

**BOROUGH OF ISLAND HEIGHTS
AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2016**

**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

CONTENTS

PART I

	EXHIBITS	PAGE
Independent Auditor's Report		1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		5
Financial Statements – Statutory Basis:		
Current Fund:		
Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	A	9
Statements of Operations & Changes in Fund Balance - Regulatory Basis	A-1	11
Statement of Revenues - Regulatory Basis	A-2	13
Statement of Expenditures - Regulatory Basis	A-3	16
Trust Fund:		
Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	B	23
General Capital Fund:		
Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	C	25
Statement of Capital Fund Balance – Regulatory Basis	C-1	26
Water-Sewer Utility Fund:		
Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	D	27
Statements of Operations & Change in Fund Balance – Regulatory Basis	D-1	29
Statement of Capital Fund Balance – Regulatory Basis	D-2	30
Statement of Revenues – Operating Fund Regulatory Basis	D-3	31
Statement of Expenditures – Operating Fund Regulatory Basis	D-4	32
Payroll Fund:		
Statements of Assets and Liabilities - Regulatory Basis	G	33
General Fixed Assets Account Group:		
Statements of Assets and Reserves Regulatory Basis	H	35
Notes to Financial Statements		39

(continued)

	PART I	PAGE
Supplementary Exhibits:		
Current Fund		
Schedule of Cash – Treasurer	A-4	85
Schedule of Taxes Receivable & Analysis of Property Tax Levy	A-5	86
Schedule of Tax Title Liens	A-6	87
Schedule of Revenue Accounts Receivable	A-7	87
Schedule of County Taxes Payable	A-8	88
Schedule of Local School District Tax Payable	A-9	89
Schedule of Regional High School Tax Payable	A-10	90
Schedule of Appropriation Reserves	A-11	91
Schedule of Interfunds	A-12	96
Schedule of Interfund – Grant Fund	A-13	97
Schedule of Grants Receivable – Grant Fund	A-14	98
Schedule of Reserve for State & Federal Grants - Appropriated	A-15	99
Schedule of Reserve for State & Federal Grants Unappropriated	A-16	100
Trust Fund:		
Schedule of Trust Cash	B-1	103
Schedule of Amount Due State of New Jersey	B-2	104
Schedule of Reserves for Animal Control	B-3	104
Schedule of Interfund – Current Fund	B-4	105
Schedule of Miscellaneous Reserves	B-5	106
Schedule of LOSAP	B-6	107
General Capital Fund:		
Schedule of General Capital Cash	C-2	111
Analysis of General Capital Cash	C-3	112
Schedule of Deferred Charges to Future Taxation- Funded	C-4	113
Schedule of Deferred Charges to Future Taxation-Unfunded	C-5	114
Schedule of Capital Improvement Fund	C-6	115
Schedule of Improvement Authorizations	C-7	116
Schedule of General Serial Bonds	C-8	117
Statement of Green Trust Loan Program Payable	C-9	118
Schedule of Bond Anticipation Notes	C-10	120
Schedule of Grants Receivable	C-11	121
Schedule of Bonds and Notes Authorized but Not Issued	C-12	122
Water - Sewer Utility Fund:		
Schedule of Water-Sewer Utility Cash Treasurer	D-5	125
Analysis of Water-Sewer Utility Capital Cash	D-6	127
Schedule of Consumer Accounts Receivable	D-7	127
Schedule of Fixed Capital	D-8	128
Schedule of Fixed Capital Authorized and Uncompleted	D-9	129
Schedule of Appropriation Reserves	D-10	130
Schedule of Accrued Interest on Notes and Loans	D-11	131

(continued)

	PART I	PAGE
Schedule of Capital Improvement Fund	D-12	132
Schedule of Reserve for Amortization	D-13	132
Schedule of Improvement Authorizations	D-14	133
Schedule of Reserve for Deferred Amortization	D-15	134
Schedule of Water-Sewer Serial Bonds	D-16	135
Schedule of NJ Environmental Infrastructure Trust Loan	D-17	136
Schedule of NJ Environmental Infrastructure Fund Loan	D-18	137
Schedule of NJ Environmental Infrastructure Trust Loan	D-19	138
Schedule of NJ Environmental Infrastructure Fund Loan	D-20	139
Schedule of Bonds and Notes Authorized Not Issued	D-21	140

PART II

Comments and Recommendations:		
General Comments		143
Officials in Office and Surety Bonds		147
Acknowledgment		148
		(concluded)

**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

PART I

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



HOLMAN | FRENIA
ALLISON, P.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Island Heights, County of Ocean, State of New Jersey (herein referred to as "the Borough") as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and statement of changes in capital fund balance - regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States 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 the Borough of Island Heights, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Fund, and represent 61.06% and 75.67% of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental statements and schedules presented for the various funds are presented for

purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA #435

June 23, 2017
Toms River, New Jersey

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Borough of Island Heights (herein referred to as “the Borough”), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements, and have issued our report thereon dated June 23, 2017. Our report indicated that the Borough’s financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Our report on the financial statements - regulatory basis included a qualified opinion on the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund. As discussed in Note 1 the LOSAP Trust Fund financial statements were not audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the year ended December 31, 2016. With the exception of the LOSAP Trust Fund our opinion on the financial statements-regulatory basis was unmodified.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA #435

