15\$ 410,966.15Cash Disbursements
Anticipated Revenue

\$ 427,855.08

568,247.68\$ 996,102.76

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	Increased By Revenue Anticipated <u>2016</u>	Transferred From Grants <u>Unappropriated</u>	Cash <u>Receipts</u>	Balance December 31, <u>2016</u>
Alcohol Education	\$ -	\$ 4,891.90	\$ 1,532.26	\$ -	\$ 3,359.64
American Water Rain Barrel	1,000.00	-	-	-	1,000.00
Bullet Proof Vest Program	1,738.00	-	-	-	1,738.00
Clean Communities	-	13,238.07	13,238.07	-	-
Drive Sober Get Pulled Over	-	1,540.00	1,540.00	-	-
Drunk Driving Enforcement	-	10,124.98	-	10,124.98	-
Hurricane Sandy Emergency Grant	-	28,682.61	28,682.61	-	-
LED Hazard Grant	-	230,000.00	-	-	230,000.00
Municipal Alliance	25,176.33	28,525.00	-	21,835.02	31,866.31
Municipal Alliance - Match/Donations	-	2,565.63	2,565.63	-	-
NJEDA - Neighborhood Community Revitalization	1,499,081.00	-	-	1,258,443.42	240,637.58
Summer Food Program	6,975.10	10,769.88	-	10,477.77	7,267.21
Urban Area Security Initiative	2,586.32	-	-	-	2,586.32
	<u>\$ 1,536,556.75</u>	<u>\$ 330,338.07</u>	<u>\$ 47,558.57</u>	<u>\$ 1,300,881.19</u>	<u>\$ 518,455.06</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS - APPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance December 31, 2015	Transfer From Appropriations	Appropriation By 40A:4-87	Transfer From Encumbrances	Borough Match	Expended	Transferred To Encumbrances	Balance December 31, 2016
Alcohol Education Rehabilitation Fund	\$ 2,329.00	\$ 4,891.90	\$ -	\$ 165.00	\$ -	\$ 165.00	\$ -	7,220.90
American Water Rain Barrel	3,466.00	-	-	-	-	-	-	3,466.00
Body Armor	1,715.71	-	-	879.45	-	1,599.30	-	995.86
Clean Communities	-	13,238.07	-	19,956.20	-	26,756.20	2,416.00	4,022.07
Comcast Cable Technology Grant	20,500.00	-	-	-	-	-	-	20,500.00
D.D.E.F.	-	1,540.00	10,124.98	-	-	1,375.00	10,000.00	289.98
Highway Safety Grant	6,725.00	-	-	-	-	-	-	6,725.00
Hurricane Sandy National Emergency Grant	-	28,682.61	-	-	-	-	-	28,682.61
LED Hazard Grant	-	230,000.00	-	-	-	-	40,000.00	190,000.00
Municipal Alliance	28,244.81	2,565.63	28,525.00	-	7,131.25	44,484.44	648.42	21,333.83
Municipal Alliance - 2013	15.00	-	-	-	-	15.00	-	-
Municipal Stormwater	52.76	-	-	-	-	-	-	52.76
NJEDA Neighborhood Comm Revitization	85,422.68	-	-	890,680.86	-	883,623.76	91,518.28	961.50
NY/NJ Snowflake Foundation	135,000.00	-	-	-	-	34,237.00	-	100,763.00
Summer Food	9,773.00	10,769.88	-	-	-	10,917.88	-	9,625.00
Sustainable Jersey Small Grants Program	1,000.00	-	-	-	-	-	-	1,000.00
Firefighter Grant	-	-	-	1,700.00	-	-	-	1,700.00
Urban Area Security Initiative	2,586.32	-	-	8,117.66	-	8,117.66	-	2,586.32
	\$ 296,830.28	\$ 291,688.09	\$ 38,649.98	\$ 921,499.17	\$ 7,131.25	\$ 1,009,751.24	\$ 144,582.70	\$ 401,464.83

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS - UNAPPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance December 31, <u>2015</u>	Cash <u>Receipts</u>	Transferred to Grants <u>Receivable</u>	Balance December 31, <u>2016</u>
Alcohol Education and Rehab	\$ 1,532.26	-	\$ 1,532.26	\$ -
Body Armor	1,678.72	1,622.78	-	3,301.50
Clean Communities	13,238.07	15,132.18	13,238.07	15,132.18
Drive Sober / Get Pulled Over	1,540.00	1,027.33	1,540.00	1,027.33
Drunk Driving Enforcement Fund	-	22,024.44	-	22,024.44
Highway Safety	-	1,000.00	-	1,000.00
Hurricane Sandy Emergency Grant	28,682.61	-	28,682.61	-
Municipal Alliance Grant	2,565.63	-	2,565.63	-
Tonnage Grant	-	2,291.28	-	2,291.28
Zoning Grant	-	18,453.75	-	18,453.75
	<hr/>			
	\$ 49,237.29	\$ 61,551.76	\$ 47,558.57	\$ 63,230.48
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TRUST FUNDS

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Animal Control <u>Fund</u>	Other <u>Trust Funds</u>	Open Space <u>Trust Funds</u>
Balance, December 31, 2015	\$ 9,639.32	\$ 1,613,654.53	\$ 174,026.91
Increased By Receipts:			
State Registration Fees	349.80	-	-
Reserve for Animal Control	4,994.74	-	-
Various Reserves	-	1,108,913.23	-
Reserve for Open Space	-	-	30,537.85
	5,344.54	1,108,913.23	30,537.85
	14,983.86	2,722,567.76	204,564.76
Decreased By Disbursements:			
State Registration Fees	285.00	-	-
Expenditures Under R.S. 4:19-15:11	5,930.89	-	-
Statutory Excess Due to Current Fund	2,495.78	-	-
Interfund - Due to Current	-	-	-
Various Reserves	-	1,031,008.12	-
Reserve for Open Space	-	-	13,492.50
	8,711.67	1,031,008.12	13,492.50
Balance, December 31, 2016	\$ 6,272.19	\$ 1,691,559.64	\$ 191,072.26

