

BOROUGH OF ISLAND HEIGHTS

**AUDIT REPORT FOR THE
YEAR ENDED DECEMBER 31, 2017**

**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

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**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

PART I

**INDEPENDENT AUDITORS' REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Island Heights
County of Ocean
Island Heights, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Island Heights as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statements of revenues - regulatory basis, and statements of expenditures - regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

As described in Note 1, the financial statements are prepared by the Borough of Island Heights 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 State of New Jersey.

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough, as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended.

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 various funds of the Borough, as of December 31, 2017 and 2016, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statements of revenues - regulatory basis, statements of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2017 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough’s basic financial statements. The supplemental schedules presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the basic financial statements.

The supplemental schedules presented for the various funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA No. 435

Toms River, New Jersey
June 27, 2018

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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 Island Heights
County of Ocean
Island Heights, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Borough of Island Heights, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 27, 2018. 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.

Internal Control Over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA No. 435

Toms River, New Jersey
June 27, 2018

BASIC FINANCIAL STATEMENTS

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 1 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 2,895,949.19	\$ 2,596,048.19
Cash - Change Fund		50.00	50.00
		<u>2,895,999.19</u>	<u>2,596,098.19</u>
Due from State of New Jersey (Chapter 20, P.L. 1971)	A-4,5	11,375.02	6,806.73
		<u>2,907,374.21</u>	<u>2,602,904.92</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	91,219.84	133,270.14
Tax Title Liens Receivable	A-6	18,548.02	15,869.08
Interfunds:			
Animal Control Trust Fund	A-12	.05	
Payroll Fund	A-12	3,207.97	8,263.21
Other Trust Fund	A-12		455.49
		<u>112,975.88</u>	<u>157,857.92</u>
Deferred Charges:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	A-3		12,000.00
			<u>12,000.00</u>
		<u>3,020,350.09</u>	<u>2,772,762.84</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-13	47,948.44	56,192.31
Grants Receivable	A-14	45,960.62	55,976.21
		<u>93,909.06</u>	<u>112,168.52</u>
		<u>\$ 3,114,259.15</u>	<u>\$ 2,884,931.36</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Liabilities:			
Appropriation Reserves	A-3,11	\$ 291,450.33	\$ 399,192.36
Reserve for Encumbrances	A-3,11	184,875.09	168,533.49
Due to State of New Jersey - Various Fees		100.00	75.00
Tax Overpayments			112.10
Prepaid Taxes	A-4,5	547,442.81	46,990.63
Accounts Payable	A-4,10	27,761.71	103,207.61
County Taxes Payable	A-8	9,253.32	8,447.71
Local District School Tax Payable	A-9	436,642.00	390,060.00
Regional High School Tax Payable	A-10	254,462.25	312,837.19
Interfunds:			
General Capital Fund	A-12	24,271.04	204,180.48
Grant Fund	A-13	47,948.44	56,192.31
Utility Capital Fund	A-12	12,000.00	189,256.00
Animal Control Trust Fund	A-12		34.21
Special Emergency Note Payable	A		12,000.00
Various Reserves:			
Sandy Spending		15,478.67	15,478.67
FEMA/Insurance Reimbursements		32,394.10	64,788.20
		<u>1,884,079.76</u>	<u>1,971,385.96</u>
Reserve for Receivables and Other Assets		112,975.88	157,857.92
Fund Balance	A-1	1,023,294.45	643,518.96
		<u>3,020,350.09</u>	<u>2,772,762.84</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-15	75,176.74	95,414.15
Reserve for Encumbrances	A-15	10,929.37	10,684.95
Unappropriated Reserves	A-16	7,802.95	6,069.42
		<u>93,909.06</u>	<u>112,168.52</u>
		<u>\$ 3,114,259.15</u>	<u>\$ 2,884,931.36</u>

There were deferred school taxes on December 31, 2017 and 2016 of \$804,999.90 (see Note 12).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND

Sheet 1 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 252,559.00	\$ 225,662.00
Miscellaneous Revenue Anticipated	A-2	436,466.77	573,033.89
Receipts from Delinquent Taxes	A-2	133,270.14	139,633.61
Receipts from Current Taxes	A-2	6,329,634.23	6,303,151.68
Non-Budget Revenues	A-2	70,392.33	38,593.86
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	339,994.33	369,435.04
Grant Fund-Cancelled Reserve	A-13	3,087.96	
Interfunds Liquidated		5,510.68	
Prior Year Checks Cancelled		1,064.99	
Accounts Payable Cancelled		86,819.89	
Reserve for Encumbrances Cancelled		7,170.00	
Total Income		<u>7,665,970.32</u>	<u>7,649,510.08</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		984,467.10	933,348.22
Other Expenses		996,923.71	1,009,979.00
Deferred Charges and Statutory Expenditures		208,795.00	226,847.00
Budget Appropriations excluded from Caps:			
Operations:			
Other Expenses		46,086.21	63,422.96
Capital Improvements		25,000.00	31,000.00
Municipal Debt Service		247,511.11	202,557.78
Deferred Charges		12,000.00	12,000.00
	A-3	<u>2,520,783.13</u>	<u>2,479,154.96</u>
County Taxes	A-8	1,375,458.19	1,466,913.43
Local District School Tax	A-9	2,061,401.00	1,951,307.00
Regional High School Tax	A-10	1,070,757.00	1,199,555.00
Prior Year Adjustment	A-4		2,000.00
Grant Fund-Receivables Canceled	A-13	5,236.51	
Interfund Advances	A-12		377.29
Total Expenditures		<u>7,033,635.83</u>	<u>7,099,307.68</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND

Sheet 2 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
Excess in Revenue		\$ 632,334.49	\$ 550,202.40
Fund Balance January 1	A	643,518.96	318,978.56
		<u>1,275,853.45</u>	<u>869,180.96</u>
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>252,559.00</u>	<u>225,662.00</u>
Fund Balance December 31	A	<u>\$ 1,023,294.45</u>	<u>\$ 643,518.96</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
	<u>A-1</u>	<u>\$ 252,559.00</u>	<u>\$ 252,559.00</u>	<u>\$</u>
Fund Balance Anticipated				
<u>Miscellaneous Revenues</u>				
Local Aid:				
Fees and Permits	A-7	10,000.00	14,654.25	4,654.25
Fines and Costs, Municipal Court	A-7	30,000.00	22,230.20	(7,769.80)
Interest and Costs on Taxes	A-7	20,000.00	22,134.99	2,134.99
Interest on Investments and Deposits	A-7	1,000.00	7,661.44	6,661.44
Beach Fees	A-7	27,000.00	26,356.00	(644.00)
Cable Television Franchise Fees	A-7	28,723.07	28,723.07	
Post Office Lease	A-7	43,000.00	47,127.00	4,127.00
Antenna Lease	A-7	70,000.00	79,777.51	9,777.51
Uniform Construction Code Fees	A-7	15,000.00	21,115.00	6,115.00
State Aid:				
Energy Receipts Tax	A-7	117,407.00	117,407.00	
Special Items:				
Federal and State Programs Offset by Revenues:				
Clean Communities Program	A-14	4,791.65	4,791.65	
966 Equipment Grant	A-14	6,137.72	6,137.72	
Body Armor Fund	A-14	1,303.45	1,303.45	
Recycling Tonnage	A-14	1,653.39	1,653.39	
Other Special Items:				
Reserve for FEMA/Insurance Reimbursements	A	32,394.10	32,394.10	
Surplus Capital Fund	A-7,C-1	3,000.00	3,000.00	
Total Miscellaneous Revenues	A-1	<u>411,410.38</u>	<u>436,466.77</u>	<u>25,056.39</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 3

FOR THE YEAR ENDED DECEMBER 31, 2017

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Receipts from Delinquent Taxes	<u>A-1,5</u>	\$ <u>127,500.00</u>	\$ <u>133,270.14</u>	\$ <u>5,770.14</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	1,891,367.67	1,983,339.91	91,972.24
Budget Totals		<u>2,682,837.05</u>	<u>2,805,635.82</u>	<u>122,798.77</u>
Non-Budget Revenues	A-1,4		70,392.33	70,392.33
	Ref.	\$ <u>2,682,837.05</u>	\$ <u>2,876,028.15</u>	\$ <u>193,191.10</u>
	A-3			

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 3

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 6,329,634.23
Allocated to School and County Taxes	A-8,9,10	4,507,616.19
Balance for Support of Municipal Budget		<u>1,822,018.04</u>
Appropriations		1,822,018.04
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>161,321.87</u>
Amount for Support of Municipal Budget		
Appropriations	A-2	<u>\$ 1,983,339.91</u>
 <u>Analysis of Non-Budget Revenue</u>		
FEMA Reimbursement		\$ 16,611.10
JIF Dividend		6,713.95
Snow Removal		4,092.50
Reimbursements		5,249.75
Pavillion Rental Fees		375.00
Comcast		5,000.00
Premium BAN Sale		419.00
Polling Place		400.00
Special Duty Admin Fees		23,212.50
Ocean County Recycling		2,405.08
State Fire Rebate		1,503.45
Market Fees		<u>4,410.00</u>
	A-4	<u>\$ 70,392.33</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>			<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS WITHIN CAPS</u>						
General Administration						
Other Expenses	\$ 13,000.00	\$ 13,000.00	\$ 12,857.57	\$ 142.43	\$	
Mayor and Council						
Salaries and Wages	18,632.00	18,632.00	18,632.00			
Other Expenses	1,500.00	1,500.00	1,338.00	162.00		
Municipal Clerk						
Salaries and Wages	41,450.00	40,450.00	38,219.37	2,230.63		
Other Expenses	14,435.00	18,435.00	5,814.98	12,620.02		
Advertising Budget	1,500.00	1,500.00	89.10	1,410.90		
Elections						
Other Expenses	500.00	500.00	202.84	297.16		
Financial Administration						
Salaries and Wages	37,467.00	33,467.00	28,468.87	4,998.13		
Other Expenses	23,000.00	23,000.00	22,999.20	.80		
Audit	27,000.00	27,000.00	23,835.00	3,165.00		
Computerized Data Processing						
Other Expenses	20,000.00	20,000.00	19,425.78	574.22		
Collection of Taxes						
Salaries and Wages	52,681.00	47,681.00	38,746.17	8,934.83		
Other Expenses	4,700.00	4,700.00	4,607.77	92.23		
Assessment of Taxes						
Salaries and Wages	15,800.00	82,980.00	82,980.00			
Other Expenses	1,000.00	3,000.00	1,384.43	1,615.57		
Tax Map Revisions	1,500.00	1,500.00		1,500.00		
Cost of Tax Appeals	40,000.00					
Legal Services and Costs						
Advertising and Legal Notices	6,000.00	6,000.00	2,328.10	3,671.90		
Other Expenses	40,000.00	40,000.00	17,208.75	22,791.25		
Counsel - Labor						
Other Expenses	10,000.00	10,000.00	7,304.00	2,696.00		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriated		Paid or Charged	Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification		Expended	Reserved	
Engineering Services and Costs						
Other Expenses						
Municipal Land Use Law (N.J.S. 40:55D-1)	\$ 60,000.00	\$ 80,000.00	\$ 71,435.01	\$ 8,564.99	\$	
Planning Board						
Salaries and Wages	7,200.00	7,200.00	7,146.36	53.64		
Other Expenses - Legal	1,500.00	1,500.00	1,205.55	294.45		
Other Expenses - Miscellaneous	8,650.00	9,650.00	8,405.03	1,244.97		
Insurance						
General Liability	15,237.32	15,237.32	15,237.32			
Other Insurance	19,741.39	19,741.39	17,819.70	1,921.69		
Workers Compensation	33,540.00	33,540.00	33,540.00			
Employee Group Insurance	167,000.00	167,000.00	167,000.00			
Police						
Salaries and Wages	537,053.10	514,292.10	456,577.33	57,714.77		
Other Expenses	42,800.00	42,800.00	42,765.81	34.19		
Medical Testing	1,000.00	1,000.00	145.00	855.00		
Crossing Guards and Badge Checkers						
Salaries and Wages	15,100.00	4,709.00	4,708.71	.29		
Other Expenses	250.00	250.00		250.00		
Emergency Management Service						
Salaries and Wages	2,910.00	2,910.00	2,905.00	5.00		
Other Expenses	4,825.00	4,825.00	2,978.52	1,846.48		
First Aid						
Other Expenses	1,700.00	1,700.00	1,700.00			
Contribution	4,275.00	4,275.00	2,575.00	1,700.00		
Fire Department						
Other Expenses	4,000.00	4,000.00	4,000.00			
Contribution	40,000.00	45,000.00	45,000.00			