June 23, 2017
Toms River, New Jersey

BASIC FINANCIAL STATEMENTS

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 1 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	A-4	\$ 2,596,048.19	\$ 2,027,638.23
Cash - Change Fund		50.00	50.00
		<u>2,596,098.19</u>	<u>2,027,688.23</u>
Due from State of New Jersey (Chapter 20, P.L. 1971)	A-4,5	6,806.73	1,576.12
		<u>2,602,904.92</u>	<u>2,029,264.35</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	133,270.14	139,633.61
Tax Title Liens Receivable	A-6	15,829.08	13,131.27
Interfunds:			
Animal Control Trust Fund	A-12		.49
Payroll Fund	A-12	8,263.21	
Other Trust Fund	A-12	455.49	77.71
		<u>157,817.92</u>	<u>152,843.08</u>
Deferred Charges:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	A-3	12,000.00	24,000.00
		<u>12,000.00</u>	<u>24,000.00</u>
		<u>2,772,722.84</u>	<u>2,206,107.43</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-13	56,192.31	45,744.13
Grants Receivable	A-14	55,976.21	43,833.22
		<u>112,168.52</u>	<u>89,577.35</u>
		<u>\$ 2,884,891.36</u>	<u>\$ 2,295,684.78</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Liabilities:			
Appropriation Reserves	A-3,11	\$ 399,192.36	\$ 402,562.17
Reserve for Encumbrances	A-3,11	168,533.49	73,963.97
Due to State of New Jersey - Various Fees		75.00	75.00
Tax Overpayments	A-4	112.10	
Prepaid Taxes	A-4,5	46,990.63	64,098.65
Accounts Payable	A-4,11	103,207.61	108,166.61
County Taxes Payable	A-8	8,447.71	5,580.69
Local District School Tax Payable	A-9	390,060.00	372,862.00
Regional High School Tax Payable	A-10	312,837.19	286,917.62
Interfunds:			
General Capital Fund	A-12	204,180.48	135,438.08
Grant Fund	A-13	56,192.31	45,744.13
Utility Capital Fund	A-12	189,256.00	33,998.00
Animal Control Trust Fund	A-12	34.21	
Special Emergency Note Payable	A	12,000.00	24,000.00
Various Reserves:			
Police Extra Duty			612.00
Sandy Spending		15,478.67	15,478.67
FEMA Revenue		64,788.20	164,788.20
		<u>1,971,385.96</u>	<u>1,734,285.79</u>
Reserve for Receivables and Other Assets		157,817.92	152,843.08
Fund Balance	A-1	643,518.96	318,978.56
		<u>2,772,722.84</u>	<u>2,206,107.43</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-15	95,414.15	88,235.41
Reserve for Encumbrances	A-15	10,684.95	
Unappropriated Reserves	A-16	6,069.42	1,341.94
		<u>112,168.52</u>	<u>89,577.35</u>
		<u>\$ 2,884,891.36</u>	<u>\$ 2,295,684.78</u>

There were deferred school taxes on December 31, 2016 and 2015 of \$805,000 (see Note 12).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND

Sheet 1 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 225,662.00	\$ 214,050.00
Miscellaneous Revenue Anticipated	A-2	573,033.89	579,165.19
Receipts from Delinquent Taxes	A-2	139,633.61	98,528.21
Receipts from Current Taxes	A-2	6,303,151.68	6,078,827.31
Non-Budget Revenues	A-2	38,593.86	19,863.97
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	369,435.04	97,989.26
Grant Fund-Cancelled Reserve	A-12		13,293.65
Total Income		<u>7,649,510.08</u>	<u>7,101,717.59</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		933,348.22	920,139.77
Other Expenses		1,009,979.00	947,975.04
Deferred Charges and Statutory Expenditures		226,847.00	206,829.18
Budget Appropriations excluded from Caps:			
Operations:			
Other Expenses		63,422.96	103,925.38
Capital Improvements		31,000.00	
Municipal Debt Service		202,557.78	199,368.92
Deferred Charges		12,000.00	12,000.00
	A-3	<u>2,479,154.96</u>	<u>2,390,238.29</u>
County Taxes	A-8	1,466,913.43	1,428,927.75
Local District School Tax	A-9	1,951,307.00	1,916,882.00
Regional High School Tax	A-10	1,199,555.00	1,148,452.00
Prior Year Adjustment	A-4	2,000.00	
Grant Fund-Receivables Canceled			3,660.84
Interfund Advances	A-12	377.29	62.30
Total Expenditures		<u>7,099,307.68</u>	<u>6,888,223.18</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND

Sheet 2 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
Excess in Revenue		\$ 550,202.40	\$ 213,494.41
Fund Balance January 1	A	318,978.56	319,534.15
		<u>869,180.96</u>	<u>533,028.56</u>
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>225,662.00</u>	<u>214,050.00</u>
Fund Balance December 31	A	<u>\$ 643,518.96</u>	<u>\$ 318,978.56</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
	A-1	\$ 225,662.00	\$ 225,662.00	\$
Fund Balance Anticipated				
<u>Miscellaneous Revenues</u>				
Local Aid:				
Fees and Permits	A-7	7,500.00	12,716.50	5,216.50
Fines and Costs, Municipal Court	A-7	31,000.00	31,450.51	450.51
Interest and Costs on Taxes	A-7	20,000.00	24,288.06	4,288.06
Interest on Investments and Deposits	A-7	750.00	1,604.28	854.28
Beach Fees	A-7	25,000.00	32,355.00	7,355.00
Cable Television Franchise Fees	A-7	26,000.00	27,831.47	1,831.47
Post Office Lease	A-7	43,000.00	51,054.25	8,054.25
Antenna Lease	A-7	34,000.00	77,614.86	43,614.86
Uniform Construction Code Fees	A-7	20,000.00	20,489.00	489.00
State Aid:				
Energy Receipts Tax	A-7	117,407.00	117,407.00	
Special Items:				
Federal and State Programs Offset by Revenues:				
Clean Communities Program	A-14	5,640.13	5,640.13	
966 Equipment Grant	A-14	9,828.17	9,828.17	
ANJEC-2016 Open Space Stewardship	A-14	1,500.00	1,500.00	
Body Armor Fund	A-14	1,301.99	1,301.99	
Winter Storm Jonas - Reimbursement to Fire Department	A-14	1,309.68	1,309.68	
OEM - 966 Equipment Grant FY17	A-14	11,642.99	11,642.99	
Other Special Items:				
Reserve for Insurance Reimbursements	A	100,000.00	100,000.00	
Surplus Capital Fund	A-7,C-1	45,000.00	45,000.00	
Total Miscellaneous Revenues	A-1	<u>500,879.96</u>	<u>573,033.89</u>	<u>72,153.93</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 3

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1,5	\$ 124,000.00		\$ 139,633.61	\$ 15,633.61
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	1,811,730.82		1,867,330.85	55,600.03
Budget Totals		<u>2,662,272.78</u>		<u>2,805,660.35</u>	<u>143,387.57</u>
Non-Budget Revenues	A-1,4			38,593.86	38,593.86
		\$ 2,662,272.78		\$ 2,844,254.21	\$ 181,981.43
	Ref.		A-3		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 3

