

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

**AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2021**

**BOROUGH OF HIGHLANDS
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, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the various funds and account group of the Borough of Highlands, which comprise the statements of assets, liabilities, reserves and fund balance – regulatory basis as of December 31, 2021 and 2020, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the statements of revenues – regulatory basis and statements of expenditures – regulatory basis for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance – regulatory basis of the Borough of Highlands, as of December 31, 2021 and 2020, and the results of its operations and changes in fund balance – regulatory basis for the years then ended and the statements of revenues – regulatory basis, statements of expenditures – regulatory basis for the year ended December 31, 2021, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, 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, as of December 31, 2021 and 2020, or the results of its operations and changes in fund balance for the years then ended.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Highlands and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control(s) relevant to the audit 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 Borough of Highlands's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Highlands's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Highlands's basic financial statements. The accompanying supplemental schedules presented for the various funds and letter of comments and recommendations section are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 August 18, 2022, on our consideration of the Borough of Highlands's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Highlands's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Highlands'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 No. 483

Lakewood, New Jersey
August 18, 2022

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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
Highlands, New Jersey

We have audited, in accordance with the 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 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, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 18, 2022. Our report indicated that the Borough's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Highlands's internal control over financial reporting (internal control) as a basis for designing 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 of Highlands's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Highlands's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Highlands'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Respectfully Submitted,

HOLMAN FRNIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA No. 483

Lakewood, New Jersey
August 18, 2022

BASIC FINANCIAL STATEMENTS

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**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 8,412,283.73	\$ 7,154,920.06
Change Fund	A-5	<u>445.00</u>	<u>445.00</u>
		<u>8,412,728.73</u>	<u>7,155,365.06</u>
Receivables and Other Assets			
With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	384,959.22	680,754.95
Tax Title Liens	A-8	34,684.22	79,801.49
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	25,837.84	3,388.26
Due from Animal Control Fund	B	<u>3,052.66</u>	<u>620.89</u>
Total Receivables and Other Assets		<u>701,920.71</u>	<u>1,017,952.36</u>
Deferred Charges:			
Community Disaster Loan	A	-	2,063,102.00
Over-expenditure	A-3	<u>-</u>	<u>19,105.55</u>
Total Deferred Charges		<u>-</u>	<u>2,082,207.55</u>
		<u>9,114,649.44</u>	<u>10,255,524.97</u>
Federal and State Grants:			
Cash	A-4	754,070.83	489,869.19
Grants Receivable	A-21	<u>708,599.75</u>	<u>326,337.75</u>
Total Federal and State Grants		<u>1,462,670.58</u>	<u>816,206.94</u>
Total Assets		<u><u>\$ 10,577,320.02</u></u>	<u><u>\$ 11,071,731.91</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
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
Liabilities:			
Appropriation Reserves	A-3	\$ 994,768.55	\$ 1,477,096.38
Encumbrances Payable	A-3	587,533.28	670,229.82
Accounts Payable	A-14	83,677.61	192,762.45
Prepaid Taxes	A-15	166,037.72	149,485.62
County Taxes	A-16	26,962.16	19,109.63
Regional High School Taxes	A-17	483,182.00	-
Local School Taxes	A-18	522,998.00	138,722.00
Tax Overpayments	A-19	258,385.32	382,661.68
Due From State of New Jersey - Senior Citizens' and Veterans' Deductions	A-7	1,101.63	851.63
Due to State of NJ	A-20	3,814.00	2,565.00
Accrued Interest on Loan	A	-	193,367.07
Various Reserves	A-12	81,203.65	169,227.66
Community Disaster Loan Payable	A	-	2,063,102.00
		<u>3,209,663.92</u>	<u>5,459,180.94</u>
Reserve for Receivables and Other Assets	A	701,920.71	1,017,952.36
Fund Balance	A-1	<u>5,203,064.81</u>	<u>3,778,391.67</u>
		<u>9,114,649.44</u>	<u>10,255,524.97</u>
Federal and State Grants:			
Encumbrances Payable	A-22	182,340.91	155.00
Reserve For Grants:			
Appropriated	A-22	1,007,431.03	796,323.71
Unappropriated	A-23	<u>272,898.64</u>	<u>19,728.23</u>
Total Federal and State Grants		<u>1,462,670.58</u>	<u>816,206.94</u>
Total Liabilities, Reserves and Fund Balances		<u><u>\$ 10,577,320.02</u></u>	<u><u>\$ 11,071,731.91</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
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Revenue and Other Income Realized:		
Fund Balance Anticipated	\$ 1,832,608.34	\$ 1,500,000.00
Miscellaneous Revenue Anticipated	1,430,012.68	985,267.19
Receipt from Delinquent Taxes	660,445.88	708,588.60
Receipt from Current Taxes	18,815,383.74	17,672,645.23
Non-Budget Revenue	161,967.43	90,756.93
Other Credits To Income:		
Unexpended Balance of Appropriation Reserves	1,256,398.72	886,570.49
Prior Year Interfunds Returned	620.89	13,137.28
Cancel Outstanding Checks	31,491.05	-
CDL Loan Interst Cancelled	193,367.07	-
Overpayments Cancelled	165,040.08	-
Accounts Payable Cancelled	128,135.31	27,227.50
	<hr/>	<hr/>
Total Revenue	24,675,471.19	21,884,193.22
	<hr/>	<hr/>
Expenditures:		
Budget Appropriations Within "CAPS":		
Operations:		
Salaries and Wages	3,361,700.00	3,115,100.00
Other Expenses	4,087,220.00	4,386,155.00
Deferred Charges and Statutory Expenditures	696,390.55	620,684.00
Appropriations Excluded From "CAPS":		
Operations:		
Other Expenses	1,274,115.23	780,677.01
Capital Improvements	500,000.00	525,000.00
Municipal Debt Service	1,129,750.80	1,201,559.30
County Taxes	2,104,238.68	2,023,492.46
Due County Added Taxes	26,962.16	19,109.63
Regional High School Taxes	3,997,805.00	3,655,965.90
Local District School Tax	4,199,577.00	4,117,232.00

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Municipal Open Space Tax	38,245.29	36,873.04
Prior Year Senior Citizen & Vet Disallowed	1,500.00	2,401.37
Payroll Agency Canceled	-	12,943.06
Refuned Prior Year Fees Collected	<u>685.00</u>	<u>-</u>
Total Expenditures	<u>21,418,189.71</u>	<u>20,497,192.77</u>
Excess/(Deficit) in Revenue	3,257,281.48	1,387,000.45
Fund Balance, January 1	<u>3,778,391.67</u>	<u>3,891,391.22</u>
	7,035,673.15	5,278,391.67
Decreased By:		
Utilized as Anticipated Revenue	<u>1,832,608.34</u>	<u>1,500,000.00</u>
Fund Balance, December 31	<u><u>\$ 5,203,064.81</u></u>	<u><u>\$ 3,778,391.67</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, 2021**

	Anticipated Budget	Added by N.J.S.A. 40A:4-87	Amount Realized	Excess/ (Deficit)
Surplus Anticipated	\$ 1,832,608.34	\$ -	\$ 1,832,608.34	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	14,000.00	-	20,987.80	6,987.80
Other	14,000.00	-	15,035.00	1,035.00
Fees and Permits	85,000.00	-	122,215.72	37,215.72
Fines and Costs - Municipal Court	60,000.00	-	43,030.36	(16,969.64)
Interest and Costs on Taxes	130,000.00	-	124,378.07	(5,621.93)
Interest on Investments	45,000.00	-	8,444.30	(36,555.70)
Cable Television Franchise Fee	24,000.00	-	19,638.20	(4,361.80)
Energy Receipts Tax	354,559.00	-	354,559.00	-
Uniform Construction Code Fees	73,000.00	-	115,203.00	42,203.00
Lease of Borough Property	97,000.00	-	139,600.00	42,600.00
Housing Authority - PILOT	35,000.00	-	39,806.00	4,806.00
Police Off-Duty Administrative Fees	12,000.00	-	12,000.00	-
Clean Community	12,343.44	-	12,343.44	-
Body Armor Grant	2,716.97	-	2,716.97	-
CDBG Marine Place Improvements	179,605.00	-	179,605.00	-
NJDOT - Municipal Aid Program	-	165,000.00	165,000.00	-
Municipal Alliance	12,060.00	-	12,060.00	-
NJ Attorney General - Body Worn Camera Grant	-	38,722.00	38,722.00	-
Alcohol Education and Rehabilitation Fund	4,667.82	-	4,667.82	-
Total Miscellaneous Revenues	1,154,952.23	203,722.00	1,430,012.68	71,338.45
Receipts From Delinquent Taxes	688,000.00	-	660,445.88	(27,554.12)
Amount To Be Raised By Taxes For Support of Municipal Budget	8,632,759.61	-	9,548,555.61	915,796.00
Budget Totals	12,308,320.18	203,722.00	13,471,622.51	959,580.33
Non-Budget Revenue	-	-	161,967.43	161,967.43
Total General Revenues	\$ 12,308,320.18	\$ 203,722.00	\$ 13,633,589.94	\$ 1,121,547.76

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, 2021**

Analysis of Realized Revenue

Allocation of Current Tax Collections:	
Revenue From Collections	\$ 18,815,383.74
Less: Allocated to School and County Taxes	<u>10,366,828.13</u>
Balance for Support of Municipal Budget Appropriations	8,448,555.61
Add: "Appropriation Reserve for Uncollected Taxes"	<u>1,100,000.00</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 9,548,555.61</u></u>
Receipts From Delinquent Taxes:	
Delinquent Tax Collections	\$ 609,133.53
Tax Title Lien Collections	<u>51,312.35</u>
	<u><u>\$ 660,445.88</u></u>
Miscellaneous Revenue Not Anticipated:	
Fire Safety LEA	\$ 6,346.28
6% Tax Penalties	11,658.65
Senior Citizen/State Administrative Fee	540.00
Miscellaneous	25,216.63
Soil Testing Reimbursement	11,460.39
Legal Settlement	6,000.00
Copies	42.00
Highway Safety	7,470.00
Foreclosure Premium	22,700.00
Monmouth County Polling Reimbursement	400.00
Monmouth County JIF	46,527.34
Interlocal Agreements-BOE/Atlantic Highlands	<u>23,606.14</u>
	<u><u>\$ 161,967.43</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, 2021**

	<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	\$ 140,000.00	\$ 140,000.00	\$ 139,264.20	\$ -	\$ 735.80	\$ -
Other Expenses	4,300.00	4,300.00	3,166.02	-	1,133.98	-
Central Services:						
Salaries and Wages	20,000.00	20,000.00	1,992.00	-	18,008.00	-
Other Expenses	34,000.00	34,000.00	17,286.94	193.22	16,519.84	-
Mayor's Department						
Other Expenses	20,600.00	20,600.00	9,311.83	384.80	10,903.37	-
Borough Clerk:						
Salaries and Wages	98,000.00	98,000.00	67,722.05	-	30,277.95	-
Other Expenses	39,500.00	39,500.00	37,533.64	1,469.21	497.15	-
Financial Administration:						
Salaries and Wages	154,000.00	154,000.00	154,000.00	-	-	-
Other Expenses	18,000.00	18,000.00	15,453.95	-	2,546.05	-
Audit Services	47,000.00	47,000.00	-	-	47,000.00	-
Collection of Taxes:						
Salaries and Wages	122,000.00	122,000.00	85,468.39	-	36,531.61	-
Other Expenses	11,000.00	11,000.00	6,275.81	-	4,724.19	-
Assessment of Taxes:						
Salaries and Wages	38,000.00	38,000.00	33,339.42	-	4,660.58	-
Other Expenses	44,500.00	44,500.00	29,119.12	7,500.00	7,880.88	-
Legal Services:						
Other Expenses	305,000.00	320,000.00	313,964.33	6,035.00	0.67	-
Grant Writer:						
Other Expenses	5,000.00	5,000.00	4,957.50	-	42.50	-
Engineering Services:						
Other Expenses	255,000.00	255,000.00	227,729.37	25,395.08	1,875.55	-

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, 2021**

	<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>	
Code Enforcement:						
Salaries and Wages	75,000.00	100,000.00	98,834.09	-	1,165.91	-
Other Expenses	11,000.00	11,000.00	1,906.33	1,000.00	8,093.67	-
Other Expenses - Substandard Housing	25,000.00	5,000.00	-	-	5,000.00	-
LAND USE ADMINISTRATION						
Planning Board:						
Salaries and Wages	10,000.00	13,000.00	12,683.41	-	316.59	-
Other Expenses	58,550.00	58,550.00	53,035.48	5,004.86	509.66	-
Master Plan	10,000.00	10,000.00	-	-	10,000.00	-
Zoning Board of Adjustments:						
Other Expenses	23,500.00	23,500.00	19,217.50	-	4,282.50	-
INSURANCE						
General Liability	195,000.00	170,000.00	128,368.29	5,000.00	36,631.71	-
General Liability - Flood Insurance	37,000.00	37,000.00	24,146.00	-	12,854.00	-
Workmen's Compensation	230,000.00	215,000.00	203,000.00	-	12,000.00	-
Employee Group Health	1,100,000.00	1,015,000.00	932,888.36	-	82,111.64	-
Group Salary Insurance	35,000.00	47,000.00	47,000.00	-	-	-
PUBLIC SAFETY						
Fire:						
Other Expenses	90,810.00	95,810.00	76,595.03	14,361.17	4,853.80	-
Police Department:						
Salaries and Wages	1,880,000.00	1,880,000.00	1,815,175.52	-	64,824.48	-
Other Expenses	161,500.00	161,500.00	17,111.40	115,033.15	29,355.45	-
School Crossing Guards						
Salaries and Wages	30,000.00	30,000.00	24,990.25	-	5,009.75	-
Other Expenses	4,000.00	4,000.00	-	96.00	3,904.00	-

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, 2021**

	<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>	
Municipal Court:						
Salaries and Wages	17,000.00	18,000.00	17,410.08	-	589.92	-
Other Expenses	7,400.00	7,400.00	547.00	-	6,853.00	-
First Aid Organization Contribution	35,500.00	35,500.00	28,013.20	7,427.92	58.88	-
Emergency Management Services:						
Salaries and Wages	4,200.00	4,200.00	3,915.12	-	284.88	-
Other Expenses	25,000.00	25,000.00	7,419.66	17,455.44	124.90	-
Public Defender:						
Other Expenses	2,000.00	2,000.00	1,999.92	-	0.08	-
Fire Hydrant Fees	72,000.00	72,000.00	72,000.00	-	-	-
Uniform Fire Safety Act:						
Salaries and Wages	43,000.00	43,000.00	40,368.73	-	2,631.27	-
Other Expenses	7,360.00	7,360.00	746.00	1,933.00	4,681.00	-
Municipal Prosecutor's Office:						
Salaries and Wages	20,000.00	20,000.00	13,970.00	1,270.00	4,760.00	-
PUBLIC WORKS FUNCTIONS						
Road Repair and Maintenance:						
Salaries and Wages	300,000.00	385,000.00	379,571.49	-	5,428.51	-
Other Expenses	89,050.00	89,050.00	73,033.90	9,276.96	6,739.14	-
Snow Removal:						
Salaries and Wages	20,000.00	20,000.00	14,343.01	-	5,656.99	-
Other Expenses	42,350.00	42,350.00	8,764.31	-	33,585.69	-
Sanitation:						
Salaries and Wages	15,000.00	17,000.00	17,000.00	-	-	-
Other Expenses	44,000.00	45,000.00	41,435.70	3,550.00	14.30	-
Other Expenses - Contractual Services	375,000.00	375,000.00	375,000.00	-	-	-
Mechanical Garage:						
Other Expenses	16,000.00	19,000.00	16,191.17	-	2,808.83	-

