

**BOROUGH OF ISLAND HEIGHTS**

**AUDITOR REPORT**  
**YEAR ENDED DECEMBER 31, 2018**

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

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**BOROUGH OF ISLAND HEIGHTS**

**COUNTY OF OCEAN**

**PART I**

**AUDITOR'S REPORT OF THE BOROUGH'S FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

*Antonides and Simone*  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on Financial Statements**

We have audited the accompanying financial statements - regulatory basis of the various funds and account group of the Borough of Island Heights (the "Borough"), in the County of Ocean, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to 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 financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and requirements of audit 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 Borough'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.



## **Auditor's Responsibility (Continued)**

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

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

As described in Note A of the financial statements, the financial statements are prepared by the Borough on the basis of 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 A and accounting principles generally accepted in the United States of America although not reasonable 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 Accounting Principles Generally Accepted in the United State of America" 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 each fund and account group of the Borough as of December 31, 2018, or the results of its operations and changes in financial position for the year ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fund and account group as of December 31, 2018, and their respective results of operations and changes in financial position for the year then ended, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note A.

### **Other Matter**

The financial statements of the Borough as of and for the year ended December 31, 2017, were audited by other auditors whose report dated June 27, 2018 expressed an unmodified opinion on those financial statements.

### **Report on Supplemental and Other Information**

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

## **Report on Supplemental and Other Information (Continued)**

The supplemental schedules are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note A.

The supplemental information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2019, on our consideration of the Borough's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

***Antonides and Simone***

**Independent Auditors**

**Edward J. Simone**

**Certified Public Accountant**

**Registered Municipal Accountant #477**

Adelphia, New Jersey  
August, 19, 2019

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,  
RESERVES AND FUND BALANCE - REGULATORY BASIS**

**Sheet 1 of 2**

**DECEMBER 31, 2018 AND 2017**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash			
Cash - Change Fund	A-4	\$ 2,531,894.38	\$ 2,895,949.19
		50.00	50.00
		<u>2,531,944.38</u>	<u>2,895,999.19</u>
Due from State of New Jersey (Chapter 20, P.L. 1971)	A-4,5	11,439.18	11,375.02
		<u>2,543,383.56</u>	<u>2,907,374.21</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	126,993.88	91,219.84
Tax Title Liens Receivable	A-6	21,315.53	18,548.02
Interfunds:			
Animal Control Trust Fund	A-12		.05
Payroll Fund	A-12	3,207.97	3,207.97
General Capital Fund	A-12	2,365.99	
		<u>153,883.37</u>	<u>112,975.88</u>
		<u>2,697,266.93</u>	<u>3,020,350.09</u>
<b><u>Grant Fund</u></b>			
Interfund - Current Fund	A-13	44,328.35	47,948.44
Grants Receivable	A-14	49,375.98	45,960.62
		<u>93,704.33</u>	<u>93,909.06</u>
		\$ <u>2,790,971.26</u>	\$ <u>3,114,259.15</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

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,  
RESERVES AND FUND BALANCE - REGULATORY BASIS**

Sheet 2 of 2

**DECEMBER 31, 2018 AND 2017**

<b><u>Liabilities, Reserves and Fund Balance</u></b>	<b><u>Ref.</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Liabilities:</b>			
Appropriation Reserves	A-3,11	\$ 296,911.25	\$ 291,450.33
Reserve for Encumbrances	A-3,11	168,664.54	184,875.09
Due to State of New Jersey - Various Fees		175.00	100.00
Tax Overpayments			
Prepaid Taxes	A-4,5	100,530.87	547,442.81
Accounts Payable	A-4,10	71,768.15	27,761.71
County Taxes Payable	A-8	4,181.99	9,253.32
Local District School Tax Payable	A-9	452,381.00	436,642.00
Regional High School Tax Payable	A-10	331,312.60	254,462.25
<b>Interfunds:</b>			
General Capital Fund	A-12		24,271.04
Grant Fund	A-13	44,328.35	47,948.44
Utility Capital Fund	A-12	172,000.00	12,000.00
Animal Control Trust Fund	A-12		
<b>Various Reserves:</b>			
Sale of Municipal Assets		6,108.72	
Sandy Spending		15,478.67	15,478.67
Tax Appeals		40,000.00	
FEMA Revenue	A-4		32,394.10
		<u>1,703,841.14</u>	<u>1,884,079.76</u>
Reserve for Receivables and Other Assets		153,883.37	112,975.88
Fund Balance	A-1	839,542.42	1,023,294.45
		<u>2,697,266.93</u>	<u>3,020,350.09</u>
<b><u>Grant Fund</u></b>			
Appropriated Reserves	A-15	74,947.91	75,176.74
Reserve for Encumbrances	A-15	14,154.50	10,929.37
Unappropriated Reserves	A-16	4,601.92	7,802.95
		<u>93,704.33</u>	<u>93,909.06</u>
		<u>\$ 2,790,971.26</u>	<u>\$ 3,114,259.15</u>

There were deferred school taxes on December 31, 2018 and 2017 of \$804,999.90 (see Note 11).

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

**COMPARATIVE STATEMENT OF OPERATIONS AND**

Sheet 1 of 2

**CHANGE IN FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized			
Miscellaneous Revenue Anticipated	A-2	\$ 532,051.70	\$ 252,559.00
Receipts from Delinquent Taxes	A-2	455,824.21	436,466.77
Receipts from Current Taxes	A-2	103,635.99	133,270.14
Non-Budget Revenues	A-2	6,507,250.83	6,329,634.23
Other Credits to Income:		45,863.27	70,392.33
Unexpended Balance of Appropriation Reserves	A-11	262,031.47	339,994.33
Grant Fund-Cancelled Reserve	A-13	223.80	3,087.96
Interfunds Liquidated			5,510.68
Cancelled Check			1,064.99
Accounts Payable Cancelled			86,819.89
Reserve for Encumbrances Cancelled			7,170.00
Total Income		<u>7,906,881.27</u>	<u>7,665,970.32</u>
<b><u>Expenditures</u></b>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		1,013,976.61	984,467.10
Other Expenses		1,075,752.68	996,923.71
Deferred Charges and Statutory Expenditures		181,169.00	208,795.00
Budget Appropriations excluded from Caps:			
Operations:			
Other Expenses		110,313.93	46,086.21
Capital Improvements		41,240.16	25,000.00
Municipal Debt Service		420,066.38	247,511.11
Deferred Charges			12,000.00
County Taxes	A-3	<u>2,842,518.76</u>	<u>2,520,783.13</u>
Local District School Tax	A-8	1,432,911.80	1,375,458.19
Regional High School Tax	A-9	2,035,557.00	2,061,401.00
Prior Year Refunds	A-10	1,230,841.00	1,070,757.00
Grant Fund-Receivables Canceled	A-4	7,340.40	
Interfund Advances	A-13	7,046.70	5,236.51
Total Expenditures	A-12	<u>7,558,581.60</u>	<u>7,033,635.83</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**

**COMPARATIVE STATEMENT OF OPERATIONS AND**

**Sheet 2 of 2**

**CHANGE IN FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
Excess in Revenue		\$ 348,299.67	\$ 632,334.49
Fund Balance January 1	A	<u>1,023,294.45</u>	<u>643,518.96</u>
		<u>1,371,594.12</u>	<u>1,275,853.45</u>
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>532,051.70</u>	<u>252,559.00</u>
Fund Balance December 31	A	<u>\$ 839,542.42</u>	<u>\$ 1,023,294.45</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

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 532,051.70	\$ 532,051.70	\$
<b><u>Miscellaneous Revenues</u></b>				
Local Aid:				
Fees and Permits	A-7	12,000.00	15,930.00	3,930.00
Fines and Costs, Municipal Court	A-7	22,000.00	13,162.62	(8,837.38)
Interest and Costs on Taxes	A-7	20,000.00	21,485.58	1,485.58
Interest on Investments and Deposits	A-7	2,000.00	8,491.48	6,491.48
Beach Fees	A-7	25,000.00	20,778.00	(4,222.00)
Cable Television Franchise Fees	A-7	29,189.29	29,639.29	450.00
Post Office Lease	A-7	47,127.00	47,127.00	
Antenna Lease	A-7	78,000.00	76,782.73	(1,217.27)
Uniform Construction Code Fees	A-7	15,000.00	14,478.71	(521.29)
State Aid:				
Energy Receipts Tax	A-7	117,407.00	117,407.00	
Special Items:				
Federal and State Programs Offset by Revenues:				
Drunk Driving Enforcement Grant	A-14	1,301.99	1,301.99	
Green Communities Grant	A-14	3,000.00	3,000.00	
ANJEC-Open Space Stewardship	A-14	1,400.00	1,400.00	
CDBG		34,000.00	34,000.00	
Body Armor Fund	A-14	39.95	39.95	
Recycling Tonnage	A-14	3,461.01	3,461.01	
OEM - 966 Equipment Grant	A-14	14,910.98	14,910.98	
Other Special Items:				
Reserve for Insurance Reimbursements	A	32,394.10	32,394.10	
Surplus Capital Fund	A-7,C-1	33.77	33.77	
Total Miscellaneous Revenues	A-1	<u>458,265.09</u>	<u>455,824.21</u>	<u>(2,440.88)</u>

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**STATEMENT OF REVENUES - REGULATORY BASIS**

Exhibit A-2

Sheet 2 of 3

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1,5	\$ <u>81,000.00</u>	\$ <u>103,635.99</u>	\$ <u>22,635.99</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	<u>1,935,164.58</u>	<u>1,969,272.98</u>	<u>34,108.40</u>
Budget Totals		<u>3,006,481.37</u>	<u>3,060,784.88</u>	<u>54,303.51</u>
Non-Budget Revenues	A-1,4		<u>45,863.27</u>	<u>45,863.27</u>
	Ref.	\$ <u>3,006,481.37</u>	\$ <u>3,106,648.15</u>	\$ <u>100,166.78</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**

	<u>Ref.</u>	
<b><u>Analysis of Realized Revenues</u></b>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 6,507,250.83
Allocated to School and County Taxes	A-8,9,10	4,699,309.80
Balance for Support of Municipal Budget		<u>1,807,941.03</u>
Appropriations		1,807,941.03
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>161,331.95</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 1,969,272.98</u>
 <b><u>Analysis of Non-Budget Revenue</u></b>		
JIF Dividend		\$ 4,980.00
Clerk		236.43
Reimbursements		7,615.78
Rental Fees		700.00
Recycling		472.77
Police Administrative Fees		12,151.63
Polling Place		400.00
Vehicle Sale		8,135.08
Police		150.00
Prior Year Reimbursement		4,932.58
Rebates		579.70
Market Fees		3,740.00
NJ Rebate		<u>1,769.30</u>
	A-4	<u>\$ 45,863.27</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

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>OPERATIONS WITHIN CAPS</b>					
General Administration					
Other Expenses	\$ 13,000.00	13,000.00	\$ 12,941.72	\$ 58.28	\$
Mayor and Council					
Salaries and Wages	20,362.00	20,362.00	20,362.00		
Other Expenses	2,000.00	2,000.00	363.97	1,636.03	
Municipal Clerk					
Salaries and Wages	41,885.00	38,885.00	35,739.88	3,145.12	
Other Expenses	16,435.00	15,435.00	10,793.88	4,641.12	
Advertising Budget	1,500.00	1,500.00	157.10	1,342.90	
Elections					
Other Expenses	500.00	500.00	261.00	239.00	
Financial Administration					
Salaries and Wages	37,616.00	37,616.00	37,478.12	137.88	
Other Expenses	26,000.00	26,000.00	25,787.78	212.22	
Audit	27,000.00	27,000.00	26,915.00	85.00	
Computerized Data Processing					
Other Expenses	35,000.00	35,000.00	34,474.98	525.02	
Collection of Taxes					
Salaries and Wages	54,090.00	54,090.00	49,707.49	4,382.51	
Other Expenses	4,700.00	4,700.00	3,854.12	845.88	
Assessment of Taxes					
Salaries and Wages	16,092.00	16,092.00	16,091.40	.60	
Other Expenses	1,150.00	1,150.00	951.78	198.22	
Tax Map Revisions	1,500.00	1,500.00	1,500.00		
Cost of Tax Appeals	40,000.00	40,000.00	40,000.00		
Legal Services and Costs					
Advertising and Legal Notices	6,000.00	6,000.00	2,307.95	3,692.05	
Other Expenses	30,000.00	30,000.00	24,009.19	5,990.81	