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
ANIMAL CONTROL TRUST FUND
SCHEDULE OF REGISTRATION FEES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 1.20
Increased By:	
State Registration Fees	<u>349.80</u>
	351.00
Decreased By:	
Cash Disbursements	<u>285.00</u>
Balance, December 31, 2016	<u><u>\$ 66.00</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
ANIMAL CONTROL TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 7,182.34
Increased By:		
Dog License Fees Collected	\$ 1,653.00	
Interest Earned	75.54	
Miscellaneous	<u>3,266.20</u>	
		<u>4,994.74</u>
		12,177.08
Decreased By:		
Expenditures Under R.S. 4:19-15:12		<u>5,930.89</u>
Balance, December 31, 2016		<u><u>\$ 6,246.19</u></u>

License Fees Collected

2014	\$ 4,100.20
2015	<u>3,499.75</u>
	<u><u>\$ 7,599.95</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
ANIMAL CONTROL TRUST FUND
SCHEDULE OF STATUTORY EXCESS DUE TO CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 2,495.78
Decreased By:	
Cash Disbursements	<u>2,495.78</u>
Balance, December 31, 2016	<u><u>\$ -</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
SCHEDULE OF VARIOUS TRUST FUND RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance December 31, <u>2015</u>	Increased by <u>Revenues</u>	Decreased by <u>Expenditures</u>	Balance December 31, <u>2016</u>
Street Opening Permits	\$ 8,500.00	\$ 1,000.00	\$ -	\$ 9,500.00
Escrows	64,716.92	26,072.01	8,537.51	82,251.42
Third Party Lien Redemptions	34,394.41	366,055.64	381,107.98	19,342.07
Tax Sale Premiums	587,500.00	221,600.00	223,400.00	585,700.00
Parking Offense Adjudication Act (Per N.J.S.A 40A:4-39)	879.00	48.00	-	927.00
Public Defender	4,751.67	670.00	-	5,421.67
Recycling	1,577.54	76.80	250.00	1,404.34
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	12,017.00	216,922.50	195,680.22	33,259.28
Uniform Fire Penalties	4,848.08	1,253.00	-	6,101.08
Fire Penalties (Fire Department)	688.64	-	-	688.64
Recreation	4,824.10	2,975.61	1,184.00	6,615.71
Library	7,003.32	-	-	7,003.32
Unemployment	207,677.25	19,330.01	8,642.12	218,365.14
Engineering Inspection Fees	44,306.97	54,753.62	33,180.46	65,880.13
Performance Bonds	452,178.44	1,523.49	152,943.12	300,758.81
Maintenance Bonds	1,785.20	-	-	1,785.20
Accumulated Leave	104,469.71	-	31,333.73	73,135.98
Police Explorers	29,223.21	19,714.00	38,489.55	10,447.66
Sale of Property	22,350.00	-	-	22,350.00
Law Enforcement	7,041.74	30.55	6,000.00	1,072.29
Police Forfeited Funds	-	1,888.00	-	1,888.00
Storm Recovery Trust	-	175,000.00	-	175,000.00
	<u>\$ 1,608,050.92</u>	<u>\$ 1,108,913.23</u>	<u>\$ 1,080,748.69</u>	<u>\$ 1,636,215.46</u>
Cash Disbursements			\$ 1,080,326.76	
Accounts Payable			<u>421.93</u>	
			<u>\$ 1,080,748.69</u>	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
OPEN SPACE TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 155,860.20
Increased By:		
Tax Levy	\$ 29,379.15	
Interest on Deposits	1,158.70	
Transfer from Encumbrances	<u>18,166.71</u>	
		<u>48,704.56</u>
		204,564.76
Decreased By:		
Cash Disbursements	13,492.50	
Transfer to Encumbrances	<u>11,670.70</u>	
		<u>25,163.20</u>
Balance, December 31, 2016		<u><u>\$ 179,401.56</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP") - UNAUDITED
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Balance, December 31, 2015		\$ 317,632.74
Increased By:		
Borough Contribution	\$ 33,350.00	
Interest Earned	5,094.28	
Increase in Value of Investments	<u>4,035.00</u>	
		<u>42,479.28</u>
		360,112.02
Decreased By:		
Withdrawals	<u>21,677.97</u>	
		<u>21,677.97</u>
Balance, December 31, 2016		<u><u>\$ 338,434.05</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP") - UNAUDITED
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2016

Balance, December 31, 2015		\$ 317,632.74
Increased By:		
Borough Contribution	\$ 33,350.00	
Interest Earned	5,094.28	
Increase in Value of Investments	<u>4,035.00</u>	
		<u>42,479.28</u>
		360,112.02
Decreased By:		
Withdrawals	<u>21,677.97</u>	
		<u>21,677.97</u>
Balance, December 31, 2016		<u><u>\$ 338,434.05</u></u>