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, 2021**

	<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>	
Public Buildings:						
Salaries and Wages	67,000.00	45,000.00	42,529.83	-	2,470.17	-
Other Expenses	99,000.00	99,000.00	75,718.09	8,986.73	14,295.18	-
Shade Tree Commission:						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Condo Services Act:						
Other Expenses	36,500.00	36,500.00	16,034.62	-	20,465.38	-
HEALTH AND HUMAN SERVICES						
Environmental Commission:						
Other Expenses	500.00	500.00	-	-	500.00	-
Animal Control:						
Other Expenses	22,000.00	22,000.00	15,019.47	-	6,980.53	-
Sanitation:						
Community-School Substance Safety and Health	3,000.00	3,000.00	3,000.00	-	-	-
NJ Public Employees Occupational Safety and Health						
Other Expenses	4,000.00	4,000.00	-	-	4,000.00	-
PARK AND RECREATION FUNCTIONS						
Beachfront Maintenance:						
Salaries and Wages	5,000.00	5,000.00	-	-	5,000.00	-
Other Expenses	9,600.00	9,600.00	9,317.00	-	283.00	-
Parks and Playgrounds:						
Other Expenses	10,000.00	10,000.00	6,401.80	-	3,598.20	-
Celebration of Public Events:						
Other Expenses	6,000.00	6,000.00	5,343.26	-	656.74	-
Community Center:						
Salaries and Wages	120,000.00	135,000.00	134,321.31	-	678.69	-
Other Expenses	31,700.00	31,700.00	24,030.56	7,374.37	295.07	-
Accumulated Sick Leave	25,000.00	25,000.00	-	-	25,000.00	-

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, 2021**

	<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>	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Salaries and Wages	2,500.00	2,500.00	-	-	2,500.00	-
Other Expenses	18,500.00	18,500.00	15,250.00	-	3,250.00	-
UTILITY EXPENSE AND BULK PURCHASES						
Electricity	66,000.00	66,000.00	37,610.35	-	28,389.65	-
Street Lighting	57,000.00	57,000.00	42,702.49	-	14,297.51	-
Telephone	40,000.00	40,000.00	33,028.92	807.94	6,163.14	-
Water	17,500.00	17,500.00	8,492.41	-	9,007.59	-
Natural Gas	15,000.00	15,000.00	9,102.85	-	5,897.15	-
Telecommunication Costs	40,000.00	40,000.00	39,990.16	-	9.84	-
Gasoline and Diesel Fuel	65,000.00	65,000.00	62,970.05	-	2,029.95	-
LANDFILL / SOLID WASTE DISPOSAL COSTS						
Monmouth County Reclamation Center						
Other Expenses	210,000.00	210,000.00	208,130.81	-	1,869.19	-
Contingent	10,000.00	10,000.00	9,673.51	-	326.49	-
Total Operations Within "CAPS"	7,448,920.00	7,448,920.00	6,511,933.01	239,554.85	697,432.14	-
Detail:						
Salaries and Wages	3,240,700.00	3,361,700.00	3,143,898.90	1,270.00	211,521.43	-
Other Expenses	4,208,220.00	4,087,220.00	3,368,034.11	238,284.85	485,910.71	-
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"						
Over Expenditure - 2019 Current Appropriations	19,105.55	19,105.55	19,105.55	-	-	-

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, 2021**

	<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>	
Statutory Expenditures:						
Contribution To:						
Public Employees' Retirement System	113,213.00	113,213.00	113,213.00	-	-	-
Social Security System (O.A.S.I.)	150,000.00	150,000.00	150,000.00	-	-	-
Defined Contribution Retirement Program	4,000.00	4,000.00	-	-	4,000.00	-
Police and Firemen's Retirement System	410,072.00	410,072.00	410,072.00	-	-	-
Total Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"	696,390.55	696,390.55	692,390.55	-	4,000.00	-
Total General Appropriations for Municipal Purposes Within "CAPS"	8,145,310.55	8,145,310.55	7,204,323.56	239,554.85	701,432.14	-
OPERATIONS - EXCLUDED FROM "CAPS"						
Length of Service Award Program	75,000.00	75,000.00	-	-	75,000.00	-
Stormwater Management	57,500.00	57,500.00	5,926.49	51,000.00	573.51	-
Recycling Tax	2,000.00	2,000.00	187.23	-	1,812.77	-
Total Other Operations Excluded From "CAPS"	134,500.00	134,500.00	6,113.72	51,000.00	77,386.28	-
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Atlantic Highlands						
Maintenance of Motor Vehicles	80,000.00	80,000.00	25,476.90	1,816.93	52,706.17	-
Municipal Court	85,000.00	85,000.00	-	-	85,000.00	-
Middletown Construction Office	210,000.00	210,000.00	192,500.00	-	17,500.00	-
SeaBright Life Guards	50,000.00	50,000.00	49,972.00	-	28.00	-
Monmouth County-Dispatch	100,000.00	100,000.00	94,678.00	-	5,322.00	-
EMS/JFK Medical Services	120,000.00	120,000.00	100,000.00	-	20,000.00	-
Middletown Municipal Clerk Services	56,000.00	56,000.00	40,444.54	-	15,555.46	-
Total Interlocal Municipal Service Agreements	701,000.00	701,000.00	503,071.44	1,816.93	196,111.63	-

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, 2021**

	<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>	
PUBLIC AND PRIVATE PROGRAMS OFFSET						
BY REVENUES						
Body Armor Grant	2,716.97	2,716.97	2,716.97	-	-	-
Clean Communities	12,343.44	12,343.44	12,343.44	-	-	-
Matching Funds for Grants	15,000.00	15,000.00	-	-	15,000.00	-
CDBG Marine Place Improvements	179,605.00	179,605.00	179,605.00	-	-	-
NJ Attorney General - Body Worn Camera Grant	-	38,722.00	38,722.00	-	-	-
NJDOT - Municipal Aid Program	-	165,000.00	165,000.00	-	-	-
Alcohol Education	4,667.82	4,667.82	4,667.82	-	-	-
Municipal Alliance - Municipal Share	12,060.00	12,060.00	12,060.00	-	-	-
Municipal Alliance - County Share	8,500.00	8,500.00	8,500.00	-	-	-
Total Public and Private Programs Offset By Revenue	234,893.23	438,615.23	423,615.23	-	15,000.00	-
Total Operations - Excluded From "CAPS"	1,070,393.23	1,274,115.23	932,800.39	52,816.93	288,497.91	-
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund	200,000.00	200,000.00	200,000.00	-	-	-
Acquisition of Various Equipment	100,000.00	100,000.00	-	100,000.00	-	-
Park Improvements	200,000.00	200,000.00	-	195,161.50	4,838.50	-
Total Capital Improvements - Excluded From "CAPS"	500,000.00	500,000.00	200,000.00	295,161.50	4,838.50	-
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal	410,000.00	410,000.00	410,000.00	-	-	-
Payment of Bond Anticipation Notes	410,000.00	410,000.00	410,000.00	-	-	-
Interest on Bonds	144,768.00	144,768.00	116,400.00	-	-	28,368.00
Interest on Notes	122,000.06	122,000.06	120,125.39	-	-	1,874.67
Loan Principal	35,000.00	35,000.00	35,000.00	-	-	-

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, 2021**

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Original Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	
Capital Lease Obligations:					
Principal	34,000.00	34,000.00	34,000.00	-	-
Interest	4,240.00	4,240.00	4,225.41	-	14.59
CDL Loan Repayment					
Principal	266,086.67	266,086.67	-	-	266,086.67
Interest	66,521.67	66,521.67	-	-	66,521.67
Total Municipal Debt Service - Excluded From "CAPS"	1,492,616.40	1,492,616.40	1,129,750.80	-	362,865.60
Total General Appropriations for Municipal Purposes - Excluded From "CAPS"	3,063,009.63	3,266,731.63	2,262,551.19	347,978.43	362,865.60
Subtotal General Appropriations	11,208,320.18	11,412,042.18	9,466,874.75	587,533.28	362,865.60
Reserve for Uncollected Taxes	1,100,000.00	1,100,000.00	1,100,000.00	-	-
Total General Appropriations	\$ 12,308,320.18	\$ 12,512,042.18	\$ 10,566,874.75	\$ 587,533.28	\$ 362,865.60
Analysis of Paid or Charged:					
Reserve For:					
Uncollected Taxes			\$ 1,100,000.00		
Federal and State Grants			423,615.23		
Bond Anticipation Notes			410,000.00		
Cash Disbursements			8,633,259.52		
			\$ 10,566,874.75		

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash	B-1	\$ 10,104.46	\$ 8,119.69
Change Fund	B	40.00	40.00
		<u>10,144.46</u>	<u>8,159.69</u>
Other Trust Funds:			
Cash - Trust Other	B-1	<u>1,719,932.99</u>	<u>1,710,351.95</u>
Open Space Trust Fund:			
Cash	B-1	<u>167,006.06</u>	<u>128,697.08</u>
Length of Service Award Program Fund ("LOSAP"):			
Investments	B-6	<u>451,862.22</u>	<u>399,776.31</u>
Total Assets		<u><u>\$2,348,945.73</u></u>	<u><u>\$2,246,985.03</u></u>
<u>Liabilities and Reserves</u>			
Animal Control Fund:			
Due to State	B-2	\$ 136.20	\$ 138.00
Reserve For Animal Control Fund Expenditures	B-3	6,955.60	7,400.80
Due Current Fund - Statutory Excess	B-3	<u>3,052.66</u>	<u>620.89</u>
		<u>10,144.46</u>	<u>8,159.69</u>
Other Trust Funds:			
Reserve For:			
Reserve For Encumbrances	B	62,042.05	-
Various Reserves	B-4	<u>1,657,890.94</u>	<u>1,710,351.95</u>
		<u>1,719,932.99</u>	<u>1,710,351.95</u>
Open Space Trust Fund:			
Reserve For Encumbrances	B	-	1,227.65
Reserve For Open Space	B-5	<u>167,006.06</u>	<u>127,469.43</u>
		<u>167,006.06</u>	<u>128,697.08</u>
Length of Service Award Program Fund ("LOSAP"):			
Reserve for Length of Service Award Program	B-7	<u>451,862.22</u>	<u>399,776.31</u>
Total Liabilities and Reserves		<u><u>\$ 2,348,945.73</u></u>	<u><u>\$ 2,246,985.03</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

<u>Assets</u>	<u>Reference</u>	<u>2021</u>	<u>2020</u>
Cash	C-2	\$ 1,589,516.84	\$ 1,745,617.24
Monmouth County Open Space Grant Receivable	C-6	150,000.00	150,000.00
NJ DOT Receivable	C-8	38,500.00	154,000.00
FEMA Account Receivable	C-7	5,849,994.66	938,018.67
Due from Utility Capital Fund	D	315,000.00	75,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	2,535,000.00	2,980,000.00
Unfunded	C-5	14,527,797.49	10,303,298.49
Total Assets		<u>\$ 25,005,808.99</u>	<u>\$ 16,345,934.40</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds	C-9	\$ 2,185,000.00	\$ 2,595,000.00
Downtown Business Improvement Zone Loan Payable	C-10	350,000.00	385,000.00
Bond Anticipation Notes	C-11	6,101,252.00	6,100,003.00
Encumbrances Payable	C-12	1,572,241.35	418,000.80
Improvement Authorizations:			
Funded	C-12	5,923,206.16	664,772.19
Unfunded	C-12	8,102,484.50	4,823,035.43
Capital Improvement Fund	C-13	548,478.26	798,478.26
Various Reserves	C-14	88,136.44	88,137.44
Reserve for Receivables	C-8	38,500.00	154,000.00
Fund Balance	C-1	96,510.28	319,507.28
Total Liabilities, Reserves and Fund Balance		<u>\$ 25,005,808.99</u>	<u>\$ 16,345,934.40</u>

There were bonds and notes authorized but not issued on December 31, 2021 in the amount of \$8,426,545.49 and on December 31, 2020 in the amount of \$4,203,295.49.

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

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, 2021

Balance, December 31, 2020	\$ 319,507.28
Increased By:	
Premium on Sale of Bond Anticipation Notes	<u>77,003.00</u>
	396,510.28
Decreased By:	
Appropriated to Finance Improvement Authorizations	<u>300,000.00</u>
Balance, December 31, 2021	<u><u>\$ 96,510.28</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>			
Operating Fund:			
Cash - Checking	D-5	\$ 3,174,428.67	\$ 2,508,223.97
Advanced to Trustee	D	-	158,418.00
Change Fund	D	<u>100.00</u>	<u>100.00</u>
		<u>3,174,528.67</u>	<u>2,666,741.97</u>
Receivables with Full Reserves:			
Water-Sewer Rents Receivable	D-7	<u>209,221.51</u>	<u>265,198.17</u>
		<u>209,221.51</u>	<u>265,198.17</u>
Deferred Charges:			
Community Disaster Loan	D	<u>-</u>	<u>300,000.00</u>
		<u>-</u>	<u>300,000.00</u>
Total Operating Fund		<u>3,383,750.18</u>	<u>3,231,940.14</u>
Capital Fund:			
Cash - Checking	D-5	55,835.95	7,208.19
Fixed Capital	D-8	7,626,859.48	7,126,859.48
Fixed Capital Authorized and Uncompleted	D-18	<u>5,050,000.00</u>	<u>5,550,000.00</u>
Total Capital Fund		<u>12,732,695.43</u>	<u>12,684,067.67</u>
Total Assets		<u><u>\$ 16,116,445.61</u></u>	<u><u>\$ 15,916,007.81</u></u>

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2021 AND 2020**

	<u>Reference</u>	<u>2021</u>	<u>2020</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4	\$ 495,121.40	\$ 280,694.25
Encumbrances Payable	D-4	20,938.15	112,198.19
Debt Service - AHHRSA Reserve	D-9	-	257,839.76
Sewer Rent Overpayments	D-11	19,373.21	16,750.34
Accrued Interest on Bonds	D-12	51,654.96	106,591.77
Community Disaster Loan Payable	D	-	300,000.00
		<u>587,087.72</u>	<u>1,074,074.31</u>
Reserve for Receivables	D	209,221.51	265,198.17
Fund Balance	D-1	<u>2,587,440.95</u>	<u>1,892,667.66</u>
		<u>2,796,662.46</u>	<u>2,157,865.83</u>
Total Operating Fund		<u>3,383,750.18</u>	<u>3,231,940.14</u>
Capital Fund:			
Serial Bonds	D-13	2,053,000.00	3,338,800.00
Loans Payable	D-14	1,032,213.61	1,114,481.40
Improvement Authorizations:			
Unfunded	D-19	4,372,502.81	4,689,964.50
Encumbrances Payable	D-19	314,481.84	253,284.25
Due General Capital Fund	C	315,000.00	75,000.00
Capital Improvement Fund	D-15	331,750.00	281,750.00
Reserve for AHHRSA Settlement Proceeds	D-21	247,725.00	247,725.00
Reserve for Amortization	D-16	4,041,645.87	2,673,578.08
Reserve for Down Payment on Improvements	D-17	100.00	100.00
Fund Balance	D-2	<u>24,276.30</u>	<u>9,384.44</u>
Total Capital Fund		<u>12,732,695.43</u>	<u>12,684,067.67</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 16,116,445.61</u>	<u>\$ 15,916,007.81</u>

There were bonds and notes authorized but not issued on December 31, 2021 and on December 31, 2020 in the amount of \$5,550,000.00.