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 6,303,151.68
Allocated to School and County Taxes	A-8,9,10	<u>4,617,775.43</u>
Balance for Support of Municipal Budget Appropriations		1,685,376.25
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>181,954.60</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u><u>1,867,330.85</u></u>
 <u>Analysis of Non-Budget Revenue</u>		
FEMA Reimbursement-Jonas		\$ 11,841.04
OCJIF Dividend		5,369.28
Snow Removal		4,261.29
Workmens Compensation Reimbursement		2,903.43
GovDeals-Sale of Police Vehicle		1,063.75
Carpet Reimbursements		1,029.00
Pavillion Rental Fees		900.00
Clerk-Special Election fees		795.64
Polling Place		400.00
DMV Inspection Fines		250.00
Utility Rebates		409.28
Scrap Metal		136.80
Special Duty Admin Fees		4,472.00
Ocean County Recycling		1,119.22
State Fire Rebate		1,902.55
Other Miscellaneous		<u>1,740.58</u>
	A-4	\$ <u><u>38,593.86</u></u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>			<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS WITHIN CAPS</u>						
General Administration						
Other Expenses	\$ 13,000.00	\$ 13,000.00	\$ 10,325.23	\$ 2,674.77	\$	
Mayor and Council						
Salaries and Wages	18,632.00	18,632.00	18,412.00	220.00		
Other Expenses	1,000.00	1,000.00	593.99	406.01		
Municipal Clerk						
Salaries and Wages	51,200.00	36,200.00	29,878.26	6,321.74		
Other Expenses	13,800.00	14,300.00	11,939.00	2,361.00		
Advertising Budget	1,500.00	500.00	453.00	47.00		
Elections						
Other Expenses	500.00	1,500.00	500.00	1,000.00		
Financial Administration						
Salaries and Wages	35,936.00	35,936.00	34,114.17	1,821.83		
Other Expenses	15,500.00	20,500.00	17,276.80	3,223.20		
Audit	25,000.00	25,000.00	25,000.00			
Computerized Data Processing						
Other Expenses	13,100.00	13,100.00	6,504.69	6,595.31		
Collection of Taxes						
Salaries and Wages	54,000.00	54,000.00	49,826.51	4,173.49		
Other Expenses	4,700.00	4,800.00	4,763.70	36.30		
Assessment of Taxes						
Salaries and Wages	15,200.00	15,200.00	15,199.12	.88		
Other Expenses	1,000.00	1,000.00	485.25	514.75		
Tax Map Revisions	1,500.00	1,500.00		1,500.00		
Cost of Tax Appeals	50,000.00	50,000.00		50,000.00		
Legal Services and Costs						
Advertising and Legal Notices	4,000.00	6,000.00	3,430.50	2,569.50		
Other Expenses	40,000.00	40,000.00	19,675.10	20,324.90		
Counsel - Labor						
Other Expenses	10,000.00	10,000.00	7,147.50	2,852.50		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Engineering Services and Costs					
Other Expenses	\$ 22,000.00	\$ 42,000.00	\$ 35,582.07	\$ 6,417.93	\$
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	6,521.00	6,521.00	6,491.17	29.83	
Other Expenses - Legal	1,500.00	1,500.00	812.00	688.00	
Other Expenses - Miscellaneous	650.00	650.00	641.79	8.21	
Insurance					
General Liability	15,600.00	15,600.00	15,218.62	381.38	
Other Insurance	31,260.00	31,260.00	20,099.56	11,160.44	
Workers Compensation	34,560.00	34,560.00	34,560.00		
Employee Group Insurance	190,699.00	190,699.00	118,968.44	71,730.56	
Police					
Salaries and Wages	569,389.22	551,389.22	514,529.90	36,859.32	
Other Expenses	38,000.00	38,000.00	37,127.86	872.14	
Medical Testing	1,000.00	1,000.00	836.00	164.00	
Crossing Guards and Badge Checkers					
Salaries and Wages	15,000.00	15,000.00	11,413.51	3,586.49	
Other Expenses	250.00	250.00		250.00	
Emergency Management Service					
Salaries and Wages	2,800.00	2,800.00	2,793.46	6.54	
Other Expenses	4,025.00	4,025.00	3,246.22	778.78	
First Aid					
Other Expenses	1,700.00	1,700.00	1,700.00		
Contribution	4,275.00	4,275.00	4,275.00		
Fire Department					
Other Expenses	4,000.00	2,100.00	2,100.00		
Contribution	40,000.00	40,000.00	14,917.34	25,082.66	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
Municipal Prosecutor	\$ 1,295.00	\$	1,295.00	\$ 1,294.59	.41	\$
Salaries and Wages	6,200.00		5,200.00	5,000.00	200.00	
Other Expenses						
Municipal Court						
Salaries and Wages	25,500.00		25,500.00	22,747.61	2,752.39	
Other Expenses	3,000.00		3,000.00	1,668.74	1,331.26	
Public Defender						
Other Expenses	7,350.00		7,350.00	2,706.51	4,643.49	
Public Buildings, Grounds, Parks, Playgrounds and Beaches						
Salaries and Wages	135,000.00		126,500.00	105,923.24	20,576.76	
Other Expenses	48,000.00		61,000.00	57,624.13	3,375.87	
Solid Waste Collection						
Contractual	156,000.00		156,000.00	136,934.17	19,065.83	
Other Expenses	250.00		250.00		250.00	
Recycling						
Other Expenses	4,000.00		4,000.00	1,700.00	2,300.00	
Vehicle Maintenance						
Other Expenses	28,500.00		33,500.00	25,821.85	7,678.15	
Shade Trees						
Other Expenses	250.00		250.00		250.00	
Snow Removal						
Salaries and Wages	10,000.00		10,000.00	10,000.00		
Other Expenses	10,000.00		10,000.00	2,862.65	7,137.35	
Board of Health						
Salaries and Wages	500.00		500.00			
Other Expenses	250.00		250.00	140.00	110.00	