GENERAL CAPITAL FUND

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 3,616,183.56
Increased By:		
Premium on Bond Anticipation Notes	\$ 6,593.00	
Bond Anticipation Notes	3,729,000.00	
Bond Refunding Proceeds	1,840,000.00	
Due from Grant Fund	275,000.00	
Capital Improvement Fund	400,000.00	
Grants Receivable	729,015.75	
Various Reserves	606.26	
		<u>6,980,215.01</u>
		10,596,398.57
Decreased By:		
Improvement Authorizations	3,436,369.31	
Bond Anticipation Notes	<u>3,729,000.00</u>	
		<u>7,165,369.31</u>
Balance, December 31, 2016		<u><u>\$ 3,431,029.26</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF ANALYSIS OF GENERAL CAPITAL CASH AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2016</u>
Grants Receivable	\$ (1,059,061.25)
Accounts Payable	3,597.75
Capital Improvement Fund	395,383.26
Encumbrances Payable	1,027,340.71
Various Reserves	61,249.67
Fund Balance	177,725.25

<u>Ordinance</u>	<u>Improvement Description</u>	
94-18	Rehabilitation of Low - Mod Income Housing	47,136.00
98-11/02-22/ 04-10	Construction of Firehouse - Emergency Management Facility	8,592.00
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	5,277.26
12-20	Construction of Stormwater Pump Station and Drainage Improvements	(85,368.75)
13-17	Wall Reconstruction	137,888.09
13-19	Hazard Mitigation Program	1,019,000.00
13-20	Reconstruction of North Street Pump Station	1,380,176.15
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	(156,682.88)
13-26	Flood Mitigation Project	(260,763.40)
13-29	Improvements to Community Center	5,267.55
13-33	Acquisition of Ambulances	163.00
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	(114,549.99)
15-06	Various General Improvements	(774,757.04)
15-12	Refunding All or a Portion of the Series 2008 Bonds	(115,000.00)
16-07	Preliminary Construction New Borough Hall	1,206,675.00
16-22	Various General Improvements	400,000.00
		<u>\$ 3,431,029.26</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 5,114,750.00
Increased By:		
Bond Refunded		<u>1,840,000.00</u>
		6,954,750.00
Decreased By:		
Serial Bonds Paid	\$ 420,000.00	
Bond Cancelation	<u>1,928,000.00</u>	
		<u>2,348,000.00</u>
Balance, December 31, 2016		<u><u>\$ 4,606,750.00</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
FOR THE YEAR ENDED DECEMBER 31, 2016

Ordinance No.	Improvement Description	Balance December 31, 2015	2016 Authorizations	Issued	Cancellations	Budget Appropriation	Balance December 31, 2016	Bond Anticipation Notes	Analysis of Balance		
									Expended	Unexpended Improvement	Authorizations
09-28	Design and Permitting for Various Projects	\$ 377,280.00	\$ -	\$ -	\$ -	\$ 29,631.00	\$ 347,649.00	\$ 347,649.00	\$ -	\$ -	-
12-12	Improvements to Washington Street	480,253.40	-	-	-	-	480,253.40	-	-	480,253.40	-
12-20	Construction of Stormwater Pump Station and Drainage Improvements	1,200,000.00	-	-	-	-	1,200,000.00	-	85,368.75	1,114,631.25	-
13-19	Hazard Mitigation Program	1,144,000.00	-	-	-	39,449.00	1,104,551.00	1,104,551.00	-	-	-
13-20	Reconstruction of North Street Pump Station	1,621,923.00	-	-	-	20,519.00	1,601,404.00	1,600,481.00	923.00	-	-
13-23	Removal of Disaster Related Debris and Demolition of Various Structures	2,300,000.00	-	-	-	-	2,300,000.00	-	156,682.88	2,143,317.12	-
13-26	Flood Mitigation Project	261,250.00	-	-	-	-	261,250.00	-	260,763.40	486.60	-
13-29	Improvements to Community Center	378,720.00	-	-	-	13,060.00	365,660.00	365,660.00	-	-	-
13-33	Acquisition of Ambulances	208,000.00	-	-	-	23,112.00	184,888.00	184,888.00	-	-	-
14-08	Construction of Stormwater Pump Station and Other Stormwater System and Drainage Improvements	3,154,000.00	-	-	-	-	3,154,000.00	-	114,549.99	3,039,450.01	-
15-06	Various General Improvements	782,830.00	-	-	-	-	782,830.00	-	774,757.04	8,072.96	-
15-12	Refunding All or a Portion of the Series 2008 Bonds	2,600,000.00	-	1,840,000.00	645,000.00	-	115,000.00	-	115,000.00	-	-
16-07	Preliminary Construction New Borough Hall	-	1,710,000.00	-	-	-	1,710,000.00	-	-	1,710,000.00	-
		\$ 14,508,256.40	\$ 1,710,000.00	\$ 1,840,000.00	\$ 645,000.00	\$ 125,771.00	\$ 13,607,485.40	\$ 3,603,229.00	\$ 1,508,045.06	\$ 8,496,211.34	
Improvement Authorizations Unfunded										\$ 10,908,791.28	
Less: Unexpended Proceeds of Bond Anticipation Notes:											
Ordinance											
09-28 \$ 7,050.24											
13-19 1,019,000.00											
13-20 1,381,099.15											
13-29 5,267.55											
13-33 163.00											
										2,412,579.94	
										\$ 8,496,211.34	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CDBG GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 178,077.00
Decreased By:	
Cash Receipt	<u>178,077.00</u>
Balance, December 31, 2016	<u><u>\$ -</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF FEMA GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015	\$ 2,854,000.00
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Analysis of Balance - December 31, 2016

13-19 Hazard Mitigation Program	\$ 784,000.00
13-23 Removal of Disaster Related debris and Demolition of Various Structures	2,070,000.00
	\$ 2,854,000.00