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

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY OPERATING FUND
STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING
FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Revenue and Other Income Realized:		
Surplus Anticipated	\$ 200,000.00	\$ 200,000.00
Sewer Rents	1,847,688.13	1,744,737.54
Miscellaneous Revenue	21,314.64	34,402.85
Miscellaneous Revenue Not Anticipated	8,360.00	8,500.00
Other Credits To Income:		
Appropriation Reserves Lapsed	269,220.41	220,717.14
Cancel Accrued Interest	24,709.72	5,905.83
Cancel Accounts Payable	-	116,593.48
Reserve for FEMA	257,839.76	-
CDL Loan Forgiveness	30,227.09	-
	<hr/>	<hr/>
Total Revenue	2,659,359.75	2,330,856.84
	<hr/>	<hr/>
Expenditures:		
Operating:		
Salaries and Wages	110,000.00	107,000.00
Other Expenses	1,132,000.00	1,103,000.00
Debt Service	298,855.96	437,276.89
Capital Improvements	50,000.00	50,000.00
Deferred Charges and		
Statutory Expenditures	15,312.50	14,312.50
Cancel of Advanced to Trustee	158,418.00	-
	<hr/>	<hr/>
	1,764,586.46	1,711,589.39
	<hr/>	<hr/>
Excess/(Deficit) in Revenue	894,773.29	619,267.45
Fund Balance, January 1	1,892,667.66	1,473,400.21
	<hr/>	<hr/>
	2,787,440.95	2,092,667.66
Decreased By:		
Utilized as Anticipated Revenue	200,000.00	200,000.00
	<hr/>	<hr/>
Fund Balance, December 31	<u>\$ 2,587,440.95</u>	<u>\$ 1,892,667.66</u>

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

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Balance, December 31, 2020	\$ 9,384.44
Increased by;	
Premium on Refunding Bonds	<u>14,891.86</u>
Balance, December 31, 2021	<u><u>\$ 24,276.30</u></u>

The accompanying Notes to Financials 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, 2021**

	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Fund Balance Anticipated	\$ 200,000.00	\$ 200,000.00	\$ -
Rents - Water-Sewer	1,545,000.00	1,847,688.13	302,688.13
Interest on Delinquent Accounts	15,000.00	20,165.18	5,165.18
Interest on Investments	6,908.22	1,149.46	(5,758.76)
Miscellaneous	-	8,360.00	8,360.00
	<u>\$ 1,766,908.22</u>	<u>\$ 2,077,362.77</u>	<u>\$ 310,454.55</u>

Analysis of Miscellaneous Revenue Not Anticipated

Street Opening Permits	<u>\$ 8,360.00</u>
	<u><u>\$ 8,360.00</u></u>

The accompanying Notes to Financials 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, 2021**

	Appropriations		Expended			
	Original Budget	Budget After Modifications	Paid or Charged	Encumbrances	Reserved	Cancelled
Operating:						
Sewer:						
Salaries and Wages	\$ 110,000.00	\$ 110,000.00	\$ 82,611.07	\$ -	\$ 27,388.93	\$ -
Other Expenses	1,060,000.00	1,060,000.00	578,680.95	20,938.15	460,380.90	-
Group Insurance	30,000.00	30,000.00	30,000.00	-	-	-
Workers Compensation Insurance	22,000.00	22,000.00	22,000.00	-	-	-
Other Insurances	20,000.00	20,000.00	20,000.00	-	-	-
Total Operating	1,242,000.00	1,242,000.00	733,292.02	20,938.15	487,769.83	-
Capital Improvements:						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-	-
Total Capital Improvements	50,000.00	50,000.00	50,000.00	-	-	-
Debt Service:						
Payment of Bond Principal	207,400.00	207,400.00	119,474.46	-	-	87,925.54
Interest on Bonds	158,488.33	158,488.33	85,757.45	-	-	72,730.88
NJEIT - Principal	82,267.79	82,267.79	82,267.79	-	-	-
NJEIT - Interest	11,439.60	11,439.60	11,356.26	-	-	83.34
Total Debt Service	459,595.72	459,595.72	298,855.96	-	-	160,739.76
Statutory Expenditures:						
Contributions To:						
Public Employees Retirement System	6,312.50	6,312.50	-	-	6,312.50	-
Social Security System (O.A.S.I.)	9,000.00	9,000.00	7,960.93	-	1,039.07	-
Total Statutory Expenditures	15,312.50	15,312.50	7,960.93	-	7,351.57	-
Total Sewer Utility Appropriations	\$ 1,766,908.22	\$ 1,766,908.22	\$ 1,090,108.91	\$ 20,938.15	\$ 495,121.40	\$ 160,739.76
Cash Disbursed			<u>\$ 1,090,108.91</u>			

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

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
REGULATORY BASIS
DECEMBER 31, 2021 AND 2020

	<u>Reference</u>	Balance December 31, <u>2021</u>	Balance December 31, <u>2020</u>
Land	E-1	\$ 1,097,800.00	\$ 1,097,800.00
Building	E-1	6,252,197.90	6,252,197.90
Machinery and Equipment	E-1	<u>5,978,620.39</u>	<u>5,668,672.96</u>
Total General Fixed Assets	E-1	<u>\$ 13,328,618.29</u>	<u>\$ 13,018,670.86</u>
Investment in General Fixed Assets		<u>\$ 13,328,618.29</u>	<u>\$ 13,018,670.86</u>

The accompanying Notes to Financials 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, 2021**

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**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity

The Borough of Highlands, County of Monmouth, New Jersey (hereafter referred to as the "Borough") is governed by the Borough form of government, with a mayor and a 5-member Borough Council. Administrative responsibilities are assigned to the Borough Manager. Policy is determined by Council and the Manager is responsible for carrying out such policy.

Component Units - GASB Statement 14, as amended by GASB Statements 39, 61, 80 and 90, establishes criteria to be used in determining the component units, which should be included in the financial statements of a primary government. The financial statements of the Borough are not presented in accordance with GAAP (as discussed below). Therefore, the Borough had no component units as defined by GASB Statement No. 14, as amended by GASB Statements 39, 61, 80 and 90.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough 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, 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 State of America applicable to local government units. The more significant differences are explained further in this note.

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

Current Fund – This fund accounts for revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

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

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

Utility Operating and Capital Funds – These funds accounts for utility 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 utility to the general public be financed through user fees. Operations relating to the acquisition of capital facilities for utility purposes are recorded in the Utility Capital Fund.

General Fixed Asset Account Group – The Fixed Asset Account Group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other funds of the Borough.

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its Current and Utility Fund 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 10th of each year. At introduction, the governing body must 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 municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. 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 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. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Cash, Cash Equivalents and Investments - 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. Under GAAP, investments are reported at fair value but under regulatory basis of accounting, investments are stated at cost with the exception of LOSAP investments which are reported at fair value. Therefore unrealized gains or losses on investments have not been recorded.

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 utilities 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, 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.

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.

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Inventories and Supplies - The cost 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 acquisition value as of the date of the transaction. 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. All fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Utility Fixed Assets – Property and equipment purchases by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization in the utility capital fund represent the cost of the utility fixed assets reduced by the outstanding balances of bonds, loans, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Foreclosed property – Foreclosed Property or "Property Acquired for Taxes" 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.

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges are generally overexpenditures 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.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Fund Balance – Fund Balance included in the Current and Utility Operating Fund represent the amount available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are 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 revenues when received.

Utility Revenues – Utility charges are levied semi-annually based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Boroughs utility operating fund.

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, Highlands School District and Henry Hudson Regional High School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

County Taxes – The municipality 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 January 10th 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 10th of the current year and due to be paid to the County by February 15th of the following year.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Highlands School District and Henry Hudson Regional High School District. Operations are charged for the full amount required to be raised from taxation to operate the local and regional school district July 1 to June 30.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount.

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 – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At 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 interest payments on outstanding general capital bonds and notes are provided on the cash basis. Appropriations for interest payments on outstanding utility capital bonds and notes are provided 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 cancelled by the governing body. Appropriation reserves and reserve for encumbrances at current year end are available until December 31st of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding year. Any unspent balances at this time are lapsed appropriation reserves and recorded as income.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General and Utility Capital Fund. 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 – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences.

Recent Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB adopts accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare their financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

Accounting Pronouncements Adopted in Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2021:

Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020.

Management has determined that the implementation of these Statements did not have a significant impact on the Borough’s Financial Statements.

Accounting Pronouncements Effective in Future Reporting Periods

Statement No. 87, *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Accounting Pronouncements Effective in Future Reporting Periods

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Requirements of this pronouncement related to section 1, paragraph 4 are effective immediately. All other requirements will be effective for reporting periods beginning June 15, 2021. Management has determined the implementation of certain provisions within this Statement did not have a significant impact on the Borough's financial statements.

Note 2. Deposits and Investments

The Borough is governed by the deposit and investment limitations of New Jersey state law.

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by 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 below.

As of December 31, 2021, the Borough's bank balance of \$16,112,756.44 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$ 13,046,730.96
Uninsured and Uncollateralized	<u>3,066,025.48</u>
	<u>\$ 16,112,756.44</u>

Investments

Under the regulatory basis of accounting, investments are measured at cost in the Borough's financial statements. However, had the financial statements been prepared in accordance with generally accepted accounting principles (GAAP), investments would be reported at fair value (except for fully benefit-responsive investment contracts, which would be reported at contract value). Contract value is the relevant measure for the portion of the Length of Service Awards Program (LOSAP) Plan attributable to fully benefit-responsive investment contract because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the LOSAP plan.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 2. Deposits and Investments (continued):

Investments at Fair Value – The fair value measurements of investments are required to be reported based on the hierarchy established by GAAP. Under GAAP, investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available. As of December 31, 2021 the Borough had no investments held at Level 2 or 3.

Following is a description of the valuation methodologies used for investments measured at fair value.

Mutual Funds: Valued at quoted market prices which represent the net asset value (“NAV”) shares held by the Borough at year-end.

Money Market Funds: Valued at the quoted NAV of shares held by the Borough at year-end.

The Borough’s fair value, hierarchy level and maturities of its investments at December 31, 2021 was as follows:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value as of December 31, 2021</u>	
		<u>Level 1</u>	<u>Total</u>
Money Markets	\$ 32,686.77	\$ 32,686.77	\$ 32,686.77
Mutual Funds	86,631.08	86,631.08	86,631.08
Fixed Account Investment Contract	332,544.37	332,544.37	332,544.37
	<u>\$ 451,862.22</u>	<u>\$ 451,862.22</u>	<u>\$ 451,862.22</u>
<u>Fund</u>			
Trust Fund - LOSAP	\$ 451,862.22	\$ 451,862.22	\$ 451,862.22
	<u>\$ 451,862.22</u>	<u>\$ 451,862.22</u>	<u>\$ 451,862.22</u>

Investments at Contract Value - The Borough held a fully benefit-responsive investment contract with the AIG Retirement Services (AIG) totaling \$451,862.22 as of December 31, 2021. AIG maintains the contributions in the group fixed annuity contracts (fixed accounts). The accounts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contracts held by the Borough are guaranteed investment contracts. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rates that are guaranteed to the LOSAP Plan. The Borough’s ability to receive amounts due in accordance with the fully benefit-responsive investment contracts is dependent on the contract issuer’s ability to meet its financial obligations. The fixed accounts continue in-force until they are terminated by AIG or the LOSAP Plan and do not define a maturity date.

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 2. Deposits and Investments (continued):

No events are probable of occurring that might limit the ability of the LOSAP Plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP Plan to transact at contract value with participants. These contracts meet the fully benefit-responsive investment contract criteria and therefore are reported at contract value.

The total Trust Fund LOSAP value held by the Borough at December 31, 2021 was as follows:

Trust Fund - LOSAP (Fair Value)	\$ 119,317.85
Trust Fund - LOSAP (Contract Value)	<u>332,544.37</u>
Total Trust Fund - LOSAP	<u><u>\$ 451,862.22</u></u>

Custodial credit risk related to Investments - This is the risk that in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, the Borough will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Borough has no investment policy to limit exposure to custodial credit risk.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A; 5-15.1, the Borough's investment policies place no limit in the amount the Borough may invest in any one issuer. As of December 31, 2021 the Borough had 4 investments that exceeded 5% of the total investments and these investments represent 97.12% of the Borough's total investments.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 3. 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.

Comparison Schedule of Tax Rates

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax Rate	<u>\$ 2.481</u>	<u>\$ 2.484</u>	<u>\$ 2.825</u>
Apportionment of Tax Rate:			
Municipal	1.129	1.147	1.295
Municipal Open Space	0.005	0.005	0.005
County General	0.275	0.277	0.317
Local School	0.549	0.562	0.659
Regional School	0.523	0.493	0.549

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2021	\$ 764,417,000.00
2020	731,917,700.00
2019	612,360,023.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2021	\$ 19,219,161.11	\$ 18,815,383.74	97.89%
2020	18,365,508.17	17,672,645.23	96.22%
2019	17,507,428.99	16,758,741.78	95.72%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2021	\$ 34,684.22	\$ 384,959.22	\$ 419,643.44	2.18%
2020	79,801.49	680,754.95	760,556.44	4.14%
2019	73,023.51	728,633.40	801,656.91	4.58%

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 3. Property Taxes (continued):

Number of Tax Title Liens

<u>Year</u>	<u>Number</u>
2021	7
2020	8
2019	9

The last tax sale was held on December 1, 2021.

Note: 4: Property Acquired By Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2021	\$ 212,600.00
2020	212,600.00
2019	212,600.00

Note: 5: Sewer Utility Service Charges

The following is a three-year comparison of Sewer utility charges (rents) and collections for the current and previous two years.

<u>Year</u>	<u>Beginning Balance</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2021	\$ 265,198.17	\$ 1,791,711.47	\$ 2,056,909.64	\$ 1,847,688.13	89.82%
2020	273,735.30	1,736,200.41	2,009,935.71	1,744,737.54	86.80%
2019	226,122.90	1,720,284.07	1,946,406.97	1,672,671.67	85.93%

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 6. Fund Balances Appropriated

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

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
Current Fund:			
2021	\$ 5,203,064.81	\$ 2,500,000.00	48.05%
2020	3,778,391.67	1,832,608.34	48.50%
2019	3,891,391.22	1,500,000.00	38.55%
Utility Operating Fund:			
2021	\$ 2,587,440.95	\$ 200,000.00	7.73%
2020	1,892,667.66	200,000.00	10.57%
2019	1,473,400.21	200,000.00	13.57%

Note 7. Disaggregated Receivable and Payable Balances

There are no significant components of receivable and payable balances reported in the financial statements.

Note 8. Interfund Receivables, Payables and Transfers

The following interfund balances were recorded in the various statements of assets liabilities, reserves and fund balances at December 31, 2021:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 3,052.66	\$ -
Animal Control Trust	-	3,052.66
General Capital Fund	315,000.00	-
Utility Capital Fund	-	315,000.00
	<u>\$ 318,052.66</u>	<u>\$ 318,052.66</u>

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

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 8. Interfund Receivables, Payables and Transfers (continued):

Fund	Transfers In	Transfers Out
Current Fund	\$ 498,644.90	\$ 501,076.67
Animal Control Trust	3,052.66	620.89
General Capital Fund	498,024.01	738,024.01
Utility Capital Fund	240,000.00	-
	<u>\$1,239,721.57</u>	<u>\$1,239,721.57</u>

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

Note 9. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2021:

	Balance December 31, <u>2020</u>	<u>Additions</u>	Balance December 31, <u>2021</u>
Land	\$ 1,097,800.00	\$ -	\$ 1,097,800.00
Buildings and Improvements	6,252,197.90	-	6,252,197.90
Machinery & Equipment	5,668,672.96	309,947.43	5,978,620.39
	<u>\$ 13,018,670.86</u>	<u>\$ 309,947.43</u>	<u>\$ 13,328,618.29</u>

Note 10. Pension Obligations

A. Public Employees' Retirement System (PERS)

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the year ended June 30, 2021. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2020.

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

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2020, 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 fiscal year ended

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

December 31, 2020, the Borough's contractually required contribution to PERS plan was \$113,213.

Components of Net Pension Liability - At December 31, 2020, the Borough's proportionate share of the PERS net pension liability was \$1,687,654. The net pension liability was measured as of June 30, 2020. 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, 2019, which was rolled forward to June 30, 2020. 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, 2020. The Borough's proportion measured as of June 30, 2020, was 0.01035% which was an increase of 0.00004% from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 369,241	\$ 520,455
Deferred Inflows of Resources	896,459	1,009,340
Net Pension Liability	1,687,654	1,856,947
Borough's portion of the Plan's total Net Pension Liability	0.01035%	0.01031%

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2020, the Borough's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2020 measurement date is \$(17,748). This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$113,213 to the plan in 2020.