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>			<u>Paid or Charged</u>	<u>Reserved</u>	
Mental Health Program (N.J.S. 40:5-2.9)	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$
Other Expenses						
Environmental Commission	1,000.00	1,000.00	1,000.00	889.00	111.00	
Other Expenses						
Animal Control						
Other Expenses	1,500.00	500.00	500.00		500.00	
Senior Advisory Committee						
Other Expenses	250.00	250.00	250.00		250.00	
Beachfront Maintenance						
Salaries and Wages - Lifeguards	6,300.00	6,300.00	6,300.00	5,421.53	878.47	
Other Expenses	3,000.00	3,000.00	3,000.00	2,492.28	507.72	
Recreation						
Salaries and Wages	500.00	500.00	500.00		500.00	
Other Expenses	4,000.00	4,000.00	4,000.00	2,651.58	1,348.42	
Participation in Free County Library	2,000.00	2,000.00	2,000.00	2,000.00		
Salary Settlements and Adjustments	5,000.00	5,000.00	5,000.00	5,000.00		
Deferred Sick Time	5,000.00	5,000.00	5,000.00	5,000.00		
<u>Uniform Construction Code - Appropriations Offset</u>						
<u>by Dedicated Revenues (N.J.S.A. 5:23-4.17)</u>						
Code Enforcement and Zoning						
Salaries and Wages	20,075.00	10,075.00	10,075.00	8,022.93	2,052.07	
Other Expenses	250.00	250.00	250.00	105.54	144.46	
Construction Code Official						
Salaries and Wages	12,400.00	12,400.00	12,400.00	12,400.00		
Other Expenses	100.00	100.00	100.00	15.00	85.00	
Fire Official						
Salaries and Wages	5,100.00	5,100.00	5,100.00	5,049.22	50.78	
Other Expenses	250.00	250.00	250.00	52.49	197.51	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Unclassified</u>					
Utilities:					
Gasoline	\$ 18,000.00	18,000.00	\$ 9,317.68	\$ 8,682.32	\$
Electricity	23,000.00	33,000.00	25,279.50	7,720.50	
Telephone	18,000.00	18,000.00	15,444.79	2,555.21	
Natural Gas	10,000.00	10,000.00	4,737.47	5,262.53	
Street Lighting	19,000.00	19,000.00	17,143.63	1,856.37	
Total Operations within Caps	<u>1,943,627.22</u>	<u>1,943,327.22</u>	<u>1,576,283.89</u>	<u>367,043.33</u>	
Detail:					
Salaries and Wages	985,348.22	933,348.22	853,517.22	79,831.00	
Other Expenses	<u>958,279.00</u>	<u>1,009,979.00</u>	<u>722,766.67</u>	<u>287,212.33</u>	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Public Employees' Retirement System	51,418.00	51,418.00	51,418.00		
Social Security System (O.A.S.I.)	87,500.00	87,500.00	63,628.66	23,871.34	
Police and Firemen's Retirement System	75,429.00	75,429.00	75,429.00		
Unemployment Compensation Insurance	4,000.00	4,300.00	4,222.31	77.69	
Defined Contribution Retirement Program	200.00	200.00		200.00	
PFRS- Retro	8,000.00	8,000.00		8,000.00	
Total Statutory Expenditures within Caps	<u>226,547.00</u>	<u>226,847.00</u>	<u>194,697.97</u>	<u>32,149.03</u>	
Total Appropriations within Caps	<u>2,170,174.22</u>	<u>2,170,174.22</u>	<u>1,770,981.86</u>	<u>399,192.36</u>	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Length of Service Awards Program (LOSAP)	32,200.00	32,200.00	32,200.00		
<u>Public and Private Programs Offset by Revenues</u>					
Clean Communities Grant	5,640.13	5,640.13	5,640.13		
Body Armor Fund	1,301.99	1,301.99	1,301.99		
Winter Storm Jonas - Reimbursement to Fire Department	1,309.68	1,309.68	1,309.68		
OEM - 966 Equipment Grant FY17	11,642.99	11,642.99	11,642.99		
ANJEC-2016 Open Space Stewardship	1,500.00	1,500.00	1,500.00		
966 Equipment Grant	9,828.17	9,828.17	9,828.17		
Total Operations excluded from Caps	<u>63,422.96</u>	<u>63,422.96</u>	<u>63,422.96</u>		
Detail:					
Other Expenses	63,422.96	63,422.96	63,422.96		
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	31,000.00	31,000.00	31,000.00		
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	108,000.00	108,000.00	108,000.00		
Payment of Bond Anticipation Notes	7,170.00	7,170.00	7,170.00		
Interest on Bonds	34,425.00	34,425.00	34,418.76		6.24
Interest on Notes	4,446.00	4,446.00	3,335.35		1,110.65
Loan Repayments for Principal and Interest					
Principal	30,430.00	30,430.00	30,425.76		4.24
Interest	6,900.00	6,900.00	6,884.15		15.85
Capital Lease Obligations Approved After 7/1/2007					
Principal	11,225.00	11,225.00	11,225.00		
Interest	1,125.00	1,125.00	1,098.76		26.24
Total Municipal Debt Service excluded from Caps	<u>203,721.00</u>	<u>203,721.00</u>	<u>202,557.78</u>		<u>1,163.22</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 7 of 7

FOR THE YEAR ENDED DECEMBER 31, 2016

DEFERRED CHARGES EXCLUDED FROM CAPS

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
Emergency Authorizations					
Special Emergency Authorizations - 5 Years (N.I.S.A. 40A:4-55)	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$	\$
Total General Appropriations excluded from Caps	<u>310,143.96</u>	<u>310,143.96</u>	<u>308,980.74</u>		<u>1,163.22</u>
Subtotal General Appropriations	2,480,318.18	2,480,318.18	2,079,962.60	399,192.36	1,163.22
Reserve for Uncollected Taxes	<u>181,954.60</u>	<u>181,954.60</u>	<u>181,954.60</u>		
Total General Appropriations	<u>\$ 2,662,272.78</u>	<u>\$ 2,662,272.78</u>	<u>\$ 2,261,917.20</u>	<u>\$ 399,192.36</u>	<u>\$ 1,163.22</u>
<u>REF</u>	A-3	A-3	A-3	A	A-1
Adopted Budget		\$ 2,648,018.12			
Appropriation by 40A:4-87		<u>14,254.66</u>			
		<u>\$ 2,662,272.78</u>			
Disbursements	A-4		\$ 1,868,206.15		
Interfunds:					
Grant Fund	A-13		31,222.96		
Special Emergency Authorizations:					
Raised in Budget	A		12,000.00		
Reserve for Encumbrances	A-3		168,533.49		
Reserve for Uncollected Taxes	A-2		<u>181,954.60</u>		
			<u>\$ 2,261,917.20</u>		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B

STATEMENTS OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 56.73	\$ 183.95
Interfund - Current Fund	B-4	34.21	
		<u>90.94</u>	<u>183.95</u>
<u>Other Trust Fund</u>			
Cash	B-1	285,027.38	134,562.80
Interfund - Utility Operating Fund	B-5	3,000.00	
		<u>288,027.38</u>	<u>134,562.80</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Funds Held by Trustee	B-6	479,987.92	419,194.62
		<u>\$ 768,106.24</u>	<u>\$ 553,941.37</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Reserve for Animal Control Trust Fund Expenditures	B-3	\$ 90.94	\$ 183.46
Interfund - Current Fund	A,B-4		.49
		<u>90.94</u>	<u>183.95</u>
<u>Other Trust Fund</u>			
Interfund - Current Fund	A,B-4	455.49	77.71
Miscellaneous Reserves	B-5	287,571.89	134,485.09
		<u>288,027.38</u>	<u>134,562.80</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-6	479,987.92	419,194.62
		<u>\$ 768,106.24</u>	<u>\$ 553,941.37</u>