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

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Counsel - Labor					
Other Expenses	\$ 5,000.00	\$ 5,000.00	\$ 4,687.50	\$ 312.50	\$
Engineering Services and Costs					
Other Expenses	60,000.00	60,000.00	37,524.09	22,475.91	
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	7,300.00	7,300.00	7,300.00		
Other Expenses - Legal	1,500.00	1,500.00	1,500.00		
Other Expenses - Miscellaneous	650.00	650.00	599.54	50.46	
Insurance					
General Liability	18,669.00	18,669.00	18,669.00		
Other Insurance	21,525.00	21,525.00	21,525.00		
Workers Compensation	41,221.00	41,221.00	39,768.44	1,452.56	
Employee Group Insurance	192,182.68	192,182.68	190,073.33	2,109.35	
Police					
Salaries and Wages	603,073.31	603,073.31	482,102.15	120,971.16	
Other Expenses	45,000.00	45,000.00	40,740.05	4,259.95	
Medical Testing	1,500.00	1,500.00	337.00	1,163.00	
Emergency Management Service					
Salaries and Wages	2,964.00	2,964.00	2,963.00	1.00	
Other Expenses	4,825.00	4,825.00	3,654.68	1,170.32	
First Aid					
Other Expenses	1,700.00	1,700.00		1,700.00	
Contribution	4,275.00	4,275.00	2,247.00	2,028.00	
Fire Department					
Other Expenses	3,000.00	3,000.00	2,865.11	134.89	
Contribution	40,000.00	40,000.00	40,000.00		
Municipal Prosecutor					
Other Expenses	6,200.00	6,200.00	4,500.00	1,700.00	

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

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Court					
Salaries and Wages	\$ 26,970.00	\$ 26,970.00	\$ 21,046.29	\$ 5,923.71	
Other Expenses	3,000.00	3,000.00	1,309.00	1,691.00	
Public Defender					
Other Expenses	7,350.00	7,350.00		7,350.00	
Public Buildings, Grounds, Parks, Playgrounds and Beaches					
Salaries and Wages	149,224.30	149,224.30	142,376.70	6,847.60	
Other Expenses	55,000.00	55,000.00	54,741.94	258.06	
Solid Waste Collection					
Contractual	215,000.00	215,000.00	194,305.03	20,694.97	
Other Expenses	250.00	250.00	250.00		
Recycling					
Other Expenses	3,000.00	3,000.00	1,500.00	1,500.00	
Vehicle Maintenance					
Other Expenses	28,500.00	28,500.00	16,776.80	11,723.20	
Shade Trees					
Other Expenses	2,000.00	2,000.00	2,000.00		
Snow Removal					
Salaries and Wages	10,000.00	10,000.00	10,000.00		
Other Expenses	10,000.00	10,000.00	10,000.00		
Board of Health					
Salaries and Wages	300.00	300.00		300.00	
Other Expenses	200.00	200.00		200.00	
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	10.00	10.00		10.00	
Environmental Commission					
Other Expenses	1,000.00	1,000.00	630.00	370.00	
Animal Control					
Other Expenses	2,000.00	2,000.00	150.00	1,850.00	

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 4 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Senior Advisory Committee					
Other Expenses	\$ 10.00	\$ 10.00			
Beachfront Maintenance					
Other Expenses	2,000.00	2,000.00	1,640.00	360.00	
Recreation					
Salaries and Wages	1,000.00	1,000.00		1,000.00	
Other Expenses	3,000.00	3,000.00	2,209.09	790.91	
Participation in Free County Library	2,000.00	2,000.00	2,000.00		
Salary Settlements and Adjustments	500.00	500.00		500.00	
Deferred Sick Time	9,500.00	9,500.00	9,500.00		
<b>Uniform Construction Code - Appropriations Offset</b>					
<b>by Dedicated Revenues (N.J.S.A. 5:23-4.17)</b>					
Code Enforcement and Zoning					
Salaries and Wages	21,290.00	21,290.00	11,773.75	9,516.25	
Other Expenses	250.00	250.00	40.00	210.00	
Construction Code Official					
Salaries and Wages	13,138.00	13,138.00	9,853.16	3,284.84	
Other Expenses	100.00	100.00	80.00	20.00	
Fire Official					
Salaries and Wages	5,472.00	5,472.00	5,471.96	.04	
Other Expenses	250.00	250.00	65.00	185.00	
<b>Unclassified</b>					
Utilities:					
Gasoline	15,000.00	15,000.00	12,293.33	2,706.67	
Electricity	26,000.00	30,000.00	28,181.60	1,818.40	
Telephone	14,000.00	14,000.00	13,999.76	.24	
Natural Gas	7,000.00	7,000.00	6,683.60	316.40	
Street Lighting	20,000.00	20,000.00	17,608.76	2,391.24	
Total Operations within Caps	<u>2,089,729.29</u>	<u>2,089,729.29</u>	<u>1,821,239.02</u>	<u>268,490.27</u>	

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Exhibit A-3

Sheet 5 of 7

Detail:	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Salaries and Wages	\$ 1,016,976.61	\$ 1,013,976.61	\$ 856,765.90	\$ 157,210.71	
Other Expenses	1,072,752.68	1,075,752.68	964,473.12	111,279.56	
					\$

**STATUTORY EXPENDITURES WITHIN CAPS**

Contribution to:

Public Employees' Retirement System	38,823.00	38,823.00	38,823.00		
Social Security System (O.A.S.I.)	90,000.00	90,000.00	67,802.09	22,197.91	
Police and Firemen's Retirement System	43,146.00	43,146.00	43,146.00		
Unemployment Compensation Insurance	6,000.00	6,000.00	5,781.93	218.07	
Defined Contribution Retirement Program	200.00	200.00		200.00	
PERS- Retro	3,000.00	3,000.00	3,000.00		
Total Statutory Expenditures within Caps	181,169.00	181,169.00	158,553.02	22,615.98	
Total Appropriations within Caps	2,270,898.29	2,270,898.29	1,979,792.04	291,106.25	

**OPERATIONS EXCLUDED FROM CAPS**

Shared Services

South Toms River-Professional Services	20,000.00	20,000.00	15,345.00	4,655.00	
Length of Service Awards Program (LOSAP)	32,200.00	32,200.00	31,050.00	1,150.00	
<b>Public and Private Programs Offset by Revenues</b>					
Body Armor Fund	39.95	39.95	39.95		
Recycling Tonnage Grant	3,461.01	3,461.01	3,461.01		
OEM - 966 Equipment Grant	14,910.98	14,910.98	14,910.98		
2018 GREEN COMMUNITIES	3,000.00	3,000.00	3,000.00		
DDEF	1,301.99	1,301.99	1,301.99		
2018 CDBG HANDICAP ACCESS IMP RIVER RD	34,000.00	34,000.00	34,000.00		
ANJEC-Open Space Stewardship	1,400.00	1,400.00	1,400.00		
966 Equipment Grant					
Total Operations excluded from Caps	110,313.93	110,313.93	104,508.93	5,805.00	

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Exhibit A-3

Sheet 6 of 7

Detail:	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Other Expenses	\$ 110,313.93	\$ 110,313.93	\$ 104,508.93	\$ 5,805.00	\$
<b>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</b>					
Capital Improvement Fund	5,000.00	5,000.00	5,000.00		
Deficits in Capital Ordinances	36,240.16	36,240.16	36,240.16		
Total Capital Improvements excluded from Caps	<u>41,240.16</u>	<u>41,240.16</u>	<u>41,240.16</u>		
<b>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</b>					
Payment of Bond Principal	108,000.00	108,000.00	108,000.00		
Payment of Bond Anticipation Notes	200,000.00	200,000.00	197,634.01		2,365.99
Interest on Bonds	30,105.00	30,105.00	30,105.00		
Interest on Notes	13,580.00	13,580.00	13,499.72		80.28
Loan Repayments for Principal and Interest					
Principal	31,661.17	31,661.17	31,661.17		
Interest	5,648.75	5,648.75	5,648.74		.01
Capital Lease Obligations Approved After 7/1/2007					
Principal	33,518.12	33,518.12	33,517.74		.38
Interest	184.00	184.00			184.00
Total Municipal Debt Service excluded from Caps	<u>422,697.04</u>	<u>422,697.04</u>	<u>420,066.38</u>		<u>2,630.66</u>
Total General Appropriations excluded from Caps	<u>574,251.13</u>	<u>574,251.13</u>	<u>565,815.47</u>	5,805.00	<u>2,630.66</u>
Subtotal General Appropriations	2,845,149.42	2,845,149.42	2,545,607.51	296,911.25	2,630.66
Reserve for Uncollected Taxes	161,331.95	161,331.95	161,331.95		
Total General Appropriations	<u>\$ 3,006,481.37</u>	<u>\$ 3,006,481.37</u>	<u>\$ 2,706,939.46</u>	<u>\$ 296,911.25</u>	<u>\$ 2,630.66</u>
Ref:	A-3	A-3	A-3	A	A-1

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 7 of 7

	<u>Ref.</u>	<u>Appropriated Budget After Modification</u>
Adopted Budget		
Appropriation by 40A:4-87		\$ 2,948,367.44
		<u>58,113.93</u>
		\$ <u>3,006,481.37</u>
		<u>Expended Paid or Charged</u>
Disbursements	A-4	\$ 2,278,829.04
Interfund - Grant Fund	A-13	<u>58,113.93</u>
Reserve for:		
Tax Appeals		40,000.00
Encumbrances	A-3	168,664.54
Uncollected Taxes	A-2	<u>161,331.95</u>
		\$ <u>2,706,939.46</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**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,  
RESERVES AND FUND BALANCE - REGULATORY BASIS**

**DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b><u>Animal Control Trust Fund</u></b>			
Cash	B-1	\$ <u>635.36</u>	\$ <u>222.26</u>
<b><u>Other Trust Fund</u></b>			
Cash	B-1	<u>238,688.36</u>	<u>270,794.04</u>
<b><u>Length of Service Awards Program Fund</u></b>			
<b><u>(LOSAP) - Unaudited</u></b>			
Funds Held by Trustee	B-4	<u>523,656.58</u>	<u>568,198.89</u>
		<u>\$ 762,980.30</u>	<u>\$ 839,215.19</u>
<b><u>Liabilities and Reserves</u></b>			
<b><u>Animal Control Trust Fund</u></b>			
Reserve for Animal Control Trust Fund Expenditures	B-2	\$ 635.36	\$ 222.21
Interfund - Current Fund	A,B-1		.05
		<u>635.36</u>	<u>222.26</u>
<b><u>Other Trust Fund</u></b>			
Miscellaneous Reserves	B-3	<u>238,688.36</u>	<u>270,794.04</u>
<b><u>Length of Service Awards Program Fund</u></b>			
<b><u>(LOSAP) - Unaudited</u></b>			
Reserve for Length of Service Awards Program (LOSAP)	B-4	<u>523,656.58</u>	<u>568,198.89</u>
		<u>\$ 762,980.30</u>	<u>\$ 839,215.19</u>

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**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,**

**RESERVES AND FUND BALANCE - REGULATORY BASIS**

**DECEMBER 31, 2018 AND 2017**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash	C-2	\$ 488,878.41	\$ 437,426.51
Deferred Charges to Future Taxation:			
Funded	C-4	1,122,651.95	1,262,313.12
Unfunded	C-5	638,657.94	782,068.11
Interfund - Current Fund			24,271.04
Grants Receivable	C-11	490,481.32	262,811.46
		<u>\$ 2,740,669.62</u>	<u>\$ 2,768,890.24</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Capital Improvement Fund	C-6	\$ 121,317.36	\$ 135,999.36
Improvement Authorizations:			
Funded	C-7	560,400.55	286,374.76
Unfunded	C-7	397,536.41	364,265.89
Reserve for Encumbrances	C-7	26,995.75	19,393.34
General Serial Bonds	C-8	864,000.00	972,000.00
Green Trust Loan Payable	C-9	258,651.95	290,313.12
Bond Anticipation Notes	C-10	479,000.00	679,000.00
Interfund - Current Fund		2,365.99	
Reserve for Benches	C-3	19,166.00	19,166.00
Reserve for Pavers	C-3	3,190.00	2,344.00
Fund Balance	C-1	8,045.61	33.77
		<u>\$ 2,740,669.62</u>	<u>\$ 2,768,890.24</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$204,164.00 and \$149,940.00 respectively (Schedule 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**

Balance December 31, 2017	<u>Ref.</u> C	\$ 33.77
Increased by:		
Cancelled Improvement Authorizations		<u>8,045.61</u>
		8,079.38
Decreased by:		
Utilized as Current Fund Anticipated Revenue		<u>33.77</u>
Balance December 31, 2018	C	<u><u>\$ 8,045.61</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**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,**