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Paid or Charged</u>		<u>Expended</u>	<u>Reserved</u>	
Municipal Prosecutor	\$	\$	\$	\$	\$	\$
Salaries and Wages	6,200.00	6,200.00	6,200.00	4,500.00	1,700.00	
Other Expenses						
Municipal Court						
Salaries and Wages	26,000.00	26,000.00	26,000.00	22,244.10	3,755.90	
Other Expenses	3,000.00	3,000.00	3,000.00	1,763.00	1,237.00	
Public Defender						
Other Expenses	7,350.00	7,350.00	7,350.00	340.50	7,009.50	
Public Buildings, Grounds, Parks, Playgrounds and Beaches						
Salaries and Wages	173,300.00	158,300.00	158,300.00	109,790.44	48,509.56	
Other Expenses	48,000.00	58,000.00	58,000.00	55,260.69	2,739.31	
Solid Waste Collection						
Contractual	170,000.00	170,000.00	170,000.00	163,637.59	6,362.41	
Other Expenses	250.00	250.00	250.00		250.00	
Recycling						
Other Expenses	4,000.00	4,000.00	4,000.00	4,000.00		
Vehicle Maintenance						
Other Expenses	28,500.00	30,500.00	30,500.00	24,491.71	6,008.29	
Shade Trees						
Other Expenses	150.00	150.00	150.00		150.00	
Snow Removal						
Salaries and Wages	10,000.00	10,000.00	10,000.00	1,440.59	8,559.41	
Other Expenses	10,000.00	10,000.00	10,000.00	8,198.92	1,801.08	
Board of Health						
Salaries and Wages	300.00	300.00	300.00		300.00	
Other Expenses	200.00	200.00	200.00	5.50	194.50	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>\$</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
Mental Health Program (N.J.S. 40:5-2.9)	\$	10.00	\$	10.00	\$	10.00
Other Expenses						
Environmental Commission						
Other Expenses	1,000.00		1,000.00	250.00		750.00
Animal Control						
Other Expenses	2,000.00		2,000.00	336.67		1,663.33
Senior Advisory Committee						
Other Expenses	10.00		10.00			10.00
Beachfront Maintenance						
Salaries and Wages - Lifeguards	8,514.00		4,486.00	4,485.80		.20
Other Expenses	3,000.00		3,000.00	2,921.47		78.53
Recreation						
Salaries and Wages	1,000.00		1,000.00			1,000.00
Other Expenses	4,000.00		4,000.00	2,033.37		1,966.63
Participation in Free County Library	2,000.00		2,000.00	2,000.00		
Salary Settlements and Adjustments	1,000.00		1,000.00			1,000.00
Deferred Sick Time	9,000.00		9,000.00	9,000.00		
<u>Uniform Construction Code - Appropriations Offset</u>						
<u>by Dedicated Revenues (N.J.S.A. 5:23-4.17)</u>						
Code Enforcement and Zoning						
Salaries and Wages	25,760.00		13,760.00	6,668.11		7,091.89
Other Expenses	250.00		250.00	127.98		122.02
Construction Code Official						
Salaries and Wages	12,900.00		12,900.00	12,870.17		29.83
Other Expenses	100.00		100.00	85.76		14.24
Fire Official						
Salaries and Wages	5,400.00		5,400.00	5,360.53		39.47
Other Expenses	250.00		250.00	250.00		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Unclassified</u>					
Utilities:					
Gasoline	\$ 15,000.00	15,000.00	\$ 10,983.61	4,016.39	\$
Electricity	27,000.00	27,000.00	20,473.02	6,526.98	
Telephone	14,000.00	14,000.00	11,853.16	2,146.84	
Natural Gas	6,000.00	8,000.00	6,756.20	1,243.80	
Street Lighting	19,000.00	20,000.00	18,341.06	1,658.94	
Total Operations within Caps	<u>1,981,390.81</u>	<u>1,981,390.81</u>	<u>1,722,056.22</u>	<u>259,334.59</u>	
Detail:					
Salaries and Wages	991,467.10	984,467.10	841,243.55	143,223.55	
Other Expenses	989,923.71	996,923.71	880,812.67	116,111.04	
Contribution to:					
Public Employees' Retirement System	40,587.00	40,587.00	40,587.00		
Social Security System (O.A.S.I.)	88,000.00	88,000.00	71,834.26	16,165.74	
Police and Firemen's Retirement System	65,008.00	65,008.00	65,008.00		
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00		
Defined Contribution Retirement Program	200.00	200.00		200.00	
PFRS- Retro	10,000.00	10,000.00		10,000.00	
Total Statutory Expenditures within Caps	<u>208,795.00</u>	<u>208,795.00</u>	<u>182,429.26</u>	<u>26,365.74</u>	
Total Appropriations within Caps	<u>2,190,185.81</u>	<u>2,190,185.81</u>	<u>1,904,485.48</u>	<u>285,700.33</u>	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Length of Service Awards Program (LOSAP)	32,200.00	32,200.00	26,450.00	5,750.00	
<u>Public and Private Programs Offset by Revenues</u>					
Clean Communities Grant	4,791.65	4,791.65	4,791.65		
Body Armor Fund	1,303.45	1,303.45	1,303.45		
Recycling Tonnage Grant	1,653.39	1,653.39	1,653.39		
OEM - 966 Equipment Grant FY18	6,137.72	6,137.72	6,137.72		
ANJEC-2016 Open Space Stewardship					
966 Equipment Grant					
Total Operations excluded from Caps	<u>46,086.21</u>	<u>46,086.21</u>	<u>40,336.21</u>	<u>5,750.00</u>	
Detail:					
Other Expenses	46,086.21	46,086.21	40,336.21	5,750.00	
	<u>25,000.00</u>	<u>25,000.00</u>	<u>25,000.00</u>		
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	25,000.00	25,000.00	25,000.00		
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	108,000.00	108,000.00	108,000.00		
Payment of Bond Anticipation Notes	25,000.00	25,000.00	24,271.04		728.96
Interest on Bonds	32,265.00	32,265.00	32,265.00		
Interest on Notes	12,146.16	12,146.16	12,146.16		
Loan Repayments for Principal and Interest					
Principal	31,040.00	31,040.00	31,037.32		2.68
Interest	6,273.00	6,273.00	6,272.59		.41
Capital Lease Obligations Approved After 7/1/2007					
Principal	33,335.00	33,335.00	33,335.00		
Interest	184.00	184.00	184.00		
Total Municipal Debt Service excluded from Caps	<u>248,243.16</u>	<u>248,243.16</u>	<u>247,511.11</u>		<u>732.05</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>DEFERRED CHARGES EXCLUDED FROM CAPS</u>						
Emergency Authorizations						
Special Emergency Authorizations - 5 Years (N.J.S.A. 40A:4-55)	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$		\$ 732.05
Total General Appropriations excluded from Caps	<u>331,329.37</u>	<u>331,329.37</u>	<u>324,847.32</u>	<u>5,750.00</u>		<u>732.05</u>
Subtotal General Appropriations	2,521,515.18	2,521,515.18	2,229,332.80	291,450.33		732.05
Reserve for Uncollected Taxes	<u>161,321.87</u>	<u>161,321.87</u>	<u>161,321.87</u>			
Total General Appropriations	\$ <u>2,682,837.05</u>	\$ <u>2,682,837.05</u>	\$ <u>2,390,654.67</u>	\$ <u>291,450.33</u>		\$ <u>732.05</u>
<u>REF</u>	A-3	A-3	A-3	A	A	A-1
Adopted Budget		\$ 2,675,395.88				
Appropriation by 40A:4-87		<u>7,441.17</u>				
		\$ <u>2,682,837.05</u>				
Disbursements	A-4		\$ 1,993,571.50			
Interfunds:						
General Capital Fund	A-12		25,000.00			
Grant Fund	A-13		13,886.21			
Special Emergency Authorizations:						
Raised in Budget	A		12,000.00			
Reserve for Encumbrances	A-3		184,875.09			
Reserve for Uncollected Taxes	A-2		<u>161,321.87</u>			
			\$ <u>2,390,654.67</u>			

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B

STATEMENTS OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 222.26	\$ 56.73
Interfund - Current Fund	B-1		34.21
		<u>222.26</u>	<u>90.94</u>
<u>Other Trust Fund</u>			
Cash	B-1	270,794.04	285,027.38
Interfund - Utility Operating Fund Fund	B-1		3,000.00
		<u>270,794.04</u>	<u>288,027.38</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP)</u>			
Funds Held by Trustee	B-4	569,749.89	479,987.92
		<u>\$ 840,766.19</u>	<u>\$ 768,106.24</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Reserve for Animal Control Trust Fund Expenditures	B-2	\$ 222.21	\$ 90.94
Interfund - Current Fund	A,B-1	.05	0.00
		<u>222.26</u>	<u>90.94</u>
<u>Other Trust Fund</u>			
Interfund - Current Fund	A		455.49
Miscellaneous Reserves	B-3	270,794.04	287,571.89
		<u>270,794.04</u>	<u>288,027.38</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP)</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-4	569,749.89	479,987.92
		<u>\$ 840,766.19</u>	<u>\$ 768,106.24</u>

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

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C

STATEMENTS OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	C-2	\$ 437,426.51	\$ 223,454.66
Deferred Charges to Future Taxation:			
Capital Lease Obligations (Memo)		56,164.63	21,257.68
Funded	C-4	1,262,313.12	1,401,350.44
Unfunded	C-5	782,068.11	825,997.21
Interfund - Current Fund		24,271.04	204,180.48
Grants Receivable	C-11	<u>262,811.46</u>	<u>277,996.01</u>
		<u>\$ 2,825,054.87</u>	<u>\$ 2,954,236.48</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-6	\$ 135,999.36	\$ 110,999.36
Improvement Authorizations:			
Funded	C-7	286,374.76	398,440.16
Unfunded	C-7	364,265.89	385,018.06
Reserve for Encumbrances	C-7	19,393.34	3,867.01
General Serial Bonds	C-8	972,000.00	1,080,000.00
Green Trust Loan Payable	C-9	290,313.12	321,350.44
Bond Anticipation Notes	C-10	679,000.00	609,000.00
Capital Lease Obligations (Memo)		56,164.63	21,257.68
Reserve for Benches	C-3	19,166.00	19,166.00
Reserve for Pavers	C-3	2,344.00	2,104.00
Fund Balance	C-1	<u>33.77</u>	<u>3,033.77</u>
		<u>\$ 2,825,054.87</u>	<u>\$ 2,954,236.48</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 of \$149,940.16 and \$244,940.16, respectively (Exhibit C-12).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Balance December 31, 2016	<u>Ref.</u> C	\$ 3,033.77
Decreased by:		
Utilized as Current Fund Anticipated Revenue		<u>3,000.00</u>
Balance December 31, 2017	C	<u><u>\$ 33.77</u></u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 1 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	\$ 357,039.43	\$ 312,830.75
Interfunds:			
Water-Sewer Utility Capital Fund	D-3, 5	<u>6,148.75</u>	<u>6,148.75</u>
		357,039.43	318,979.50
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	<u>13,541.41</u>	<u>21,703.69</u>
Total Operating Fund		<u>370,580.84</u>	<u>340,683.19</u>
Capital Fund:			
Cash	D-5	309,453.27	4,882.17
Investment in Special Emergency Note -			
Current Fund	D-6		12,000.00
NJ Environmental Infrastructure Loan Receivable	D-6	293,720.00	293,720.00
Fixed Capital	D-8	4,163,129.95	4,163,129.95
Fixed Capital Authorized and Uncompleted	D-9	5,993,058.12	5,993,058.12
Interfunds:			
Current Fund	D-6	<u>12,000.00</u>	<u>189,256.00</u>
Total Capital Fund		<u>10,771,361.34</u>	<u>10,656,046.24</u>
		<u>\$ 11,141,942.18</u>	<u>\$ 10,996,729.43</u>
<u>Liabilities and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4,10	\$ 75,160.10	\$ 68,584.70
Reserve for Encumbrances	D-4,10	49,611.18	36,984.75
Prepaid Rents	D-5,7	4,005.72	3,444.58
Interfund-Other Trust Fund	D-5		3,000.00
Accounts Payable	D-10	5,000.00	
Accrued Interest on Notes and Loans	D-11	<u>52,268.35</u>	<u>42,038.54</u>
		186,045.35	154,052.57
Reserve for Receivables and Other Assets		13,541.41	21,703.69
Fund Balance	D-1	<u>170,994.08</u>	<u>164,926.93</u>
Total Operating Fund		<u>370,580.84</u>	<u>340,683.19</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Capital Fund:			
Interfund - Water-Sewer Utility Operating Fund	D-6	\$	\$ 6,148.75
Improvement Authorizations:			
Funded	D-14	514,929.63	696,259.65
Unfunded	D-14	488,315.82	1,077,198.45
Reserve for Encumbrances	D-14	134,326.50	9,650.00
Capital Improvement Fund	D-12	35,460.00	34,460.00
Reserve for Amortization	D-13	3,538,976.71	3,470,678.73
Reserve for Deferred Amortization	D-15	1,534,511.04	1,312,503.56
Bond Anticipation Notes	D-21	766,000.00	
Utility Serial Bonds	D-16	448,000.00	499,000.00
NJ Environmental Infrastructure:			
Trust Loan - Series 2006	D-17	115,000.00	125,000.00
Fund Loan - Series 2006	D-18	89,897.72	99,576.07
Trust Loan - Series 2010	D-19	1,765,000.00	1,860,000.00
Fund Loan - Series 2010	D-20	1,326,432.60	1,451,059.71
Fund Balance	D-2	14,511.32	14,511.32
Total Capital Fund		<u>10,771,361.34</u>	<u>10,656,046.24</u>
		<u>\$ 11,141,942.18</u>	<u>\$ 10,996,729.43</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2017 of \$1,338,370 and \$572,370.00 (Exhibit D-22).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-1