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

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C

STATEMENTS OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Cash	C-2	\$ 223,454.66	\$ 239,022.21
Deferred Charges to Future Taxation:			
Capital Lease Obligations (Memo)	C	21,257.68	43,724.61
Funded	C-4	1,401,350.44	1,539,776.20
Unfunded	C-5	825,997.21	776,977.21
Interfund - Current Fund		204,180.48	135,438.08
Grants Receivable	C-11	277,996.01	174,855.86
		<u>\$ 2,954,236.48</u>	<u>\$ 2,909,794.17</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-6	\$ 110,999.36	\$ 82,579.36
Improvement Authorizations:			
Funded	C-7	398,440.16	217,996.25
Unfunded	C-7	385,018.06	335,998.06
Reserve for Encumbrances	C-7	3,867.01	11,610.92
General Serial Bonds	C-8	1,080,000.00	1,188,000.00
Green Trust Loan Payable	C-9	321,350.44	351,776.20
Bond Anticipation Notes	C-10	609,000.00	609,000.00
Capital Lease Obligations (Memo)	C	21,257.68	43,724.61
Reserve for Benches	C-3	19,166.00	19,166.00
Reserve for Pavers	C-3	2,104.00	1,909.00
Fund Balance	C-1	3,033.77	48,033.77
		<u>\$ 2,954,236.48</u>	<u>\$ 2,909,794.17</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 of \$244,940.16 and \$195,920.16, 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 CAPITAL FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015	<u>Ref.</u> C	\$ 48,033.77
Decreased by:		
Utilized as Current Fund Anticipated Revenue		<u>45,000.00</u>
Balance December 31, 2016	C	\$ <u><u>3,033.77</u></u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D

STATEMENTS OF ASSETS, LIABILITIES,

Sheet 1 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	\$ 312,830.75	\$ 203,426.95
Interfunds:			
Water-Sewer Utility Capital Fund	D	6,148.75	107.20
		<u>318,979.50</u>	<u>203,534.15</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	21,703.69	18,621.94
Total Operating Fund		<u>340,683.19</u>	<u>222,156.09</u>
Capital Fund:			
Cash	D-5	4,882.17	148,848.42
Investment in Special Emergency Note -			
Current Fund	D-6	12,000.00	24,000.00
NJ Environmental Infrastructure Loan Receivable	D-6	293,720.00	730,698.30
Fixed Capital	D-8	4,163,129.95	3,771,261.95
Fixed Capital Authorized and Uncompleted	D-9	5,993,058.12	5,461,558.12
Interfunds:			
Current Fund	D-6	189,256.00	33,998.00
Total Capital Fund		<u>10,656,046.24</u>	<u>10,170,364.79</u>
		<u>\$ 10,996,729.43</u>	<u>\$ 10,392,520.88</u>
<u>Liabilities and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4,10	\$ 68,584.70	\$ 58,254.76
Reserve for Encumbrances	D-4,10	36,984.75	21,219.34
Prepaid Rents	D-5,7	3,444.58	2,689.73
Interfund-Other Trust Fund	D-5	3,000.00	
Accrued Interest on Notes and Loans	D-11	42,038.54	43,525.87
		<u>154,052.57</u>	<u>125,689.70</u>
Reserve for Receivables and Other Assets		21,703.69	18,621.94
Fund Balance	D-1	164,926.93	77,844.45
Total Operating Fund		<u>340,683.19</u>	<u>222,156.09</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

STATEMENTS OF ASSETS, LIABILITIES,

Exhibit D

RESERVES AND FUND BALANCE - REGULATORY BASIS

Sheet 2 of 2

DECEMBER 31, 2016 AND 2015

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Capital Fund:			
Interfund - Water-Sewer Utility Operating Fund	D-6	\$ 6,148.75	\$ 107.20
Improvement Authorizations:			
Funded	D-14	696,259.65	938,224.28
Unfunded	D-14	1,077,198.45	53,586.37
Reserve for Encumbrances	D-14	9,650.00	18,937.58
Capital Improvement Fund	D-12	34,460.00	33,460.00
Reserve for Amortization	D-13	3,470,678.73	3,303,172.18
Reserve for Deferred Amortization	D-15	1,312,503.56	1,196,020.23
Utility Serial Bonds	D-16	499,000.00	550,000.00
NJ Environmental Infrastructure:			
Trust Loan	D-17	125,000.00	135,000.00
Fund Loan	D-18	99,576.07	109,570.84
Trust Loan	D-19	1,860,000.00	1,950,000.00
Fund Loan	D-20	1,451,059.71	1,869,406.82
Fund Balance	D-2	14,511.32	12,879.29
Total Capital Fund		<u>10,656,046.24</u>	<u>10,170,364.79</u>
		<u>\$ 10,996,729.43</u>	<u>\$ 10,392,520.88</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, 2016 and 2015 of \$1,338,370 and \$119,650.00 (Exhibit D-21).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-1

STATEMENTS OF OPERATIONS AND

CHANGE IN FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31,2016

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	D-3	\$ 40,575.00	\$
Rents	D-3	1,051,366.24	1,022,779.13
Miscellaneous Revenue Anticipated	D-3	21,038.03	33,601.32
Water Tower Antenna Lease	D-3	34,408.77	37,536.84
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-10	65,664.87	9,441.41
Accounts Payable Cancelled			755.05
Total Income		<u>1,213,052.91</u>	<u>1,104,113.75</u>
<u>Expenditures</u>			
Budget:			
Operating		684,280.00	611,465.00
Capital Improvements		1,000.00	
Debt Service		385,615.43	403,808.30
Deferred Charges and Statutory Expenditures		13,000.00	39,152.43
Prior Year Revenue Adjustment		1,500.00	
Total Expenditures	D-4	<u>1,085,395.43</u>	<u>1,054,425.73</u>
Statutory Excess to Fund Balance		127,657.48	49,688.02
Fund Balance January 1	D	<u>77,844.45</u>	<u>28,156.43</u>
		205,501.93	77,844.45
Decreased by:			
Utilization by Water-Sewer Operating Fund	D-1	<u>40,575.00</u>	
Fund Balance December 31	D	<u>\$ 164,926.93</u>	<u>\$ 77,844.45</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-2

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Ref.</u>		
Balance December 31, 2015	<u>D</u>		\$ 12,879.29
Increased by:			
Funded Improvement Authorization Cancelled by Resolution	D-15	1,632.00	
Receipts	D-14	<u>.33</u>	
			<u>1,632.33</u>
			<u>14,511.62</u>
Decreased by:			
Loan Receivable Adjustment to Actual			<u>.30</u>
Balance December 31, 2016	D		\$ <u>14,511.32</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-3

STATEMENT OF REVENUES - OPERATING FUND

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31,2016

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 40,575.00	\$ 40,575.00	\$
Rents	1,020,000.00	1,051,366.24	31,366.24
Miscellaneous	5,000.00	21,038.03	16,038.03
Water Tower Antenna Lease	37,500.00	34,408.77	(3,091.23)
	<u>\$ 1,103,075.00</u>	<u>\$ 1,147,388.04</u>	<u>\$ 44,313.04</u>