At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 30,729	\$ 5,968
Changes of Assumptions	54,749	706,637
Net Difference between Projected and Actual Earnings on Pension Plan Investments	57,685	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	226,078	183,854
	<u>\$ 369,241</u>	<u>\$ 896,459</u>

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

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 10. Pension Obligations (continued):

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of 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	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	-	5.00
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

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

Year Ending Dec 31,	<u>Amount</u>
2021	\$ (190,604)
2022	(177,596)
2023	(91,459)
2024	(56,732)
2025	<u>(10,827)</u>
	<u>\$ (527,218)</u>

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PERS	Pub-2010 General Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the Net Pension Liability	\$ 2,141,180	\$ 1,687,654	\$ 1,327,355

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

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

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

The following represents the membership tiers for PFRS:

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

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

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2020, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2020, the Borough's contractually required contributions to PFRS plan was \$410,072.

Net Pension Liability and Pension Expense - At December 31, 2020 the Borough's proportionate share of the PFRS net pension liability was \$4,742,937. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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, 2020. The Borough's proportion measured as of June 30, 2020, was 0.03671%, which was a decrease of 0.00005% from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 454,318	\$ 366,788
Deferred Inflows of Resources	1,668,347	2,132,301
Net Pension Liability	4,742,937	4,498,384
Borough's portion of the Plan's total net pension Liability	0.03671%	0.03676%

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2020, the Borough's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2020 measurement date was \$103,143. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$410,072 to the plan in 2020.

At December 31, 2020, 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	\$ 47,817	\$ 17,022
Changes of Assumptions	11,936	1,271,553
Net Difference between Projected and Actual Earnings on Pension Plan Investments	278,101	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>116,464</u>	<u>379,772</u>
	<u>\$ 454,318</u>	<u>\$ 1,668,347</u>

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

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 10. Pension Obligations (continued):

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

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
June 30, 2019	-	5.92
June 30, 2020	5.90	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
June 30, 2019	-	5.92
June 30, 2020	-	5.90
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	-	5.00
June 30, 2020	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73
June 30, 2019	5.92	5.92
June 30, 2020	5.90	5.90

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

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

Year Ending	
<u>Dec 31,</u>	<u>Amount</u>
2021	\$ (328,166)
2022	(477,909)
2023	(210,115)
2024	(88,520)
2025	<u>(109,319)</u>
	<u>\$ (1,214,029)</u>

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

Additionally, the State's proportionate share of the PFRS net pension liability attributable to the Borough is \$736,082 as of December 31, 2020. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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, 2020 was 0.03671%, which was a decrease of 0.00005% from its proportion measured as of June 30, 2019, which is the same proportion as the Borough's. At December 31, 2020, the Borough's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$ 4,742,937
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>736,082</u>
	<u>\$ 5,479,019</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

At December 31, 2020, the State's proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2020 measurement date was \$83,420.

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 - 15.25%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PFRS	Pub-2010 Safety Classification Headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2013 - June 30, 2018

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2019.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 10. Pension Obligations (continued):

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.0%)
Borough's Proportionate Share of the Net Pension Liability	\$ 6,307,130	\$ 4,742,937	\$ 3,443,755
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	978,838	736,082	534,455
	<u>\$ 7,285,968</u>	<u>\$ 5,479,019</u>	<u>\$ 3,978,210</u>

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

Note 11. Postemployment Benefits Other Than Pensions

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for pension obligations for the year ended June 30, 2021. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2020.

General Information about the OPEB Plan

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

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

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11. Postemployment Benefits Other Than Pensions (continued):

retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278.00 and \$12,598,993,950.00, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11. Postemployment Benefits Other Than Pensions (continued):

Net OPEB Liability

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
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Salary Increases*:

Public Employees' Retirement System (PERS)

Initial Fiscal Year Applied

Rate through 2026	2.00% to 6.00%
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Rate thereafter	3.00% to 7.00%
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Police and Firemen's Retirement System (PFRS)

Rate for all future years	3.25% to 15.25%
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Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
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PERS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
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* - Salary Increases are based on the defined benefit plan that the member is enrolled in and his or her age.

OPEB Obligation and OPEB Expense (benefit) – The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Borough as of June 30, 2020 was \$9,645,048.00. The Borough's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2020, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The State's proportionate share of the OPEB Obligation associated with the Borough was based on projection of the State's long-term contributions to the OPEB plan associated with the Borough relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2020, the State Proportionate share of the OPEB Obligation attributable to the Borough was 0.0537429989%, which was an increase of 0.0537429989% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2020, the State of New Jersey recognized an OPEB expense (benefit) in the amount of \$1,598,918.00 for the State's proportionate share of the OPEB expense (benefit) attributable to the Borough. This OPEB expense (benefit) was based on the OPEB plans June 30, 2020 measurement date.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11. Postemployment Benefits Other Than Pensions (continued):

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At 1% Increase (3.21%)
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with The Borough	\$ 11,402,484.54	\$ 9,645,048.00	\$ 8,253,877.18
State of New Jersey's Total Nonemployer OPEB Liability	21,216,688,254.00	17,946,612,946.00	15,358,051,000.00

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11. Postemployment Benefits Other Than Pensions (continued):

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

The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State of New Jersey's Proportionate Share of Total OPEB Obligations Associated with The Borough	\$ 7,981,287.17	\$ 9,645,048.00	\$ 11,823,765.61
State of New Jersey's Total Nonemployer OPEB Liability	14,850,840,718.00	17,946,612,946.00	22,000,569,100.00

Additional Information – The following is a summary of the collective balances of the local group at June 30, 2020:

Collective Balances at December 31, 2020 and December 31, 2019

	12/31/2020	12/31/2019
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Collective Deferred Outflows of Resources	\$ 3,168,345,589.00	\$ 11,158,226.00
Collective Deferred Inflows of Resources	7,333,043,620.00	8,761,825,481.00
Collective Net OPEB Liability	17,946,612,946.00	13,546,071,100.00
Borough's Portion	0.053743%	0.000000%

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

Year Ending June 30:	
2021	\$ (964,720,007.00)
2022	(965,594,678.00)
2023	(967,008,484.00)
2024	(968,300,349.00)
2025	(660,258,014.00)
Thereafter	361,183,501.00
	<u>\$ (4,164,698,031.00)</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 11. Postemployment Benefits Other Than Pensions (continued):

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lines of all plan members, which is 7.87, 8.05, 8.14, and 8.04 year for the 2020, 2019, 2018 and 2017 amounts respectively.

Plan Membership

At June 30, 2019, the Program membership consisted of the following:

	<u>June 30, 2019</u>
Active Plan Members	62,547
Retirees Currently Receiving Benefits	<u>30,614</u>
Total Plan Members	<u><u>93,161</u></u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

Service Cost	\$ 605,949,339.00
Interest on the Total OPEB Liability	497,444,533.00
Change of Benefit Terms	1,034,142.00
Differences Between Expected and Actual Experience	541,506,395.00
Changes of Assumptions	3,074,968,821.00
Contributions From the Employer	(292,404,377.00)
Contributions From Non-Employer Contributing Entity	(35,011,940.00)
Net Investment Income	(2,858,334.00)
Administrative Expense	<u>9,913,267.00</u>
Net Change in Total OPEB Liability	4,400,541,846.00
Total OPEB Liability (Beginning)	<u>13,546,071,100.00</u>
Total OPEB Liability (Ending)	<u><u>\$ 17,946,612,946.00</u></u>

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 12. Municipal Debt

The following schedule represents the Borough's summary of debt, as filed in the Borough's Annual Debt Statement required by the Local Bond Law of New Jersey for the current and two previous years:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 8,636,252.00	\$ 9,080,003.00	\$ 9,962,232.00
Utility:			
Bonds, Notes and Loans	3,085,213.61	4,453,281.40	4,732,549.19
	<hr/>	<hr/>	<hr/>
Total Debt Issued	\$ 11,721,465.61	\$ 13,533,284.40	\$ 14,694,781.19
	<hr/>	<hr/>	<hr/>
Authorized but not issued:			
General:			
Bonds, Notes and Loans	\$ 8,426,545.49	\$ 4,203,295.49	\$ 2,335,736.49
Utility:			
Bonds, Notes and Loans	5,550,000.00	5,550,000.00	5,550,000.00
	<hr/>	<hr/>	<hr/>
Total Authorized But Not Issued	13,976,545.49	9,753,295.49	7,885,736.49
	<hr/>	<hr/>	<hr/>
Total Gross Debt	<u>\$ 25,698,011.10</u>	<u>\$ 23,286,579.89</u>	<u>\$ 22,580,517.68</u>
	<hr/>	<hr/>	<hr/>
Deductions:			
Utility:			
Self Liquidating Debt	\$ 8,635,213.61	\$ 10,003,281.40	\$ 10,282,549.19
	<hr/>	<hr/>	<hr/>
Total Deductions	8,635,213.61	10,003,281.40	10,282,549.19
	<hr/>	<hr/>	<hr/>
Total Net Debt	<u>\$ 17,062,797.49</u>	<u>\$ 13,283,298.49</u>	<u>\$ 12,297,968.49</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The following schedule is a summary of the previous schedule and is prepared in accordance with the required method of setting up the Annual Debt Statement:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School Debt	\$ 3,875,000.00	\$ 3,875,000.00	\$ -
General Debt	17,062,797.49	-	17,062,797.49
Utility Debt	8,635,213.61	8,635,213.61	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 29,573,011.10</u>	<u>\$ 12,510,213.61</u>	<u>\$ 17,062,797.49</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 12. Municipal Debt (continued):

Net Debt \$17,062,797.49 divided by the average Equalized Valuation Basis per N.J.S.A 40A:2-2 as amended, \$755,725,894.00, equals 2.258%. New Jersey statute 40A:2-6, as amended, limits the debt of a Municipality to 3.5% of the last three preceding year's average equalized valuations of real estate, including improvements and the assessed valuation of Class II Railroad Property. The remaining borrowing power in dollars at December 31, 2021 is calculated as follows:

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 26,450,406.29
Net Debt	<u>17,062,797.49</u>
Remaining Borrowing Power	<u><u>\$ 9,387,608.80</u></u>

Self-Liquidating Utility Calculation per N.J.S.A. 40A:2-46

Cash Receipts From Fees, Rents or Other Charges for the Year	\$ 2,077,362.77
Deductions:	
Operating and Maintenance Costs	\$1,257,312.50
Debt Service	<u>298,855.96</u>
Total Deductions	<u>1,556,168.46</u>
Excess/(Deficit) in Revenue	<u><u>\$ 521,194.31</u></u>

*If Excess in Revenues all Utility Debt is Deducted

General Debt

A. Serial Bonds Payable

On January 2011, the Borough issued \$760,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at an interest rate of 5.00% and mature on January 2021.

On December 2012, the Borough issued \$645,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.00% to 4.00% and mature on December 2027.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 12. Municipal Debt (continued):

On December 2013, the Borough issued \$1,350,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.00% to 5.00% and mature on December 2025.

On March 2016, the Borough issued \$1,955,000.00 of General Obligation Refunding Bonds. The General Obligation Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature on December 2028.

Principal and interest due on the outstanding bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 340,000.00	\$ 98,600.00	\$ 438,600.00
2023	355,000.00	82,050.00	437,050.00
2024	375,000.00	64,750.00	439,750.00
2025	390,000.00	47,500.00	437,500.00
2026	260,000.00	29,000.00	289,000.00
2026-2028	465,000.00	25,700.00	490,700.00
	<u>\$ 2,185,000.00</u>	<u>\$ 347,600.00</u>	<u>\$ 2,532,600.00</u>

B. Bond Anticipation Notes Payable – Short Term Debt

The following is a summary of bond anticipation notes payable accounted for in the General Capital Fund at December 31, 2021:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate</u>	<u>Balance December 31, 2021</u>
Reconstruction of North Street Pump Station	7/9/21	7/8/22	0.320%	\$257,305.00
Improvement to Community Center	7/9/21	7/8/22	0.320%	213,420.00
Acquisition of Ambulances	7/9/21	7/8/22	0.320%	62,277.00
Various Improvements	7/9/21	7/8/22	0.320%	682,000.00
Borough Hall Construction	7/9/21	7/8/22	0.320%	650,000.00
Borough Hall Construction	7/9/21	7/8/22	0.320%	750,000.00
NJEIT Storm Water/Drainage	7/9/21	7/8/22	0.320%	1,500,000.00
Cornwell/John St Improvements	7/9/21	7/8/22	0.320%	425,000.00
Stormwater Drainage	7/9/21	7/8/22	0.320%	1,150,000.00
Removal of Disaster Related Debris and Demolition of Various Structures	7/9/21	7/8/22	0.320%	150,000.00
Flood Mitigation Project	7/9/21	7/8/22	0.320%	261,250.00
				<u>\$ 6,101,252.00</u>

The purpose of these short-term borrowings was to provide resources for general capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law N.J.S.A. 40A:2 et. seq.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 12. Municipal Debt (continued):

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2021, the Borough had \$8,426,545.49 in various General Capital bonds and notes authorized but not issued.

D. Loans Payable

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. This loan was to be used to support the Borough's commitment to the Stormwater Drainage improvements project estimated to cost over \$4,000,000.00. From July 2022 until 2031 the Borough will pay a principal amount of \$35,000.00 due on July 20th of each year at a 0.00% interest rate.

E. Capital Lease Payable

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

Principal and interest due on the outstanding lease is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 35,000.00	\$ 2,880.00	\$ 37,880.00
2023	37,000.00	1,480.00	38,480.00
	<hr/>		
	\$ 72,000.00	\$ 4,360.00	\$ 76,360.00
	<hr/>		

Sewer Utility Debt

A. Serial Bonds Payable

On January 2011, the Borough issued \$130,000.00 of Utility Revenue Bonds. The Bonds were issued at an interest rate of 5.00% and mature on January 2021.

On April 2014, the Borough issued \$3,712,800.00 of Utility Revenue Bonds. The Bonds were issued at an interest rate of 5.00%. These Bonds were refunded in July 2021.

On March 2016, the Borough issued \$115,000.00 of Utility Revenue Bonds. The Bonds were issued at interests rates varying from 4.00% to 5.25% and mature on December 2028.

On April 2017, the Borough issued \$440,000.00 of Utility Revenue Bonds. The Bonds were issued at interests rates varying from 3.00% to 4.00% and mature on August 2031.

On July 2021, the Borough issued \$1,545,000.00 of Utility Refunding Bonds. The Bonds were issued at interest rates varying from 3.00% to 5.00% and mature on March 2032.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 12. Municipal Debt (continued):

Principal and interest due on the outstanding bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 61,000.00	\$ 98,148.47	\$ 159,148.47
2023	171,000.00	83,390.00	254,390.00
2024	179,000.00	76,350.00	255,350.00
2025	192,000.00	68,990.00	260,990.00
2026	194,000.00	60,960.00	254,960.00
2027-2031	1,071,000.00	160,830.00	1,231,830.00
2032-2033	185,000.00	2,775.00	187,775.00
	<u>\$ 2,053,000.00</u>	<u>\$ 551,443.47</u>	<u>\$ 2,604,443.47</u>

B. Loans Payable

New Jersey Environmental Infrastructure Trust

In May 2014 the Borough finalized one loan agreement with the State of New Jersey Department of Environmental Protection, pursuant to the 2014 New Jersey Environmental Infrastructure Trust Financing Program(herein after referred to as "NJEIT").

The loan consists of two agreements, a Trust Loan Agreement of \$400,000.00 to be repaid over a 19 year period at interest rates ranging from 3.00% to 5.00%, and a no interest Fund Loan Agreement of \$1,224,600.00 to be repaid over a 19 year period. The proceeds of the loans are to provide for the completion of the sewerage force main replacement.