STATEMENTS OF OPERATIONS AND

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	D-3	\$ 150,935.88	\$ 40,575.00
Rents	D-3	1,052,569.49	1,051,366.24
Miscellaneous Revenue Anticipated	D-3	15,484.93	21,038.03
Water Tower Antenna Lease	D-3	29,705.31	34,408.77
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-10	60,844.48	65,664.87
Total Income		<u>1,309,540.09</u>	<u>1,213,052.91</u>
<u>Expenditures</u>			
Budget:			
Operating		735,764.62	684,280.00
Capital Improvements		1,000.00	1,000.00
Debt Service		398,619.05	385,615.43
Deferred Charges and Statutory Expenditures		17,153.39	13,000.00
Prior Year Revenue Adjustment			1,500.00
Total Expenditures	D-4	<u>1,152,537.06</u>	<u>1,085,395.43</u>
Statutory Excess to Fund Balance		157,003.03	127,657.48
Fund Balance January 1	D	164,926.93	77,844.45
		321,929.96	205,501.93
Decreased by:			
Utilization by Water-Sewer Operating Fund	D-1	<u>150,935.88</u>	<u>40,575.00</u>
Fund Balance December 31	D	<u>\$ 170,994.08</u>	<u>\$ 164,926.93</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-2

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance December 31, 2017 and 2016	D	\$ <u><u>14,511.32</u></u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-3

STATEMENT OF REVENUES - OPERATING FUND

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 150,935.88	\$ 150,935.88	\$
Rents	1,040,000.00	1,052,569.49	12,569.49
Miscellaneous	12,500.00	15,484.93	2,984.93
Water Tower Antenna Lease	<u>28,913.00</u>	<u>29,705.31</u>	<u>792.31</u>
	<u>\$ 1,232,348.88</u>	<u>\$ 1,248,695.61</u>	<u>\$ 16,346.73</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-4

STATEMENT OF EXPENDITURES - OPERATING FUND - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operating					
Salaries and Wages	\$ 208,254.62	\$ 208,254.62	\$ 164,661.52	\$ 13,593.10	\$ 30,000.00
Other Expenses	270,000.00	270,000.00	264,093.85	5,906.15	
Ocean County Utilities Authority	213,510.00	213,510.00	193,269.25	10,240.75	10,000.00
Insurance	94,000.00	94,000.00	28,057.97	30,942.03	35,000.00
Engineering	25,000.00	25,000.00	16,991.22	8,008.78	
Capital Improvements					
Capital Improvement Fund	1,000.00	1,000.00	1,000.00		
Debt Service					
Payment of Bond Principal	51,000.00	51,000.00	51,000.00		
Interest on Bonds	14,823.76	14,823.76	14,823.76		
Infrastructure Loan:					
Principal	19,680.00	19,680.00	19,678.35		1.65
Interest	5,300.00	5,300.00	4,951.69		348.31
New Jersey Infrastructure Trust Loans:					
Principal	219,627.11	219,627.11	219,627.11		
Interest	93,000.00	93,000.00	88,538.14		4,461.86
Statutory Expenditures					
Contribution to Social Security System	15,653.39	15,653.39	9,460.33	6,193.06	
Unemployment Compensation Insurance	1,500.00	1,500.00	1,223.77	276.23	
	<u>\$ 1,232,348.88</u>	<u>\$ 1,232,348.88</u>	<u>\$ 1,077,376.96</u>	<u>\$ 75,160.10</u>	<u>\$ 79,811.82</u>
Ref.	D-3	D-1		D	D-1
Disbursements			\$ 919,452.19		
Reserve for Encumbrances			49,611.18		
Accrued Interest on Bonds and Loans			<u>108,313.59</u>		
			<u>\$ 1,077,376.96</u>		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G

STATEMENTS OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ <u>4,454.83</u>	\$ <u>16,816.38</u>
<u>Liabilities</u>		
Payroll Liabilities	\$ 1,246.86	\$ 8,553.17
Interfund - Current Fund	<u>3,207.97</u>	<u>8,263.21</u>
	\$ <u>4,454.83</u>	\$ <u>16,816.38</u>

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

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENTS OF ASSETS AND RESERVES

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Land	\$ 183,483.00	\$ 183,483.00
Buildings and Improvements	1,340,350.00	1,340,350.00
Equipment and Machinery	<u>1,833,989.00</u>	<u>1,833,989.00</u>
	<u>\$ 3,357,822.00</u>	<u>\$ 3,357,822.00</u>
<u>Reserves</u>		
Investment in Fixed Assets	<u>\$ 3,357,822.00</u>	<u>\$ 3,357,822.00</u>

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

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**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN, NEW JERSEY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Island Heights, County of Ocean, New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid organization or volunteer fire companies which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2017.

B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles ("GAAP"):

Current Fund - revenues and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Animal Control Trust Fund - animal license revenues and expenditures.

Other Trust Fund - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Descriptions of Funds (Continued)

Water-Sewer Utility Operating Fund - revenues and expenditures necessary to operate municipally-owned water supply and sewer collection systems from user fees.

Water-Sewer Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of water-sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

Payroll Fund - receipt and disbursement for payroll costs and payroll taxes.

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

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

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

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2017 is set forth in Note 6.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water-Sewer Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2017 is set forth in Note 4.

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

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system. Fixed assets acquired prior to 2000 are based on an inspection and appraisal prepared by an independent firm. All general fixed assets acquired after 2000 are recorded at cost. Capital leases are not reported in the General Fixed Assets Account Group as required by GAAP.

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

GAAP does not require utilization of a general fixed asset account group.

All fixed assets are required to be valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

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

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

Utility Fixed Assets - Accounting for utility fund “fixed capital” remains unchanged.

Property and equipment purchased by the Water-Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contribution in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Water-Sewer Utility Fund are not depreciated. Principal payments for Water-Sewer Utility debt are recorded as expenditures in the Water-Sewer utility Statement of Operations.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Utility Fixed Assets (Continued)

During 2013 the Borough contracted with an outside vendor in order to establish a fixed asset inventory. There was no change to the Borough's asset inventory during 2017. The estimated historic value of the Borough's fixed assets at 2017 and 2016 are as follows:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
General Fixed Assets Account Group:		
Land	\$ 183,483	\$ 183,483
Building	1,340,350	1,340,350
Equipment	1,833,989	1,833,989
Water-Sewer Utility Fund:		
Fixed Capital	4,163,130	4,163,130
Fixed Capital Authorized and Uncompleted	<u>5,993,058</u>	<u>5,993,058</u>
	<u>\$ 13,514,010</u>	<u>\$ 13,514,010</u>

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has recently adopted 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 financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements; and there have been no GASB pronouncements effective for the current year that have a significant impact of the Borough's financial statements.

G. Subsequent Events

The Borough has evaluated subsequent events occurring after December 31, 2017 through the date of June 27, 2018, which is the date the financial statements were available to be issued. See note 17 for more information.

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- The market value of the collateral must equal five percent of the average daily balance of public funds; or
- If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At year-end, the carrying amount of the Borough's deposits was \$4,275,340 the bank balance amount was \$4,281,714. Of this amount \$500,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$3,781,714.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

Fair Value Measurement – The fair value measurements of investments are required to be reported based on the hierarchy established by generally accepted accounting principles. 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.

Under 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 GAAP, the Borough’s fair value, hierarchy level and maturities of its investments at December 31, 2017 would be as followed:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value as of December 31, 2017</u>			<u>Investment Maturities (in Years)</u>
		<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>	<u>Less Than 1 Year</u>
Money Markets	\$ 2,022.48	\$ 2,022.48	\$ -	\$ 2,022.48	\$ 2,022.48
Mutual Funds	415,888.18	415,888.18	-	415,888.18	415,888.18
Fixed Account Investment Contract	151,839.19	-	151,839.19	151,839.19	151,839.19
	<u>\$ 569,749.85</u>	<u>\$ 417,910.66</u>	<u>\$ 151,839.19</u>	<u>\$ 569,749.85</u>	<u>\$ 569,749.85</u>
<u>Fund</u>					
Trust Fund - LOSAP	<u>\$ 569,749.85</u>	<u>\$ 417,910.66</u>	<u>\$ 151,839.19</u>	<u>\$ 569,749.85</u>	<u>\$ 569,749.85</u>
	<u>\$ 569,749.85</u>	<u>\$ 417,910.66</u>	<u>\$ 151,839.19</u>	<u>\$ 569,749.85</u>	<u>\$ 569,749.85</u>

Custodial credit risk related to Investments - This is the risk that in the event of the 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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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. More than 5% of the Borough’s investments are in mutual funds and fixed account investment. These investments represent 99.65% of the Borough’s total investments.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every Borough shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>Bank Balance 2017</u>
Insured:	
FDIC	\$ 500,000
GUDPA	<u>3,781,714</u>
	\$ <u>4,281,714</u>

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

D. Interest Rate Risk

New Jersey municipal units are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; government money market mutual funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress; bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; local government investment pools; deposits with the State of New Jersey Cash Management Fund; and agreements for the purchase of fully collateralized securities with certain provisions. The Borough has no investment policy that would further limit its investment choices.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid.

A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the Borough at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

A. Long-Term Debt

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

General Capital Fund

2.00% to 2.50% General Improvement Bonds, Series 2011 issued
November 30, 2011 for \$1,623,000, installment maturities to
November 30, 2021. (Term bond due November 30, 2026). \$ 972,000

The bonds mature serially in installments to the year 2026, Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 108,000	\$ 30,105
2019	108,000	27,945
2020	108,000	25,515
2021	108,000	22,950
2022	108,000	20,250
2023-2026	<u>432,000</u>	<u>40,500</u>
	\$ <u>972,000</u>	\$ <u>167,265</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

Green Trust Loan Program

The Borough has a low interest (2%) loan under the New Jersey Department of Environmental Protection's Green Trust Loan Program. The \$600,000 loan for the River Avenue Boardwalk was finalized on June 27, 2007. The Borough must repay the loan in semi-annual installments over twenty years. Loan payments are due through 2026.

Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 31,661	\$ 5,649
2019	32,298	5,012
2020	32,947	4,363
2021	33,609	3,701
2021	34,285	3,025
2022-2026	<u>125,513</u>	<u>5,071</u>
	\$ <u>290,313</u>	\$ <u>26,821</u>

Water-Sewer Utility Capital Fund

2.00% to 2.50% General Improvement Bonds, Series 2011 issued November 30, 2011 for \$754,000, installment maturities to November 30, 2021. (Term bond due November 30, 2026). \$ 448,000

The bonds mature serially in installments to the year 2021. Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 51,000	\$ 13,804
2019	51,000	12,784
2020	51,000	11,636
2021	51,000	10,425
2022	51,000	9,150
2023-2026	<u>193,000</u>	<u>17,475</u>
	\$ <u>448,000</u>	\$ <u>75,274</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

The Borough has four loans with the New Jersey Infrastructure Program to fund utility upgrades. The New Jersey Infrastructure Fund Loans amounting to \$198,500 and \$2,451,000 are payable semi-annually till 2026 and 2030, respectively, with no interest. The New Jersey Infrastructure Trust Loans amounting to \$205,000 and \$2,275,000 are payable semi-annually commencing in 2008 till 2026 and 2013 till 2030, respectively. Interest rates vary between 4% to 5% for the loan in the amount of \$205,000. The interest rate for the second Trust Loan is 5%. The loan proceeds were received in 2007 for the first Trust and Fund Loans issued. To date the Borough has received partial funding from the Trust and Fund Loans that closed during 2011.

Debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 244,052	\$ 93,144
2019	248,799	87,744
2020	253,546	82,094
2021	258,293	76,194
2022	271,196	70,031
2023-2027	1,435,281	242,601
2028-2030	<u>585,163</u>	<u>50,998</u>
	\$ <u>3,296,330</u>	\$ <u>702,806</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

B. Short-Term Debt

General Capital Fund

On December 31, 2017, the Borough's outstanding bond anticipation notes were as follows:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 305,750	2.00%
01-08	Improvements to Recreation Facilities	16,000	2.00%
05-10	Renovation and Repair to Police/Emergency Management Building	2,500	2.00%
06-06	Handicapped Ramps and Oak Avenue Road Improvements	12,500	2.00%
07-09	Paving and Repair of Gilford Avenue	20,000	2.00%
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	138,500	2.00%
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	7,000	2.00%
08-08	Replacement of HVAC Systems at Borough Hall and Court	12,250	2.00%
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	16,300	2.00%
10-02	NJDOT Improvements to Summit Avenue	3,700	2.00%
12-04	NJDOT Improvements to Summit Avenue Beach Parking Lot	15,142	2.00%
13-01	NJDOT Improvements to Cedar Avenue	34,358	2.00%
13-06	Repairs to Simpson Avenue and Boardwalk	<u>95,000</u>	2.00%
		\$ <u>679,000</u>	

Water-Sewer Utility Capital Fund

On December 31, 2017, the Borough's outstanding bond anticipation notes were as follows:

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
16-09	Various Water and Sewer Improvements	\$ 766,000	2.00%

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

C. Bonds and Notes Authorized but not Issued

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

	<u>2017</u>	<u>2016</u>
General Capital Fund	\$ 149,940	\$ 244,940
Water-Sewer Utility Capital Fund	572,370	1,338,370

D. Borrowing Power

New Jersey statutes limit the debt of a Borough to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2017 was 0.600%. The Borough's remaining borrowing power is 2.900%.

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

E. Summary of Debt Activity

During 2017 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due Within</u> <u>One Year</u>
General Debt:					
Serial Bonds	\$ 1,080,000	\$	\$ 108,000	\$ 972,000	\$ 108,000
Bond Anticipation Notes	609,000	95,000	25,000	679,000	679,000
Green Trust Loan	321,350		31,037	290,313	31,661
Water Utility Fund Debt:					
Serial Bonds	499,000		51,000	448,000	51,000
Bond Anticipation Notes		766,000		766,000	766,000
NJEIT	3,535,636		239,306	3,296,330	244,052
	<u>\$ 6,044,986</u>	<u>\$ 861,000</u>	<u>\$ 454,343</u>	<u>\$ 6,451,643</u>	<u>\$ 1,879,713</u>

Summary of Municipal Debt

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 1,941,313	\$ 2,010,350	\$ 2,148,776
Water-Sewer Utility:			
Bonds, Notes and Loans	4,510,330	4,034,636	4,613,978
Total Issued	<u>6,451,643</u>	<u>6,044,986</u>	<u>6,762,754</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity (Continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	149,940	244,940	195,920
Water-Sewer Utility:			
Bonds and Notes	<u>572,370</u>	<u>1,338,370</u>	<u>119,650</u>
Total Authorized but not Issued	<u>722,310</u>	<u>1,583,310</u>	<u>315,570</u>
<u>Deductions</u>			
General:			
Excess BAN Funding on Hand	46,872	27,943	27,943
Water-Sewer Utility:			
Self-Liquidating Deduction	<u>5,082,700</u>	<u>5,373,006</u>	<u>4,733,628</u>
Total Deductions	<u>5,129,572</u>	<u>5,400,949</u>	<u>4,761,571</u>
Net Debt	\$ <u>2,044,381</u>	\$ <u>2,199,404</u>	\$ <u>2,316,753</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 0.600%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 293,000	\$ 293,000	\$ -0-
Regional School Debt	82,267	82,267	-0-
General Debt	2,091,253	46,872	2,044,381
Water-Sewer Utility Debt	<u>5,082,700</u>	<u>5,082,700</u>	<u>-0-</u>
	\$ <u>7,549,220</u>	\$ <u>5,504,839</u>	\$ <u>2,044,381</u>

Net Debt \$2,044,381 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$340,998,048 = 0.600%.

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

3.5% of Equalized Valuation Basis (Municipal)	\$ 11,934,932
Net Debt	<u>2,044,381</u>
Remaining Borrowing Power	\$ <u>9,890,551</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity (Continued)

Calculation of Self-Liquidating Purpose - Water-Sewer Utility per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents and Other Charges		\$ 1,248,696
Deductions:		
Operating and Maintenance Costs	\$ 752,918	
Debt Service	<u>398,619</u>	
Total Deductions		<u>1,151,537</u>
Excess in Revenue		\$ <u><u>97,159</u></u>

NOTE 4. ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$104,510 and \$103,333 at December 31, 2017 and 2016, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the proposed municipal budget for the year ending December 31 of the succeeding years are as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 532,052	\$ 252,559
Water-Sewer Utility Operating Fund	100,500	150,936

NOTE 6. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 7. PROPERTY TAXES

Comparison of Tax Rate Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$ <u>1.845</u>	\$ <u>1.858</u>	\$ <u>1.804</u>
Apportionment of Tax Rate			
Municipal	.546	.524	.502
County	.395	.422	.414
Regional School	.309	.347	.332
Local School	.595	.565	.556
Assessed Valuation			
2017	\$ 346,430,885		
2016		\$ 345,631,813	
2015			\$ 345,132,255

Comparison of Tax Levies and Collection Currently

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	<u>Percentage of Collection</u>
		<u>Collection</u>	
2017	\$ 6,434,154	\$ 6,329,634	98.38%
2016	6,459,026	6,303,152	97.58%
2015	6,250,504	6,078,827	97.25%

Delinquent Taxes and Tax Title Liens

<u>Year Ended December 31</u>	<u>Amount of Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$ 18,548	\$ 91,220	\$ 109,768	1.71%
2016	15,829	133,270	149,099	2.31%
2015	13,131	139,634	152,765	2.44%

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 8. TAXES AND WATER-SEWER CHARGES COLLECTED IN ADVANCE

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

	<u>Balance December 31</u>	
	<u>2017</u>	<u>2016</u>
Prepaid Taxes	\$ 547,443	\$ 46,991
Prepaid Water-Sewer Charges	4,006	3,445

NOTE 9. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Regional and Local School Districts, and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 10. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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 allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, 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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

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, 2017, the Borough's contractually required contribution to PERS plan was \$38,823.

Components of Net Pension Liability - At December 31, 2017, the Borough's proportionate share of the PERS net pension liability was \$975,544.00. The net pension liability was measured as of June 30, 2017. 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, 2016, which was rolled forward to June 30, 2017. 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, 2017. The Borough's proportion measured as of June 30, 2017, was .0041908% which was a decrease of .0003779% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 226,153	\$ 357,047
Deferred Inflows of Resources	476,350	276,729
Net Pension Liability	975,544	1,353,095
 Borough's portion of the Plan's total net pension Liability	 0.00419%	 0.00457%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2017, the Borough's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$70,364. 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 \$38,823 to the plan in 2017.

At December 31, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 22,971	\$ -
Changes of Assumptions	196,539	195,818
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,643	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	-	280,532
	<u>\$ 226,153</u>	<u>\$ 476,350</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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	-
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
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	-
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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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	<u>Dec 31,</u>	<u>Amount</u>
2018		\$ (42,431)
2019		(25,384)
2020		(41,405)
2021		(107,568)
2022		<u>(33,409)</u>
		<u>\$ (250,197)</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	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Borough's Proportionate Share of the Net Pension Liability	<u>\$ 1,210,229</u>	<u>\$ 975,544</u>	<u>\$ 780,023</u>

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.nj.gov/treasury/pensions/financial-reports.shtml>.

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

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.

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, 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, 2017, the Borough's contractually required contributions to PFRS plan was \$43,146.

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

Net Pension Liability and Pension Expense - At December 31, 2017 the Borough's proportionate share of the PFRS net pension liability was \$752,629. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. 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, 2017. The Borough's proportion measured as of June 30, 2017, was .004875%, which was a decrease of .0030979% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>12/31/17</u>	<u>12/31/16</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 264,816	\$ 535,873
Deferred Inflows of Resources	632,904	160,269
Net Pension Liability	752,629	1,523,068
Borough's portion of the Plan's total net pension Liability	0.00488%	0.00797%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2017, the Borough's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2017 measurement date was \$68,285. 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 \$43,146 to the plan in 2017.

At December 31, 2017, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 4,883	\$ 4,417
Changes of Assumptions	92,808	123,259
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,362	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>152,763</u>	<u>505,228</u>
	<u>\$ 264,816</u>	<u>\$ 632,904</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

B. Police and Firemen's Retirement System (PFRS) (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	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
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
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	-
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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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>	
2018	\$	(14,424)
2019		11,392
2020		(78,415)
2021		(221,581)
2022		<u>(65,060)</u>
	\$	<u>(368,088)</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 \$84,301 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. 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, 2017 was .004875% , which was a decrease of .0030979% from its proportion measured as of June 30, 2016, which is the same proportion as the Borough's. At December 31, 2017, the Borough's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

Borough's Proportionate Share of Net Pension Liability	\$ 752,629
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>84,301</u>
	<u>\$ 836,930</u>

At December 31, 2017, the State's proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2017 measurement date was \$10,312.00.

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

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2010 - June 30, 2013

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<hr/>	
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

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

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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 (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
Borough's Proportionate Share of the Net Pension Liability	\$ 991,651	\$ 752,629	\$ 556,246
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>111,074</u>	<u>84,301</u>	<u>62,304</u>
	<u>\$ 1,102,725</u>	<u>\$ 836,930</u>	<u>\$ 618,550</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 10. PENSION OBLIGATIONS

C. Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by *N.J.S.A. 43:15C-1 et. seq.*

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Borough's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no Borough employees enrolled in the DCRP for the years ended December 31, 2017, 2016 and 2015.

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

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2008, the Borough authorized participation in the SHBP's post-retirement benefit program through Resolution Number 355-2. The Borough adopted the provisions of Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions.

Funding Policy

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

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis

The Borough contributions to SHBP for the years ended December 31, 2017 and 2016 were \$47,643 and \$45,405, respectively, which equaled the required contributions for each year. There were two retired participants eligible at December 31, 2017 and 2016.

NOTE 12. SCHOOL TAXES

Regional and Local District School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 required that any Borough that levied school taxes on a school year basis shall defer from the 1991 municipal purposes tax levy at least 25% of the amount allowable to be deferred (which is 50% (fifty percent) of the levy). The remainder of the allowable amount shall be deferred from the levy in each of the next three years (1992-1994). The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy.