Ref. D-4

Analysis of Miscellaneous

Receipts	D-5	\$ 20,996.48	
Interfund	D	<u>41.55</u>	
		<u>\$ 21,038.03</u>	

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-4

STATEMENT OF EXPENDITURES - OPERATING FUND - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operating						
Salaries and Wages	\$ 158,000.00	\$ 158,000.00	\$ 151,909.24	\$ 6,090.76		
Other Expenses	210,000.00	210,000.00	184,848.33	25,151.67		
Ocean County Utilities Authority	215,000.00	215,000.00	192,547.20	22,452.80		
Insurance	86,280.00	86,280.00	86,015.11	264.89		
Engineering	15,000.00	15,000.00	4,947.50	10,052.50		
Capital Improvements						
Capital Improvement Fund	1,000.00	1,000.00				
Debt Service						
Payment of Bond Principal	51,000.00	51,000.00	51,000.00			
Interest on Bonds	15,850.00	15,850.00	15,850.00			
Infrastructure Loan:						
Principal	19,995.00	19,995.00	19,994.77			.23
Interest	5,800.00	5,800.00	5,460.85			339.15
New Jersey Infrastructure Trust Loans:						
Principal	214,650.00	214,650.00	214,627.11			22.89
Interest	97,500.00	97,500.00	78,682.70			18,817.30
Statutory Expenditures						
Contribution to Social Security System	12,000.00	12,000.00	7,667.75		4,332.25	
Unemployment Compensation Insurance	1,000.00	1,000.00	760.17		239.83	
	<u>\$ 1,103,075.00</u>	<u>\$ 1,103,075.00</u>	<u>\$ 1,015,310.73</u>	<u>\$ 68,584.70</u>		<u>\$ 19,179.57</u>
Ref.	D-3	D-1		D		D-1
Disbursements			\$ 878,332.43			
Reserve for Encumbrances			36,984.75			
Accrued Interest on Bonds and Loans			99,993.55			
			<u>\$ 1,015,310.73</u>			

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G

STATEMENTS OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash	\$ <u>16,816.38</u>	\$ <u>10,898.41</u>
<u>Liabilities</u>		
Payroll Liabilities	\$ 8,553.17	\$ 10,898.41
Interfund - Current Fund	<u>8,263.21</u>	<u> </u>
	<u>\$ 16,816.38</u>	<u>\$ 10,898.41</u>

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

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENTS OF ASSETS AND RESERVES

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Land	\$ 183,483.00	\$ 183,483.00
Buildings and Improvements	1,340,350.00	1,340,350.00
Equipment and Machinery	<u>1,833,989.00</u>	<u>1,833,989.00</u>
	<u>\$ 3,357,822.00</u>	<u>\$ 3,357,822.00</u>
<u>Reserves</u>		
Investment in Fixed Assets	<u>\$ 3,357,822.00</u>	<u>\$ 3,357,822.00</u>

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

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**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

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

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 2016.

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, 2016

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, 2016

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, 2016 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, 2016 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, 2016

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.

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 2016. The estimated historic value of the Borough’s fixed assets at 2016 and 2015 are as follows:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Fixed Assets Account Group:		
Land	\$ 183,483	\$ 183,483
Building	1,340,350	1,340,350
Equipment	1,833,989	1,833,989
Water-Sewer Utility Fund:		
Fixed Capital	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. Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Borough implemented the following pronouncements:

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Adopted Accounting Pronouncements (Continued)

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

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

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

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

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

Recently Issued Accounting Pronouncements

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Borough's financial statements.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Adopted Accounting Pronouncements (Continued)

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

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

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

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Adopted Accounting Pronouncements (Continued)

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Borough's financial statements.

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

G. Subsequent Events

The Borough has evaluated subsequent events occurring after December 31, 2016 through the date of June 23, 2017, which is the date the financial statements were available to be issued.

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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

At year-end, the carrying amount of the Borough's deposits was \$3,445,019 the bank balance amount was \$3,478,100. Of this amount \$500,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$2,978,100.

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.
- (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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Borough had \$12,000 invested in qualified securities at December 31, 2016.

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.

Guidelines established by GASB Statement No. 72 recognize a three-tiered fair value hierarchy for investments, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2016, the Township had the following recurring fair value measurements:

	Dec. 31, 2016	Fair Value Measurements Using		
		Level I	Level II	Level III
Debt Securities				
U.S. Treasuries	\$ -	\$ -	\$ 12,000	\$ -
Total	\$ -	\$ -	\$ 12,000	\$ -

Debt securities classified in Level II are valued using quoted prices for similar securities in active markets.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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>Bank Balance</u> <u>2016</u>
Insured:	
FDIC	\$ 500,000
GUDPA	<u>2,978,100</u>
	\$ <u>3,478,100</u>
<u>Custodial Credit Risk - Deposits</u>	

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, 2016

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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with New Jersey statutes.

As of December 31, 2016, the Township's investments had the following maturities:

	Investment Maturities (In Years)				
	Cost Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Debt Securities					
U.S. Treasuries	\$ 12,000	\$ 12,000		\$ -	\$ -
Total	\$ 12,000	\$ 12,000	\$ -		\$ -

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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (CONTINUED)

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

A. Long-Term Debt

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

General Capital Fund

2.00% to 2.50% General Improvement Bonds, Series 2011 issued
November 30, 2011 for \$1,623,000, installment maturities to
November 30, 2021. (Term bond due November 30, 2026). \$1,080,000

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>
2017	\$ 108,000	\$ 32,265
2018	108,000	30,105
2019	108,000	27,945
2020	108,000	25,515
2021	108,000	22,950
2022-2026	<u>540,000</u>	<u>101,250</u>
	\$ <u>1,080,000</u>	\$ <u>240,030</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:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 31,037	\$ 6,273
2018	31,661	5,649
2019	32,298	5,012
2020	32,947	4,363
2021	33,609	3,701
2022-2026	<u>159,798</u>	<u>8,096</u>
	\$ <u>321,350</u>	\$ <u>33,094</u>

Water-Sewer Utility Capital Fund

2.00% to 2.50% General Improvement Bonds, Series 2011 issued November 30, 2011 for \$754,000, installment maturities to November 30, 2021. (Term bond due November 30, 2026). \$499,000

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>
2017	\$ 51,000	\$ 14,824
2018	51,000	13,804
2019	51,000	12,784
2020	51,000	11,636
2021	51,000	10,425
2022-2026	<u>244,000</u>	<u>45,750</u>
	\$ <u>499,000</u>	\$ <u>109,223</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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 239,305	\$ 98,294
2018	244,052	93,144
2019	248,799	87,744
2020	253,546	82,094
2020	258,293	76,194
2021-2025	1,426,850	279,632
2026-2030	<u>864,791</u>	<u>83,998</u>
	<u>\$ 3,535,636</u>	<u>\$ 801,100</u>

B. Short-Term Debt

General Capital Fund

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

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 313,250	2.00%
01-08	Improvements to Recreation Facilities	18,000	2.00%
05-10	Renovation and Repair to Police/Emergency Management Building	3,000	2.00%
06-06	Handicapped Ramps and Oak Avenue Road Improvements	13,500	2.00%
07-09	Paving and Repair of Gilford Avenue	21,000	2.00%
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	142,500	2.00%
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	8,000	2.00%
08-08	Replacement of HVAC Systems at Borough Hall and Court	14,250	2.00%
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	17,500	2.00%
10-02	NJDOT Improvements to Summit Avenue	5,000	2.00%
12-04	NJDOT Improvements to Summit Avenue Beach Parking Lot	16,142	2.00%
13-01	NJDOT Improvements to Cedar Avenue	<u>36,858</u>	2.00%
		<u>\$ 609,000</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (CONTINUED)

C. Bonds and Notes Authorized but not Issued

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

	<u>2016</u>	<u>2015</u>
General Capital Fund	\$ 244,940	\$195,920
Water-Sewer Utility Capital Fund	1,350,870	119,650

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, 2016 was .67%. The Borough's remaining borrowing power is 2.83%.