**Sheet 1 of 2**

**RESERVES AND FUND BALANCE - REGULATORY BASIS**

**DECEMBER 31, 2018 AND 2017**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Operating Fund:			
Cash	D-5	\$ 461,646.23	357,039.43
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	15,388.79	13,541.41
Total Operating Fund		<u>477,035.02</u>	<u>370,580.84</u>
Capital Fund:			
Cash	D-5	103,593.52	309,453.27
NJ Environmental Infrastructure Loan Receivable	D-6		293,720.00
Fixed Capital	D-8	8,220,914.69	4,163,129.95
Fixed Capital Authorized and Uncompleted	D-9	2,055,768.12	5,993,058.12
Interfund - Current Fund	D-6	172,000.00	12,000.00
Total Capital Fund		<u>10,552,276.33</u>	<u>10,771,361.34</u>
		<u>\$ 11,029,311.35</u>	<u>\$ 11,141,942.18</u>
<b><u>Liabilities and Fund Balance</u></b>			
Operating Fund:			
Appropriation Reserves	D-4,10	\$ 56,559.72	\$ 75,160.10
Reserve for Encumbrances	D-4,10	105,679.12	49,611.18
Prepaid Rents	D-5,7	5,885.42	4,005.72
Accounts Payable	D-10	14,040.25	5,000.00
Accrued Interest on Notes and Loans	D-11	56,730.81	42,038.54
		<u>238,895.32</u>	<u>175,815.54</u>
Reserve for Receivables and Other Assets		15,388.79	13,541.41
Fund Balance	D-1	222,750.91	181,223.89
Total Operating Fund		<u>477,035.02</u>	<u>370,580.84</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**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,**

**Exhibit D**

**RESERVES AND FUND BALANCE - REGULATORY BASIS**

**Sheet 2 of 2**

**DECEMBER 31, 2018 AND 2017**

	<b><u>Ref.</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Capital Fund:			
Funded	D-14		\$ 514,929.63
Unfunded	D-14	\$ 298,845.97	\$ 488,315.82
Reserve for Encumbrances	D-14	752,660.97	134,326.50
Capital Improvement Fund	D-12	460.00	35,460.00
Reserve for Amortization	D-13	4,865,430.88	3,538,976.71
Reserve for Deferred Amortization	D-15	152,057.26	1,534,511.04
Bond Anticipation Notes	D-21	868,000.00	766,000.00
Utility Serial Bonds	D-16	397,000.00	448,000.00
NJ Environmental Infrastructure:			
Trust Loan	D-17	105,000.00	115,000.00
Fund Loan	D-18	80,472.51	89,897.72
Trust Loan	D-19	1,665,000.00	1,765,000.00
Fund Loan	D-20	1,201,805.49	1,326,432.60
Fund Balance	D-2	165,543.25	14,511.32
Total Capital Fund		<u>10,552,276.33</u>	<u>10,771,361.34</u>
		<u>\$ 11,029,311.35</u>	<u>\$ 11,141,942.18</u>

The fixed capital reported is as taken from municipal records and does not necessarily reflect the true condition of such fixed capital.

There were bonds and notes authorized but not issued on December 31, 2018 of \$942,416.67

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**

**COMPARATIVE STATEMENT OF OPERATIONS AND**  
**CHANGE IN FUND BALANCE - REGULATORY BASIS**

<b><u>Revenue and Other Income Realized</u></b>	<b><u>Ref.</u></b>	<b><u>Year 2018</u></b>	<b><u>Year 2017</u></b>
Fund Balance Utilized			
Rents	D-3	\$ 100,500.00	\$ 150,935.88
Miscellaneous Revenue Anticipated	D-3	1,058,399.07	1,052,569.49
Water Tower Antenna Lease	D-3	14,659.68	15,484.93
Capital Fund Balance	D-3	28,551.84	29,705.31
Other Credits to Income:	D-2, 3	14,000.00	
Unexpended Balances of Appropriation Reserves	D-10	70,035.56	60,844.48
Account Payable Canceled			
Total Income		<u>1,286,146.15</u>	<u>1,309,540.09</u>
<b><u>Expenditures</u></b>			
Budget:			
Operating		645,308.13	735,764.62
Capital Improvements			1,000.00
Debt Service		486,811.00	388,389.24
Deferred Charges and Statutory Expenditures		12,000.00	17,153.39
Prior Year Revenue Adjustment			
Total Expenditures	D-4	<u>1,144,119.13</u>	<u>1,142,307.25</u>
Statutory Excess to Fund Balance		142,027.02	167,232.84
Fund Balance January 1	D	<u>181,223.89</u>	<u>164,926.93</u>
		323,250.91	332,159.77
Decreased by:			
Utilization by Water-Sewer Operating Fund	D-1	<u>100,500.00</u>	<u>150,935.88</u>
Fund Balance December 31	D	<u>\$ 222,750.91</u>	<u>\$ 181,223.89</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**

Balance December 31, 2017	<u>Ref.</u> D		\$ 14,511.32
Increased by:			
Funded Improvement Authorization Cancelled by Resolution:			
Improvement Authorizations	D-14	\$ 2,700.00	
Deferred Reserve for Amortization	D-14	<u>162,331.93</u>	
			165,031.93
Decreased by:			<u>179,543.25</u>
Utilized in Current Year Budget	D-3		<u>14,000.00</u>
Balance December 31, 2018	D		<u>\$ 165,543.25</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**

	<b>Anticipated Budget</b>	<b>Realized</b>	<b>Excess or (Deficit)</b>
Fund Balance Anticipated	\$ 100,500.00	\$ 100,500.00	\$
Rents	1,050,000.00	1,058,399.07	8,399.07
Miscellaneous	12,000.00	14,659.68	2,659.68
Water Tower Antenna Lease	28,129.00	28,551.84	422.84
Capital Fund Balance	14,000.00	14,000.00	
	<u>\$ 1,204,629.00</u>	<u>\$ 1,216,110.59</u>	<u>\$ 11,481.59</u>
Ref.	D-4	D-1	

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**

	Budget	Budget After Modification	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
Operating					
Salaries and Wages	\$ 139,500.00	\$ 139,500.00	\$ 95,442.28	\$ 19,057.72	\$ 25,000.00
Other Expenses	281,008.13	281,008.13	270,351.06	657.07	10,000.00
Ocean County Utilities Authority Insurance	217,800.00	217,800.00	192,632.99	167.01	25,000.00
Debt Service	67,000.00	67,000.00	30,882.07	36,117.93	
Payment of Bond Principal and Capital Notes	51,000.00	51,000.00	51,000.00		
Interest on Bonds	70,000.00	70,000.00	70,000.00		
Interest on Notes	13,803.76	13,803.76	13,803.76		
Infrastructure Loan:	15,320.00	15,320.00	15,320.00		
Principal	19,426.00	19,426.00	19,097.61		328.39
Interest	4,894.00	4,894.00	4,894.00		
New Jersey Infrastructure Trust Loans:					
Principal	224,627.11	224,627.11	224,445.63		181.48
Interest	88,250.00	88,250.00	88,250.00		
Statutory Expenditures					
Contribution to Social Security System	10,000.00	10,000.00	9,734.69	265.31	
Unemployment Compensation Insurance	2,000.00	2,000.00	1,705.32	294.68	
	<u>\$ 1,204,629.00</u>	<u>\$ 1,204,629.00</u>	<u>\$ 1,087,559.41</u>	<u>\$ 56,559.72</u>	<u>\$ 60,509.87</u>
Disbursements					
Reserve for Encumbrances	D-5	D-1	\$ 967,188.02		
Accrued Interest on Bonds and Loans	D	D	105,679.12		
	D-11		14,692.27		
			<u>\$ 1,087,559.41</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**

**COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES**

**REGULATORY BASIS**

**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Cash	\$ <u>6,762.32</u>	\$ <u>4,454.83</u>
<b><u>Liabilities</u></b>		
Payroll Liabilities	\$ 3,554.35	\$ 1,246.86
Interfund - Current Fund	<u>3,207.97</u>	<u>3,207.97</u>
	\$ <u>6,762.32</u>	\$ <u>4,454.83</u>

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL FIXED ASSETS ACCOUNT GROUP**

**COMPARATIVE STATEMENT OF ASSETS AND RESERVES**

**Exhibit H**

**REGULATORY BASIS**

**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
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>
<b><u>Reserves</u></b>		
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.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**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 2018.

**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, 2018**

**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, 2018**

**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, 2018 is set forth in Note 9.

**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, 2018 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, 2018**

**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, 2018**

**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 2018. The estimated historic value of the Borough's fixed assets at 2018 and 2017 are as follows:

	<b><u>Balance</u></b> <b><u>Jan. 1, 2018</u></b>		<b><u>Balance</u></b> <b><u>Dec. 31, 2018</u></b>
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	3,771,262		4,163,130
Fixed Capital Authorized and Uncompleted	<u>5,461,558</u>		<u>5,993,058</u>
	<u>\$ 12,590,642</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.

**F. Subsequent Events**

The Borough has evaluated subsequent events occurring after December 31, 2018 through the date of August 19, 2019, which is the date the financial statements were available to be issued.



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**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 \$3,825,336 the bank balance amount was \$3,869,859. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$3,619,859.

**B. Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Investments (Continued)**

- a. (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**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.

**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>Book Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured:		
FDIC	\$ 250,000	\$ 500,000
GUDPA	<u>3,619,859</u>	<u>3,784,834</u>
	<u>\$ 3,869,859</u>	<u>\$ 4,284,834</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.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**E. 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.

**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:

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**A. Long-Term Debt (Continued)**

**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).

\$ 864,000

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>
2019	108,000	27,945
2020	108,000	25,515
2021	108,000	22,950
2022		20,250
2023		20,250
2024-2026	<u>540,000</u>	<u>60,750</u>
	\$ <u>864,000</u>	\$ <u>177,660</u>

**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>
2019	\$ 32,298	\$ 5,012
2020	32,947	4,363
2021	33,609	3,701
2022	34,285	3,025
2023	34,974	2,336
2024-2026	<u>90,539</u>	<u>2,735</u>
	\$ <u>258,652</u>	\$ <u>21,172</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**A. Long-Term Debt (Continued)**

**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). \$ 397,000

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>
2019	\$ 51,000	12,784
2020	51,000	11,636
2021	51,000	10,425
2022		9,150
2023		9,150
2024-2026	<u>244,000</u>	<u>27,450</u>
	<u>\$ 397,000</u>	<u>\$ 80,595</u>

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>
2019	\$ 248,799	\$ 87,744
2020	253,546	82,094
2021	258,293	76,194
2022	271,196	70,031
2023	280,804	63,413
2024-2028	1,444,104	204,438
2029-2030	<u>295,536</u>	<u>25,748</u>
	<u>\$ 3,052,278</u>	<u>\$ 609,662</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**B. Short-Term Debt**

**General Capital Fund**

On December 31, 2018, the Borough's outstanding bond anticipation notes were as follows:

**General Capital Fund**

<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	\$ 231,142	2.00%
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	118,500	2.00%
13-01	NJDOT Improvements to Cedar Avenue	34,358	2.00%
13-06	Repairs to Simpson Avenue and Boardwalk	95,000	2.00%
		<u>\$ 479,000</u>	

**Water-Sewer Capital Fund**

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
16-09	Various Water and Sewer Improvements	<u>\$ 868,000</u>	2.00%

**C. Bonds and Notes Authorized but not Issued**

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

General Capital Fund	\$ <u>204,164</u>	\$ <u>149,940</u>
Water-Sewer Utility Capital Fund	942,417	572,370

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**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, 2018 was .53%. The Borough's remaining borrowing power is 2.97%.