In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

	<u>Regional District School Tax</u>		<u>Local District School Tax</u>	
	<u>Balance December 31</u>		<u>Balance December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 504,462	\$ 562,837	\$ 991,642	\$ 945,060
Deferred	<u>250,000</u>	<u>250,000</u>	<u>555,000</u>	<u>555,000</u>
Tax Payable	\$ <u>254,462</u>	\$ <u>312,837</u>	\$ <u>436,642</u>	\$ <u>390,060</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 13. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance programs for municipalities within the state. The Borough pays an actuarially determined annual assessment to Ocean County Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Borough has not been notified on any supplemental assessments. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 14. CONTINGENT LIABILITIES

State and Federal Financial Assistance

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 financial assistance 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, 2017, the Borough estimates that no material liabilities will result from such audits.

Major Tax Assessments

Taxpayers in 2017 with assessments in excess of 1% of the total assessed valuation were as follows:

<u>Owner</u>	<u>Assessed Value</u>	<u>Block/Lot</u>	<u>% of Value</u>
FLM Marine	\$ 4,100,000	38.02/4.01	1.18%

Litigation

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

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

The Borough officials believe that negligence and other types of liability suits, of which the Borough is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 3,208	\$ 84,219
Grant Fund	47,948	
General Capital Fund	24,271	
Water-Sewer Utility Operating Fund	12,000	
Payroll Fund	<u> </u>	<u>3,208</u>
	<u>\$ 87,427</u>	<u>\$ 87,427</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:

	<u>Transfers In</u>	<u>Transfers Out</u>
Current Fund	\$ 5,511	\$ 419,200
Trust Fund	3,000	455
General Capital Fund	229,944	3,000
Water-Sewer Utility Operating Fund	6,149	4,000
Water-Sewer Utility Capital Fund	190,256	6,149
Payroll Fund	<u>-</u>	<u>2,056</u>
	<u>\$ 434,860</u>	<u>\$ 434,860</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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 16. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”)

The Borough has established a Volunteer Length of Service Award Plan (“LOSAP”) (“Plan”) to ensure retention of the Borough’s volunteer firefighters and volunteer members of emergency service squads. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a length of service award plan under Section 457(e)11 of the Internal Revenue Code”.

Annual Contributions - The annual contribution to be made by the Borough for each active volunteer member shall be \$1,150 per year of active emergency service, commencing with the year 2002.

Appropriations - Appropriations for the purpose of funding the Borough’s LOSAP shall be included as a separate line item in the Borough’s budget, commencing with the year 2002.

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

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

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

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 16. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) (CONTINUED)

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

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

NOTE 17. SUBSEQUENT EVENTS

On March 27, 2018 the Borough approved an ordinance authorizing phase I of the reconstruction of Maple Avenue and Lake Avenue, and appropriating \$390,000 therefor and authorizing the issuance of \$90,464 in bonds or bond anticipation notes to finance the same.

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SUPPLEMENTARY SCHEDULES

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CURRENT FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-4

SCHEDULE OF CASH - TREASURER

Balance December 31, 2016		\$ 2,596,048.19
Increased by Receipts:		
Taxes Receivable	\$ 6,393,638.35	
Prepaid Taxes	547,442.81	
State of NJ Fees	75.00	
Revenue Accounts Receivable	390,186.41	
Miscellaneous Revenue not Anticipated	70,392.33	
Interfunds:		
Grant Fund	20,398.82	
Other Funds	5,510.73	
Prior Year Checks Cancelled	1,064.99	
Due from State of New Jersey (Ch. 20, P.L. 1971)	17,595.00	
		<u>7,446,304.44</u>
		<u>10,042,352.63</u>
Decreased by Disbursements:		
2017 Budget Appropriations	1,993,571.50	
County Taxes	1,374,652.58	
Local District School Tax	2,014,819.00	
Regional High School Tax	1,129,131.94	
2016 Appropriation Reserves	208,037.53	
Interfunds:		
Grant Fund	30,791.24	
Other Funds	394,199.65	
Accounts Payable	1,150.00	
State of NJ Fees	50.00	
		<u>7,146,403.44</u>
Balance December 31, 2017		\$ <u><u>2,895,949.19</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-5

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	2017 Levy	Collections		Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2017
			By Cash	Ch. 20, P.L. 1971			
2016	\$ 133,270.14	\$	2016	\$	\$	\$	\$
2017		6,434,154.10	2017	2016	10,621.09	2,678.94	91,219.84
	\$ 133,270.14	\$ 6,434,154.10	\$ 133,158.04	\$ 112.10	\$ 10,621.09	\$ 2,678.94	\$ 91,219.84
			6,260,480.31	46,990.63			
			\$ 6,393,638.35	\$ 47,102.73	\$ 10,621.09	\$ 2,678.94	\$ 91,219.84

Analysis of 2017 Property Tax Yield and Tax Levy

Tax Yield:

General Purpose Tax
Added and Omitted Taxes

\$ 6,391,652.10
42,502.00

\$ 6,434,154.10

Tax Levy:

Local District School Tax
Regional High School Tax
County Taxes:

\$ 2,061,401.00
1,070,757.00

General County Tax \$ 1,156,957.74
County Library Tax 124,644.46
County Health Tax 45,167.69
County Open Space Tax 39,434.98
County Added and Omitted Tax 9,253.32

Total County Taxes
Local Tax for Municipal Purposes
Add: Additional Tax Levied

1,375,458.19
1,891,367.67
35,170.24

\$ 6,434,154.10

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2016	\$ 15,869.08
Increased by:	
Transfers from Taxes Receivable	<u>2,678.94</u>
Balance December 31, 2017	<u><u>\$ 18,548.02</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Exhibit A-7

	<u>Accrued in 2017</u>	<u>Collected</u>
Local Revenues:		
Local Aid:		
Fees and Permits	\$ 14,654.25	\$ 14,654.25
Fines and Costs, Municipal Court	22,230.20	22,230.20
Interest and Costs on Taxes	22,134.99	22,134.99
Interest on Investments and Deposits	7,661.44	7,661.44
Beach Fees	26,356.00	26,356.00
Cable Television Franchise Fees	28,723.07	28,723.07
Post Office Lease	47,127.00	47,127.00
Antenna Lease	79,777.51	79,777.51
Uniform Construction Code Fees	21,115.00	21,115.00
State Aid:		
Energy Receipts Tax	117,407.00	117,407.00
Other Special Items:		
Reserve for FEMA/Insurance Reimbursements	32,394.10	32,394.10
Surplus Capital Fund	<u>3,000.00</u>	<u>3,000.00</u>
	<u><u>\$ 422,580.56</u></u>	<u><u>\$ 422,580.56</u></u>
Receipts		\$ 390,186.41
Reserve for Insurance		32,394.10
Interfunds		<u>.05</u>
		<u><u>\$ 422,580.56</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-8

SCHEDULE OF COUNTY TAXES PAYABLE

Balance December 31, 2016		\$	8,447.71
Increased by:			
2017 Tax Levy:			
General County Tax	\$	1,156,957.74	
County Library Tax		124,644.46	
County Health Tax		45,167.69	
County Open Space Tax		39,434.98	
County Share of Added and Omitted Taxes		<u>9,253.32</u>	
			<u>1,375,458.19</u>
			<u>1,383,905.90</u>
Decreased by:			
Payments			<u>1,374,652.58</u>
Balance December 31, 2017		\$	<u><u>9,253.32</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Balance December 31, 2016:			
School Tax Deferred	\$	555,000.00	
School Tax Payable		<u>390,060.00</u>	
			\$ 945,060.00
Increased by:			
Levy School Year July 1, 2017 to June 30, 2018			<u>2,061,401.00</u>
			<u>3,006,461.00</u>
Decreased by:			
Payments			<u>2,014,819.00</u>
Balance December 31, 2017:			
School Tax Deferred		555,000.00	
School Tax Payable		<u>436,642.00</u>	
			\$ <u>991,642.00</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-10

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance December 31, 2016:			
School Tax Deferred	\$ 249,999.90		
School Tax Payable	<u>312,837.19</u>		
		\$ 562,837.09	
Increased by:			
Levy School Year July 1, 2017 to June 30, 2018		<u>1,070,757.00</u>	
		<u>1,633,594.09</u>	
Decreased by :			
Payments		<u>1,129,131.94</u>	
Balance December 31, 2017:			
School Tax Deferred	249,999.90		
School Tax Payable	<u>254,462.25</u>		
		\$ <u>504,462.15</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 5

OPERATIONS WITHIN CAPS

	<u>Balance</u>	<u>Reserve for</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Dec. 31, 2016</u>	<u>Encumbrances</u>	<u>Modification</u>	<u>Charged</u>	<u>Lapsed</u>
General Administration					
Other Expenses	\$ 2,674.77	\$ 1,980.00	\$ 4,654.77	\$ 1,980.00	\$ 2,674.77
Mayor and Council					
Salaries and Wages	220.00		220.00		220.00
Other Expenses	406.01	16.99	423.00	16.99	406.01
Municipal Clerk					
Salaries and Wages	6,321.74		6,321.74		6,321.74
Other Expenses	2,361.00	797.50	3,158.50		3,158.50
Advertising Budget	47.00		47.00		47.00
Elections					
Other Expenses	1,000.00		1,000.00		1,000.00
Financial Administration					
Salaries and Wages	1,821.83		1,821.83		1,821.83
Other Expenses	3,223.20	1,143.68	4,366.88	1,262.36	3,104.52
Computerized Data Processing					
Other Expenses	6,595.31	275.00	6,870.31	474.95	6,395.36
Collection of Taxes					
Salaries and Wages	4,173.49		4,173.49		4,173.49
Other Expenses	36.30		36.30		36.30
Assessment of Taxes					
Salaries and Wages	.88		.88		.88
Other Expenses	514.75		514.75		514.75
Tax Map Revisions	1,500.00		1,500.00		1,500.00
Cost of Tax Appeals	50,000.00		50,000.00		50,000.00
Legal Services and Costs					
Other Expenses	20,324.90		20,324.90	1,012.50	19,312.40
Advertising and Legal Notices	2,569.50	30.75	2,600.25	30.75	2,569.50
Counsel - Labor					
Other Expenses	2,852.50		2,852.50		2,852.50
Engineering Services and Costs					
Other Expenses	6,417.93	3,647.50	10,065.43	7,487.67	2,577.76

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 2 of 5

	<u>Balance</u>	<u>Reserve for</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Dec. 31, 2016</u>	<u>Encumbrances</u>	<u>Modification</u>	<u>Charged</u>	<u>Lapsed</u>
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	29.83		29.83		29.83
Other Expenses - Legal	688.00		850.50		688.00
Other Expenses - Miscellaneous	8.21	162.50	8.21	162.50	8.21
Insurance					
General Liability	381.38		381.38		381.38
Other Insurance	11,160.44		11,160.44		10,934.92
Workers Compensation				225.52	
Employee Group Insurance	71,730.56		71,730.56	14,653.01	57,077.55
Police					
Salaries and Wages	36,859.32	100,000.00	136,859.32	104,827.21	32,032.11
Other Expenses	872.14	13,523.21	14,395.35	13,043.68	1,351.67
Medical Testing	164.00		164.00		164.00
Crossing Guards and Badge Checkers					
Salaries and Wages	3,586.49		3,586.49		3,586.49
Other Expenses	250.00		250.00		250.00
Emergency Management Service					
Salaries and Wages	6.54		6.54		6.54
Other Expenses	778.78		778.78	60.44	718.34
First Aid					
Contribution					
Other Expenses		4,275.00	4,275.00	4,275.00	
Fire Department		1,700.00	1,700.00	1,700.00	
Aid to Volunteer Fire Company					
Other Expenses	25,082.66		25,082.66	25,082.66	
Municipal Prosecutor					
Salaries and Wages	.41		.41		.41
Other Expenses	200.00	500.00	700.00	500.00	200.00
Municipal Court					
Salaries and Wages	2,752.39		2,752.39	525.00	2,227.39
Other Expenses	1,331.26		1,331.26		1,331.26
Public Defender					
Salaries and Wages					
Other Expenses	4,643.49		4,643.49		4,643.49