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 2016 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2016</u>		<u>Issued</u>		<u>Retired</u>		<u>Balance</u> <u>Dec. 31, 2016</u>		<u>Due Within</u> <u>One Year</u>
General Debt:									
Serial Bonds	\$ 1,188,000	\$		\$	108,000	\$	1,080,000	\$	108,000
Bond Anticipation Notes	609,000		609,000		609,000		609,000		609,000
Green Trust Loan	351,776				30,426		321,350		31,037
Capital Leases	43,725				22,468		21,258		11,694
Special Emergency Note	24,000				12,000		12,000		12,000
Water Utility Fund Debt:									
Serial Bonds	550,000				51,000		499,000		51,000
NJEIT	4,063,978				528,342		3,535,636		239,305
Other:									
Compensated Absences	99,908		17,333				117,241		
	\$ <u>6,930,387</u>	\$	<u>626,333</u>	\$	<u>1,361,236</u>	\$	<u>6,195,484</u>	\$	<u>1,062,036</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 2,010,350	\$ 2,148,776	\$ 2,111,602
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>4,034,636</u>	<u>4,613,978</u>	<u>4,894,916</u>
Total Issued	<u>6,044,986</u>	<u>6,762,754</u>	<u>7,006,518</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	264,957	195,920	390,937
Water-Sewer Utility:			
Bonds and Notes	<u>1,350,870</u>	<u>119,650</u>	<u>119,650</u>
Total Authorized but not Issued	<u>1,615,827</u>	<u>315,570</u>	<u>510,587</u>
Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>7,660,813</u>	\$ <u>7,078,324</u>	\$ <u>7,517,105</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 .67%

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 413,000	\$ 413,000	\$ -0-
Regional School Debt	155,418	155,418	-0-
General Debt	2,275,307		2,275,307
Water-Sewer Utility Debt	<u>5,373,006</u>	<u>5,373,006</u>	<u> </u>
	\$ <u>8,216,731</u>	\$ <u>5,954,424</u>	\$ <u>2,275,307</u>

Net Debt \$2,275,307 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$340,248,446 = .67%.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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)		\$ 11,908,696
Net Debt		<u>2,275,307</u>
Remaining Borrowing Power		\$ <u>9,633,389</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		\$ 1,147,388
Deductions:		
Operating and Maintenance Costs	\$ 697,280	
Debt Service	<u>385,615</u>	
Total Deductions		<u>1,082,895</u>
Excess in Revenue		\$ <u>64,493</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 \$117,241 and \$99,908 at December 31, 2016 and 2015, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

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

	<u>2016</u>	<u>2015</u>
Current Fund	\$ *	\$225,000
Water-Sewer Utility Operating Fund	*	40,575

*2017 Budget not introduced as of June 23, 2017

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$ <u>1.858</u>	\$ <u>1.804</u>	\$ <u>1.775</u>
Apportionment of Tax Rate			
Municipal	.524	.502	.493
County	.422	.414	.406
Regional School	.347	.332	.339
Local School	.565	.556	.537
Assessed Valuation			
2016	\$ 345,631,813		
2015		\$ 345,132,255	
2014			\$ 345,819,625

Comparison of Tax Levies and Collection Currently

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u> <u>Collection</u>	<u>Percentage</u> <u>of Collection</u>
2016	\$ 6,459,026	\$ 6,303,152	97.58%
2015	6,250,504	6,078,827	97.25%
2014	6,141,168	6,019,877	98.02%

Delinquent Taxes and Tax Title Liens

<u>Year Ended</u> <u>December 31</u>	<u>Amount of</u> <u>Title Liens</u>	<u>Amount of</u> <u>Delinquent</u> <u>Taxes</u>	<u>Total</u> <u>Delinquent</u>	<u>Percentage</u> <u>of Tax Levy</u>
2016	\$ 15,829	\$ 133,270	\$ 149,139	2.31%
2015	13,131	139,634	152,765	2.44%
2014	10,509	98,533	109,042	1.78%

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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:

	<u>Balance December 31</u>	
	<u>2016</u>	<u>2015</u>
Prepaid Taxes	\$ 46,991	\$ 64,099
Prepaid Water-Sewer Charges	3,445	2,690

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, 2016

NOTE 9. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED (CONTINUED)

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 the following deferred charge is reflected on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2016</u>
Current Fund:	
Special Emergency Authorizations:	
(N.J.S. 40A:4-55):	
Hurricane Sandy	\$ 12,000

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/annrprts.shtml.

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

The following represents the membership tiers for PERS:

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Plan Description (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before 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.

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 2015 and 2014, 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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Plan Description (Continued)

Components of Net Pension Liability - At December 31, 2015, the Borough's proportionate share of the PERS net pension liability is valued to be \$1,353,095. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Borough's proportion measured as of June 30, 2016, was .00457%, which was a decrease of .00141% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 & December 31, 2015

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	357,047	176,207
Deferred Inflows of Resources	276,729	81,382
Net Pension Liability	1,353,095	1,342,548
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.00457%	0.00598%

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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	\$ 25,163	\$ -
Changes of Assumptions	280,289	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	51,595	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	-	<u>276,729</u>
	<u>\$ 357,047</u>	<u>\$ 276,729</u>

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

Year Ending		
<u>Dec 31,</u>		<u>PERS</u>
2017	\$	24,791
2018		24,792
2019		41,839
2020		25,818
2021		<u>(36,922)</u>
	\$	<u>80,318</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Actuarial Assumptions - The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 1,658,060	\$ 1,353,095	\$ 1,101,320

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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/annrprts.shtml.

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

The following represent membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case 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, 2016

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 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$75,429 for 2016.