Principal and interest due on the outstanding NJEIT loans is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 82,267.79	\$ 9,856.26	\$ 92,124.05
2023	82,267.79	8,856.26	91,124.05
2024	82,267.79	7,856.26	90,124.05
2025	82,267.79	6,856.26	89,124.05
2026	87,267.79	6,256.26	93,524.05
2026-2030	436,338.95	20,031.30	456,370.25
2031-2033	179,535.71	2,731.26	182,266.97
	<u>\$ 1,032,213.61</u>	<u>\$ 62,443.86</u>	<u>\$ 1,094,657.47</u>

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 12. Municipal Debt (continued):

Summary of Principal Debt

A summary of the changes in long-term and short-term debt of the Borough is as follows:

	Balance December 31, <u>2020</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2021</u>	Balance Due Within <u>One Year</u>
General Capital:					
General Bonds	\$ 2,595,000.00	\$ -	\$ 410,000.00	\$ 2,185,000.00	\$ 340,000.00
Bond Anticipation Notes	6,100,003.00	6,101,252.00	6,100,003.00	6,101,252.00	6,101,252.00
Downtown Business Loan	385,000.00	-	35,000.00	350,000.00	35,000.00
Authorized but not Issued	4,203,295.49	4,750,000.00	526,750.00	8,426,545.49	-
	<u>\$ 13,283,298.49</u>	<u>\$ 10,851,252.00</u>	<u>\$ 7,071,753.00</u>	<u>\$ 17,062,797.49</u>	<u>\$ 6,476,252.00</u>
Utility Capital:					
Utility Bonds	\$ 3,338,800.00	\$ 1,545,000.00	\$ 2,830,800.00	\$ 2,053,000.00	\$ 61,000.00
NJEIT Loans	1,114,481.40	-	82,267.79	1,032,213.61	82,267.79
Authorized But Not Issued	5,550,000.00	-	-	5,550,000.00	-
	<u>\$ 10,003,281.40</u>	<u>\$ 1,545,000.00</u>	<u>\$ 2,913,067.79</u>	<u>\$ 8,635,213.61</u>	<u>\$ 143,267.79</u>

Note 13. Deferred School Taxes

School taxes have been raised and the liability deferred by statutes. The balance of unpaid local and regional school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, are as follows:

<u>Local School Taxes</u>	<u>Balance, December 31,</u>	
	<u>2021</u>	<u>2020</u>
Total Balance of Local School Tax	\$ 2,002,766.00	\$ 1,618,490.00
Deferred Taxes	<u>1,479,768.00</u>	<u>1,479,768.00</u>
Local School Tax Payable	<u>\$ 522,998.00</u>	<u>\$ 138,722.00</u>
<u>Regional School Tax</u>	<u>Balance, December 31,</u>	
	<u>2021</u>	<u>2020</u>
Total Balance of Regional School Tax	\$ 2,163,462.00	\$ 1,680,280.00
Deferred Taxes	<u>1,680,280.00</u>	<u>1,680,280.00</u>
Regional School Tax Payable	<u>\$ 483,182.00</u>	<u>\$ -</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 15. Deferred Compensation Salary Account

The Borough offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. Amounts deferred under Section 457 plans must be held in trust for the exclusive benefits of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

Note 16. Accrued Sick, Vacation and Compensation Time

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, sick pay and compensation time. The Borough permits certain employees within limits to accumulate unused vacation, sick pay and compensation time, which may be taken as time off or paid at a later date at an agreed upon rate. In accordance with New Jersey accounting principles, this unused accumulated absences amount is not reported as a liability in the accompanying financial statements. It is estimated that accrued benefits for compensated absences are valued at \$561,891.11 at December 31, 2021.

The Borough has established a Trust Fund in accordance with N.J.S.A. 40A:4-39 to set aside funds for future payments of compensated absences. As of December 31, 2021, the Borough has reserved in the Other Trust Fund \$244,001.33 to fund compensated absences in accordance with N.J.S.A. 40A:4-39.

Note 17. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Insurance Pool

The Borough is a member of the Monmouth County Municipal Joint Insurance Fund. The Fund provides the Borough with the following primary coverage and limits:

Crime	\$50,000
Commercial General Liability	\$300,000
Law Enforcement Professional Liability	\$300,000
Bodily Injury and Property Damage Liability (Auto)	\$300,000
Workers Compensation	\$300,000
Environmental Legal Liability	various

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 17. Risk Management (continued):

The following “excess” coverage and limits are provided to the Fund’s member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL):

Worker’s Compensation	\$5,000,000
Commercial General Liability	\$5,000,000
Law Enforcement Professional Liability	\$5,000,000
Employer’s Liability	\$5,000,000
Auto Liability	\$5,000,000
Crime	\$1,000,000

Contributions to the Funds are payable in two installments and are based on actuarial assumptions determined by the Funds’ actuaries. The Fund publishes its own financial report for the year ended December 31, 2021 which can be obtained on the Fund’s website.

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Reimbursement Method”. Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund, dollar-for-dollar, for unemployment benefits paid to its former employees who were laid off or furloughed and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment trust fund for the current and previous two years:

<u>Year</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2021	\$ 97.92	\$ 460.81	\$ 195,458.56
2020	697.35	-	195,821.45
2019	3,765.24	4,511.81	195,124.10

Note 18. Contingencies

Grantor Agencies

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, 2021 the Borough estimates that no material liabilities will result from such audits.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 18. Contingencies (continued):

Litigation

The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Borough, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Tax Appeals

Losses arising from tax appeals are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. There are no significant pending tax appeals as of December 31, 2021.

Note 19. Tax Abatements

The Borough is authorized by the New Jersey Housing and Mortgage Financing Act Law of 1983, N.J.S.A. 55:14K-1 et seq. (hereinafter "HMFA Law"), and a Resolution of the Council dated March 13, 2007, to enter into property tax abatement agreements for the purpose of attracting affordable housing. The exemption of the projects from real property taxation subject to this law shall not extend beyond the date on which the Agency Mortgage is paid in full, which according to the HMFA Law, may not exceed fifty (50) years.

For the year ended December 31, 2021, the Borough abated property taxes totaling \$7,232.12 under this program, including the following tax abatement agreement that exceeded 10 percent of the total, which is the percentage the Borough considers to be material for purposes of individual disclosure:

<u>Recipient</u>	<u>Purpose</u>	<u>Amount Abated</u>	<u>Pilot Billings</u>
Monmouth County Alliance, Inc. Affordable Housing		\$ 7,232.12	\$ 39,806.00
		<u>\$ 7,232.12</u>	<u>\$ 39,806.00</u>

The purpose of the Tax Credit Assistance Program Loan is to assist in the funding of Affordable Housing, an affordable housing project. Upon any termination of such tax exemption, whether by affirmative action of the Sponsor, its successors and assigns or by virtue of the provisions the HMFA Law, or any other applicable state law, the Project shall be taxed as an omitted property in accordance with the law.

Note 20. Length of Service Awards Program

The Borough's length of service awards program ("LOSAP") is reported in the Borough's trust fund Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the of the Borough come from contributions made solely by the governing body of the Borough, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 20. Length of Service Awards Program (continued):

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The Borough elected to contribute \$1,150.00 for the year ended December 31, 2021 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2021, the Borough contributed a total of \$32,200.00 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The Borough has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts - Each participant's account is credited with the Borough's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Borough has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the Borough's creditors until distributed as benefit payments, are not available for funding the operations of the Borough. The funds may also be used to pay the administrative fees charged by the Plan Administrator. VALIC, Inc. ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Borough's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2021 payouts of \$2,495.96 were made to vested participants.

Forfeited Accounts - During the year ended December 31, 2021, no accounts were forfeited.

Plan Information - Additional information about the Borough's length of service awards program can be obtained by contacting the Plan Administrator.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 21. 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 interest rate on the loan is the U.S. Treasury rate for 5-year maturities on the date of the Promissory Note is executed. The term is usually 5 year, 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.

On September 30, 2021 Congress enacted The Extended Government Funding and Delivery Emergency Assistance Act providing for the forgiveness of Community Disaster Loans held by local municipal governments. The Borough's remaining balance as of September 30, 2021 of \$2,363,102.00 has been cancelled and will not have to be repaid.

Note 22. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2021 and August 18, 2022, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. Based upon this evaluation, Management has determined that the following item(s) require disclosure in the financial statements:

- On April 6, 2022, a Bond Ordinance providing for the Reconstruction of the Skatepark at Snug Harbor Park, Appropriating \$650,000.00 therefor and authorizing the issuance of \$500,247.00 in Bonds and Notes to Finance a portion of the costs thereof, was adopted by the Governing Body of the Borough.
- On April 6, 2022, a Bond Ordinance providing for the Phase I and II Sanitary Sewer Improvement Projects, Appropriating \$4,500,000.00 therefor and authorizing the issuance of \$4,006,592.44 in Bonds and Notes to Finance a portion of the costs thereof, was adopted by the Governing Body of the Borough.

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, 2021**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2020	\$ 7,154,920.06	\$ 489,869.19
Increased By Receipts:		
Miscellaneous Revenue Not Anticipated	162,391.23	-
Veterans and Senior Citizens	27,000.00	-
Taxes Receivable	19,246,781.65	-
Revenue Accounts Receivable	1,014,897.45	-
Prepaid Taxes	166,037.72	-
Tax Overpayments	55,806.16	-
Due to State of NJ	5,682.00	-
Tax Title Liens	51,312.35	-
Cancel Prior Year Outstanding Checks	31,491.05	-
Interfund - Animal Control	620.89	-
Grants Receivable	-	13,125.00
Reserve for Federal and State Grants - Unappropriated	-	272,898.64
	<u>20,762,020.50</u>	<u>286,023.64</u>
	27,916,940.56	775,892.83
Decreased By Disbursements:		
2021 Budget Appropriations	8,633,259.52	-
Appropriation Reserves	816,341.26	-
Accounts Payable	45,354.00	-
County Taxes	2,123,348.31	-
Regional High School Taxes	3,514,623.00	-
Local School Taxes	3,815,301.00	-
Tax Overpayments	15,042.44	-
Municipal Open Space Taxes	38,245.29	-
Due to State of NJ	4,433.00	-
Refund Prior Year Fees Collected	685.00	-
Interfund - General Capital	498,024.01	-
Reserve for Federal and State Grants	-	21,822.00
	<u>19,504,656.83</u>	<u>21,822.00</u>
Balance, December 31, 2021	<u><u>\$ 8,412,283.73</u></u>	<u><u>\$ 754,070.83</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF CHANGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 and 2020

\$ 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, 2021

<u>Year</u>	<u>Balance December 31, 2020</u>	<u>2021 Levy</u>	<u>Added Taxes</u>	<u>Collections</u>	<u>2021</u>	<u>Senior Citizens' and Veterans' Deductions</u>	<u>Transfer to Liens</u>	<u>Cancelled</u>	<u>Balance December 31, 2021</u>
2019	\$ 45.67	\$ -	\$ -	\$ -	\$ 45.67	\$ -	\$ -	\$ -	\$ -
2020	680,709.28	-	1,500.00	-	609,087.86	-	-	73,121.42	-
2021	-	18,972,625.58	246,535.53	149,485.62	18,637,648.12	28,250.00	6,195.08	12,623.07	384,959.22
	<u>\$ 680,754.95</u>	<u>\$ 18,972,625.58</u>	<u>\$ 248,035.53</u>	<u>\$ 149,485.62</u>	<u>\$ 19,246,781.65</u>	<u>\$ 28,250.00</u>	<u>\$ 6,195.08</u>	<u>\$ 85,744.49</u>	<u>\$ 384,959.22</u>

Analysis of 2021 Property Tax Levy

Tax Yield:

General Purpose Tax:

General Property Tax	\$ 18,972,625.58
Added and Omitted Taxes	<u>246,535.53</u>
	<u>\$ 19,219,161.11</u>

Tax Levy:

Regional High School Tax	\$ 3,997,805.00
Local District School Tax	4,199,577.00
Local Municipal Open Space Tax	38,245.29
County Tax	\$ 2,104,238.68
County Added Taxes	<u>26,962.16</u>
	<u>2,131,200.84</u>

Local Taxes for Municipal Purposes

Add: Additional Tax Levied	8,632,759.61
	<u>219,573.37</u>
	<u>8,852,332.98</u>
	<u>\$ 19,219,161.11</u>

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, 2021

Balance, December 31, 2020		\$ (851.63)
Increased By:		
Senior Citizens' Deductions Per Billing	\$ 6,250.00	
Veterans' Deductions Per Tax Billing	<u>22,000.00</u>	
		<u>28,250.00</u>
		27,398.37
Decreased By:		
Cash Receipts	27,000.00	
Prior Year Senior Citizens' Tax Deductions Disallowed by Tax Collector	<u>1,500.00</u>	
		<u>28,500.00</u>
Balance, December 31, 2021		<u><u>\$ (1,101.63)</u></u>

EXHIBIT A-8

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 79,801.49
Increased By:	
Transfers From Taxes Receivable	<u>6,195.08</u>
	85,996.57
Decreased By:	
Collections	<u>51,312.35</u>
Balance, December 31, 2021	<u><u>\$ 34,684.22</u></u>

EXHIBIT A-9

**SCHEDULE OF DEMOLITION LIEN RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 & 2020	<u><u>\$ 40,786.77</u></u>
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EXHIBIT A-10

**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 & 2020	<u><u>\$ 212,600.00</u></u>
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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, 2021**