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 2018 and 2017 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u>				<u>Balance</u>		<u>Due</u>
	<u>Jan. 1, 2018</u>	<u>Issued</u>	<u>Retired</u>		<u>Dec. 31, 2018</u>		<u>Within</u>
							<u>One Year</u>
General Debt:							
Serial Bonds	\$ 972,000		\$ 108,000		\$ 864,000		\$ 108,000
Bond Anticipation Notes	679,000	479,000	679,000		479,000		479,000
Green Trust Loan	290,313		31,661		258,652		32,298
Water Utility Fund Debt:							
Serial Bonds	448,000		51,000		397,000		51,000
Bond Anticipation Notes	766,000	868,000	766,000		868,000		868,000
NJEIT	3,296,330		244,052		3,052,278		248,799
	<u>\$ 6,451,643</u>	<u>\$ 1,347,000</u>	<u>\$ 1,879,713</u>		<u>\$ 5,918,930</u>		<u>\$ 1,787,097</u>

	<u>Balance</u>				<u>Balance</u>		<u>Due</u>
	<u>Jan. 1, 2017</u>	<u>Issued</u>	<u>Retired</u>		<u>Dec. 31, 2017</u>		<u>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>



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**E. Summary of Debt Activity (Continued)**

**Summary of Municipal Debt**

<b><u>Issued</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
General:			
Bonds, Notes and Loans	\$ 1,601,652	\$ 1,941,313	\$ 2,010,350
Water-Sewer Utility:			
Bonds, Notes and Loans	4,317,278	4,510,330	4,034,636
Total Issued	<u>5,918,930</u>	<u>6,451,643</u>	<u>6,044,986</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds and Notes	204,164	149,940	264,957
Water-Sewer Utility:			
Bonds and Notes	942,417	572,370	1,350,870
Total Authorized but not Issued	<u>1,146,581</u>	<u>722,310</u>	<u>1,615,827</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 7,065,511</u>	<u>\$ 7,173,953</u>	<u>\$ 7,660,813</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 .53%

	<b><u>Gross Debt</u></b>	<b><u>Deductions</u></b>	<b><u>Net Debt</u></b>
Local School Debt	\$ 3,118,000	\$ 3,118,000	\$
Regional School Debt	51,361	51,361	
General Debt	1,805,816		1,805,816
Water-Sewer Utility Debt	<u>5,259,695</u>	<u>5,259,695</u>	
	<u>\$ 10,234,872</u>	<u>\$ 8,429,056</u>	<u>\$ 1,805,816</u>

Net Debt \$1,805,816 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$342,782,859 = .53%.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3. DEBT (CONTINUED)**

**E. Summary of Debt Activity (Continued)**

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

3.5% of Equalized Valuation Basis (Municipal) Net Debt		\$ 11,997,400
		<u>1,805,816</u>
Remaining Borrowing Power		\$ <u>10,191,584</u>

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

Cash Receipts from Fees, Rents and Other Charges		\$ 1,216,111
Deductions:		
Operating and Maintenance Costs	\$ 717,308	
Debt Service	<u>486,811</u>	
Total Deductions		<u>1,204,119</u>
Excess in Revenue		\$ <u>11,992</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 \$70,860 and \$107,413 at December 31, 2018 and 2017, 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:

Current Fund	<u>2018</u>	<u>2017</u>
Water-Sewer Utility Operating Fund	\$ 449,000	\$ 532,052
	35,000	100,500

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 6. 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:

Tax Rate	<u>2018</u> \$ <u>1.906</u>	<u>2017</u> \$ <u>1.845</u>	<u>2016</u> \$ <u>1.858</u>
<b>Apportionment of Tax Rate</b>			
Municipal	.556	.546	.524
County	.411	.395	.422
Regional School	.354	.309	.347
Local School	.585	.595	.565
<b>Assessed Valuation</b>			
2018	\$ 347,893,775		
2017		\$ 346,430,885	
2016			\$ 345,631,813

**Comparison of Tax Levies and Collection Currently**

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collection</u>	<u>Percentage of Collection</u>
2018	\$ 6,650,279	\$ 6,507,251	97.85%
2017	6,434,154	6,329,634	98.38%
2016	6,459,026	6,303,152	97.58%

**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>
2018	\$ 21,316	\$ 126,994	\$ 148,310	2.23%
2017	18,548	91,220	109,768	1.71%
2016	15,829	133,270	149,099	2.31%

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 7. 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:

	<b><u>Balance December 31</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Prepaid Taxes	\$ 100,531	\$ 547,443
Prepaid Water-Sewer Charges	5,885	4,006

**NOTE 8. 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 9. 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, 2018**

**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 [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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

The following represents the membership tiers for PERS:

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

**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 amounts presented in the 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.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 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 fiscal year 2017 and 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2013 and will be adjusted by the rate of return on the actuarial value of assts.

**Components of Net Pension Liability** - At December 31, 2018, the Borough's proportionate share of the PERS net pension liability is valued to be \$847,597. The net pension liability was measured as of June 30, 2018. 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 June 30, 2017, to the measurement date of June 30, 2018. 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, 2018. The Borough's proportion measured as of June 30, 2018, was .00430%, which was a increase of .00011% from its proportion measured as of June 30, 2017.

**Collective Balances at December 31, 2018 and December 31, 2017**

Actuarial Valuation Date (Including Roll Forward)	<u>Dec. 31, 2018</u> July 1, 2018	<u>Dec. 31, 2017</u> July 1, 2017
Deferred Outflows of Resources	\$ 176,988	\$ 226,153
Deferred Inflows of Resources	485,292	476,350
Net Pension Liability	847,597	975,544
Borough's Portion of the Plan's Total Net Pension Liability	0.00430%	0.00419%

For the year ended December 31, 2018, the Borough had an allocated pension expense of \$27,020.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2018, the Borough had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,164	\$ 4,370
Changes of assumptions	139,670	271,016
Net difference between projected and actual earnings on pension plan investments		7,950
Changes in proportion	<u>21,154</u>	<u>201,956</u>
	<u>\$ 176,988</u>	<u>\$ 485,292</u>

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

<u>Year Ending December 31</u>	<u>PERS</u>
2019	\$ (30,277)
2020	(44,305)
2021	(94,564)
2022	(86,786)
2023	<u>(52,372)</u>
	<u>\$ (308,304)</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
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
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	5.00
June 30, 2015	5.00	5.00
June 30, 2016	5.00	5.00
June 30, 2017	5.00	5.00
June 30, 2018	5.00	5.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Actuarial Assumptions** - The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	<b><u>PERS</u></b> 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 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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, 2018 are summarized in the following table:

	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Township'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 (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	<b><u>Decrease</u></b> <b><u>(4.66%)</u></b>	<b><u>Discount</u></b> <b><u>(5.66%)</u></b>	<b><u>Increase</u></b> <b><u>(6.66%)</u></b>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 1,065,754	\$ 847,597	\$ 664,575

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**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 Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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

The following represent membership tiers for PFRS:

<b><u>Tier</u></b>	<b><u>Definition</u></b>
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 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 and non-employer allocations and the schedules of pension amounts by employer and non-employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its participating employers or the State as a non-employer entity. 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, or the State. The amounts presented in the Schedule 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.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

**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. Borough contributions to PFRS amounted to \$43,146 for 2018.

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

**Net Pension Liability and Pension Expense** - At December 31, 2018, the Borough's proportionate share of the PFRS net pension liability is valued to be \$950,215. The net pension liability was measured as of June 30, 2018. 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 June 30, 2017, to the measurement date of June 30, 2018. 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, 2018. The Borough's proportion measured as of June 30, 2018, was .00702%, which was a increase of .00214% from its proportion measured as of June 30, 2017.

**Collective Balances at December 31, 2018 and December 31, 2017**

Actuarial Valuation Date	<u>Dec. 31, 2018</u> July 1, 2018	<u>Dec. 31, 2017</u> July 1, 2017
Deferred Outflows of Resources	\$ 457,848	\$ 264,816
Deferred Inflows of Resources	640,591	632,904
Net Pension Liability	950,215	752,629
Borough's Portion of the Plan's Total Net Pension Liability	0.00702%	0.00488%

For the year ended December 31, 2018, the Borough had an allocated pension expense of \$109,973.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2018, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 9,667	\$ 3,932
Changes of assumptions	81,563	243,524
Net difference between projected and actual earnings on pension plan investments		5,199
Changes in proportion	<u>366,618</u>	<u>387,936</u>
	\$ <u>457,848</u>	\$ <u>640,591</u>

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

<b><u>Year Ending December 31</u></b>	<b><u>PFRS</u></b>
2019	\$ 3,908
2020	(31,811)
2021	(81,331)
2022	(53,735)
2023	<u>(19,774)</u>
	\$ <u>(182,743)</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**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		
Year of Pension Plan Deferral:		
June 30, 2014	-	
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	5.00
June 30, 2015	5.00	5.00
June 30, 2016	5.00	5.00
June 30, 2017	5.00	5.00
June 30, 2018	5.00	5.00
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$129,071 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. 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 June 30, 2017, to the measurement date of June 30, 2018. 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, 2018 was .00702%, which was an increase of .00214% from its proportion measured as of June 30, 2017, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 950,215
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>129,071</u>
Total Net Pension Liability	\$ <u>1,079,286</u>

For the year ended December 31, 2018, the Borough's total allocated pension expense was \$125,261.

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



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

	<u>PFRS</u>
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).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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, 2018 are summarized in the following table:

	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Township'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 (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

	<b><u>Decrease</u></b> <b><u>(5.51%)</u></b>	<b><u>Discount</u></b> <b><u>(6.51%)</u></b>	<b><u>Increase</u></b> <b><u>(7.51%)</u></b>
Borough's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Borough	\$ 1,271,744	\$ 950,215	\$ 685,011

**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, 2018, 2017 and 2016.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 10. PENSION OBLIGATIONS (CONTINUED)**

**C. Defined Contribution Retirement Program (Continued)**

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

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

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

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**General Information about the OPEB Plan (Continued)**

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

**Basis of Presentation**

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

**Allocation Methodology**

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Net OPEB Liability**

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

\*Salary Increases are based on defined benefit plan that the member is enrolled in and his or her age.

**OPEB Obligation and OPEB Expense**

The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Borough's as of June 30, 2018 was \$1,093,388. The Borough's proportionate share was \$1,210,246.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the Borough was based on projection of the State's long-term contributions to the OPEB plan associated with the Borough relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the Borough was 0.007725%, which was a decrease of 0.000853% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$(1,208) for the State's proportionate share of the OPEB expense attributable to the Borough. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Obligation and OPEB Expense (Continued)**

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

**Health Care Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Discount Rate**

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease (2.875)</u>	<u>At Discount Rate (3.875)</u>	<u>At 1% Increase (4.875)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Borough	\$ 1,419,939	\$ 1,210,246	\$ 1,042,749
State of New Jersey's Total Nonemployer OPEB Liability	18,381,085,096	15,666,618,141	13,498,373,388

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost</u> <u>Trend Rate</u>	<u>1%</u> <u>Increase</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Borough	\$ 1,009,539	\$ 1,210,246	\$ 1,469,995
State of New Jersey's Total Nonemployer OPEB Liability	13,068,471,450	15,666,618,141	19,029,066,023

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2018:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Collective Deferred Outflows of Resources	\$ 2,115,007,508	\$ 1,151,561,955
Collective Deferred Inflows of Resources	9,261,653,464	3,414,042,238
Collective Net Pension Liability	15,666,618,141	20,415,788,739
Borough's Portion	0.007725%	0.008578%

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

<u>Year Ending</u> <u>June 30</u>	
2019	\$ (1,049,390,011)
2020	(1,049,390,011)
2021	(1,049,390,011)
2022	(1,050,264,681)
2023	(1,051,678,489)
Thereafter	<u>(1,896,532,753)</u>
	\$ <u>(7,146,645,956)</u>



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Changes in Proportion**

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

**Plan Membership**

At June 30, 2017, the Program membership consisted of the following:

	<b><u>June 30, 2017</u></b>
Active Plan Members	\$ 61,789
Retirees Currently Receiving Benefits	<u>26,277</u>
	\$ <u><u>88,066</u></u>

**Changes in the Total OPEB Liability**

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148
Interest on the Total OPEB Liability	764,082,232
Differences Between Expected and Actual Experiences	(3,626,384,047)
Changes of Assumptions	(2,314,240,675)
Contributions from the Employer	(421,194,662)
Contributions from Non-Employer Contributing Entity	(53,548,285)
Net Investment Income	(2,320,422)
Administrative Expenses	8,200,113
Net Change in Total OPEB Liability	<u>(4,749,170,598)</u>
Total OPEB Liability (Beginning)	<u>20,415,788,739</u>
Total OPEB Liability (Ending)	\$ <u><u>15,666,618,141</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Special Funding Situation**

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

The participating employer allocations included in the supplemental schedule of employer special funding allocations and the supplemental schedule of special funding amounts by employer for each employer are provided as each employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation and include their proportionate share of the collective net OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

Additionally, the State's proportionate share of the OPEB liability attributable to the Borough is \$1,093,388 as of December 31, 2018. The OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the OPEB liability was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The State's proportion of the OPEB liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2018 was 0.017596%, which was a decrease of 0.000367% from its proportion measured as of June 30, 2017, which is the same proportion as the Borough's. At December 31, 2018, the Borough's and the State of New Jersey's proportionate share of the OPEB liability were as follows:

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**Special Funding Situation (Continued)**

Borough's Proportionate Share of OPEB Liability	\$ 1,210,246
State of New Jersey's Proportionate Share of OPEB Liability Associated with the Borough	<u>1,093,388</u>
	\$ <u>2,303,634</u>

At December 31, 2018, the State's proportionate share of the OPEB expense, associated with the Borough, calculated by the plan as of the June 30, 2018 measurement date was \$33,098.

**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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance of Tax	\$ 581,313	\$ 504,462	\$ 1,007,381	\$ 991,642
Deferred	<u>250,000</u>	<u>250,000</u>	<u>555,000</u>	<u>555,000</u>
Tax Payable	\$ <u>331,313</u>	\$ <u>254,462</u>	\$ <u>452,381</u>	\$ <u>436,642</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**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, 2018, 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%

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, 2018**

**NOTE 15. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheets at December 31, 2018:

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
Current Fund	\$ 5,574	\$ 216,328
Grant Fund	44,328	
General Capital Fund		2,366
Water-Sewer Utility Capital Fund	172,000	
Payroll Fund		3,208
	<hr/>	<hr/>
	\$ 221,902	\$ 221,902

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

The Borough has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Borough's volunteer 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.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

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

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

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

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

**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. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2017 consisted of intergovernmental grants, taxes, sewer rents and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs. Accounts receivable as of fiscal year end for the Borough's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>Current Fund</u>	<u>Grant Fund</u>	<u>General Capital Fund</u>	<u>Utility Operating Fund</u>	<u>Total</u>
Grants Receivable	\$ 148,309	\$ 49,376	\$ 490,481	\$	\$ 539,857
Taxes					148,309
Sewer Rents				15,389	15,389
	<u>\$ 148,309</u>	<u>\$ 49,376</u>	<u>\$ 490,481</u>	<u>\$ 15,389</u>	<u>\$ 703,555</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 18. SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events through August 19, 2019, which is the date the financial statements were available to be issued.