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES

Exhibit A-11

Sheet 3 of 5

	<u>Balance Dec. 31, 2016</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Public Buildings, Grounds, Parks, Playgrounds and Beaches					
Salaries and Wages	\$ 20,576.76	\$	\$ 20,576.76	\$	\$ 20,576.76
Other Expenses	3,375.87	16,350.24	19,726.11	10,046.96	9,679.15
Solid Waste Collection					
Contractual	19,065.83		19,065.83	12,299.40	6,766.43
Other Expenses	250.00		250.00		250.00
Recycling					
Other Expenses	2,300.00		2,300.00		2,300.00
Vehicle Maintenance					
Other Expenses	7,678.15	6,193.34	13,871.49	4,345.58	9,525.91
Shade Trees					
Other Expenses	250.00		250.00		250.00
Snow Removal					
Salaries and Wages					
Other Expenses	7,137.35		7,137.35		7,137.35
Board of Health					
Salaries and Wages					
Other Expenses	110.00	140.00	250.00	140.00	110.00
County Library					
Other Expenses		2,000.00	2,000.00	2,000.00	
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	10.00		10.00		10.00
Environmental Commission					
Other Expenses	111.00	27.00	138.00	27.00	111.00
Dog Regulation					
Other Expenses	500.00		500.00		500.00
Senior Advisory Committee					
Other Expenses	250.00		250.00		250.00
Beachfront Maintenance					
Salaries and Wages - Lifeguards	878.47		878.47		878.47
Other Expenses	507.72	540.00	1,047.72	540.00	507.72

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 5

	<u>Balance</u> Dec. 31, 2016	<u>Reserve for</u> Encumbrances	<u>Budget After</u> Modification	<u>Paid or</u> Charged	<u>Balance</u> Lapsed
Recreation	\$ 500.00	\$ 742.00	\$ 500.00	\$ 742.00	\$ 500.00
Salaries and Wages	1,348.42		2,090.42		1,348.42
Other Expenses					
Participation in Free County Library					
Deferred Sick Time					
Salary Settlements and Adjustments					
<u>Uniform Construction Code - Appropriations Offset</u>					
<u>by Dedicated Revenues (N.J.S.A. 5:23-4.17)</u>					
Code Enforcement and Zoning	2,052.07		2,052.07	117.94	1,934.13
Salaries and Wages	144.46		144.46		144.46
Other Expenses					
Construction Code Official					
Salaries and Wages	85.00		85.00		85.00
Other Expenses					
Fire Official					
Salaries and Wages	50.78		50.78		50.78
Other Expenses	197.51		197.51		197.51
<u>Unclassified</u>					
Utilities					
Gasoline	8,682.32		8,682.32	870.67	7,811.65
Electricity	7,720.50	2,181.44	9,901.94	2,181.44	7,720.50
Telephone	2,555.21	734.74	3,289.95	734.74	2,555.21
Natural Gas	5,262.53	952.60	6,215.13	952.60	5,262.53
Street Lighting	1,856.37		1,856.37		1,856.37
Total Operations within Caps	<u>367,043.33</u>	<u>157,913.49</u>	<u>524,956.82</u>	<u>212,318.57</u>	<u>312,638.25</u>
Detail:					
Salaries and Wages	79,831.00	102,000.00	181,831.00	107,470.15	74,360.85
Other Expenses	<u>287,212.33</u>	<u>55,913.49</u>	<u>343,125.82</u>	<u>104,848.42</u>	<u>238,277.40</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 5 of 5

STATUTORY EXPENDITURES WITHIN CAPS

Contribution to:

Social Security System (O.A.S.I.)
 Police and Firemen's Retirement System-Retro
 Unemployment Compensation Insurance
 Defined Contribution Retirement Program
 Total Statutory Expenditures within Caps
 Total Appropriations within Caps

	<u>Balance Dec. 31, 2016</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
	\$ 23,871.34		\$ 23,871.34		\$ 23,871.34
	8,000.00		8,000.00	4,792.95	3,207.05
	77.69		77.69		77.69
	200.00		200.00		200.00
	<u>32,149.03</u>		<u>32,149.03</u>	<u>4,792.95</u>	<u>27,356.08</u>
	<u>399,192.36</u>	<u>157,913.49</u>	<u>557,105.85</u>	<u>217,111.52</u>	<u>339,994.33</u>
		3,450.00	3,450.00	3,450.00	
		<u>3,450.00</u>	<u>3,450.00</u>	<u>3,450.00</u>	

OPERATIONS EXCLUDED FROM CAPS

Length of Service Awards Program (LOSAP)
 Total Operations excluded from Caps

Total General Appropriations	\$ <u>399,192.36</u>	\$ <u>161,363.49</u>	\$ <u>560,555.85</u>	\$ <u>220,561.52</u>	\$ <u>339,994.33</u>
Disbursed					
Accounts Payable			\$ 208,037.53	<u>12,523.99</u>	
				\$ <u>220,561.52</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Animal Control Trust	Trust Other	General Capital	Payroll Fund	Water-Sewer Utility Capital
Balance December 31, 2016 - Due To(From)	\$ 384,751.99	\$ 34.21	\$ (455.49)	\$ 204,180.48	\$ (8,263.21)	\$ 189,256.00
Increased by:						
Receipts	5,510.73		455.49		5,055.24	
Special Emergency Note	12,000.00			25,000.00		12,000.00
2017 Budget Appropriation	25,000.00			25,000.00		
Total Increases	<u>42,510.73</u>		<u>455.49</u>	<u>229,180.48</u>	<u>5,055.24</u>	<u>12,000.00</u>
Total Increases and Balances	<u>427,262.72</u>	<u>34.21</u>			<u>(3,207.97)</u>	<u>201,256.00</u>
Decreased by:						
Disbursements	394,199.65	34.21		204,909.44		189,256.00
Revenue Accounts Receivable	.05	.05				
Total Decreases	<u>394,199.70</u>	<u>34.26</u>		<u>204,909.44</u>		<u>189,256.00</u>
Balance December 31, 2017 - Due To(From)	\$ 33,063.02	\$ (0.05)	\$	\$ 24,271.04	\$ (3,207.97)	\$ 12,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF INTERFUND

GRANT FUND

Balance December 31, 2016 - Due To		\$ 56,192.31
Increased by:		
Deposited in Current Fund:		
Grant Receivable	\$ 17,011.90	
Unappropriated Reserves	3,386.92	
Cancellation of Receivable Balances	5,236.51	
2017 Budget Appropriations	<u>13,886.21</u>	
		<u>39,521.54</u>
		<u>95,713.85</u>
Decreased by:		
Cancellation of Reserve Balances	3,087.96	
2017 Anticipated Revenue	13,886.21	
Grant Fund Disbursements	<u>30,791.24</u>	
		<u>47,765.41</u>
Balance December 31, 2017 - Due To		\$ <u><u>47,948.44</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-14

SCHEDULE OF GRANTS RECEIVABLE

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2016</u>	<u>2017 Budget Revenue Realized</u>	<u>Realized</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2017</u>
Clean Communities Program	\$	\$ 4,791.65	\$ 4,791.65	\$	\$
966 Equipment Grant		6,137.72			6,137.72
ANJEC-2016 Open Space Stewardship	500.00			500.00	
Body Armor Fund		1,303.45	1,303.45		
Recycling Tonnage Grant		1,653.39	1,653.39		
OEM - 966 Equipment Grant FY17	11,642.99		10,916.80	726.19	
Community Development Block Grant	33,000.00				33,000.00
966 Equipment Grant	4,010.32			4,010.32	
Community Development Block Grant	6,822.90				6,822.90
	<u>\$ 55,976.21</u>	<u>\$ 13,886.21</u>	<u>\$ 18,665.29</u>	<u>\$ 5,236.51</u>	<u>\$ 45,960.62</u>
Interfund - Current Fund			\$ 17,011.90		
Unappropriated Reserves			<u>1,653.39</u>		
			<u>\$ 18,665.29</u>		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-15

SCHEDULE OF APPROPRIATED RESERVES

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2016</u>	<u>2017 Budget Appropriation</u>	<u>Prior Year Encumbrances</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2017</u>
Body Armor Fund	\$ 1,301.99	\$ 1,303.45	\$	\$	\$	\$ 2,605.44
OEM - 966 Equipment Grant FY17	120.59		10,684.95	10,079.35	726.19	
OEM - 966 Equipment Grant FY18		6,137.72		6,137.72		5,640.13
Clean Communities Program	5,640.13	4,791.65		4,791.65		1,653.39
Recycling Tonnage Grant		1,653.39			116.03	
ANJEC-2016 Open Space Stewardship	116.03					4,932.58
Clean Communities Grant - 2015	4,932.58					3,117.00
Recycling Tonnage Grant - 2015	3,117.00					176.80
Alcohol Education. Rehabilitation Fund - 2015	176.80					2,985.16
Body Armor Fund - 2014	2,985.16					2,000.00
Drunk Driving Enforcement Fund - 2014	2,000.00					10,847.11
Community Development Block Grant - 2014	31,559.00			20,711.89		3,036.60
Recycling Tonnage Grant - 2014	3,036.60				2,245.74	
966 Equipment Grant - 2014	2,245.74					3,000.00
Friends of Recreation - 2013	3,000.00					4,835.14
Sustainable Jersey - 2013	4,835.14					347.39
Drunk Driving Enforcement Fund - 2010	347.39					30,000.00
Waterfront Access - 2008	30,000.00					\$
	<u>\$ 95,414.15</u>	<u>\$ 13,886.21</u>	<u>\$ 10,684.95</u>	<u>\$ 41,720.61</u>	<u>\$ 3,087.96</u>	<u>\$ 75,176.74</u>
	A	A-14	A		A-14	A
Expenditures Paid in Current Fund				\$ 30,791.24		
Reserve for Encumbrances				<u>10,929.37</u>		
				<u>\$ 41,720.61</u>		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	Balance Dec. 31, 2016	Transfer to 2017 Budget Revenues	Increases	Balance Dec. 31, 2017
Body Armor Grant	\$ 39.95			\$ 39.95
Recycling Tonnage Grant	1,727.48	1,653.39	3,386.92	3,461.01
Green Communities	3,000.00			3,000.00
Drunk Driving Enforcement Fund	1,301.99			1,301.99
	<u>\$ 6,069.42</u>	<u>\$ 1,653.39</u>	<u>\$ 3,386.92</u>	<u>\$ 7,802.95</u>

TRUST FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-1

SCHEDULE OF TRUST CASH

	<u>Animal Control Trust</u>	<u>Other Trust</u>
	\$ 56.73	\$ 285,027.38
Balance December 31, 2016		
Increased by Receipts:		
Reserve for Animal Control Expenditures	\$ 1,064.00	
Interfund-Utility Operating Fund		3,000.00
Interfund - Current Fund	34.26	
Various Trust Reserves	<u>1,098.26</u>	<u>235,856.85</u>
	1,154.99	238,856.85
Decreased by Disbursements:		
Reserve for Animal Control Expenditures	932.73	
Interfund - Current Fund		455.49
Various Trust Reserves	<u>932.73</u>	<u>252,634.70</u>
		253,090.19
Balance December 31, 2017	\$ <u>222.26</u>	\$ <u>270,794.04</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL

Exhibit B-2

	<u>Ref.</u>	
Balance December 31, 2016		\$ 90.94
Increased by:		
Deposits		<u>1,064.00</u>
		1,154.94
Decreased by:		
Disbursements		<u>932.73</u>
Balance December 31, 2017		\$ <u><u>222.21</u></u>

Animal Control License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 1,074.00
2016	<u>1,245.00</u>
	\$ <u><u>2,319.00</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-3

SCHEDULE OF MISCELLANEOUS RESERVES

	<u>Balance Dec. 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2017</u>
Reserve for:				
Accumulated Absences	\$ 52,577.29	\$ 9,000.00		\$ 61,577.29
D.A.R.E Program	590.98	500.00		1,090.98
Escrow Deposits and Cash Bonds	28,591.11	77,802.16	81,802.75	24,590.52
P.O.A.A	470.00	8.00		478.00
Premiums Received at Tax Sale	161,700.00	78,200.00	95,400.00	144,500.00
Public Defender		521.50	9.50	512.00
Special Duty-Police		10,000.00	10,000.00	
Snow Removal	42,160.51		6,386.51	35,774.00
Community Garden Funds	520.00	1,175.00	385.75	1,309.25
Forfeiture Funds-State	962.00			962.00
Tax Title Lien Redemption		<u>58,650.19</u>	<u>58,650.19</u>	
	<u>\$ 287,571.89</u>	<u>\$ 235,856.85</u>	<u>\$ 252,634.70</u>	<u>\$ 270,794.04</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-4