	Balance December 31, <u>2020</u>	Accrued in <u>2021</u>	<u>Collections</u>	Balance December 31, <u>2021</u>
Licenses:				
Alcoholic Beverages	\$ -	\$ 20,987.80	\$ 20,987.80	\$ -
Other	-	15,035.00	15,035.00	-
Fees and Permits	-	122,215.72	122,215.72	-
Fines and Costs - Municipal Court	3,388.26	65,479.94	43,030.36	25,837.84
Interest and Costs on Taxes	-	124,378.07	124,378.07	-
Interest on Investments	-	8,444.30	8,444.30	-
Cable Television Franchise Fee	-	19,638.20	19,638.20	-
Energy Receipts	-	354,559.00	354,559.00	-
Uniform Construction Code Fees	-	115,203.00	115,203.00	-
Lease of Borough Property	-	139,600.00	139,600.00	-
Housing Authority - PILOT	-	39,806.00	39,806.00	-
Police off-duty Administrative Fees	-	12,000.00	12,000.00	-
	<u>\$ 3,388.26</u>	<u>\$ 1,037,347.03</u>	<u>\$ 1,014,897.45</u>	<u>\$ 25,837.84</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF VARIOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Balance December 31, <u>2020</u>	Transfer to General <u>Capital</u>	Balance December 31, <u>2021</u>
Reserve For:			
Tax Appeals	\$ 48,009.84	\$ -	\$ 48,009.84
Master Plan	33,193.81	-	33,193.81
Hurricane Sandy - FEMA Receipts	88,024.01	88,024.01	-
	<hr/>		<hr/>
	\$ 169,227.66	\$ 88,024.01	\$ 81,203.65
	<hr/>		<hr/>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>December 31, 2020</u>		<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
	<u>Reserved</u>	<u>Encumbrances</u>	<u>After</u> <u>Modifications</u>	<u>or</u> <u>Charged</u>	<u>Lapsed</u>
GENERAL GOVERNMENT					
Borough Administrator:					
Salaries and Wages	\$ 8,371.24	\$ -	\$ 8,371.24	\$ -	\$ 8,371.24
Other Expenses	1,885.66	143.89	2,029.55	406.00	1,623.55
Central Services:					
Salaries and Wages	3,362.98	-	3,362.98	-	3,362.98
Other Expenses	11,333.32	7,760.75	19,094.07	18,130.75	963.32
Mayor's Department					
Other Expenses	7,638.10	16,644.77	24,282.87	13,219.00	11,063.87
Borough Clerk:					
Salaries and Wages	9,047.57	-	9,047.57	-	9,047.57
Other Expenses	153.63	7,337.42	7,491.05	6,035.72	1,455.33
Financial Administration:					
Salaries and Wages	3,340.65	-	3,340.65	-	3,340.65
Other Expenses	7,942.20	1,663.85	9,606.05	7,126.85	2,479.20
Audit Services	45,000.00	-	45,000.00	45,000.00	-
Collection of Taxes:					
Salaries and Wages	2,485.70	-	2,485.70	-	2,485.70
Other Expenses	3,076.62	842.18	3,918.80	1,812.18	2,106.62
Assessment of Taxes:					
Other Expenses	39,953.01	1,046.09	40,999.10	3,946.09	37,053.01
Legal Services:					
Other Expenses	-	11,885.72	11,885.72	11,454.50	431.22
Grant Writer:					
Other Expenses	18,882.50	-	18,882.50	-	18,882.50
Engineering Services:					
Other Expenses	65,312.38	2,986.09	68,298.47	18,210.50	50,087.97
Code Enforcement:					
Other Expenses	-	6,805.71	6,805.71	6,705.71	100.00
Other Expenses - Substandard Housing	25,000.00	-	25,000.00	-	25,000.00
Land Use Administration:					
Salaries and Wages	1,466.68	-	1,466.68	-	1,466.68
Other Expenses	1,288.14	16,768.89	18,057.03	15,113.51	2,943.52
Master Plan	10,000.00	-	10,000.00	-	10,000.00
Zoning Board of Adjustments:					
Other Expenses	88.00	8,255.00	8,343.00	6,293.75	2,049.25
Insurance					
General Liability	615.95	6,250.00	6,865.95	6,250.00	615.95
General Liability - Flood Insurance	750.00	-	750.00	-	750.00
Employee Group Health	422,479.39	2,341.13	424,820.52	2,341.13	422,479.39
Fire:					
Other Expenses	11,409.20	24,960.39	36,369.59	27,904.54	8,465.05
Police Department:					
Salaries and Wages	40,308.89	-	40,308.89	40,000.00	308.89
Other Expenses	680.79	191,571.06	192,251.85	183,245.22	9,006.63
School Crossing Guards					
Salaries and Wages	5,726.37	-	5,726.37	-	5,726.37
Other Expenses	3,865.00	-	3,865.00	-	3,865.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>December 31, 2020</u>		<u>Balance</u>	<u>Paid</u>	<u>Balance</u>
	<u>Reserved</u>	<u>Encumbrances</u>	<u>After</u>	<u>or</u>	<u>Lapsed</u>
			<u>Modifications</u>	<u>Charged</u>	
Municipal Court:					
Salaries and Wages	2,589.92	-	2,589.92	-	2,589.92
Other Expenses	6,279.00	443.00	6,722.00	443.00	6,279.00
First Aid Organization Contribution	9.79	4,067.80	4,077.59	3,626.77	450.82
Emergency Management Services:					
Salaries and Wages	144.88	-	144.88	-	144.88
Other Expenses	26.28	14,530.62	14,556.90	13,155.83	1,401.07
Public Defender:					
Other Expenses	750.02	-	750.02	416.66	333.36
Fire Hydrant Fees	1,957.63	60.26	2,017.89	60.26	1,957.63
Uniform Fire Safety Act:					
Salaries and Wages	780.01	-	780.01	-	780.01
Other Expenses	1,140.28	3,173.72	4,314.00	3,173.72	1,140.28
Municipal Prosecutor's Office:					
Other Expenses	5,030.00	-	5,030.00	-	5,030.00
Road Repair and Maintenance:					
Other Expenses	36,792.11	8,191.54	44,983.65	21,130.23	23,853.42
Snow Removal:					
Salaries and Wages	20,000.00	-	20,000.00	20,000.00	-
Other Expenses	10,489.16	26,159.34	36,648.50	36,159.34	489.16
Sanitation Contractual:					
Salaries and Wages	3,993.06	-	3,993.06	-	3,993.06
Other Expenses	21,369.73	71.34	21,441.07	71.34	21,369.73
Mechanical Garage:					
Other Expenses	4,008.91	409.05	4,417.96	615.53	3,802.43
Public Buildings:					
Salaries and Wages	15,168.00	-	15,168.00	-	15,168.00
Other Expenses	32,502.58	14,842.25	47,344.83	18,994.35	28,350.48
Shade Tree Commission:					
Other Expenses	1,000.00	-	1,000.00	-	1,000.00
Condo Services Act:					
Other Expenses	19,724.08	408.90	20,132.98	1,067.25	19,065.73
Environmental Commission:					
Other Expenses	500.00	-	500.00	-	500.00
Animal Control:					
Other Expenses	5,128.03	-	5,128.03	4,730.00	398.03
Sanitation Control					
Community-School Substance Safety and Health	3,000.00	-	3,000.00	-	3,000.00
NJ Public Employees Occupational Safety and Health					
Other Expenses	3,806.50	193.50	4,000.00	73.95	3,926.05
Beachfront Maintenance:					
Salaries and Wages	4,055.00	-	4,055.00	-	4,055.00
Other Expenses	8,472.30	-	8,472.30	-	8,472.30
Parks and Playgrounds:					
Other Expenses	2,695.70	650.90	3,346.60	559.44	2,787.16
Celebration of Public Events:					
Other Expenses	16,000.00	-	16,000.00	-	16,000.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	December 31, 2020		Balance	Paid	Balance
	<u>Reserved</u>	<u>Encumbrances</u>	<u>After Modifications</u>	<u>or Charged</u>	<u>Lapsed</u>
Community Center:					
Salaries and Wages	65,696.56	-	65,696.56	-	65,696.56
Other Expenses	2,864.11	10,233.96	13,098.07	9,866.43	3,231.64
Accumulated Sick Leave	40,000.00	-	40,000.00	40,000.00	-
State Uniform Construction Code					
Salaries and Wages	2,500.00	-	2,500.00	-	2,500.00
Other Expenses	-	-	-	-	-
Utility Expense and Bulk Purchases					
Electricity	19,286.43	3,956.28	23,242.71	3,956.28	19,286.43
Street Lighting	13,247.53	-	13,247.53	-	13,247.53
Telephone	3,361.79	2,136.73	5,498.52	2,136.73	3,361.79
Water	11,997.13	240.78	12,237.91	240.78	11,997.13
Natural Gas	2,942.77	1,606.22	4,548.99	1,606.22	2,942.77
Gasoline and Diesel Fuel	16,953.67	6,273.50	23,227.17	4,822.73	18,404.44
Monmouth County Reclamation Center					
Other Expenses	14,585.88	766.03	15,351.91	766.03	14,585.88
Contingent	41.77	-	41.77	-	41.77
Statutory Expenditures:					
Contribution To:					
Social Security System (O.A.S.I.)	13,242.46	1,156.80	14,399.26	1,156.80	13,242.46
Defined Contribution Retirement Program	4,000.00	-	4,000.00	-	4,000.00
Length of Service Award Program	55,000.00	-	55,000.00	50,000.00	5,000.00
Stormwater Management	32,122.88	14,055.84	46,178.72	5,055.84	41,122.88
Recycling Tax	1,912.33	23.20	1,935.53	23.20	1,912.33
Atlantic Highlands					
Maintenance of Motor Vehicles	52,243.13	2,966.82	55,209.95	3,078.32	52,131.63
Municipal Court	42,000.00	-	42,000.00	-	42,000.00
Middletown Construction Office	17,500.00	-	17,500.00	-	17,500.00
SeaBright Life Guards	-	15,603.50	15,603.50	-	15,603.50
Monmouth County - Dispatch	6,721.00	-	6,721.00	-	6,721.00
Matching Funds for Grants	15,000.00	-	15,000.00	-	15,000.00
Capital Improvements					
Repair/Relace Fire Truck	-	35,745.00	35,745.00	35,745.00	-
Acquisition of Snow Equipment	-	195,000.00	195,000.00	195,000.00	-
Replace Check Valves	40,000.00	-	40,000.00	-	40,000.00
Park Improvements	25,000.00	-	25,000.00	-	25,000.00
Total General Appropriations	<u>\$ 1,477,096.38</u>	<u>\$ 670,229.82</u>	<u>\$ 2,147,326.20</u>	<u>\$ 890,927.48</u>	<u>\$ 1,256,398.72</u>
Cash Disbursements				\$ 816,341.26	
Accounts Payable				<u>74,586.22</u>	
				<u>\$ 890,927.48</u>	

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020			\$ 192,762.45
Increased By:			
2020 Appropriation Reserves			<u>74,586.22</u>
			267,348.67
Decreased By:			
Cash Disbursements	\$ 45,354.00		
Adjustment to Prior Year Accounts Payable	10,181.75		
Cancelled To Operations	<u>128,135.31</u>		
			<u>183,671.06</u>
Balance, December 31, 2021			<u><u>\$ 83,677.61</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF PREPAID TAXES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 149,485.62
Increased By:	
Cash Receipts:	
Collection of 2022 Taxes	<u>166,037.72</u>
	315,523.34
Decreased By:	
Amount Applied To 2021 Taxes	<u>149,485.62</u>
Balance, December 31, 2021	<u><u>\$ 166,037.72</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020		\$ 19,109.63
Increased By:		
2021 Tax Levy:		
County Tax	\$ 1,730,834.78	
County Library Tax	129,913.93	
County Health Tax	35,436.36	
County Open Space Fund Tax	208,053.61	
Due County for Added Taxes	<u>26,962.16</u>	
		<u>2,131,200.84</u>
		2,150,310.47
Decreased By:		
Cash Disbursements		<u>2,123,348.31</u>
Balance, December 31, 2021		<u><u>\$ 26,962.16</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, 2021**

Balance, December 31, 2020:		
School Tax Payable	\$ -	
School Tax Deferred	<u>1,680,280.00</u>	
		\$ 1,680,280.00
Increased By:		
Levy (School Year July 1, 2021 to June 30, 2022)		<u>3,997,805.00</u>
		5,678,085.00
Decreased By:		
Cash Disbursements		<u>3,514,623.00</u>
Balance, December 31, 2021:		
School Tax Payable	483,182.00	
School Tax Deferred	<u>1,680,280.00</u>	
		<u>\$ 2,163,462.00</u>
<u>2021 Liability for Regional District School Tax</u>		
Tax Payable, December 31, 2021	\$ 483,182.00	
Tax Paid	<u>3,514,623.00</u>	
		3,997,805.00
Less:		
Tax Payable, December 31, 2020		<u>-</u>
Amount Charged To 2021 Operations		<u>\$ 3,997,805.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020:		
School Tax Payable	\$ 138,722.00	
School Tax Deferred	<u>1,479,768.00</u>	
		\$ 1,618,490.00
Increased By:		
Levy (School Year July 1, 2021 to June 30, 2022)		<u>4,199,577.00</u>
		5,818,067.00
Decreased By:		
Cash Disbursements		<u>3,815,301.00</u>
Balance, December 31, 2021:		
School Tax Payable	522,998.00	
School Tax Deferred	<u>1,479,768.00</u>	
		<u>\$ 2,002,766.00</u>
<u>2021 Liability for Local District School Tax</u>		
Tax Payable/(Prepaid), December 31, 2021		\$ 522,998.00
Tax Paid		<u>3,815,301.00</u>
		4,338,299.00
Less:		
Tax Payable/(Prepaid), December 31, 2020		<u>138,722.00</u>
Amount Charged To 2021 Operations		<u>\$ 4,199,577.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020		\$ 382,661.68
Increased By:		
Cash Receipts		<u>55,806.16</u>
		438,467.84
Decreased By:		
Tax Overpayments Refunded	\$ 15,042.44	
Overpayments Cancelled per Resolution	<u>165,040.08</u>	
		<u>180,082.52</u>
Balance, December 31, 2021		<u><u>\$ 258,385.32</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, 2021**

	Balance December 31, <u>2020</u>	<u>Increased</u>	<u>Decreased</u>	Balance December 31, <u>2021</u>
Due to State:				
Marriage License	\$ -	\$ 975.00	\$ 975.00	\$ -
DCA Training Fees	2,565.00	4,707.00	3,458.00	3,814.00
	<u>\$ 2,565.00</u>	<u>\$ 5,682.00</u>	<u>\$ 4,433.00</u>	<u>\$ 3,814.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Balance December 31, <u>2020</u>	Increased By Revenue Anticipated <u>2021</u>	Transferred From Grants <u>Unappropriated</u>	Cash <u>Receipts</u>	Balance December 31, <u>2021</u>
Alcohol Education	\$ -	\$ 4,667.82	\$ 4,667.82	\$ -	\$ -
American Water Rain Barrel	1,000.00	-	-	-	1,000.00
Body Armor	-	2,716.97	2,716.97	-	-
Body Worn Camera Grant	-	38,722.00	-	-	38,722.00
Bullet Proof Vest Program	1,738.00	-	-	-	1,738.00
CDBG Shore Drive	10.00	-	-	-	10.00
CDBG Marine Place Improvements	-	179,605.00	-	-	179,605.00
Clean Communities	-	12,343.44	12,343.44	-	-
Municipal Alliance	5,594.40	12,060.00	-	10,000.00	7,654.40
NJEDA - Neighborhood Community Revitalization	44,042.66	-	-	-	44,042.66
NJDOT - Municipal Aid Program	-	165,000.00	-	-	165,000.00
Safe Routes to School	258,500.00	-	-	-	258,500.00
Summer Food Program	15,452.69	-	-	3,125.00	12,327.69
	<u>\$ 326,337.75</u>	<u>\$ 415,115.23</u>	<u>\$ 19,728.23</u>	<u>\$ 13,125.00</u>	<u>\$ 708,599.75</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS - APPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance December 31, 2020	Transfer From <u>Appropriations</u>	Transfer From <u>Encumbrances</u>	Expended	Transferred To <u>Encumbrances</u>	Balance December 31, 2021
Alcohol Education Rehabilitation Fund	\$ 6,771.62	\$ 4,667.82	\$ -	\$ 1,091.33	\$ -	\$ 10,348.11
American Water Rain Barrel	3,466.00	-	-	-	-	3,466.00
Body Armor	1,773.98	2,716.97	-	810.15	-	3,680.80
Body Worn Camera Grant	-	38,722.00	-	-	15,767.00	22,955.00
CDBG Marine Place Improvements	-	179,605.00	-	-	-	179,605.00
Clean Communities	23,076.26	12,343.44	-	4,378.01	-	31,041.69
Comcast Cable Technology Grant	20,500.00	-	-	-	-	20,500.00
D.D.E.F.	11,703.11	-	-	534.42	815.00	10,353.69
Highway Safety Grant	50,933.87	-	155.00	2,250.00	-	48,838.87
Hurricane Sandy National Emergency Grant	28,682.61	-	-	-	-	28,682.61
Municipal Alliance	2,614.30	12,060.00	-	1,954.15	-	12,720.15
Municipal Alliance - Match	-	8,500.00	-	8,500.00	-	-
Municipal Stormwater	52.76	-	-	-	-	52.76
NJDOT - Municipal Aid Program	-	165,000.00	-	-	165,000.00	-
NJEDA Neighborhood Comm Revitization	92,479.78	-	-	-	-	92,479.78
NY/NJ Snowflake Foundation	98,982.42	-	-	-	-	98,982.42
Summer Food	13,441.66	-	-	10,803.94	758.91	1,878.81
Sustainable Jersey Small Grants Program	3,000.00	-	-	-	-	3,000.00
Firefighter Grant	1,700.00	-	-	-	-	1,700.00
Recycling Tonnage	12,641.52	-	-	-	-	12,641.52
Drive Sober or Get Pulled Over	114.07	-	-	-	-	114.07
Zoning Grant	18,453.75	-	-	-	-	18,453.75
Safe Routes to School	275,000.00	-	-	-	-	275,000.00
CDBG Shore Drive	130,936.00	-	-	-	-	130,936.00
	\$ 796,323.71	\$ 423,615.23	\$ 155.00	\$ 30,322.00	\$ 182,340.91	\$ 1,007,431.03

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS - UNAPPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Balance December 31, <u>2020</u>	Cash <u>Receipts</u>	Transferred to Grants <u>Receivable</u>	Balance December 31, <u>2021</u>
Alcohol Education and Rehab	\$ 4,667.82	\$ 4,089.58	\$ 4,667.82	\$ 4,089.58
Body Armor	2,716.97	1,420.74	2,716.97	1,420.74
Clean Communities	12,343.44	13,142.30	12,343.44	13,142.30
Recycling Tonnage Grant	-	7,542.24	-	7,542.24
American Rescue Plan	-	246,703.78	-	246,703.78
	<u>\$ 19,728.23</u>	<u>\$ 272,898.64</u>	<u>\$ 19,728.23</u>	<u>\$ 272,898.64</u>