The Borough adopted ordinance 2019-01, authorizing various water and sewer utility capital improvements, appropriating \$408,000 therefore and authorizing the issuance of \$386,000 in debt.

The Borough adopted ordinance 2019-02, authorizing various recreation improvements and appropriating \$34,500.

The Borough adopted ordinance 2019-06, authorizing various capital projects and improvements and appropriating \$141,000.

The Borough adopted ordinance 2019-08, authorizing the reconstruction of Lake Avenue, appropriating \$480,000 therefore and authorizing the issuance of \$456,000 in debt.

**BOROUGH OF ISLAND HEIGHTS**

**COUNTY OF OCEAN**

**PART II**

**SUPPLEMENTARY DATA**

**SUPPLEMENTARY SCHEDULES**

**YEAR ENDED DECEMBER 31, 2018**



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office at December 31, 2018:

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount of Bond</u></b>
Jefferey B. Silver	Mayor	
Steven Berglund	Council President	
Sean Asay	Councilmember	
Sandra Blain-Snow	Councilmember	
Brian Gabriel	Councilmember	
Susan Thompson	Councilmember	
Melissa Wudzki	Councilmember	
Joseph Kostecki	Borough Clerk	*
Margret Gorman	Chief Financial Officer	*
Wendy Prior	Tax Collector	*
Damian G. Murray, Esq.	Municipal Court Judge	*
Elizabeth Boettger	Municipal Court Administrator	*

(\*) A blanket bond covering municipal employees in the amount of \$50,000 was in effect with the Ocean County Joint Insurance Fund. Additional coverage of \$950,000 for public employees and \$1,000,000 for public officials and statutory positions was provided by the Municipal Excess Liability Joint Insurance Fund.

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-4**

**SCHEDULE OF CASH - TREASURER**

Balance December 31, 2017		\$ 2,895,949.19
Increased by Receipts:		
Taxes Receivable	\$ 6,048,054.85	
Prepaid Taxes	100,530.87	
State of NJ Fees	1,541.00	
Revenue Accounts Receivable	365,316.18	
Miscellaneous Revenue not Anticipated	45,863.27	
Reserve for Sale of Municipal Assets	6,108.72	
Interfunds:		
Grant Fund	44,450.84	
Other Funds	172,000.05	
Due from State of New Jersey (Ch. 20, P.L. 1971)	15,325.00	
		<u>6,799,190.78</u>
Decreased by Disbursements:		<u>9,695,139.97</u>
Current Year Budget Appropriations	2,278,829.04	
County Taxes	1,437,983.13	
Local District School Tax	2,019,818.00	
Regional High School Tax	1,153,990.65	
Appropriation Reserves	144,337.08	
Interfunds:		
Grant Fund	54,893.83	
Other Funds	38,637.03	
Accounts Payable	25,950.43	
Prior Year Refunds	7,340.40	
State of NJ Fees	1,466.00	
		<u>7,163,245.59</u>
Balance December 31, 2018		\$ <u><u>2,531,894.38</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, 2017	2018 Levy	Collections		Ch. 20, P.L. 1971	Added Taxes	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2018
			By Cash	2017					
2017	91,219.84	\$ 6,650,279.24	\$ 103,635.99	\$ 547,442.81	\$ 15,389.16	\$ #####	\$ 13,267.02	\$ 2,767.51	\$ 126,993.88
2018	91,219.84	\$ 6,650,279.24	\$ 5,944,418.86	\$ 547,442.81	\$ 15,389.16	\$ #####	\$ 13,267.02	\$ 2,767.51	\$ 126,993.88
	<u>\$ 91,219.84</u>	<u>\$ 6,650,279.24</u>	<u>\$ 6,048,054.85</u>	<u>\$ 547,442.81</u>	<u>\$ 15,389.16</u>	<u>\$ #####</u>	<u>\$ 13,267.02</u>	<u>\$ 2,767.51</u>	<u>\$ 126,993.88</u>

**Analysis of Current Year Property Tax Yield and Tax Levy**

General Purpose Tax  
Added and Omitted Taxes

\$ 6,630,855.16  
19,424.08

\$ 6,650,279.24

**Tax Levy:**

Local District School Tax  
Regional High School Tax  
County Taxes:

\$ 2,035,557.00  
1,230,841.00

General County Tax  
County Library Tax  
County Health Tax  
County Open Space Tax  
County Added and Omitted Tax  
Total County Taxes  
Local Tax for Municipal Purposes  
Add: Additional Tax Levied

\$ 1,207,630.22  
131,766.45  
47,580.39  
41,752.75  
4,181.99

1,432,911.80  
1,935,164.58  
15,804.86

\$ 6,650,279.24

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-6**

**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2017	\$ 18,548.02
Increased by:	
Transfers from Taxes Receivable	<u>2,767.51</u>
Balance December 31, 2018	<u>\$ 21,315.53</u>

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

**Exhibit A-7**

	<u>Accrued in 2018</u>	<u>Collected</u>
Local Revenues:		
Local Aid:		
Fees and Permits	\$ 15,930.00	\$ 15,930.00
Fines and Costs, Municipal Court	13,162.62	13,162.62
Interest and Costs on Taxes	21,485.58	21,485.58
Interest on Investments and Deposits	8,491.48	8,491.48
Beach Fees	20,778.00	20,778.00
Cable Television Franchise Fees	29,639.29	29,639.29
Post Office Lease	47,127.00	47,127.00
Antenna Lease	76,782.73	76,782.73
Uniform Construction Code Fees	14,478.71	14,478.71
State Aid:		
Energy Receipts Tax	117,407.00	117,407.00
Other Special Items:		
Reserve for Insurance Reimbursements	32,394.10	32,394.10
Surplus Capital Fund	<u>33.77</u>	<u>33.77</u>
	<u>\$ 397,710.28</u>	<u>\$ 397,710.28</u>
Receipts		\$ 365,316.18
Reserve for Insurance		<u>32,394.10</u>
		<u>\$ 397,710.28</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-8

**SCHEDULE OF COUNTY TAXES PAYABLE**

Balance December 31, 2017		\$	9,253.32
Increased by:			
2018 Tax Levy:			
General County Tax	\$ 1,207,630.22		
County Library Tax	131,766.45		
County Health Tax	47,580.39		
County Open Space Tax	41,752.75		
County Share of Added and Omitted Taxes	<u>4,181.99</u>		
			<u>1,432,911.80</u>
Decreased by:			<u>1,442,165.12</u>
Payments			<u>1,437,983.13</u>
Balance December 31, 2018		\$	<u><u>4,181.99</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-9**

**SCHEDULE OF LOCAL SCHOOL DISTRICT TAX PAYABLE**

Balance December 31, 2017:

School Tax Deferred

\$ 555,000.00

School Tax Payable

436,642.00

Increased by:

Levy School Year July 1, 2018 to June 30, 2019

\$ 991,642.00

2,035,557.00

Decreased by:

Payments

3,027,199.00

2,019,818.00

Balance December 31, 2018:

School Tax Deferred

555,000.00

School Tax Payable

452,381.00

\$ 1,007,381.00

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-10**

**SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE**

Balance December 31, 2017:			
School Tax Deferred		\$ 249,999.90	
School Tax Payable		<u>254,462.25</u>	
Increased by:			\$ 504,462.15
Levy School Year July 1, 2018 to June 30, 2019			<u>1,230,841.00</u>
Decreased by :			<u>1,735,303.15</u>
Payments			<u>1,153,990.65</u>
Balance December 31, 2018:			
School Tax Deferred		249,999.90	
School Tax Payable		<u>331,312.60</u>	
			\$ <u><u>581,312.50</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-11

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 1 of 5

	Balance Dec. 31, 2017	Reserve for Encumbrances	Budget After Modification	Paid or Charged	Balance Lapsed
<b><u>OPERATIONS WITHIN CAPS</u></b>					
General Administration					
Other Expenses	\$ 142.43				
Mayor and Council		\$ 6,013.57	\$ 6,156.00	\$ 5,956.73	\$ 199.27
Other Expenses					
Municipal Clerk	162.00	160.00	322.00	160.00	162.00
Salaries and Wages	2,230.63		2,230.63		2,230.63
Other Expenses	12,620.02		12,620.02	4,224.80	8,395.22
Advertising Budget	1,410.90		1,410.90		1,410.90
Elections					
Other Expenses	297.16		297.16		297.16
Financial Administration					
Salaries and Wages	4,998.13		4,998.13		4,998.13
Other Expenses	.80	6,634.21	6,635.01	6,617.71	17.30
Audit	3,165.00		3,165.00	3,165.00	
Computerized Data Processing					
Other Expenses	574.22	8,728.75	9,302.97	9,128.75	174.22
Collection of Taxes					
Salaries and Wages			8,934.83		8,934.83
Other Expenses	8,934.83		1,074.73	982.50	92.23
Assessment of Taxes	92.23	982.50			
Salaries and Wages					
Other Expenses		52,882.80	52,882.80	52,882.80	
Tax Map Revisions	1,615.57	419.06	2,034.63	419.06	
Legal Services and Costs	1,500.00		1,500.00	1,500.00	1,615.57
Other Expenses					
Advertising and Legal Notices	22,791.25	1,756.00	24,547.25	1,926.50	22,620.75
Counsel - Labor	3,671.90	53.9	3,725.80		3,725.80
Other Expenses					
Engineering Services and Costs	2,696.00	40.50	2,736.50	486.00	2,250.50
Other Expenses	8,564.99		8,564.99	8,564.99	

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



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-11

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 2 of 5

	Balance Dec. 31, 2017	Reserve for Encumbrances	Budget After Modification	Paid or Charged	Balance Lapsed
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	\$ 53.64				\$ 53.64
Other Expenses - Legal	294.45	162.50	456.95	287.50	169.45
Other Expenses - Miscellaneous	1,244.97	425.00	1,669.97	425.00	1,244.97
Insurance					
Other Insurance	1,921.69				
Employee Group Insurance		5,313.39	1,921.69	700.00	1,221.69
Police			5,313.39	5,313.39	
Salaries and Wages	57,714.77	1,047.82	58,762.59	1,047.82	57,714.77
Other Expenses	34.19	25,448.19	25,482.38	22,415.36	3,067.02
Medical Testing	855.00	90.00	945.00		945.00
Crossing Guards and Badge Checkers					
Salaries and Wages					
Other Expenses	.29		.29		.29
Emergency Management Service	250.00		250.00		250.00
Salaries and Wages					
Other Expenses	5.00		5.00		5.00
First Aid	1,846.48	.17	1,846.65	1,800.17	46.48
Contribution					
Municipal Prosecutor	1,700.00		1,700.00		1,700.00
Other Expenses					
Municipal Court	1,700.00	1,500.00	3,200.00		3,200.00
Salaries and Wages					
Other Expenses	3,755.90		3,755.90	440.16	3,315.74
Public Defender	1,237.00	500.00	1,737.00	500.00	1,237.00
Salaries and Wages					
Other Expenses					
Public Buildings, Grounds, Parks, Playgrounds and Beaches	7,009.50		7,009.50		7,009.50
Salaries and Wages					
Other Expenses	48,509.56		48,509.56		48,509.56
Public Buildings, Grounds, Parks, Playgrounds and Beaches	2,739.31	29,322.78	32,062.09	30,437.30	1,624.79

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-11

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 3 of 5

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Solid Waste Collection					
Contractual	\$ 6,362.41	\$ 16,243.27	\$ 22,605.68	\$ 14,734.31	\$ 7,871.37
Other Expenses	250.00		250.00		250.00
Recycling					
Other Expenses		2,114.00	2,114.00	1,900.00	214.00
Vehicle Maintenance					
Other Expenses	6,008.29	12,223.86	18,232.15	6,676.25	11,555.90
Shade Trees					
Other Expenses	150.00		150.00		150.00
Snow Removal					
Salaries and Wages	8,559.41		8,559.41	8,559.41	
Other Expenses	1,801.08	5,250.00	7,051.08	2,407.26	4,643.82
Board of Health					
Salaries and Wages	300.00		300.00		300.00
Other Expenses	194.50		194.50		194.50
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	10.00		10.00		10.00
Environmental Commission					
Other Expenses	750.00		750.00		750.00
Dog Regulation					
Other Expenses	1,663.33		1,663.33	1,600.00	63.33
Senior Advisory Committee					
Other Expenses	10.00		10.00		10.00
Beachfront Maintenance					
Salaries and Wages - Lifeguards	.20		.20		.20
Other Expenses	78.53	500.00	578.53	500.00	78.53
Recreation					
Salaries and Wages	1,000.00		1,000.00		1,000.00
Other Expenses	1,966.63	450.00	2,416.63		2,071.11
Salary Settlements and Adjustments	1,000.00		1,000.00	345.52	1,000.00