SCHEDULE OF LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

Balance December 31, 2016		\$ 479,987.92
Increased by:		
Contributions	\$ 25,300.00	
Earnings on Contributions	<u>65,486.97</u>	
		<u>90,786.97</u>
		570,774.89
Decreased by:		
Maintenance Charges	<u>1,025.00</u>	
		<u>1,025.00</u>
Balance December 31, 2017		<u><u>\$ 569,749.89</u></u>

GENERAL CAPTIAL FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-2

SCHEDULE OF GENERAL CAPITAL CASH

Balance December 31, 2016		\$ 223,454.66
Increased by Receipts:		
Note Proceeds	\$ 95,000.00	
Grants:		
Grants Receivable	15,184.55	
Deferred Charges-Unfunded	19,658.06	
Reserve for Pavers	495.00	
Interfund - Current Fund	<u>204,180.48</u>	
		<u>334,518.09</u>
		<u>557,972.75</u>
Decreased by Disbursements:		
Improvement Authorizations	117,291.24	
Reserve for Pavers	255.00	
Capital Fund Balance	<u>3,000.00</u>	
		<u>120,546.24</u>
Balance December 31, 2017		\$ <u><u>437,426.51</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE

TAXATION - FUNDED

Balance December 31, 2016		\$ 1,401,350.44
Decreased by:		
2017 Budget Appropriation to Debt Service:		
Serial Bonds Paid by Budget	\$ 108,000.00	
Green Trust Loan Paid by Budget	<u>31,037.32</u>	
		<u>139,037.32</u>
Balance December 31, 2017		\$ <u><u>1,262,313.12</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-5

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Analysis of Balance</u>			
		<u>Balance Dec. 31, 2016</u>	<u>Notes Paid Budget Appropriation</u>	<u>Grants Received</u>	<u>Balance Dec. 31, 2017</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 313,369.35	\$ 7,500.00	\$	\$ 305,869.35
01-02	Paving and Repair of Laurel Avenue and Other Streets	8.61			8.61
01-08	Improvements for the Five Year Recreation Plan and Senior Park Improvements	17,466.74	1,466.74		16,000.00
05-10	Renovation and Repair to Police/Emergency Management Building	634.01	500.00		134.01
06-06	Handicapped Ramps and Road Improvements	13,396.27	896.27		12,500.00
07-09	Paving and Repair of Gillford Avenue	20,922.50	922.50		20,000.00
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	142,500.00	4,000.00		138,500.00
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	12,827.45	1,000.00		11,827.45
08-08	Replacement of HVAC Systems at Borough Hall and Court	14,250.00	2,000.00		12,250.00
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	17,485.53	1,185.53		16,300.00
10-02	Improvements to Summit Avenue	5,564.75	1,300.00		4,264.75
12-04	Repairs to Summit Avenue Beach Parking Lot	16,542.00	1,000.00		15,542.00
13-01	Improvements to Cedar Avenue	12,010.00	2,500.00		9,510.00
13-06	Repairs to Simpson Avenue and Boardwalk	95,000.00		19,658.06	75,341.94
14-06	Repairs to Jaynes Avenue and Maple Avenue	95,000.00			95,000.00
16-08	Reconstruction of River Avenue	49,020.00			49,020.00
		<u>\$ 825,997.21</u>	<u>\$ 24,271.04</u>	<u>\$ 19,658.06</u>	<u>\$ 782,068.11</u>
					<u>\$ 632,127.95</u>
					<u>\$ 5,800.81</u>
					<u>\$ 144,139.35</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016		\$ 110,999.36
Increased by:		
2017 Budget Appropriation		<u>25,000.00</u>
Balance December 31, 2017		<u>\$ 135,999.36</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2016		Prior Year Encumbrances	Paid or Charged	Balance Dec. 31, 2017	
				Funded	Unfunded			Funded	Unfunded
00-02, 05-04, 11-11	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	5/16/2000	\$ 620,000.00	\$	\$ 145,998.06	\$ 850.00	\$ 1,944.11	\$	\$ 144,903.95
10-02	Improvements to Summit Avenue	2/23/2010	175,000.00			2,390.01	2,390.01		
01-11	Improvements to the Central Avenue Beach and the Simpson Avenue Groin	11/13/2001	195,000.00	8,245.50			2,589.90	5,655.60	
04-07	Installation of Boardwalk on River Avenue	10/19/2004	275,000.00			552.00	552.00		
13-06	Repairs to Simpson Avenue and Boardwalk	10/08/2013	250,000.00	100,714.66	95,000.00	75.00	2,875.00	117,572.72	75,341.94
14-06	Repairs to Jaynes Avenue and Maple Avenue	11/13/2014	225,000.00	114,900.00	95,000.00		98,888.05	16,011.95	95,000.00
16-08	Reconstruction of River Avenue	6/28/2016	223,600.00	174,580.00	49,020.00		27,445.51	147,134.49	49,020.00
				\$ 398,440.16	\$ 385,018.06	\$ 3,867.01	\$ 136,684.58	\$ 286,374.76	\$ 364,265.89
	Disbursements						\$ 117,291.24		
	Reserve for Encumbrances						19,393.34		
							\$ 136,684.58		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

Exhibit C-8

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
			<u>Outstanding Date</u>	<u>Dec. 31, 2017 Amount</u>				
General Improvement Bonds	2011	\$ 1,623,000.00						
			2018	108,000.00	2.00%			
			2019	108,000.00	2.25%			
			2020	108,000.00	2.38%			
			2021	108,000.00	2.50%			
			2026	540,000.00	3.75%			
						\$ 1,080,000.00	\$ 108,000.00	\$ 972,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 1 of 2

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Loan Outstanding Dec. 31, 2017</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
River Avenue Boardwalk	6/27/2006	\$ 600,000.00	See Amortization Schedule	2.00%	\$ 321,350.44	\$ 31,037.32	\$ 290,313.12

Ref. C-2 C-4 C

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 2 of 2

River Avenue Boardwalk

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>
23	March 2018	\$ 15,751.83	\$ 2,903.13
24	September 2018	15,909.34	2,745.62
25	March 2019	16,068.44	2,586.52
26	September 2019	16,229.12	2,425.84
27	March 2020	16,391.41	2,263.55
28	September 2020	16,555.33	2,099.63
29	March 2021	16,720.88	1,934.08
30	September 2021	16,888.09	1,766.87
31	March 2022	17,056.97	1,597.99
32	September 2022	17,227.54	1,427.42
33	March 2023	17,399.82	1,255.14
34	September 2023	17,573.81	1,081.15
35	March 2024	17,749.55	905.41
36	September 2024	17,927.05	727.91
37	March 2025	18,106.32	548.64
38	September 2025	18,287.38	367.58
39	March 2026	18,470.24	184.72
		<u>\$ 290,313.12</u>	<u>\$ 26,821.20</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Issued For Cash	2017 Budget	Balance Dec. 31, 2017
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	3/21/2013	3/10/2017	3/09/2018	2.00%	\$ 58,250.00	\$	\$ 3,000.00	\$ 55,250.00
		3/20/2014	3/10/2017	3/09/2018	2.00%	80,000.00		4,500.00	75,500.00
		3/15/2015	3/10/2017	3/09/2018	2.00%	175,000.00			175,000.00
01-08	Improvements to Recreation Facilities	3/20/2014	3/10/2017	3/09/2018	2.00%	18,000.00		2,000.00	16,000.00
05-10	Renovation and Repair to Police/Emergency Management Building	3/21/2013	3/10/2017	3/09/2018	2.00%	3,000.00		500.00	2,500.00
06-06	Handicapped Ramps & Oak Ave Road Improvements	3/20/2014	3/10/2017	3/09/2018	2.00%	13,500.00		1,000.00	12,500.00
07-09	Paving and Repair of Gilford Avenue	3/21/2013	3/10/2017	3/09/2018	2.00%	21,000.00		1,000.00	20,000.00
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	3/21/2013	3/10/2017	3/09/2018	2.00%	142,500.00		4,000.00	138,500.00
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	3/21/2013	3/10/2017	3/09/2018	2.00%	8,000.00		1,000.00	7,000.00
08-08	Replacement of HVAC Systems at Borough Hall and Court	3/21/2013	3/10/2017	3/09/2018	2.00%	14,250.00		2,000.00	12,250.00
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	3/21/2013	3/10/2017	3/09/2018	2.00%	17,000.00		1,000.00	16,000.00
		3/20/2014	3/10/2017	3/09/2018	2.00%	500.00		200.00	300.00
10-02	NJDOT Improvements to Summit Avenue	3/20/2014	3/10/2017	3/09/2018	2.00%	5,000.00		1,300.00	3,700.00
12-04	NJDOT Improvements to Summit Avenue Beach Parking Lot	3/20/2014	3/10/2017	3/09/2018	2.00%	16,142.00		1,000.00	15,142.00
13-01	NJDOT Improvements to Cedar Avenue	3/10/2016	3/10/2017	3/09/2018	2.00%	36,858.00		2,500.00	34,358.00
13-06	Repairs to Simpson Avenue and Boardwalk	3/10/2017	3/10/2017	3/09/2018	2.00%		95,000.00		95,000.00
						\$ 609,000.00	\$ 95,000.00	\$ 25,000.00	\$ 679,000.00
	Deferred Charges-Unfunded							\$ 24,271.04	
	Interfund-Current Fund							728.96	
								\$ 25,000.00	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF GRANTS RECEIVABLE

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance Dec. 31, 2016</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2017</u>
10-02	NJ DOT - Improvements to Summit Avenue	\$ 34,671.31		\$ 34,671.31
13-06	NJ DOT - Simpson Avenue	15,184.55	15,184.55	
14-04	NJ DOT - Jaynes Avenue and Maple Avenue	56,140.15		56,140.15
16-08	NJ DOT - River Road	172,000.00		172,000.00
		<u>\$ 277,996.01</u>	<u>\$ 15,184.55</u>	<u>\$ 262,811.46</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-12

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 119.35
01-02	Paving and Repair of Laurel Avenue and Other Streets	8.61
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	4,827.45
10-02	Improvements to Summit Avenue	564.75
12-04	Repairs to Summit Avenue Beach Parking Lot	400.00
14-06	Repairs to Jaynes Avenue and Maple Avenue	95,000.00
16-08	Reconstruction of River Avenue	49,020.00
		<u>\$ 149,940.16</u>

WATER-SEWER UTILITY FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-5

SCHEDULE OF WATER-SEWER UTILITY CASH - TREASURER

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2016	\$ 312,830.75	\$ 4,882.17
Increased by Receipts:		
Consumer Accounts Receivable	\$ 1,049,124.91	
Water Tower Antenna Lease	29,705.31	
Miscellaneous Revenue	15,484.93	
Utility Rent Prepayments	4,005.72	
Interfund-Current Fund		189,256.00
Capital Improvement Fund		1,000.00
Interfund-Water Sewer Utility Capital Fund	6,148.75	
Bond Anticipation Notes		766,000.00
	<u>1,104,469.62</u>	<u>956,256.00</u>
	1,417,300.37	961,138.17
Decreased by Disbursements:		
Current Year Budget Appropriations	919,452.19	
Appropriation Reserve	39,724.97	
Interfund-Other Trust Fund	3,000.00	
Accrued Interest on Bonds and Loans	98,083.78	
Improvement Authorizations		645,536.15
Interfund-Water Sewer Utility Operating Fund		6,148.75
	<u>1,060,260.94</u>	<u>651,684.90</u>
Balance December 31, 2017	\$ <u>357,039.43</u>	\$ <u>309,453.27</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-6

ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH

	Balance		Receipts	Disbursements	Transfers		Balance Dec. 31, 2017
	Dec. 31, 2016				From	To	
Capital Improvement Fund	\$ 34,460.00	\$	1,000.00	\$	\$	\$	\$ 35,460.00
Interfunds:							
Water-Sewer Utility Operating Fund	6,148.75			6,148.75			
Current Fund	(189,256.00)		189,256.00		12,000.00		(12,000.00)
NJ Environmental Infrastructure Loan Receivable	(293,720.00)					12,000.00	(293,720.00)
Investment Note - Current Fund	(12,000.00)						
Reserve for Encumbrances	9,650.00					124,676.50	134,326.50
Fund Balance	14,511.32						14,511.32
Ordinance							
Number	Improvement Description						
08-09	Repair and Replacement of Pumps at Pump Stations	(4,250.00)					(4,250.00)
09-04	Rehabilitation and Repair of the Sanitary Sewer System	18,275.00					18,275.00
09-08	Replacement of Pump Stations	(52,066.13)		12,024.38			(64,090.51)
10-03	Installation of a New Water Storage Tank (Amending 08-10)	456,051.93					456,051.93
10-04	Replacement of Pump Stations (Amending 09-08)	(17,250.00)					(17,250.00)
10-05	Replacement of Water Treatment Plant (Amending 09-09)	(161,366.67)					(161,366.67)
10-06	Repair and Replacement of Fire Hydrants	221,932.72		171,217.43	10,112.59		40,602.70
16-09	Various Water and Sewer Improvements	(26,238.75)	766,000.00	462,294.34	114,563.91		162,903.00
		\$ 4,882.17	\$ 956,256.00	\$ 651,684.90	\$ 136,676.50	\$ 136,676.50	\$ 309,453.27

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2016		\$ 21,703.69
Increased by:		
Water-Sewer Rents Levied		<u>1,044,407.21</u>
		1,066,110.90
Decreased by:		
Receipts	\$ 1,049,124.91	
Prepaid Rents Applied	<u>3,444.58</u>	
		<u>1,052,569.49</u>
Balance December 31, 2017		\$ <u><u>13,541.41</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL

	Balance
	<u>Dec. 31, 2017</u>
Wells	\$ 910,460.73
Sewer Mains	243,700.00
Treatment Plant	474,739.36
Pumping Station Structures and Improvements	288,878.35
Sewer Flusher, Pumps and Equipment	44,000.00
Electric Power Pumping Equipment	5,023.85
Other Power and Pumping Equipment	2,200.00
Transmission Main and Accessories	7,922.63
Tank and Standpipes	238,204.65
Distribution Main, Accessories, Distribution System and Rehabilitation of System	516,037.43
Fire Hydrants	2,700.00
Truck Equipment, Utility Truck and Backhoe	75,700.00
Engineering	1,838.29
Legal	1,033.94
Interest During Construction	172.72
Sewer Plant	409,065.08
Water-Sewer System Improvements	553,353.98
Water Meters	58,000.00
Rehabilitation of Sewer Lines and Water Mains	44,964.99
Office and Computer Equipment	15,000.00
Renovations to Water Tower	136,669.82
Drainage Improvements	10,426.00
Purchase of Pick-up Truck	53,196.25
Filter Media and Plant Upgrades	69,841.88
	<hr/>
	\$ 4,163,129.95
	<hr/> <hr/>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-9

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2017
		Date	Amount	
07-14	Filter Media and Plant Upgrades	8/21/2007	\$ 70,000.00	\$ 158.12
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	20,000.00	20,000.00
09-08	Replacement of Pump Stations	10/29/2009	70,000.00	70,000.00
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	1,924,640.00	1,924,640.00
10-04	Replacement of Pump Stations (amending 09-08)	4/27/2010	17,250.00	17,250.00
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	2,747,650.00	2,747,650.00
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	275,860.00
16-09	Various Water and Sewer Improvements	8/09/2016	937,500.00	937,500.00
				<u>\$ 5,993,058.12</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-10

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2016</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Expended</u>	<u>Balance Lapsed</u>
Operating:					
Salaries and Wages	\$ 6,090.76	\$	\$ 6,090.76	\$ 3,625.58	\$ 2,465.18
Other Expenses	25,151.67	36,984.75	62,136.42	41,099.39	21,037.03
Ocean County Utilities Authority Insurance	22,452.80		22,452.80		22,452.80
Engineering	264.89		264.89		264.89
Statutory Expenditures:	10,052.50		10,052.50		10,052.50
Contribution to:					
Social Security System	4,332.25		4,332.25		4,332.25
Unemployment Compensation Insurance	239.83		239.83		239.83
	<u>\$ 68,584.70</u>	<u>\$ 36,984.75</u>	<u>\$ 105,569.45</u>	<u>\$ 44,724.97</u>	<u>\$ 60,844.48</u>
Disbursed				\$ 39,724.97	
Accounts Payable				<u>5,000.00</u>	
				<u>\$ 44,724.97</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-11

SCHEDULE OF ACCRUED INTEREST ON NOTES AND LOANS

Balance December 31, 2017 and 2016	\$ 42,038.54
Increased by:	
Budget Appropriation for Interest on Notes	<u>108,313.59</u>
	150,352.13
Decreased by:	
Disbursements	<u>98,083.78</u>
Balance December 31, 2017	\$ <u><u>52,268.35</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-12

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2016	\$	34,460.00
Increased by:		
Budget Appropriation		<u>1,000.00</u>
Balance December 31, 2017	\$	<u><u>35,460.00</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION

Exhibit D-13

Balance December 31, 2016	\$	3,470,678.73
Increased by:		
Paid by Budget Appropriation:		
Infrastructure Loans	\$	21,356.32
Serial Bonds		<u>46,941.66</u>
		<u>68,297.98</u>
Balance December 31, 2017	\$	<u><u>3,538,976.71</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-14

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2016		Reserve for Encumbrance	Paid or Charged	Balance Dec. 31, 2017	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
03-03	Installation of New Sewer Mains	3/11/2003	\$ 76,000.00	\$	\$	\$ 2,700.00	2,700.00	\$	\$
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	20,000.00	18,275.00			0.00	18,275.00	
15-07					14,433.87		12,024.38		2,409.49
09-08	Replacement of Pump Stations	10/29/2009	70,000.00						
10-03	Installation of a New Water Storage Tank (amending 08-10)								
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	1,924,640.00	456,051.93			0.00	456,051.93	
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	2,747,650.00		151,503.33	6,950.00	6,950.00		151,503.33
16-09	Various Water and Sewer Improvements	4/27/2010	275,860.00	221,932.72			181,330.02	40,602.70	
		8/09/2016	937,500.00		911,261.25		576,858.25		334,403.00
				\$ 696,259.65	\$ 1,077,198.45	\$ 9,650.00	\$ 779,862.65	\$ 514,929.63	\$ 488,315.82
	Disbursed						\$ 645,536.15		
	Reserve for Encumbrances						134,326.50		
							\$ 779,862.65		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-15

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

<u>Ordinance Number</u>	<u>Project</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2016</u>	<u>Loans Paid by Budget Appropriations</u>	<u>Bonds Paid by Budget Appropriations</u>	<u>Balance Dec. 31, 2017</u>
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	\$ 1,000.00	\$	\$	\$ 1,000.00
09-08	Replacement of Pump Stations	10/29/2009	3,500.00			3,500.00
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	554,557.23	97,863.04		652,420.27
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	670,957.63	109,110.17		780,067.80
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	82,488.70	10,975.93	4,058.34	97,522.97
			<u>\$ 1,312,503.56</u>	<u>\$ 217,949.14</u>	<u>\$ 4,058.34</u>	<u>\$ 1,534,511.04</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-16

SCHEDULE OF WATER-SEWER SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Water-Sewer Improvement Bonds	2011	\$ 754,000.00						
	2018		51,000.00		2.00%			
	2019		51,000.00		2.25%			
	2020		51,000.00		2.38%			
	2021		51,000.00		2.50%			
	2026		244,000.00		3.75%			
						\$ 499,000.00	\$ 51,000.00	\$ 448,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-17

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rates</u>	<u>Balance Dec. 31, 2016</u>	<u>Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
			<u>Year</u>	<u>December 31, 2017 Amount</u>				
Utility System	2006	\$ 205,000.00						
			2018	10,000.00	4.00%			
			2019	10,000.00	4.00%			
			2020	10,000.00	4.00%			
			2021	10,000.00	4.125%			
			2022	15,000.00	4.125%			
			2023	15,000.00	4.25%			
			2024	15,000.00	5.00%			
			2025	15,000.00	4.25%			
			2026	15,000.00	4.25%	\$ 125,000.00	\$ 10,000.00	\$ 115,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-18

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2017</u>
			<u>Year</u>	<u>December 31, 2017 Amount</u>				
Utility System	2006	\$ 198,500.00	2018	9,425.21				
			2019	9,172.09				
			2020	8,918.95				
			2021	8,665.82				
			2022	11,568.93				
			2023	11,177.37				
			2024	10,773.94				
			2025	10,299.31				
			2026	9,896.10	0.00%	\$ 99,576.07	\$ 9,678.35	\$ 89,897.72

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-19

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2017</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2010	\$ 2,275,000.00						
			2018	100,000.00	5.00%			
			2019	105,000.00	5.00%			
			2020	110,000.00	5.00%			
			2021	115,000.00	5.00%			
			2022	120,000.00	5.00%			
			2023	130,000.00	5.00%			
			2024	135,000.00	5.00%			
			2025	140,000.00	5.00%			
			2026	150,000.00	5.00%			
			2027	155,000.00	5.00%			
			2028	165,000.00	5.00%			
			2029	165,000.00	5.00%			
			2030	175,000.00	5.00%			
						\$ 1,860,000.00	\$ 95,000.00	\$ 1,765,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-20

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2017</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2010	\$ 2,451,000.00	2018	124,627.11				
			2019	124,627.11				
			2020	124,627.11				
			2021	124,627.11				
			2022	124,627.11				
			2023	124,627.11				
			2024	124,627.11				
			2025	124,627.11				
			2026	124,627.11				
			2027	124,627.11				
			2028	80,161.50	0.00%	\$ 1,451,059.71	\$ 124,627.11	\$ 1,326,432.60

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-21

SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Issued For Cash	Balance Dec. 31, 2017
16-09	Various Water and Sewer Improvements	3/10/2017	3/10/2017	3/09/2018	2.00%	\$ 766,000.00	\$ 766,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN
WATER-SEWER UTILITY FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED
BUT NOT ISSUED

Exhibit D-22

<u>Ordinance Number</u>	<u>Project</u>	<u>Balance Dec. 31, 2017</u>
08-09	Repair and Replacement of Pumps at Pump Stations	\$ 4,250.00
09-08	Replacement of Pump Stations	66,500.00
10-04	Replacement of Pump Stations (Amending 09-08)	17,250.00
10-05	Replacement of Water Treatment Plant (Amending 09-09)	312,870.00
16-09	Various Water and Sewer Improvements	<u>171,500.00</u>
		<u>\$ 572,370.00</u>

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BOROUGH OF ISLAND HEIGHTS

PART II

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

FOR THE YEAR ENDED DECEMBER 31, 2017

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**BOROUGH OF ISLAND HEIGHTS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 ISLAND HEIGHTS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

No Prior Year Findings.

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 ISLAND HEIGHTS

PART III

**LETTER OF COMMENTS AND RECOMMENDATIONS – REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

Honorable Mayor and Members
of the Borough Council
Borough of Island Heights
County of Ocean
Island Heights, New Jersey 08732

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, 2017.

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 was \$40,000 for the year ended December 31, 2017.

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 any 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 5, 2017 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 Council of the Borough of Island Heights, 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 Council of the Borough of Island Heights, 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.

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2017:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Jefferey B. Silver	Mayor	\$50,000
Steven Berglund	Council President	\$50,000
Sean Asay	Councilmember	\$50,000
John Bendel	Councilmember	\$50,000
Sandra Blain-Snow	Councilmember	\$50,000
Susan Thompson	Councilmember	\$50,000
Melissa Wudzki	Councilmember	\$50,000
Joseph Kostecki	Borough Clerk	\$50,000
Margaret Gorman	Chief Financial Officer	\$1,000,000
Wendy Prior	Tax Collector	\$1,000,000
Damian G. Murray, Esq.	Magistrate	\$1,000,000
Elizabeth Boettger	Court Administrator	\$1,000,000

Acknowledgment

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA No. 435

June 27, 2018
Toms River, New Jersey