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, 2021**

	Animal Control <u>Fund</u>	Other <u>Trust Funds</u>	Open Space <u>Trust Funds</u>
Balance, December 31, 2020	\$ 8,119.69	\$ 1,710,351.95	\$ 128,697.08
Increased By Receipts:			
State Registration Fees	244.80	-	-
Reserve for Animal Control	2,607.46	-	-
Various Reserves	-	906,500.02	-
Reserve for Open Space	-	-	38,308.98
	2,852.26	906,500.02	38,308.98
	10,971.95	2,616,851.97	167,006.06
Decreased By Disbursements:			
State Registration Fees	246.60	-	-
Statutory Excess Due to Current Fund	620.89	-	-
Various Reserves	-	896,918.98	-
	867.49	896,918.98	-
Balance, December 31, 2021	\$ 10,104.46	\$ 1,719,932.99	\$ 167,006.06

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
ANIMAL CONTROL TRUST FUND
SCHEDULE OF REGISTRATION FEES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 138.00
Increased By:	
State Registration Fees	<u>244.80</u>
	382.80
Decreased By:	
Cash Disbursements	<u>246.60</u>
Balance, December 31, 2021	<u><u>\$ 136.20</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, 2021**

Balance, December 31, 2020		\$ 7,400.80
Increased By:		
Dog License Fees Collected	\$ 2,602.20	
Interest Earned	<u>5.26</u>	
		<u>2,607.46</u>
		10,008.26
Decreased By:		
Statutory Excess Due To Current Fund		<u>3,052.66</u>
Balance, December 31, 2021		<u><u>\$ 6,955.60</u></u>

License Fees Collected

2019	\$ 3,994.60
2020	<u>2,961.00</u>
	<u><u>\$ 6,955.60</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
SCHEDULE OF VARIOUS TRUST FUND RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Balance December 31, <u>2020</u>	Increased by <u>Revenues</u>	Decreased by <u>Expenditures</u>	Balance December 31, <u>2021</u>
Street Opening Permits	\$ 19,900.00	\$ 9,000.00	\$ 12,500.00	\$ 16,400.00
Escrows	140,125.58	112,046.45	62,750.12	189,421.91
Third Party Lien Redemptions	34,893.54	338,898.17	203,067.01	170,724.70
Tax Sale Premiums	482,300.00	229,200.00	309,800.00	401,700.00
Parking Offense Adjudication Act (Per N.J.S.A 40A:4-39)	1,916.00	-	-	1,916.00
Public Defender	1,246.77	-	-	1,246.77
Recycling	26,354.24	5,418.55	-	31,772.79
Deposits - Baymens Association	5,000.00	-	-	5,000.00
Legal Escrow	300.00	-	-	300.00
Police Off Duty	89,637.12	98,905.00	93,705.00	94,837.12
Uniform Fire Penalties	521.22	-	-	521.22
Recreation	26,380.64	15,086.82	11,600.77	29,866.69
Library	7,003.32	-	-	7,003.32
Unemployment	195,821.45	97.92	20,232.74	175,686.63
Engineering Inspection Fees	19,342.15	10,563.01	-	29,905.16
Performance Bonds	158,714.13	-	115,814.02	42,900.11
Maintenance Bonds	1,785.20	-	1,785.20	-
Accumulated Leave	183,773.26	80,000.00	-	263,773.26
Police Explorers	18,777.67	-	3,873.81	14,903.86
Sale of Property	22,350.00	-	-	22,350.00
Law Enforcement	4,157.07	1,747.21	-	5,904.28
Police Forfeited Funds	1,888.00	4,916.25	-	6,804.25
Storm Recovery Trust	268,164.59	3.01	123,832.36	144,335.24
Reserve for Interest	-	617.63	-	617.63
	<u>\$ 1,710,351.95</u>	<u>\$ 906,500.02</u>	<u>\$ 958,961.03</u>	<u>\$ 1,657,890.94</u>
Cash Disbursements			\$ 896,918.98	
Reserve for Encumbrances			<u>62,042.05</u>	
			<u><u>\$ 958,961.03</u></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, 2021**

Balance, December 31, 2020			\$ 127,469.43
Increased By:			
Interest on Deposits	\$	63.69	
Tax Levy		38,245.29	
Transfer from Encumbrances		<u>1,227.65</u>	
			<u>39,536.63</u>
Balance, December 31, 2021			<u><u>\$ 167,006.06</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Balance, December 31, 2020		\$ 399,776.31
Increased By:		
Borough Contribution	\$ 32,200.00	
Interest Earned	5,695.92	
Increase in Value of Investments	<u>16,685.95</u>	
		<u>54,581.87</u>
		454,358.18
Decreased By:		
Withdrawals		<u>2,495.96</u>
Balance, December 31, 2021		<u><u>\$ 451,862.22</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2021

Balance, December 31, 2020		\$ 399,776.31
Increased By:		
Borough Contribution	\$ 32,200.00	
Interest Earned	5,695.92	
Increase in Value of Investments	<u>16,685.95</u>	
		<u>54,581.87</u>
		454,358.18
Decreased By:		
Withdrawals		<u>2,495.96</u>
Balance, December 31, 2021		<u><u>\$ 451,862.22</u></u>

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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, 2021**

Balance, December 31, 2020		\$ 1,745,617.24
Increased By:		
Premium on Bond Anticipation Notes	\$ 77,003.00	
Bond Anticipation Notes	6,101,252.00	
Interfund - Current	498,024.01	
NJ DOT Grant Receivable	115,500.00	
Capital Improvement Fund	200,000.00	
	<u> </u>	6,991,779.01
		8,737,396.25
Decreased By:		
Improvement Authorizations	807,876.41	
Bond Anticipation Notes	6,100,003.00	
Due From Sewer Utility Capital	240,000.00	
	<u> </u>	7,147,879.41
Balance, December 31, 2021		<u><u>\$ 1,589,516.84</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, 2021**

	Balance December 31, <u>2021</u>
Grants Receivable	\$ (5,999,994.66)
Due from Sewer Capital Fund	(315,000.00)
Capital Improvement Fund	548,478.26
Encumbrances Payable	1,572,241.35
Various Reserves	88,136.44
Fund Balance	96,510.28

<u>Ordinance</u>	<u>Improvement Description</u>	
12-20	Construction of Stormwater Pump Station and Drainage Improvements	159,136.51
13-20	Reconstruction of North Street Pump Station	30,757.39
13-23	Removal of Disaster Related Debris & Demolition of Various Structures	(2,482.88)
13-26	Flood Mitigation Project	41,932.05
13-29	Improvements to Community Center	3,887.56
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	(200,443.15)
15-06	Various General Improvements	42,998.24
16-07	Preliminary Construction New Borough Hall	1,364,739.10
17-03	Various Improvements - Open Space	146,701.00
17-04	Various Road/Sewer Improvements	18,416.82
19-12	Cornwell/John St Improvements	36,450.61
20-07	Various Capital Improvements	(1,801,036.42)
21-16	Various Road Improvements	215,588.34
21-28	Construction of New Municipal Building	5,250,000.00
21-35	Various Capital Improvements & Equipment Acquisitions	<u>292,500.00</u>
		<u><u>\$ 1,589,516.84</u></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, 2021**

Balance, December 31, 2020		\$ 2,980,000.00
Decreased By:		
Serial Bonds Paid	\$ 410,000.00	
Downtown Business Loan Paid	<u>35,000.00</u>	
		<u>445,000.00</u>
Balance, December 31, 2021		<u><u>\$ 2,535,000.00</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, 2021**

Ordinance No.	Improvement Description	Balance December 31, 2020	2021 Authorizations	Budget Appropriation	Cash Receipts	Balance December 31, 2021	Analysis of Balance		
							Bond Anticipation Notes	Expended	Unexpended Improvement Authorizations
09-28	Design and Permitting for Various Projects	\$ 0.76	\$ -	\$ -	\$ -	0.76	\$ -	\$ 0.76	\$ -
12-20	Construction of Stormwater Pump Station and Drainage Improvements	1,200,000.00	-	50,000.00	-	1,150,000.00	1,150,000.00	-	-
13-20	Reconstruction of North Street Pump Station	388,228.85	-	130,001.00	-	258,227.85	257,305.00	-	922.85
13-23	Removal of Disaster Related Debris and Demolition of Various Structures	152,482.88	-	-	-	152,482.88	150,000.00	2,482.88	-
13-26	Flood Mitigation Project	261,250.00	-	-	-	261,250.00	261,250.00	-	-
13-29	Improvements to Community Center	313,420.00	-	100,000.00	-	213,420.00	213,420.00	-	-
13-33	Acquisition of Ambulances	92,277.00	-	30,000.00	-	62,277.00	62,277.00	-	-
14-08	Construction of Stormwater Pump Station and Other Stormwater System and Drainage Improvements	3,154,000.00	-	-	-	3,154,000.00	1,500,000.00	200,443.15	1,453,556.85
15-06	Various General Improvements	732,830.00	-	50,000.00	-	682,830.00	682,000.00	-	830.00
16-07	Preliminary Construction New Borough Hall	1,660,000.00	-	50,000.00	-	1,610,000.00	1,400,000.00	-	210,000.00
19-12	Cornwell/John St. Improvements	425,000.00	-	-	-	425,000.00	425,000.00	-	-
20-07	Various Capital Improvements	1,923,809.00	-	-	115,500.00	1,808,309.00	-	1,801,036.42	7,272.58
21-28	Construction of New Municipal Building	-	4,750,000.00	-	-	4,750,000.00	-	-	4,750,000.00
		\$ 10,303,298.49	\$ 4,750,000.00	\$ 410,001.00	\$ 115,500.00	\$ 14,527,797.49	\$ 6,101,252.00	\$ 2,003,963.21	\$ 6,422,582.28
					Improvement Authorizations Unfunded				
					Less: Unexpended Proceeds of Bond Anticipation Notes:				
					Ordinance				
					12-20	\$ 159,136.51			
					13-20	30,757.54			
					13-26	41,932.05			
					13-29	3,887.56			
					15-06	42,998.85			
					16-07	1,364,739.10			
					19-12	36,450.61			
					1,679,902.22				
					\$ 6,422,582.28				

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF MONMOUTH COUNTY OPEN SPACE GRANT RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 & 2020

\$ 150,000.00

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF FEMA REIMBURSEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 938,018.67
Increased By:	
Grant Award	<u>5,000,000.00</u>
	5,938,018.67
Decreased By:	
Current Fund FEMA Reserve Transfer	<u>88,024.01</u>
Balance, December 31, 2021	<u><u>\$ 5,849,994.66</u></u>
<u>Detail:</u>	
Ordinance #16-07	\$ 849,994.66
Ordinance #21-28	<u>5,000,000.00</u>
	<u><u>\$ 5,849,994.66</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF NJ DOT GRANT RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 154,000.00
Decreased By:	
Cash Receipts	<u>115,500.00</u>
Balance, December 31, 2021	<u><u>\$ 38,500.00</u></u>

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2021		Interest Rate	Balance December 31, 2020		Decreased	Balance December 31, 2021
General Improvements	01/24/11	\$ 760,000.00	N/A	\$ -	0.00%	\$ 90,000.00	\$ 90,000.00	\$ -	
General Improvements	12/19/12	645,000.00	12/01/22	45,000.00	4.00%	340,000.00	45,000.00	295,000.00	
			12/01/23	45,000.00	4.00%				
			12/01/24	50,000.00	2.00%				
			12/01/25	50,000.00	3.00%				
			12/01/26	50,000.00	2.00%				
			12/01/27	55,000.00	2.00%				
General Improvements	12/24/13	1,350,000.00	12/01/22	125,000.00	5.00%	650,000.00	115,000.00	535,000.00	
			12/01/23	130,000.00	5.00%				
			12/01/24	135,000.00	5.00%				
			12/01/25	145,000.00	5.00%				
General Improvements	3/24/16	1,955,000.00	12/01/22	170,000.00	5.00%	1,515,000.00	160,000.00	1,355,000.00	
			12/01/23	180,000.00	5.00%				
			12/01/24	190,000.00	5.00%				
			12/01/25	195,000.00	5.00%				
			12/01/26	210,000.00	5.00%				
			12/01/27	205,000.00	4.00%				
			12/01/28	205,000.00	4.00%				
						\$ 2,595,000.00	\$ 410,000.00	\$ 2,185,000.00	

**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, 2021**

Balance, December 31, 2020	\$ 385,000.00
Decreased By:	
Amount Paid	<u>35,000.00</u>
Balance, December 31, 2021	<u><u>\$ 350,000.00</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Ordinance Number	Original Issue Date	Date of Issue	Date of Maturity	Interest Rate	Balance December 31, 2020	Balance December 31, 2021	
						Increased	Decreases
13-20	12/05/13	7/9/21	7/8/22	0.320%	\$387,306.00	\$257,305.00	\$387,306.00
13-29	01/16/14	7/9/21	7/8/22	0.320%	313,420.00	213,420.00	313,420.00
13-33	01/16/14	7/9/21	7/8/22	0.320%	92,277.00	62,277.00	92,277.00
15-06	10/10/17	7/9/21	7/8/22	0.320%	732,000.00	682,000.00	732,000.00
16-07	10/10/17	7/9/21	7/8/22	0.320%	700,000.00	650,000.00	700,000.00
16-07	10/03/19	7/9/21	7/8/22	0.320%	750,000.00	750,000.00	750,000.00
14-08	10/03/19	7/9/21	7/8/22	0.320%	1,500,000.00	1,500,000.00	1,500,000.00
19-12	10/03/19	7/9/21	7/8/22	0.320%	425,000.00	425,000.00	425,000.00
12-20	10/4/18	7/9/21	7/8/22	0.320%	1,200,000.00	1,150,000.00	1,200,000.00
13-23	7/9/21	7/9/21	7/8/22	0.320%	-	150,000.00	-
13-26	7/9/21	7/9/21	7/8/22	0.320%	-	261,250.00	-
					<u>\$ 6,100,003.00</u>	<u>\$ 6,101,252.00</u>	<u>\$ 6,100,003.00</u>
					Paid By Budget Appropriation \$ - \$ 410,000.00		
					Issued for Cash 411,250.00 -		
					Bond Anticipation Note Rollover 5,690,002.00 5,690,003.00		
					<u>\$ 6,101,252.00</u>	<u>\$ 6,100,003.00</u>	<u>\$ 6,100,003.00</u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Ordinance Number	Improvement Description	Amount	Balance December 31, 2020		Transferred From Encumbrances	Re-Appropriation of Ordinance Balance(s)	Capital Improvement Fund	2021 Authorizations		Deferred Charges Unfunded	FEMA Grant	Expended	Transfer To Encumbrances	Balance December 31, 2021	
			Funded	Unfunded				Capital Fund Balance							
														Funded	Unfunded
11-22	Acquisition of Computers and Software	\$ 68,000.00	\$ 2,280.61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12-12	Improvements to Washington Avenue	700,000.00	63,924.57	-	-	(63,924.57)	-	-	-	-	-	-	-	-	-
12-20	Construction of Stormwater Pump Station & Drainage Improvements	1,200,000.00	-	161,508.42	2,368.88	-	-	-	-	-	-	-	4,740.79	-	159,136.51
13-17	Wall Reconstruction	500,000.00	151,663.77	-	-	(151,663.77)	-	-	-	-	-	-	-	-	-
13-20	Reconstruction of North Street Pump Station	1,800,000.00	-	228,408.48	27,968.25	-	-	-	-	-	-	14,771.75	209,924.59	-	31,680.39
13-26	Flood Mitigation Project	800,000.00	-	41,932.05	-	-	-	-	-	-	-	-	-	-	41,932.05
13-29	Improvements to Community Center	450,000.00	-	3,887.56	-	-	-	-	-	-	-	-	-	-	3,887.56
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	3,154,000.00	-	1,480,156.85	18,906.55	-	-	-	-	-	-	30,608.05	14,898.50	-	1,453,556.85
15-06	Various General Improvements	1,386,000.00	-	43,828.85	-	-	-	-	-	-	-	-	-	-	43,828.85
16-07	Preliminary Construction New Borough Hall	3,000,000.00	140,451.25	1,710,000.00	20,013.18	-	-	-	-	-	-	17,663.13	278,062.20	-	1,574,739.10
17-03	Various Improvements - Open Space	300,000.00	260,799.50	-	-	-	-	-	-	-	-	25,855.50	88,243.00	146,701.00	-
17-04	Various Road/Sewer Improvements	1,025,000.00	38,099.65	-	13,103.21	-	-	-	-	-	-	4,786.04	28,000.00	18,416.82	-
18-15	Various Improvements	500,000.00	37.43	-	-	-	-	-	-	-	-	37.43	-	-	-
19-12	Comwell/John St Improvements	650,000.00	-	36,450.61	2,259.00	-	-	-	-	-	-	-	2,259.00	-	36,450.61
19-22	Various Capital Improvements	250,000.00	7,515.41	-	-	-	-	-	-	-	-	-	7,515.41	-	-
20-07	Various Capital Improvements	2,000,000.00	-	1,116,862.61	333,381.73	-	-	-	-	-	-	711,873.90	731,097.86	-	7,272.58
21-16	Various Road Improvements	215,588.34	-	-	-	215,588.34	-	-	-	-	-	-	-	-	-
21-28	Construction of New Municipal Building	10,000,000.00	-	-	-	-	250,000.00	-	4,750,000.00	5,000,000.00	-	-	-	215,588.34	-
21-35	Various Capital Improvements & Equipment Acquisitions	500,000.00	-	-	-	-	200,000.00	300,000.00	-	-	-	-	207,500.00	292,500.00	-
			\$ 664,772.19	\$ 4,823,035.43	\$ 418,000.80	\$ -	\$ 450,000.00	\$ 300,000.00	\$ 4,750,000.00	\$ 5,000,000.00	\$ 807,876.41	\$ 1,572,241.35	\$ 5,923,206.16	\$ 8,102,484.50	\$ 8,102,484.50