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

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-11

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 4 of 5

	<u>Balance</u> Dec. 31, 2017	<u>Reserve for</u> Encumbrances	<u>Budget After</u> Modification	<u>Paid or</u> Charged	<u>Balance</u> Lapsed
<b>Uniform Construction Code - Appropriations Offset</b>					
<b>by Dedicated Revenues (N.J.S.A. 5:23-4.17)</b>					
Code Enforcement and Zoning					
Salaries and Wages	\$ 7,091.89		\$ 7,091.89		\$ 7,091.89
Other Expenses	122.02		122.02		122.02
Construction Code Official					
Salaries and Wages	29.83		29.83		29.83
Other Expenses	14.24		14.24		14.24
Fire Official					
Salaries and Wages	39.47		39.47		39.47
<b>Unclassified</b>					
Utilities					
Gasoline	4,016.39		4,016.39	858.66	3,157.73
Electricity	6,526.98	2,205.83	8,732.81	2,205.83	6,526.98
Telephone	2,146.84		2,146.84	718.18	1,428.66
Natural Gas	1,243.80	956.99	2,200.79	956.99	1,243.80
Street Lighting	1,658.94		1,658.94		1,658.94
Total Operations within Caps	<u>259,334.59</u>	<u>181,425.09</u>	<u>440,759.68</u>	<u>200,843.95</u>	<u>239,915.73</u>
Detail:					
Salaries and Wages	144,223.55	53,930.62	198,154.17	62,930.19	135,223.98
Other Expenses	115,111.04	127,494.47	242,605.51	137,913.76	104,691.75
<b>STATUTORY EXPENDITURES WITHIN CAPS</b>					
Contribution to:					
Social Security System (O.A.S.I.)	16,165.74		16,165.74		16,165.74
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>26,365.74</u>		<u>26,365.74</u>		<u>16,365.74</u>
Total Appropriations within Caps	<u>285,700.33</u>	<u>181,425.09</u>	<u>467,125.42</u>	<u>210,843.95</u>	<u>256,281.47</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-11

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 5 of 5

	Balance Dec. 31, 2017	Reserve for Encumbrances	Budget After Modification	Paid or Charged	Balance Lapsed
<b><u>OPERATIONS EXCLUDED FROM CAPS</u></b>					
Length of Service Awards Program (LOSAP)	\$ 5,750.00	\$ 3,450.00	\$ 9,200.00	\$ 3,450.00	\$ 5,750.00
Total General Appropriations	\$ 291,450.33	\$ 184,875.09	\$ 476,325.42	\$ 214,293.95	\$ 262,031.47
Disbursed				\$ 144,337.08	
Accounts Payable				\$ 69,956.87	
				\$ 214,293.95	

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-12

**SCHEDULE OF INTERFUNDS**

	Total (Memo Only)	Animal Control Trust	General Capital	Payroll Fund	Water-Sewer Utility Capital
Balance December 31, 2017 - Due To/(From)	\$ <u>33,063.02</u>	\$ <u>(.05)</u>	\$ <u>24,271.04</u>	\$ <u>(3,207.97)</u>	\$ <u>12,000.00</u>
Increased by:					
Receipts	172,000.05	.05			
Total Increases and Balances	<u>205,063.07</u>		<u>24,271.04</u>	<u>(3,207.97)</u>	<u>172,000.00</u>
Decreased by:					
Disbursements	38,637.03		26,637.03		12,000.00
Total Decreases	<u>38,637.03</u>		<u>26,637.03</u>		<u>12,000.00</u>
Balance December 31, 2018 - Due To/(From)	\$ <u><u>166,426.04</u></u>	\$ <u><u>          </u></u>	\$ <u><u>(2,365.99)</u></u>	\$ <u><u>(3,207.97)</u></u>	\$ <u><u>172,000.00</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

Exhibit A-13

**CURRENT FUND**

**SCHEDULE OF INTERFUND**

**GRANT FUND**

Balance December 31, 2017 - Due To		\$ 47,948.44
Increased by:		
Deposited in Current Fund:		
Grant Receivable	\$ 39,848.92	
Unappropriated Reserves	4,601.92	
Cancellation of Receivable Balances	7,046.70	
Current Year Budget Appropriations	<u>58,113.93</u>	
		<u>109,611.47</u>
Decreased by:		<u>157,559.91</u>
Cancellation of Reserve Balances	223.80	
Current Year Anticipated Revenue	58,113.93	
Grant Fund Disbursements	<u>54,893.83</u>	
		<u>113,231.56</u>
Balance December 31, 2018 - Due To		\$ <u><u>44,328.35</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-14

**SCHEDULE OF GRANTS RECEIVABLE**

**GRANT FUND**

	Balance Dec. 31, 2017	2018 Budget Revenue Realized	Realized	Cancelled	Balance Dec. 31, 2018
Body Armor Fund	\$	39.95	39.95		
Recycling Tonnage Grant		3,461.01	3,461.01		
OEM - 966 Equipment Grant		14,910.98			14,910.98
Green Communities		3,000.00	3,000.00		
DDEF		1,301.99	1,301.99		
2018 CDBG - Handicap Improvements River Road		34,000.00	935.00		34,000.00
ANIEC - Open Space Stewardship		1,400.00	5,913.92	223.80	465.00
2014 Year Grants:	6,137.72				
Community Development Block Grant	33,000.00		33,000.00		
2012 Year Grants:					
Community Development Block Grant	6,822.90			6,822.90	
	<u>\$ 45,960.62</u>	<u>\$ 58,113.93</u>	<u>\$ 47,651.87</u>	<u>\$ 7,046.70</u>	<u>\$ 49,375.98</u>
Interfund - Current Fund			\$ 39,848.92		
Unappropriated Reserves			<u>7,802.95</u>		
			<u>\$ 47,651.87</u>		

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-15

**SCHEDULE OF APPROPRIATED RESERVES**

**GRANT FUND**

	Balance Dec. 31, 2017	2018		Prior Year Encumbrances	Expended	Cancelled	Balance Dec. 31, 2018
		Budget Appropriation					
Body Armor Fund	\$	39.95					\$ 39.95
Recycling Tonnage Grant		3,461.01					3,461.01
OEM - 966 Equipment Grant		14,910.98			14,910.98		
Green Communities		3,000.00					3,000.00
DDEF		1,301.99					1,301.99
2018 CDBG - Handicap Improvements River Road		34,000.00			31,043.75		2,956.25
ANJEC - Open Space Stewardship		1,400.00			1,400.00		
Body Armor Fund	2,605.44						2,605.44
OEM - 966 Equipment Grant FY18				6,137.72		223.80	
Clean Communities Program	5,640.13			4,791.65	5,913.92		10,431.78
Recycling Tonnage Grant	1,653.39						1,653.39
2015 and Prior Year Grants							
Clean Communities Grant	4,932.58				4,932.58		
Recycling Tonnage Grant	3,117.00						3,117.00
Alcohol Education, Rehabilitation Fund	176.80						176.80
2014 Year Grants:							
Body Armor Fund	2,985.16						2,985.16
Drunk Driving Enforcement Fund	2,000.00						2,000.00
Community Development Block Grant	10,847.11						.01
Recycling Tonnage Grant	3,036.60				10,847.10		3,036.60
2012 Year Grants:							
Friends of Recreation	3,000.00						3,000.00
Sustainable Jersey	4,835.14						4,835.14
2010 Year Grants:							
Drunk Driving Enforcement Fund	0.00						347.39
2008 Year Grants:	347.39						
Waterfront Access	0.00						
	30,000.00						30,000.00
Expenditures Paid in Current Fund	\$ 75,176.74						
Reserve for Encumbrances		\$ 58,113.93		\$ 10,929.37	\$ 69,048.33	\$ 223.80	\$ 74,947.91
					\$ 54,893.83		
					14,154.50		
					\$ 69,048.33		



BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2017	Transfer to 2018 Budget Revenues	Increases	Balance Dec. 31, 2018
<u>Grant</u>	<u>\$ 39.95</u>	<u>\$ 39.95</u>	<u>\$</u>	<u>\$</u>
Body Armor Grant	3,461.01	3,461.01	4,601.92	4,601.92
Clean Communities Program	3,000.00	3,000.00		
Recycling Tonnage Grant	1,301.99	1,301.99		
Green Communities				
Drunk Driving Enforcement Fund				
	<u>\$ 7,802.95</u>	<u>\$ 7,802.95</u>	<u>\$ 4,601.92</u>	<u>\$ 4,601.92</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**TRUST FUND**

**Exhibit B-1**

**SCHEDULE OF TRUST CASH**

Balance December 31, 2017

Animal Control Trust  
\$ 222.26

Other Trust  
\$ 270,794.04

Increased by Receipts:

Reserve for Animal Control Expenditures  
Due to State of New Jersey Department of Health  
Interfund - Current Fund  
Various Trust Reserves

\$ 994.00  
183.00  
2.10

\$

761.38  
320,316.06

321,077.44  
591,871.48

Decreased by Disbursements:

Reserve for Animal Control Expenditures  
Due to State of New Jersey Department of Health  
Interfund - Current Fund  
Various Trust Reserves

580.85  
183.00  
2.15

766.00

761.38  
352,421.74

353,183.12

Balance December 31, 2018

\$ 635.36

\$ 238,688.36

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**TRUST FUND**

**SCHEDULE OF RESERVE FOR ANIMAL CONTROL**

**Exhibit B-2**

Balance December 31, 2017	\$ 222.21
Increased by: Deposits	994.00
Decreased by: Disbursements	<u>1,216.21</u>
	580.85
Balance December 31, 2018	<u>\$ 635.36</u>

**Animal Control License Fees Collected**

<u>Year</u>	<u>Amount</u>
2016	<u>1,245.00</u>
2017	<u>1,127.00</u>
	<u>\$ 2,372.00</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**OTHER TRUST FUND**

**Exhibit B-3**

**SCHEDULE OF MISCELLANEOUS RESERVES**

	<b>Balance Dec. 31, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31, 2018</b>
Reserve for:				
Accumulated Absences	\$ 61,577.29	\$ 9,500.00	\$ 5,945.44	\$ 65,131.85
Community Garden Funds	1,309.25	1,775.00	487.63	2,596.62
D.A.R.E Program	1,090.98			1,090.98
Escrow Deposits and Cash Bonds	24,590.52	10,052.50	16,228.10	18,414.92
Forfeiture Funds-State	962.00			962.00
P.O.A.A	478.00	16.00	490.00	4.00
Premiums Received at Tax Sale	144,500.00	95,400.00	129,300.00	110,600.00
Public Defender	512.00		250.00	262.00
Recreation - Founders Day		4,850.00	1,755.00	3,095.00
Snow Removal	35,774.00	8,559.41	10,002.42	34,330.99
Special Duty-Police		32,320.00	30,120.00	2,200.00
Tax Title Lien Redemption		157,843.15	157,843.15	
	<u>\$ 270,794.04</u>	<u>\$ 320,316.06</u>	<u>\$ 352,421.74</u>	<u>\$ 238,688.36</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**TRUST FUND**

**Exhibit B-6**

**SCHEDULE OF LOSAP**

**(LENGTH OF SERVICE AWARD PROGRAM) - UNAUDITED**

Balance December 31, 2017			\$ 568,198.89
Increased by:			
Contributions			<u>24,150.00</u>
Decreased by:			<u>592,348.89</u>
Withdrawals			
Maintenance Charges	\$ 46,713.23		
Loss on Investments	1,050.00		
	<u>20,929.08</u>		
			<u>68,692.31</u>
Balance December 31, 2018			\$ <u><u>523,656.58</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-2**

**SCHEDULE OF GENERAL CAPITAL CASH**

Balance December 31, 2017		\$ 437,426.51
Increased by Receipts:		
Grants Receivable	\$ 52,184.14	
Deferred Charges - Unfunded	36,240.16	
Capital Improvement Fund	5,000.00	
Reserve for Pavers	846.00	
Interfund - Current Fund	24,271.04	
		<u>118,541.34</u>
		555,967.85
Decreased by Disbursements:		
Improvement Authorizations	67,055.67	
Capital Fund Balance	33.77	
		<u>67,089.44</u>
Balance December 31, 2018		<u>\$ 488,878.41</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**ANALYSIS OF GENERAL CAPITAL CASH**