**SCHEDULE OF FEMA REIMBURSEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ -
Increased By:	
Grant Award	1,200,000.00
	1,200,000.00
Decreased By:	
Cash Receipts	243,438.75
	\$ 956,561.25
Balance, December 31, 2016	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF NJ DOT GRANT RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 410,000.00
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Decreased By:

Cash Receipts	307,500.00
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Balance, December 31, 2016	\$ 102,500.00
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Analysis of Balance - December 31, 2016

15-06 Various General Improvements	\$ 102,500.00
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	\$ 102,500.00
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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2016</u>	<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Issued</u>	<u>Refunded</u>	<u>Decreased</u>	<u>Balance December 31, 2016</u>
General Improvements	12/05/06	\$ 474,000.00			\$ 57,000.00	\$ -	\$ -	\$ 57,000.00	\$ -
General Improvements	12/04/08	3,178,000.00	12/01/17 12/01/18	4.00% 5.25%	2,359,000.00	-	1,928,000.00	138,000.00	293,000.00
General Improvements	01/24/11	760,000.00	01/15/17 01/15/18 01/15/19 01/15/20 01/15/21	5.00% 5.00% 5.00% 5.00% 5.00%	490,000.00	-	-	70,000.00	420,000.00
General Improvements	12/19/12	645,000.00	12/01/17 12/01/18 12/01/19 12/01/20 12/01/21 12/01/22 12/01/23 12/01/24 12/01/25 12/01/26 12/01/27	3.00% 3.00% 3.00% 4.00% 4.00% 4.00% 2.00% 3.00% 2.00% 2.00%	540,000.00	-	-	40,000.00	500,000.00
General Improvements	12/24/13	1,350,000.00	12/01/17 12/01/18 12/01/19 12/01/20 12/01/21 12/01/22 12/01/23 12/01/24 12/01/25	4.00% 4.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00% 5.00%	1,170,000.00	-	-	95,000.00	1,075,000.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2016</u>	<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Issued</u>	<u>Refunded</u>	<u>Decreased</u>	<u>Balance December 31, 2016</u>
General Improvements	3/24/16	1,955,000.00	12/1/2017-18	2.00%	-	1,840,000.00	-	20,000.00	1,820,000.00
			12/01/19	4.00%					
			12/01/20	5.00%					
			12/01/21	5.00%					
			12/01/22	5.00%					
			12/01/23	5.00%					
			12/01/24	5.00%					
			12/01/25	5.00%					
			12/01/26	5.00%					
			12/01/27	4.00%					
			12/01/28	4.00%					
					\$ 4,616,000.00	\$ 1,840,000.00	\$ 1,928,000.00	\$ 420,000.00	\$ 4,108,000.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF DOWNTOWN BUSINESS IMPROVEMENT
ZONE LOAN FUND PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015