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 798,478.26
Increased By:	
2021 Budget Appropriation	<u>200,000.00</u>
	998,478.26
Decreased By:	
Improvement Authorizations Funded	<u>450,000.00</u>
Balance, December 31, 2021	<u><u>\$ 548,478.26</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Balance December 31, <u>2021 & 2020</u>
Reserve for RCA Interest - Middletown	\$ 47,975.44
Reserve for Sidewalk Fund	13,911.00
Reserve for NJ BIZ Loan	<u>26,250.00</u>
	<u><u>\$ 88,136.44</u></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, 2021**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2020</u>	<u>2021 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>	<u>Grant Receipts</u>	<u>Balance December 31, 2021</u>
13-20	Reconstruction of North Street Pump Station	\$ 923.00	\$ -	\$ -	\$ -	\$ 923.00
13-23	Removal of Disaster Related Debris and Demolition of Various Structures	152,482.88	-	150,000.00	-	2,482.88
13-26	Flood Mitigation Project	261,250.00	-	261,250.00	-	-
14-08	Construction of Stormwater Pump Station and Other Stormwater System & Drainage Improvements	1,654,000.00	-	-	-	1,654,000.00
15-06	Various General Improvements	830.61	-	-	-	830.61
16-07	Preliminary Construction New Borough Hall	210,000.00	-	-	-	210,000.00
20-07	Various Capital Improvements	1,923,809.00	-	-	115,500.00	1,808,309.00
21-28	Construction of New Municipal Building	-	4,750,000.00	-	-	4,750,000.00
		<u>\$ 4,203,295.49</u>	<u>\$ 4,750,000.00</u>	<u>\$ 411,250.00</u>	<u>\$ 115,500.00</u>	<u>\$ 8,426,545.49</u>

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, 2021**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2020	\$ 2,508,223.97	\$ 7,208.19
Increased By Receipts:		
Sewer Consumer Accounts Receivable	\$ 1,847,688.13	\$ -
Sewer Rent Overpayments	3,957.87	-
Interest on Delinquent Accounts	20,165.18	-
Interest on Investments	1,149.46	-
Miscellaneous Revenue Not Anticipated	8,360.00	-
Capital Improvement Fund	-	50,000.00
Due to General Capital Fund	-	240,000.00
Premium on Refunding Bonds	-	14,891.86
	<u>1,881,320.64</u>	<u>304,891.86</u>
	4,389,544.61	312,100.05
Decreased By Disbursements:		
Budget Appropriations	1,090,108.91	-
Appropriation Reserves	123,672.03	-
Sewer Rent Overpayments	1,335.00	-
Improvement Authorizations	-	256,264.10
	<u>1,215,115.94</u>	<u>256,264.10</u>
Balance, December 31, 2021	<u><u>\$ 3,174,428.67</u></u>	<u><u>\$ 55,835.95</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, 2021**

Balance
December 31,
2021

Due General Capital Fund	\$ 315,000.00
Capital Improvement Fund	331,750.00
Encumbrances Payable	314,481.84
Fund Balance	24,276.30
Reserve for AHHRSA Settlement Proceeds	247,725.00
Reserve for Down Payments on Capital Improvements	100.00

<u>Ordinance</u>	<u>Improvement Description</u>	
18-14	Various Sewer Utility Improvements	<u>(500,000.00)</u>
		<u><u>\$ 55,835.95</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, 2021**

Balance, December 31, 2020	\$ 265,198.17
Increased By:	
Water - Sewer Rents Levied	<u>1,791,711.47</u>
	2,056,909.64
Decreased By:	
Collections	<u>1,847,688.13</u>
Balance, December 31, 2021	<u><u>\$ 209,221.51</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, 2021**

	Balance December 31, <u>2020</u>	<u>Additions</u>	Balance December 31, <u>2021</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	4,152,800.00	-	4,152,800.00
AHHRSA Debt - Loans	1,624,600.00	-	1,624,600.00
Sewer Utility Improvements	-	500,000.00	500,000.00
	<u>\$ 7,126,859.48</u>	<u>\$ 500,000.00</u>	<u>\$ 7,626,859.48</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, 2021**

Balance, December 31, 2020	\$ 257,839.76
Decreased By:	
Cancellation of Reserve to Fund Balance	<u>257,839.76</u>
Balance, December 31, 2021	<u><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, 2021**

	Balance December 31, <u>2020</u>	<u>Encumbrances</u>	Balance After <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Operating:					
Sewer					
Salaries and Wages	\$ 2,922.60	\$ -	\$ 2,922.60	\$ -	\$ 2,922.60
Other Expenses	232,933.68	112,198.19	345,131.87	123,672.03	221,459.84
Group Insurance	28,956.10	-	28,956.10	-	28,956.10
Other Insurances	15,775.49	-	15,775.49	-	15,775.49
Statutory Expenditures:					
Contribution To Social Security System (O.A.S.I.)	106.38	-	106.38	-	106.38
	<u>\$ 280,694.25</u>	<u>\$ 112,198.19</u>	<u>\$ 392,892.44</u>	<u>\$ 123,672.03</u>	<u>\$ 269,220.41</u>
Appropriation Reserves			\$ 280,694.25		
Encumbrances Payable			<u>112,198.19</u>		
			<u>\$ 392,892.44</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, 2021**

Balance, December 31, 2020	\$ 16,750.34
Increased By:	
Cash Receipts	<u>3,957.87</u>
	20,708.21
Decreased By:	
Cash Disbursements	<u>1,335.00</u>
Balance, December 31, 2021	<u><u>\$ 19,373.21</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, 2021**

Balance, December 31, 2020		\$ 106,591.77
Decreased By:		
Interest Accrued		<u>51,654.96</u>
		158,246.73
Decreased By:		
Interest Paid	\$ 81,882.05	
Cancelled to Operations	<u>24,709.72</u>	
		<u>106,591.77</u>
Balance, December 31, 2021		<u><u>\$ 51,654.96</u></u>

Principal Outstanding December 31, 2021	Interest Rate	From	To	Period	Amount
Serial Bonds:					
\$ 85,000.00	Various	12/1/21	12/31/21	30 Days	\$ 329.17
423,000.00	Various	8/1/21	12/31/21	150 Days	6,845.83
1,545,000.00	Various	7/16/21	12/31/21	165 Days	40,373.18
NJEIT Loans:					
285,000.00	Various	8/1/21	12/31/21	150 Days	<u>4,106.78</u>
					<u><u>\$ 51,654.96</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, 2021**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2021		Interest Rate	Balance December 31, 2020	Issued	Refunded	Decreased	Balance December 31, 2021
			Date	Amount						
Rehabilitation of Sanitary Sewer System	1/24/11	\$ 130,000.00	N/A	\$ -	0.00%	\$ 15,000.00	\$ -	\$ -	\$ 15,000.00	\$ -
Rehabilitation of Sanitary Sewer System (Refunded)	03/01/16	115,000.00	12/01/22	10,000.00	5.00%	95,000.00	-	-	10,000.00	85,000.00
			12/01/23	10,000.00	5.00%					
			12/01/24	10,000.00	5.00%					
			12/01/25	15,000.00	5.00%					
			12/01/26	10,000.00	5.00%					
			12/01/27	15,000.00	4.00%					
			12/01/28	15,000.00	4.00%					
2011 MCIA (AHHRSA)	04/14/14	3,712,800.00	N/A	-	0.00%	2,802,800.00	-	2,711,325.54	91,474.46	-
2018 MCIA	04/14/17	440,000.00	08/01/22	36,000.00	4.00%	426,000.00	-	-	3,000.00	423,000.00
			08/01/23	36,000.00	4.00%					
			08/01/24	39,000.00	4.00%					
			08/01/25	42,000.00	4.00%					
			08/01/26	39,000.00	4.00%					
			08/01/27	42,000.00	4.00%					
			08/01/28	44,000.00	4.00%					
			08/01/29	47,000.00	4.00%					
			08/01/30	49,000.00	4.00%					
			08/01/31	49,000.00	3.00%					
2021 MCIA Refunding Bonds	07/08/21	1,545,000.00	03/01/22	15,000.00	4.00%	-	1,545,000.00	-	-	1,545,000.00
			03/01/23	125,000.00	4.00%					
			03/01/24	130,000.00	4.00%					
			03/01/25	135,000.00	4.00%					
			03/01/26	145,000.00	4.00%					
			03/01/27	145,000.00	5.00%					
			03/01/28	155,000.00	5.00%					
			03/01/29	160,000.00	5.00%					
			03/01/30	175,000.00	5.00%					
			03/01/31	175,000.00	5.00%					
			03/01/32	185,000.00	3.00%					
						\$ 3,338,800.00	\$ 1,545,000.00	\$ 2,711,325.54	\$ 119,474.46	\$ 2,053,000.00

**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, 2021**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2021</u>		<u>Interest Rate</u>	<u>Balance December 31, 2020</u>	<u>Decreased</u>	<u>Balance December 31, 2021</u>
			<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Trust Series 2014A (AHHSA)	05/21/14	\$ 1,224,600.00	02/01/22	\$ 20,755.93	0.00%	\$ 809,481.40	\$ 62,267.79	\$ 747,213.61
			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%			
			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	41,511.86	0.00%						
New Jersey Environmental Infrastructure Trust Series 2014A (AHHSA)	05/21/14	400,000.00	08/01/22 - 08/01/24	20,000.00	5.00%	305,000.00	20,000.00	285,000.00
			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%			
						\$ 1,114,481.40	\$ 82,267.79	\$ 1,032,213.61

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 281,750.00
Increased By:	
2021 Budget Appropriation	<u>50,000.00</u>
Balance, December 31, 2021	<u><u>\$ 331,750.00</u></u>

**SCHEDULE OF RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2020	\$ 2,673,578.08
Increased By:	
Serial Bond Payment	\$ 119,474.46
Loan Payment	82,267.79
Bond Refunding	<u>1,166,325.54</u>
	<u>1,368,067.79</u>
Balance, December 31, 2021	<u><u>\$ 4,041,645.87</u></u>

**SCHEDULE OF RESERVE FOR DOWN PAYMENT ON IMPROVEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 & 2020	<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 FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Amount</u>	<u>Balance December 31, 2020</u>	<u>Transfer to Fixed Capital</u>	<u>Balance December 31, 2021 & 2020</u>
18-14	Various Sewer Utility Improvements	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00	\$ -
18-23	Various Sewer Utility Improvements	5,050,000.00	5,050,000.00	-	5,050,000.00
			<u>\$ 5,550,000.00</u>	<u>\$ 500,000.00</u>	<u>\$ 5,050,000.00</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Balance December 31, 2020</u>		<u>Transferred From Encumbrances</u>	<u>Paid or Charged</u>	<u>Transferred To Encumbrances</u>	<u>Balance December 31, 2021</u>	
			<u>Funded</u>	<u>Unfunded</u>				<u>Funded</u>	<u>Unfunded</u>
18-23	Various Sewer Utility Improvements	\$5,050,000.00	\$ -	\$ 4,689,964.50	\$ 253,284.25	\$ 256,264.10	\$ 314,481.84	\$ -	\$ 4,372,502.81
			\$ -	\$ 4,689,964.50	\$ 253,284.25	\$ 256,264.10	\$ 314,481.84	\$ -	\$ 4,372,502.81

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, 2021

Ordinance <u>Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2021 & 2020</u>
18-14	Various Sewer Utility Improvements	\$ 500,000.00
18-23	Various Sewer Utility Improvements	<u>5,050,000.00</u>
		<u><u>\$ 5,550,000.00</u></u>

**BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER-SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AHHRSA SETTLEMENT PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Balance, December 31, 2021 and 2020

\$ 247,725.00

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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, 2021**

	Balance December 31, <u>2020</u>	<u>Additions</u>	Balance December 31, <u>2021</u>
Land	\$ 1,097,800.00	\$ -	\$ 1,097,800.00
Building	6,252,197.90	-	6,252,197.90
Machinery and Equipment	5,668,672.96	309,947.43	5,978,620.39
	<u>\$ 13,018,670.86</u>	<u>\$ 309,947.43</u>	<u>\$ 13,328,618.29</u>

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COMMENTS AND RECOMMENDATIONS

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BOROUGH OF HIGHLANDS

PART II

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS -
GOVERNMENT AUDITING STANDARDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

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BOROUGH OF HIGHLANDS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

None.

**BOROUGH OF HIGHLANDS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Financial Statement Findings

Finding No. 2020-001:

Condition:

Payments in the aggregate to one vendor exceeded the bid threshold during the year ended December 31, 2020.

This finding has been corrected.

FEDERAL AWARDS

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

STATE FINANCIAL ASSISTANCE

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

BOROUGH OF HIGHLANDS

PART III

LETTER OF COMMENTS AND RECOMMENDATIONS – REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2021

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OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2021:

<u>Name</u>	<u>Title</u>
Carolyn Broullon	Mayor
Jo-Anne Olszewski	Council President
Donald Melnyk	Councilmember
Linda Mazzola	Councilmember
Kevin Martin	Councilmember
Michelle Hutchinson	Municipal Clerk
Patrick J. DeBlasio	Chief Financial Officer, Tax Collector
Thomas J. Smith	Judge
Martha Diaz-Verson	Court Administrator

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

In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year ended December 31, 2021.

GENERAL COMMENTS:

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

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

The bid threshold in accordance with N.J.S.A. 40A:11-4 is \$44,000 for the year end of December 31, 2021.

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

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

Our examination of expenditures did not reveal individual payments or contracts in excess of the bid threshold “for the performance of any work, or the furnishing of any materials, supplies or labor” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of *N.J.S.A.40A:11-6*.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2021 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

OTHER COMMENTS (FINDINGS):

None.

RECOMMENDATIONS:

None.

Appreciation

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Robert W. Allison
Certified Public Accountant
Registered Municipal Accountant
RMA No. 483

Lakewood, New Jersey
August 18, 2022