Exhibit C-3

	Balance Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018
		Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
Capital Improvement Fund	\$ 135,999.36	\$ 5,000.00			\$ 19,682.00		\$ 121,317.36	
Grants Receivable	(262,811.46)	52,184.14			279,854.00		(490,481.32)	
Interfund - Current Fund	(24,271.04)	24,271.04					0.00	
Reserve for Payment of Bond Anticipation Notes (05-10)	2,365.99			2,365.99			2,365.99	
Reserve for Payment of Bond Anticipation Notes (13-01)	24,848.00						24,848.00	
Reserve for Payment of Bond Anticipation Notes (13-01)	19,658.06						19,658.06	
Reserve for Payment of Bond Anticipation Notes (13-06)	19,393.34						26,995.75	
Reserve for Encumbrances	19,166.00				18,841.34	26,443.75	19,166.00	
Reserve for Benches	2,344.00						3,190.00	
Reserve for Pavers	33.77						8,045.61	
Capital Fund Balance			846.00					
Improvement Authorizations:						33.77		

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018
			Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
00-02	Repair and Replacement of the Bulkhead at Wannamaker and Summit Avenue, Construction of Gazebos	144,784.60	119.35	25,199.73			2,523.75	850.00	118,030.47
05-04	Paving and Repair of Laurel Avenue and Other Streets	(8.61)	8.61						
01-02	Improvements to the Central Avenue Beach and the Simpson Avenue Grom	5,655.60					5,655.60		
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	(4,827.45)	4,827.45						
10-02	Improvements to Summit Avenue	(564.75)	564.75				2,390.01	2,390.01	
12-04	Repairs to Summit Avenue Beach Parking Lot	(400.00)	400.00						
13-06	Repairs to Simpson Avenue and Boardwalk	192,914.66							192,914.66
14-06	Repairs to Jaynes Avenue and Maple Avenue	16,011.95							23,876.87
16-08	Reconstruction of River Avenue	147,134.49	30,320.00	22,455.08			352.50	15,601.33	143,102.46
18-03	Reconstruction of Maple and Lake Avenues			19,280.86			23,567.50	299,536.00	275,848.50
		\$ 437,426.51	\$ 118,541.34	\$ 67,055.67	\$ 33.77	\$ 355,232.69	\$ 355,232.69	\$ 488,878.41	

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-4**

**SCHEDULE OF DEFERRED CHARGES TO FUTURE**

**TAXATION - FUNDED**

Balance December 31, 2017			\$ 1,262,313.12
Decreased by:			
2018 Budget Appropriation to Debt Service:			
Serial Bonds Paid by Budget		\$ 108,000.00	
Green Trust Loan Paid by Budget		<u>31,661.17</u>	
			<u>139,661.17</u>
Balance December 31, 2018			\$ <u><u>1,122,651.95</u></u>



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-5

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance Number	Improvement Description	Balance		2018 Authorizations	2018 Budget Appropriations	Balance		Analysis of Balance	
		Dec. 31, 2017	Dec. 31, 2018			Dec. 31, 2018	Bond Anticipation Notes	Unexpended Improvement Authorizations	
01-02	Repair and Replacement of the Bulbhead at Wannamaker and Summit Avenue, Construction of Gazebos	\$ 305,869.35		\$	\$ 74,727.35	\$ 231,142.00	\$ 231,142.00	\$	
01-08	Paving and Repair of Laurel Avenue and Other Streets	8.61			8.61				
	Improvements for the Five Year Recreation Plan and Senior Park Improvements								
05-10	Renovation and Repair to Police/Emergency Management Building	16,000.00			16,000.00				
06-06	Handicapped Ramps and Road Improvements	134.01			134.01				
07-09	Paving and Repair of Gifford Avenue	12,500.00			12,500.00				
07-11	Installation of Bulbheads at Long Point and Simpson Avenues	20,000.00			20,000.00				
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	138,500.00			20,000.00	118,500.00	118,500.00		
08-08	Replacement of HVAC Systems at Borough Hall and Court	11,827.45			11,827.45				
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	12,250.00			12,250.00				
10-02	Improvements to Summit Avenue	16,300.00			16,300.00				
12-04	Repairs to Summit Avenue Beach Parking Lot	4,264.75			4,264.75				
13-01	Improvements to Cedar Avenue	15,542.00			15,542.00				
13-06	Repairs to Simpson Avenue and Boardwalk	9,510.00				9,510.00	9,510.00		
14-06	Repairs to Jaynes Avenue and Maple Avenue	75,341.94				75,341.94	75,341.94		
16-08	Reconstruction of River Avenue	95,000.00			30,320.00	64,680.00			64,680.00
18-03	Reconstruction of Maple and Lake Avenues	49,020.00				49,020.00			49,020.00
			90,464.00			90,464.00			90,464.00
		\$ 782,068.11		\$ 90,464.00	\$ 233,874.17	\$ 638,657.94	\$ 434,493.94	\$ 204,164.00	

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-6**

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2017			\$ 135,999.36
Increased by:			
2018 Budget Appropriation			<u>5,000.00</u>
Decreased by:			<u>140,999.36</u>
Appropriated to Finance Improvement Authorizations	C-7		<u>19,682.00</u>
Balance December 31, 2018			<u>\$ 121,317.36</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-7

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Date	Amount	Balance Dec. 31, 2017		2018 Authorizations	Prior Year Encumbrances	Paid or Charged	Cancelled	Balance Dec. 31, 2018	
				Funded	Unfunded					Funded	Unfunded
00-02	Repair and Replacement of the Bulkhead at Waramaker and Summit Avenue, Construction of Gazebos	5/16/2000	\$ 620,000.00	\$	\$ 144,903.95	\$	\$ 850.00	\$ 27,723.48	\$ 2,390.01	\$	\$
05-04, 11-11	Improvements to Summit Avenue	2/23/2010	175,000.00				2,390.01				
10-02	Improvements to the Central Avenue Beach and the										
01-11	Simpson Avenue Groin	11/13/2001	195,000.00	5,655.60		390,000.00					
04-07	Installation of Boardwalk on River Avenue	10/19/2004	275,000.00	117,572.72	75,341.94		552.00	552.00	5,655.60	117,572.72	75,341.94
13-06	Repairs to Simpson Avenue and Boardwalk	10/08/2013	250,000.00	16,011.95	95,000.00			22,455.08		23,876.87	64,680.00
14-06	Repairs to Jaynes Avenue and Maple Avenue	11/13/2014	225,000.00	147,134.49	49,020.00		15,601.33	19,633.36		143,102.46	49,020.00
16-08	Reconstruction of River Avenue	6/28/2016	223,600.00					23,687.50		275,848.50	90,464.00
18-03	Reconstruction of Maple and Lake Avenues	3/27/2018	390,000.00			390,000.00					
	Disbursements			\$ 286,374.76	\$ 364,265.89	\$ 390,000.00	\$ 19,393.34	\$ 94,051.42	\$ 8,045.61	\$ 560,400.55	\$ 397,536.41
	Reserve for Encumbrances							\$ 67,055.67			
								\$ 26,995.75			
	Deferred Charges - Unfunded										\$ 90,464.00
	Capital Improvement Fund										19,682.00
	Grants Receivable										279,854.00
						\$ 390,000.00					\$ 390,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-8

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, 2017</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2018</u>
			<u>Date</u>	<u>Outstanding Dec. 31, 2018</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%			
						\$ 972,000.00	\$ 108,000.00	\$ 864,000.00

**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</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
River Avenue Boardwalk	6/27/2006	\$ 600,000.00	See Amortization Schedule		2.00%	\$ 290,313.12	\$ 31,661.17	\$ 258,651.95

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE**

Exhibit C-9

Sheet 2 of 2

**River Avenue Boardwalk**

<b><u>Payment Number</u></b>	<b><u>Due</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
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>\$ 258,651.95</u>	<u>\$ 21,172.45</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**SCHEDULE OF BOND ANTICIPATION NOTES**

Exhibit C-10

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	2018 Budget	Balance Dec. 31, 2018
01-08	Improvements to Recreation Facilities	#####	3/10/2017	#####	2.00%	\$ 55,250.00	\$ 55,250.00	\$
05-10	Renovation and Repair to Police/Emergency Management Building	#####	3/10/2017	#####	2.00%	75,500.00	8,000.00	67,500.00
06-06	Handicapped Ramps & Oak Ave Road Improvements	#####	3/10/2017	#####	2.00%	175,000.00	11,358.00	163,642.00
07-09	Paving and Repair of Gilford Avenue	#####	3/10/2017	#####	2.00%	16,000.00	16,000.00	
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	#####	3/10/2017	#####	2.00%	2,500.00	2,500.00	
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	#####	3/10/2017	#####	2.00%	12,500.00	12,500.00	
08-08	Replacement of HVAC Systems at Borough Hall and Court	#####	3/10/2017	#####	2.00%	20,000.00	20,000.00	
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	#####	3/10/2017	#####	2.00%	138,500.00	20,000.00	118,500.00
10-02	NIDOT Improvements to Summit Avenue	#####	3/10/2017	#####	2.00%	7,000.00	7,000.00	
12-04	NIDOT Improvements to Summit Avenue Beach Parking Lot	#####	3/10/2017	#####	2.00%	12,250.00	12,250.00	
13-01	NIDOT Improvements to Cedar Avenue	#####	3/10/2017	#####	2.00%	16,000.00	16,000.00	
13-06	Repairs to Simpson Avenue and Boardwalk	#####	3/10/2017	#####	2.00%	300.00	300.00	
					2.00%	3,700.00	3,700.00	
					2.00%	15,142.00	15,142.00	
						34,358.00		34,358.00
						95,000.00		95,000.00
						<u>\$ 679,000.00</u>	<u>\$ 200,000.00</u>	<u>\$ 479,000.00</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-11

**SCHEDULE OF GRANTS RECEIVABLE**

<b><u>Ordinance Number</u></b>	<b><u>Description</u></b>	<b><u>Balance Dec. 31, 2017</u></b>	<b><u>Allotments</u></b>	<b><u>Decreases</u></b>	<b><u>Balance Dec. 31, 2018</u></b>
10-02	NJ DOT - Improvements to Summit Avenue	\$ 34,671.31			\$ 34,671.31
14-04	NJ DOT - Jaynes Avenue and Maple Avenue	56,140.15		52,184.14	3,956.01
16-08	NJ DOT - River Road	172,000.00			172,000.00
18-03	NJ DOT-Maple and Lake Avenue		<u>279,854.00</u>		<u>279,854.00</u>
		<u>\$ 262,811.46</u>	<u>\$ 279,854.00</u>	<u>\$ 52,184.14</u>	<u>\$ 490,481.32</u>



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-12

**SCHEDULE OF BONDS AND NOTES AUTHORIZED**

**BUT NOT ISSUED**

**Ordinance  
Number**

**Improvement Description**

**Balance**

**Dec. 31, 2018**

14-06

Repairs to Jaynes Avenue and Maple Avenue

\$ 64,680.00

16-08

Reconstruction of River Avenue

49,020.00

18-03

Reconstruction of Maple and Lake Avenues

90,464.00

\$ 204,164.00

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D-5**

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

Balance December 31, 2017

Operating Fund  
\$ 357,039.43

Capital Fund  
\$ 309,453.27

Increased by Receipts:

Consumer Accounts Receivable \$ 1,054,393.35  
Water Tower Antenna Lease 28,551.84  
Miscellaneous Revenue 14,659.68  
Capital Fund Balance Anticipated as Revenue 14,000.00  
Utility Rent Overpayments 5,885.42  
Interfund-Current Fund

1,117,490.29

12,000.00

1,474,529.72

321,453.27

Decreased by Disbursements:

Current Year Budget Appropriations 967,188.02  
Appropriation Reserve 45,695.47  
Improvement Authorizations  
Fund Balance

1,012,883.49

203,859.75  
14,000.00

\$ 461,646.23

217,859.75  
\$ 103,593.52

Balance December 31, 2018

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-6

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

Ordinance Number	Improvement Description	Balance		Receipts		Disbursements		Transfers		Balance	
		Dec. 31, 2017						From	To	Dec. 31, 2018	
Capital Improvement Fund		\$ 35,460.00						\$ 35,000.00		\$ 460.00	
Interfund - Current Fund		(12,000.00)		12,000.00				172,000.00		(172,000.00)	
NJ Environmental Infrastructure Loan Receivable		(293,720.00)							293,720.00		
Reserve for Payment of Notes-Ordinance 16-09									500.00		500.00
Reserve for Encumbrances		134,326.50						134,326.50	752,660.97		752,660.97
Fund Balance		14,511.32				14,000.00			165,031.93		165,543.25
<b>Ordinance</b>	<b>Improvement Description</b>										
03-03	Installation of New Sewer Mains										
08-09	Repair and Replacement of Pumps at Pump Stations	(4,250.00)						2,700.00	2,700.00		(4,250.00)
09-04	Rehabilitation and Repair of the Sanitary Sewer System	18,275.00			17,896.39			378.61			
09-08	Replacement of Pump Stations	(64,090.51)			2,409.49						(66,500.00)
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)									
10-06	Repair and Replacement of Fire Hydrants	40,602.70			15,955.52			34,759.77	6,950.00		(154,416.67)
16-09	Various Water and Sewer Improvements	162,903.00			134,807.60			141,013.34	10,112.59		173,145.97
18-12	Various Water and Sewer Improvements				32,790.75			576,509.25	35,000.00		(574,300.00)
		\$ 309,453.27	\$ 12,000.00	\$ 217,859.75	\$ 1,552,739.40	\$ 1,552,739.40	\$ 1,552,739.40	\$ 103,593.52			