\$ 498,750.00

**BOROUGH OF HIGHLANDS
COUNTY OF OCEAN, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Issue Date</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Increased</u>	<u>Paid by Capital Cash</u>	<u>Funded by Budget Appropriations</u>	<u>Balance December 31, 2016</u>
09-28	Design and Permitting for Various Projects	01/21/10	10/11/16	10/11/17	0.00%	\$ 377,280.00	\$ 377,280.00	\$ 377,280.00	\$ 29,631.00	\$ 347,649.00
13-19	Hazard Mitigation Program	12/05/13	11/10/16	11/8/17	2.00%	1,144,000.00	1,144,000.00	1,144,000.00	39,449.00	1,104,551.00
13-20	Reconstruction of North Street Pump Station	12/05/13	11/10/16	11/8/17	2.00%	1,621,000.00	1,621,000.00	1,621,000.00	20,519.00	1,600,481.00
13-29	Improvement to Community Center	01/16/14	10/11/16	10/11/17	0.00%	378,720.00	378,720.00	378,720.00	13,060.00	365,660.00
13-33	Acquisition of Ambulances	01/16/14	10/11/16	10/11/17	0.00%	208,000.00	208,000.00	208,000.00	23,112.00	184,888.00
						<u>\$ 3,729,000.00</u>	<u>\$ 3,729,000.00</u>	<u>\$ 3,729,000.00</u>	<u>\$ 125,771.00</u>	<u>\$ 3,603,229.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Ordinance Number	Improvement Description	Amount	Balance December 31, 2015		Transferred From Encumbrances	Capital Improvement Fund	2016 Authorizations		FEMA Reimbursement	Expended	Transfer To Encumbrances	Authorizations Canceled	Balance December 31, 2016	
			Funded	Unfunded			Deferred Charges To Future Taxation Unfunded	Funded					Unfunded	
94-18	Rehabilitation of Low-Med Income Housing RCA - Middletown	\$ 925,000.00	\$ 47,136.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,136.00	\$ -
98-11/02-22/04-10	Construction of Firehouse - Emergency Management Facility	1,375,000.00	3,592.00	-	5,000.00	-	-	-	-	-	-	-	8,592.00	-
09-28	Design and permitting for Various Projects	446,000.00	-	7,050.24	-	-	-	-	-	-	-	-	-	7,050.24
11-22	Acquisition of Computers and Software	68,000.00	19,309.24	-	-	-	-	-	-	-	-	-	19,309.24	-
12-12	Improvements to Washington Avenue	700,000.00	95,381.40	480,253.40	60,264.97	-	-	-	-	-	60,264.97	-	95,381.40	480,253.40
12-17	Acquisition of Fire Truck	1,215,000.00	24,915.86	-	-	-	-	-	-	-	19,638.60	-	5,277.26	-
12-20	Construction of Stormwater Pump Station & Drainage Improvements	1,200,000.00	-	1,176,131.25	2,593.88	-	-	-	-	62,250.00	1,843.88	-	-	1,114,631.25
13-17	Wall Reconstruction	500,000.00	156,260.25	-	45.15	-	-	-	-	4,641.63	13,775.68	-	137,888.09	-
13-19	Hazard Mitigation Program	1,144,000.00	-	1,019,000.00	89,376.00	-	-	-	-	-	89,376.00	-	-	1,019,000.00
13-20	Reconstruction of North Street Pump Station	1,800,000.00	-	1,381,099.15	95,807.16	-	-	-	-	12,368.02	83,439.14	-	-	1,381,099.15
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	2,300,000.00	-	2,143,267.68	8,017.51	-	-	-	-	3,768.07	4,200.00	-	-	2,143,317.12
13-26	Flood Mitigation Project	800,000.00	378,941.00	261,250.00	64,023.82	-	-	-	-	138,662.16	565,066.06	-	-	486.60
13-29	Improvements to Community Center	450,000.00	-	23.38	50,377.30	-	-	-	-	45,133.13	-	-	-	5,267.55
13-33	Acquisition of Ambulances	240,000.00	-	163.00	-	-	-	-	-	-	-	-	-	163.00
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	3,154,000.00	-	3,039,705.01	59,891.55	-	-	-	-	33,181.49	26,965.06	-	-	3,039,450.01
15-06	Various General Improvements	1,386,000.00	-	219,418.29	1,049,465.80	-	-	-	-	1,156,086.76	104,724.37	-	-	8,072.96
15-12	Refunding All or a Portion of the Series 2008 Bonds	2,600,000.00	-	2,600,000.00	-	-	-	-	-	1,955,000.00	-	645,000.00	-	-
16-07	Preliminary Construction New Borough Hall	3,000,000.00	-	-	-	90,000.00	1,710,000.00	-	1,200,000.00	25,278.05	58,046.95	-	1,206,675.00	1,710,000.00
16-22	Various General Improvements	400,000.00	-	-	-	400,000.00	-	-	-	-	-	-	400,000.00	-
			\$ 725,535.75	\$ 12,327,361.40	\$ 1,484,863.14	\$ 490,000.00	\$ 1,710,000.00	\$ 1,200,000.00	\$ 3,436,369.31	\$ 1,027,340.71	\$ 645,000.00	\$ 1,920,258.99	\$ 10,908,791.28	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 485,383.26
Increased By:	
2016 Budget Appropriation	<u>400,000.00</u>
	885,383.26
Decreased By:	
Improvement Authorizations Funded	<u>490,000.00</u>
Balance, December 31, 2016	<u><u>\$ 395,383.26</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance December 31, <u>2015</u>	<u>Increase</u>	Balance December 31, <u>2016</u>
Reserve for RCA Interest - Middletown	\$ 46,282.41	\$ 606.26	\$ 46,888.67
Reserve for Parking Improvements	450.00	-	450.00
Reserve for Sidewalk Fund	13,911.00	-	13,911.00
	<u>\$ 60,643.41</u>	<u>\$ 606.26</u>	<u>\$ 61,249.67</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2015</u>	2016 <u>Authorizations</u>	<u>Cancellation</u>	Balance December 31, <u>2016</u>
12-12	Improvements to Washington Avenue	\$ 480,253.40	\$ -	\$ -	\$ 480,253.40
12-20	Construction of Stormwater Pump Station and 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 and Demolition of Various Structures	2,300,000.00	-	-	2,300,000.00
13-26	Flood Mitigation Project	261,250.00	-	-	261,250.00
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	3,154,000.00	-	-	3,154,000.00
15-06	Various General Improvements	782,830.00	-	-	782,830.00
15-12	Refunding All or a Portion of the Series 2008 Bonds	2,600,000.00	-	2,485,000.00	115,000.00
16-07	Preliminary Construction New Borough Hall	-	1,710,000.00	-	1,710,000.00
		<u>\$ 10,779,256.40</u>	<u>\$ 1,710,000.00</u>	<u>\$ 2,485,000.00</u>	<u>\$ 10,004,256.40</u>