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D-7**

**SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2017		\$ 13,541.41
Increased by:		
Water-Sewer Rents Levied		<u>1,060,246.45</u>
Decreased by:		<u>1,073,787.86</u>
Receipts	\$ 1,054,393.35	
Prepaid Rents Applied	<u>4,005.72</u>	
		<u>1,058,399.07</u>
Balance December 31, 2018		<u><u>\$ 15,388.79</u></u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D-8**

**SCHEDULE OF FIXED CAPITAL**

	<b>Balance</b>
	<b><u>Dec. 31, 2018</u></b>
Wells	\$ 910,460.73
Sewer Mains	243,700.00
Treatment Plant	3,063,936.03
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	1,706,792.72
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
	<u>\$ 8,220,914.69</u>

**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	2018 Authorizations	Authorization Cancelled by Resolution	Transfer to Fixed Capital	Balance Dec. 31, 2018
		Date	Amount					
07-14	Filter Media and Plant Upgrades System	8/21/2007	\$ 76,000.00	\$ 158.12				\$ 158.12
09-08	Replacement of Pump Stations	7/28/2009	20,000.00	20,000.00				20,000.00
10-03	Installation of a New Water Storage Tank	10/29/2009	70,000.00	70,000.00				70,000.00
10-04	(Amending 08-10) Replacement of Pump Stations	4/27/2010	1,924,640.00	1,924,640.00		456,051.93	1,468,588.07	
10-05	(Amending 09-08) Replacement of Water Treatment Plant	4/27/2010	17,250.00	17,250.00				17,250.00
10-06	(Amending 09-09) Repair and Replacement of Fire Hydrants	4/27/2010	2,747,650.00	2,747,650.00		158,453.33	2,589,196.67	275,860.00
16-09	Various Water and Sewer Improvements	8/09/2016	937,500.00	937,500.00				937,500.00
18-12	Various Water and Sewer Improvements	7/10/2018	735,000.00		735,000.00			735,000.00
				<u>\$ 5,993,058.12</u>	<u>\$ 735,000.00</u>	<u>614,505.26</u>	<u>4,057,784.74</u>	<u>\$ 2,055,768.12</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

Exhibit D-10

**SCHEDULE OF APPROPRIATION RESERVES**

	<b>Balance Dec. 31, 2017</b>	<b>Reserve for Encumbrances</b>	<b>Balance After Transfers</b>	<b>Expended</b>	<b>Balance Lapsed</b>
Operating:					
Salaries and Wages	\$ 13,593.10		\$ 13,593.10	\$ 7,291.71	\$ 6,301.39
Other Expenses	5,906.15	49,611.18	55,517.33	30,068.95	25,448.38
Ocean County Utilities Authority	10,240.75		10,240.75		10,240.75
Insurance	30,942.03		30,942.03	13,063.81	17,878.22
Engineering	8,008.78		8,008.78	4,311.25	3,697.53
Statutory Expenditures:					
Contribution to:					
Social Security System	6,193.06		6,193.06		6,193.06
Unemployment Compensation Insurance	276.23		276.23		276.23
	<u>\$ 75,160.10</u>	<u>\$ 49,611.18</u>	<u>\$ 124,771.28</u>	<u>\$ 54,735.72</u>	<u>\$ 70,035.56</u>
Disbursed				\$ 45,695.47	
Accounts Payable				<u>9,040.25</u>	
				<u>\$ 54,735.72</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	\$ 42,038.54
Increased by:	
Budget Appropriation for Interest on Notes	<u>14,692.27</u>
Balance December 31, 2018	<u>\$ 56,730.81</u>



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D-12**

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2017		\$ 35,460.00
Decreased by:		
Appropriation to Finance Improvement Authorization		<u>35,000.00</u>
Balance December 31, 2018		<u>\$ 460.00</u>

**SCHEDULE OF RESERVE FOR AMORTIZATION**

**Exhibit D-13**

Balance December 31, 2017		\$ 3,538,976.71
Increased by:		
Paid by Budget Appropriation:		
Infrastructure Loans	\$ 233,076.39	
Serial Bonds	46,941.64	
Transfer from Deferred Reserve for Amortization	<u>1,138,768.07</u>	
		<u>1,418,786.10</u>
Balance December 31, 2018		<u>\$ 4,957,762.81</u>

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**  
**WATER-SEWER UTILITY FUND**

Exhibit D-14

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Date	Ordinance Amount	Balance Dec. 31, 2017		2018 Authorizations	Reserve for Encumbrance	Paid or Charged	Cancelled	Balance Dec. 31, 2018	
				Funded	Unfunded					Unfunded	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				18,275.00			
15-07	Replacement of Pump Stations	10/29/2009	70,000.00		2,409.49			2,409.49			
09-08	Installation of a New Water Storage Tank (Amending 08-10)	4/27/2010	1,924,640.00	456,051.93					456,051.93		
10-03	Replacement of Water Treatment Plant (Amending 09-09)	4/27/2010	2,747,650.00		151,503.33		6,950.00	50,715.29	158,453.33		
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	40,602.70			10,112.59	275,820.94			173,145.97
16-09	Various Water and Sewer Improvements	8/09/2016	937,500.00		334,403.00		114,563.91	609,300.00			125,700.00
18-12	Various Water and Sewer Improvements					735,000.00					
	Disbursed Reserve for Encumbrances			\$ 514,929.63	\$ 488,315.82	\$ 735,000.00	\$ 134,326.50	\$ 956,520.72	\$ 617,205.26	\$ 298,845.97	
	Fund Balance							\$ 2,700.00			
	Fixed Capital Authorized and Incompleted							\$ 614,505.26			
								\$ 956,520.72			
								\$ 617,205.26			

**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, 2017</u>	<u>2018 Authorizations</u>	<u>Loans Paid by Budget Appropriation</u>	<u>Authorization Cancelled by Resolution</u>	<u>Bonds Paid by Budget Appropriations</u>	<u>Transfer to Reserve for Amortization Fixed Capital</u>	<u>Balance Dec. 31, 2018</u>
09-08	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	\$ 1,000.00						\$ 1,000.00
10-03	Replacement of Pump Stations Installation of a New Water Storage Tank (amending 08-10)	#####	3,500.00						3,500.00
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	652,420.27			293,720.00		358,700.27	
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	780,067.80		10,975.93			780,067.80	
18-12	Various Water and Sewer Improvements	7/10/2018	97,522.97	35,000.00			4,058.36		
			<u>\$ 1,534,511.04</u>	<u>\$ 35,000.00</u>	<u>\$ 10,975.93</u>	<u>\$ 293,720.00</u>	<u>\$ 4,058.36</u>	<u>\$ 1,138,768.07</u>	<u>\$ 152,057.26</u>
									<u>112,557.26</u>
									<u>35,000.00</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, 2017</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Water-Sewer Improvement Bonds	2011	\$ 754,000.00	2019	\$ 51,000.00	2.25%			
			2020	51,000.00	2.38%			
			2021	51,000.00	2.50%			
			2026	244,000.00	3.75%	\$ 448,000.00	\$ 51,000.00	\$ 397,000.00

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

Exhibit D-17

**SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN**

Purpose Utility System	Date of Issue 2006	Amount of Original Issue \$ 205,000.00	Maturities Outstanding		Interest Rates	Balance Dec. 31, 2017	Budget Appropriation	Balance Dec. 31, 2018
			Year	Amount				
			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%	\$ 115,000.00	\$ 10,000.00	\$ 105,000.00

**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, 2017</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2006	\$ 198,500.00	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%	\$ 89,897.72	\$ 9,425.21	\$ 80,472.51

**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> Utility System	<u>Date of Issue</u> 2010	<u>Amount of Original Issue</u> \$ 2,275,000.00	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
			<u>Year</u>	<u>Amount</u>				
			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%			
						<u>\$ 1,765,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 1,665,000.00</u>

**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> Utility System	<u>Date of Issue</u> 2010	<u>Amount of Original Issue</u> \$ 2,451,000.00	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
			<u>Year</u>	<u>Amount</u>				
			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%	\$ 1,326,432.60	\$ 124,627.11	\$ 1,201,805.49



**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

Exhibit D-21

**SCHEDULE OF BOND ANTICIPATION NOTES**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Issued for Cash</u>	<u>2018 Budget</u>	<u>Balance Dec. 31, 2018</u>
16-09	Various Water and Sewer Improvements	3/10/2017	3/10/2017	3/09/2018	2.00%	\$ 766,000.00	\$ 172,000.00	\$ 70,000.00	\$ 696,000.00
16-09	Various Water and Sewer Improvements	3/08/2018	3/08/2018	3/07/2019	2.20%	\$ 766,000.00	\$ 172,000.00	\$ 70,000.00	\$ 868,000.00

**BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

Exhibit D-22

**SCHEDULE OF BONDS AND NOTES AUTHORIZED**

**BUT NOT ISSUED**

<b><u>Ordinance Number</u></b>	<b><u>Project</u></b>	<b><u>Balance Dec. 31, 2018</u></b>
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)	154,416.67
18-12	Various Water and Sewer Improvements	700,000.00
		<u>\$ 942,416.67</u>

**BOROUGH OF ISLAND HEIGHTS**

**COUNTY OF OCEAN**

**PART III**

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

**AND ON COMPLIANCE AND OTHER MATTERS**

**YEAR ENDED DECEMBER 31, 2018**

*Antonides and Simone*  
CERTIFIED PUBLIC ACCOUNTANTS

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EDWARD J. SIMONE, C.P.A., R.M.A., P.S.A.  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL**  
**REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON**  
**AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN**  
**ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and requirements of audit prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Island Heights (the "Borough"), State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise the Borough's basic financial statements, and have issued our report thereon dated August 19, 2019.

**Internal Control Over Financial Reporting**

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

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

## **Internal Control Over Financial Reporting (Continued)**

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 of 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*.

## **Purpose of this Report**

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

***Antonides and Simone***

**Independent Auditors**

Adelphia, New Jersey  
August 19, 2019

**BOROUGH OF ISLAND HEIGHTS**

**COUNTY OF MERCER**

**PART IV**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2018**

An audit of the financial accounts and transactions of the Borough of Island Heights, in the County of Ocean, for the year ended December 31, 2018, has recently been completed. The results of the audit are herewith set forth.

### **SCOPE OF AUDIT**

The audit covered the financial transactions of the Chief Financial Officer, Tax Collector, the activities of the Mayor and Borough Council, and the records of the various outside departments.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

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

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

### **GENERAL COMMENTS**

#### **Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a**

N.J.S. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." The amount set forth pursuant to the above statute was \$17,500 for municipalities without a qualified purchasing agent (QPA) and \$40,000 with a qualified purchasing agent. The Borough's bid threshold was \$40,000 for the year under audit.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

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

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.

### Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a (Continued)

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit 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:11-4.

### Contracts or Agreements not Required to be Advertised per N.J.S. 40A:11-6.1

N.J.S. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable."

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

### Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 2, 2018 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 nonpayment 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 records that interest was generally collected in accordance with the foregoing ordinance and resolution.



**Delinquent Taxes and Tax Title Liens**

The last tax and utility lien sale was held on July 19, 2018 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2018	4
2017	4
2016	4

**Miscellaneous**

All sums of outstanding checks, reflected in cash reconciliations herein, are in agreement with the records of the Treasurer, as well as with independent lists made part of this audit.

A report summarizing collections of Animal License Fees and remittances of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A statutory report on the operations of the Municipal Court has been prepared and copies filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

Individual payments of the Regional School District Tax by the municipality were confirmed as received by the Secretary of the Board of Education for the year 2018.

In our verification of expenditures, no attempt was made to establish proof of rendition, character or extent of services nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from individual employee salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittances to authorized agencies, however, were ascertained.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

**FOLLOW-UP OF PRIOR YEAR FINDINGS**

In accordance with Government Auditing Standards procedures should include a review of all prior year findings. There were no prior year findings that needed to be addressed in 2018.

**FINDINGS/RECOMMENDATIONS**

None

**ACKNOWLEDGEMENT**

We desire to express our appreciation for the assistance and courtesies rendered by the Borough officials and employees during the course of the audit.

The foregoing comments are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments, please contact us at your earliest opportunity.

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