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WATER-SEWER UTILITY FUND

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2015	\$ 1,061,120.50	\$ 16,234.44
Increased By Receipts:		
Interest on Investments	\$ 16,522.76	\$ -
Interfund Advanced	4,532.25	-
2016 Refunding Issue - 2008	-	115,000.00
Sewer Utility Rents	<u>1,711,270.30</u>	<u>-</u>
	<u>1,732,325.31</u>	<u>115,000.00</u>
	2,793,445.81	131,234.44
Decreased By Disbursements:		
Budget Appropriations	1,480,324.48	-
Appropriation Reserves	199,657.59	-
Accounts Payable	4,589.70	-
Investment in General Capital Fund	<u>377,280.00</u>	<u>-</u>
	<u>2,061,851.77</u>	<u>-</u>
Balance, December 31, 2016	<u><u>\$ 731,594.04</u></u>	<u><u>\$ 131,234.44</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF SEWER UTILITY CAPITAL FUND CASH
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2016</u>
Capital Improvement Fund	\$ 6,750.00
Fund Balance	9,384.44
Reserve for Down Payments on Capital Improvements	100.00
<u>Date</u>	<u>Improvement Description</u>
03/02/16	Sanitary Sewer Rehabilitation (Refunded)
	<u>115,000.00</u>
	<u><u>\$ 131,234.44</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015			\$ 323,083.81
Increased By:			
Water-Sewer Rents Levied			<u>1,608,514.45</u>
			1,931,598.26
Decreased By:			
Collections	\$ 1,667,263.92		
Tax Title Lien Cost of Sale	<u>304.69</u>		
			<u>1,667,568.61</u>
Balance, December 31, 2016			<u><u>\$ 264,029.65</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$ 64,144.15
Decreased By:		
Cash Disbursements	\$ 4,589.70	
Cancelled to Fund Balance	<u>4,850.75</u>	
		<u>9,440.45</u>
Balance, December 31, 2016		<u><u>\$ 54,703.70</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	Canceled/ <u>De-Obligated</u>	Balance December 31, <u>2015 and 2016</u>
Sewer System:			
Springs and Wells	\$ 40,716.85	\$ -	\$ 40,716.85
Distribution Mains and Accessories	153,471.61	-	153,471.61
General Equipment	62,579.40	-	62,579.40
Sewerage Treatment Plant and Lines	278,088.19	-	278,088.19
Reconstruction of Sewer Lift Station	75,000.00	-	75,000.00
Construction of Back Wash	116,666.26	-	116,666.26
Repair to Pumping Station	15,000.00	-	15,000.00
Rehabilitation of sanitary Sewer System	607,937.17	-	607,937.17
AHHRSA Debt - Bonds	3,712,800.00	-	3,712,800.00
AHHRSA Debt - Loans	2,010,270.34	385,670.34	1,624,600.00
	<u>\$ 7,072,529.82</u>	<u>\$ 385,670.34</u>	<u>\$ 6,686,859.48</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Amount</u>	Balance December 31, <u>2015</u>	Canceled/ <u>Deobligated</u>	Balance December 31, <u>2016</u>
14-02	Dissolution of AHHRSA	\$ 5,731,272.00	\$ 8,201.66	\$ 8,201.66	\$ -
14-05	Replacement of Force Mains	50,000.00	50,000.00	50,000.00	-
			<u>\$ 58,201.66</u>	<u>\$ 58,201.66</u>	<u>\$ -</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 3,316.16	\$ 3,316.16	\$ -	\$ 3,316.16
Other Expenses	42,775.75	249,518.52	187,208.08	62,310.44
Shared Service - Sewer Operator	823.87	13,976.87	12,055.54	1,921.33
Group Insurance	232.84	276.81	43.97	232.84
Workers Compensation Insurance	350.00	350.00	350.00	-
Statutory Expenditures:				
Contribution To Social Security System (O.A.S.I.)	660.42	660.42	-	660.42
	<u>\$ 48,159.04</u>	<u>\$ 268,098.78</u>	<u>\$ 199,657.59</u>	<u>\$ 68,441.19</u>
Appropriation Reserves		\$ 48,159.04		
Encumbrances Payable		<u>219,939.74</u>		
		<u>\$ 268,098.78</u>		
Cash Disbursements			<u>199,657.59</u>	
			<u>\$ 199,657.59</u>	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF SEWER RENT OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 16,431.99
Increased By:	
2016 Sewer Rent Overpayments	<u>7,527.09</u>
Balance, December 31, 2016	<u><u>\$ 23,959.08</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 102,543.79
Decreased By:	
Interest Accrued	<u>104,394.83</u>
	206,938.62
Decreased By:	
Interest Paid	<u>102,543.79</u>
Balance, December 31, 2016	<u><u>\$ 104,394.83</u></u>

Principal Outstanding December 31, 2016	Interest Rate	From	To	Period	Amount
Serial Bonds:					
136,000.00	Various	12/1/16	12/31/16	30 Days	\$ 557.61
75,000.00	Various	7/16/16	12/31/16	165 Days	1,718.75
3,434,600.00	Various	7/16/16	12/31/16	165 Days	78,709.59
Community Disaster Loan:					
300,000.00	1.375%	1/1/16	12/31/16	1198 Days	13,727.09
NJEIT Loans:					
1,428,552.56	Various	8/1/16	12/31/16	150 Days	<u>9,681.79</u>
					<u><u>\$ 104,394.83</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance December 31, 2015	Issued	Refunded	Decreased	Balance December 31, 2016
			Date	Amount						
Rehabilitation of Sanitary Sewer System	12/01/08	\$ 195,000.00	12/01/17	9,000.00	4.00%	\$ 144,000.00	\$ -	\$ 118,000.00	\$ 8,000.00	\$ 18,000.00
			12/01/18	9,000.00	5.25%					
Rehabilitation of Sanitary Sewer System	1/24/11	\$ 130,000.00	01/15/17	15,000.00	2.75%	90,000.00	-	-	15,000.00	75,000.00
			01/15/18	15,000.00	5.00%					
Rehabilitation of Sanitary Sewer System (Refunded)	03/01/16	\$ 115,000.00	12/1/2019	10,000.00	4.00%	-	115,000.00	-	-	115,000.00
			12/1/2020	10,000.00	5.00%					
			12/1/2021	10,000.00	5.00%					
			12/1/2022	10,000.00	5.00%					
			12/1/2023	10,000.00	5.00%					
			12/1/2024	10,000.00	5.00%					
			12/1/2025	15,000.00	5.00%					
			12/1/2026	10,000.00	5.00%					
			12/1/2027	15,000.00	4.00%					
			12/1/2028	15,000.00	4.00%					
2011 MCIA (AHHRSA)	04/14/14	\$ 3,712,800.00	01/15/17	148,200.00	2.75%	3,575,000.00	-	-	140,400.00	3,434,600.00
			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%					
						\$ 3,809,000.00	\$ 115,000.00	\$ 118,000.00	\$ 163,400.00	\$ 3,642,600.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2016</u>		<u>Interest Rate</u>	<u>Balance December 31, 2015</u>	<u>Decreased</u>	<u>Balance December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Trust Series 2010 (AHHSA)	04/01/14	\$ 284,270.34	02/01/17	\$ 6,048.30	0.00%	\$ 254,028.82	\$ 254,028.82	\$ -
New Jersey Environmental Infrastructure Trust Series 2010 (AHHSA)	04/01/14	\$ 101,400.00	08/01/17	5,200.00	5.00%	91,000.00	91,000.00	-
New Jersey Environmental Infrastructure Trust Series 2014A (AHHSA)	05/21/14	\$ 1,224,600.00	02/01/17	20,755.93	0.00%	1,120,820.35	62,267.79	1,058,552.56
			08/01/17	41,511.86	0.00%			
			02/01/18	20,755.93	0.00%			
			08/01/18	41,511.86	0.00%			
			02/01/19	20,755.93	0.00%			
			08/01/19	41,511.86	0.00%			
			02/01/20	20,755.93	0.00%			
			08/01/20	41,511.86	0.00%			
			02/01/21	20,755.93	0.00%			
			08/01/21	41,511.86	0.00%			
			02/01/22	20,755.93	0.00%			
			08/01/22	41,511.86	0.00%			
			02/01/23	20,755.93	0.00%			
			08/01/23	41,511.86	0.00%			
			02/01/24	20,755.93	0.00%			
			08/01/24	41,511.86	0.00%			
			02/01/25	20,755.93	0.00%			
			08/01/25	41,511.99	0.00%			

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016		Interest Rate	Balance December 31, 2015	Decreased	Balance December 31, 2016
			Date	Amount				
New Jersey Environmental Infrastructure Trust Series 2014A (AHHSA) (Continued)	05/21/14	\$ 1,224,600.00	02/01/26	20,755.93	0.00%			
			08/01/26	41,511.86	0.00%			
			02/01/27	20,755.93	0.00%			
			08/01/27	41,511.86	0.00%			
			02/01/28	20,755.93	0.00%			
			08/01/28	41,511.86	0.00%			
			02/01/29	20,755.93	0.00%			
			08/01/29	41,511.86	0.00%			
			02/01/30	20,755.93	0.00%			
			08/01/30	41,511.86	0.00%			
			02/01/31	20,755.93	0.00%			
			08/01/31	41,511.86	0.00%			
			02/01/32	20,755.93	0.00%			
			08/01/32	41,511.86	0.00%			
02/01/33	20,755.93	0.00%						
08/01/33	41,511.99	0.00%						
New Jersey Environmental Infrastructure Trust Series 2014A (AHHSA)	05/21/14	\$ 400,000.00	08/01/17 - 08/01/19	15,000.00	5.00%	385,000.00	15,000.00	370,000.00
			08/01/20 - 08/01/24	20,000.00	5.00%			
			08/01/25	20,000.00	3.00%			
			08/01/26 - 08/01/31	25,000.00	3.00%			
			08/01/32	25,000.00	3.125%			
			08/01/33	30,000.00	3.25%			
						\$ 1,850,849.17	\$ 422,296.61	\$ 1,428,552.56
Loan Principal - Paid by Budget Appropriation \$						77,267.79		
Deobligation of Funds						345,028.82		
						\$ 422,296.61		

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Balance December 31, 2015</u>		<u>Canceled/ Deobligated</u>	<u>Balance December 31, 2016</u>	
			<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
14-02	Dissolution of the Atlantic Highlands / Highlands Sewerage Authority (AHHRSA)	\$ 5,731,272.00	\$ -	\$ 8,201.66	\$ 8,201.66	\$ -	\$ -
14-05	Replacement of Force Mains	50,000.00	-	50,000.00	50,000.00	-	-
			<u>\$ -</u>	<u>\$ 58,201.66</u>	<u>\$ 58,201.66</u>	<u>\$ -</u>	<u>\$ -</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2016 and 2015	<u><u>\$ 6,750.00</u></u>
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**SCHEDULE OF RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ 1,412,680.65
Increased By:	
Serial Bond Payment	\$ 163,400.00
Loan Payment	77,267.79
Cancellation of Sewer Bond	<u>118,000.00</u>
	<u>358,667.79</u>
	1,771,348.44
Decreased By:	
NJEIT Loan - Deobligation of Funds	<u>40,641.52</u>
Balance, December 31, 2016	<u><u>\$ 1,730,706.92</u></u>

**SCHEDULE OF RESERVE FOR DOWN PAYMENT ON IMPROVEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015 and 2016	<u><u>\$ 100.00</u></u>
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BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2015</u>	Canceled/ <u>Deobligated</u>	Balance December 31, <u>2016</u>
14-02	Dissolution of the Atlantic Highlands / Highlands Sewerage Authority (AHHRSA)	\$ 8,201.66	\$ 8,201.66	\$ -
14-05	Replacement of Force Mains	50,000.00	50,000.00	-
		<u>\$ 58,201.66</u>	<u>\$ 58,201.66</u>	<u>\$ -</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF LIEN RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015		\$	-
Increased By:			
Tax Sale:			
Sewer	304.69		
Cost	90.00		
Interest	24.24		
			<u>418.93</u>
Balance, December 31, 2016		\$	<u><u>418.93</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
SCHEDULE OF RESERVE FOR DEBT SERVICE - AHHRSA
FOR THE YEAR ENDED DECEMBER 31, 2016**

Balance, December 31, 2015	\$ -
Increased By:	
AHHRSA Wire Transfer	<u>156,000.00</u>
Balance, December 31, 2016	<u><u>\$ 156,000.00</u></u>

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GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
Land	\$ 1,097,800.00	\$ -	\$ -	\$ 1,097,800.00
Building	5,772,197.90	-	-	5,772,197.90
Machinery and Equipment	4,234,484.33	99,167.50	22,751.00	4,310,900.83
	<u>\$ 11,104,482.23</u>	<u>\$ 99,167.50</u>	<u>\$ 22,751.00</u>	<u>\$ 11,180,898.73</u>

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PAYROLL FUND

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
PAYROLL FUND
SCHEDULE OF CASH
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Payroll Fund</u>	
Balance, December 31, 2015	\$	50,408.19
Increased By Receipts:		
Payroll Cash Receipts	\$	109,386.65
Transfer to Payroll Agency		
From Other Funds	<u>1,672,999.26</u>	
		<u>1,782,385.91</u>
Decreased By Disbursements:		
Pension Division PERS Payments	160,691.62	
Pension Division PFRS Payments	530,992.74	
941 EFT Payments	332,163.17	
USA IRS Tax Payments	382,780.87	
NJ State Tax Payments	54,706.76	
Other Disbursements	251,370.86	
Transfer to Other Funds		
From Payroll Agency	<u>114,214.03</u>	
		<u>1,826,920.05</u>
Balance, December 31, 2016	<u>\$</u>	<u>5,874.05</u>

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COMMENTS AND RECOMMENDATIONS

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

We have audited the financial statements –regulatory statutory basis of the Borough of Highlands in the County of Monmouth for the year ended December 31, 2016.

Scope of Audit

The audit covered the financial transactions of the Treasurer/Tax Collector, and Water-Sewer Utility Collector, the activities of the Mayor and Council and the records of the various outside departments.

Cash on hand was counted and cash balances were reconciled with independent certifications obtained directly from the depositories.

The accrued and realized revenues for the various Borough Departments as shown on the Statements of Revenue and Revenue Accounts Receivable are presented as recorded in the Borough records.

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

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 for the period of January 1, 2016 to December 31, 2016, except by contract or agreement.

It is pointed out that the governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year.

Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4) (continued):

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

Purchases were made through the State Division of Purchases and Property and were approved by resolution of the Borough Committee.

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 compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit "for the performance of any work, or the furnishing of any materials, supplies or labor, or the hiring of teams or vehicles," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of *N.J.S.A.40A:116*.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$6,000 thereafter "for the performance of any work or the furnishing or hiring of any materials or supplies", 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.A.40A:11-6.1*).

Collection of Interest on Delinquent Taxes and Assessments

N.J.S.54:4-67, as amended, provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

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

“NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Highlands, County of Monmouth, State of 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 the due date; and 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after the 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.

Collection of Interest on Delinquent Taxes and Assessments (continued):

3. Any payments not made in accordance with paragraph two of this Resolution shall be charged interest from the due date as set forth in paragraph one of this Resolution.

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

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2016 included real estate taxes for 2016.

The last tax sale was held on December 1, 2016 and was complete.

Inspection of 2016 tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

YEAR	NUMBER OF LIENS
2016	9
2015	8
2014	5

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get properties back on a taxpaying basis.

Deductions From Taxes

The audit of senior citizen and veteran deductions on a test basis revealed that deductions appear reasonable.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Payroll Fund

The examination of the payroll fund included testing the detail computation of various deductions or other credits from the payroll of the Borough employees.

Municipal Court

A separate report for the Municipal Court transactions was filed in accordance with the requirements of the Local Finance Board.

As part of the test of the municipal court records, no attempt was made to differentiate between fines due the Borough, County, or State, or to pass upon the authenticity of the preparation and procedures for complaints issued.

A test sample was selected of fifteen (15); ten traffic and five criminal cases processed through the system. The purpose of the test was to determine that traffic fines were levied in accordance with State Statutes, that payments were deposited intact and on a timely basis, that dispositions were entered in traffic and criminal dockets, closure procedures for delinquent traffic tickets were enforced and that proper procedures were in effect for defendants paying on a the partial payment system. This test disclosed no discrepancies regarding fines being properly levied, entering of dispositions and closure procedures.

The computer software does not allow for a posting distribution in the cash receipts journal when a transaction involves both a check and cash payment being made by the defendant. The computer system requires this particular type of transaction be posted as either entirely cash or check. As a result of this limitation no test can be conducted to determine if the receipt detail batch totals from the journal agree with the detail of cash and checks deposited for that particular day.

A review of the partial payment system indicated that collection procedures are being enforced to collect delinquent balances.

Tax Collector's Annual Report

N.J.S.54:4-91 requires that on or before May 1st of each year, the Tax Collector shall file with the Treasurer and the governing body a statement of receipts during the preceding year as well as added assessments, taxes canceled and taxes unpaid as of December 31, all for the preceding tax year. This report was filed in 2015 with the governing body.

Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year findings. Corrective action was taken on all prior year findings except with those marked above with an asterisk (*).

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2016:

NAME	POSITION
Frank Nolan	Mayor
Carolyn Broullon	Council President
Claudette D'Arrigio	Councilperson
Rebecca Kane	Councilperson
Carolyn Cummins	Municipal Clerk
Patrick J. DeBlasio	Tax Collector/Chief Financial Officer
Thomas J. Smith, III	Judge
Sonia Paxton	Court Administrator

Acknowledgment

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

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
No. CR483

Freehold, New Jersey
July 12, 2017