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

Net Pension Liability and Pension Expense - At December 31, 2016, the Borough's proportionate share of the PFRS net pension liability is valued to be \$1,523,068. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .00797%, which was a decrease of .00131% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 & December 31, 2015

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	535,873	568,999
Deferred Inflows of Resources	160,269	81,382
Net Pension Liability	1,523,068	1,342,548
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.00797%	0.00928%

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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, 2016, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 9,984.00
Changes of Assumptions	210,957.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	106,718.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>218,198.00</u>	<u>150,285.00</u>
	<u>\$ 535,873.00</u>	<u>\$ 160,269.00</u>

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

	<u>Year Ending Dec 31,</u>	<u>PFRS</u>
2017	\$	114,131
2018		114,131
2019		139,947
2020		50,140
2021		<u>(42,745)</u>
	\$	<u>375,604</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Special Funding Situation (Continued)

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 \$127,900 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2016 was .000797%, which was a decrease of .00130% from its proportion measured as of June 30, 2015, which is the same proportion as the Borough's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 1,523,068
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>127,900</u>
Total Net Pension Liability	<u>\$ 1,650,968</u>

For the year ended December 31, 2016, the Borough's total allocated pension expense was \$16,336.

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, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions (continued)

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

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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

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

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (CONTINUED)

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

Discount Rate (Continued)

current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 2,128,803	\$ 1,650,968	\$ 1,261,323

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, 2016, 2015 and 2014.

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

Funding Policy

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

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

The Borough contributions to SHBP for the years ended December 31, 2016 and 2015 were \$45,405 and \$43,113, respectively, which equaled the required contributions for each year. There were two retired participants eligible at December 31, 2016 and 2015.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 12. SCHOOL TAXES

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

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

	<u>Regional District School Tax</u>		<u>Local District School Tax</u>	
	<u>Balance December 31</u>		<u>Balance December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Balance of Tax	\$ 562,837	\$ 536,918	\$ 945,060	\$ 927,862
Deferred	<u>250,000</u>	<u>250,000</u>	<u>555,000</u>	<u>555,000</u>
Tax Payable	\$ <u>312,837</u>	\$ <u>286,918</u>	\$ <u>390,060</u>	\$ <u>372,862</u>

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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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, 2016, the Borough estimates that no material liabilities will result from such audits.

Major Tax Assessments

Taxpayers in 2016 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	1.19%

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, 2016

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2016:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 8,719	\$ 449,663
Grant Fund	56,192	
Animal Control Trust Fund	34	
Other Trust Fund	3,000	455
General Capital Fund	204,180	
Water-Sewer Utility Operating Fund	6,149	3,000
Water-Sewer Utility Capital Fund	189,256	6,149
Payroll Fund	<u> </u>	<u>8,263</u>
	\$ <u>467,530</u>	\$ <u>467,530</u>

The summary of interfund transfers follow:

Fund	Transfer In	Transfer Out
Current Fund	\$ 235,504	\$ 13,217
Grant Fund	12,938	23,386
Animal Control Trust Fund		
Other Trust Fund	279	3,000
General Capital Fund		68,860
Water-Sewer Utility Operating Fund	3,000	6,000
Water-Sewer Utility Capital Fund	6,000	143,258
Payroll Fund		
	<u>\$ 257,721</u>	<u>\$ 257,721</u>

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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

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

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.

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

NOTE 17. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 consisted of intergovernmental grants, taxes, 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>Utility Capital Fund</u>	<u>Total</u>
State & Federal Receivable	\$ 6,806.73	\$ 55,976.21	\$ 277,996.01	\$	\$ 293,720.00	\$ 634,498.95
Taxes	149,099.22					149,099.22
Sewer Rents				21,703.69		21,703.69
	<u>\$ 155,905.95</u>	<u>\$ 55,976.21</u>	<u>\$ 277,996.01</u>	<u>\$ 21,703.69</u>	<u>\$ 293,720.00</u>	<u>\$ 805,301.86</u>

SUPPLEMENTARY SCHEDULES

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CURRENT FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-4

SCHEDULE OF CASH - TREASURER

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$ 2,027,638.23
Increased by Receipts:		
Taxes Receivable	\$ 6,356,116.03	
Prepaid Taxes	46,990.63	
Tax Overpayments	112.10	
Revenue Accounts Receivable	441,629.61	
Miscellaneous Revenue not Anticipated	38,593.86	
Interfunds:		
Grant Fund	23,386.30	
Other Funds	212,117.85	
Due from State of New Jersey (Ch. 20, P.L. 1971)	17,340.00	
		<u>7,136,286.38</u>
		<u>9,163,924.61</u>
Decreased by Disbursements:		
2016 Budget Appropriations	1,868,206.15	
County Taxes	1,464,046.41	
Local District School Tax	1,934,109.00	
Regional High School Tax	1,173,635.43	
2015 Appropriation Reserves	102,791.10	
Interfunds:		
Grant Fund	12,938.12	
Other Funds	279.21	
Accounts Payable	9,259.00	
Reserve for Police Extra Duty Operations	612.00	
	2,000.00	
		<u>6,567,876.42</u>
Balance December 31, 2016		\$ <u><u>2,596,048.19</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-5

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

FOR THE YEAR ENDED DECEMBER 31, 2016

Year	Balance Dec. 31, 2015	2016 Levy	Collections			Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2016
			2016	2015	Ch. 20, P.L. 1971			
2014	\$ 4.69		\$ 4.69					
2015	139,628.92		139,628.92					
2016		6,459,026.33	6,216,482.42	64,098.65	22,570.61	19,906.70	133,270.14	
	\$ 139,633.61	\$ 6,459,026.33	\$ 6,356,116.03	\$ 64,098.65	\$ 22,570.61	\$ 19,906.70	\$ 133,270.14	

Analysis of 2016 Property Tax Yield and Tax Levy

Tax Yield:

General Purpose Tax	\$ 6,421,839.04
Added and Omitted Taxes	<u>37,187.29</u>
	\$ 6,459,026.33

Tax Levy:

Local District School Tax	\$ 1,951,307.00
Regional High School Tax	1,199,555.00
County Taxes:	
General County Tax	\$ 1,235,469.02
County Library Tax	133,026.20
County Health Tax	47,970.40
County Open Space Tax	42,000.10
County Added and Omitted Tax	<u>8,447.71</u>
Total County Taxes	1,466,913.43
Local Tax for Municipal Purposes	1,811,730.82
Add: Additional Tax Levied	<u>29,520.08</u>
	\$ 6,459,026.33

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAX TITLE LIENS

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015	\$ 13,131.27
Increased by:	
Transfers from Taxes Receivable	<u>2,697.81</u>
Balance December 31, 2016	<u>\$ 15,829.08</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Exhibit A-7

	<u>Accrued in 2016</u>	<u>Collected</u>
Local Revenues:		
Local Aid:		
Fees and Permits	\$ 12,716.50	\$ 12,716.50
Fines and Costs, Municipal Court	31,450.51	31,450.51
Interest and Costs on Taxes	24,288.06	24,288.06
Interest on Investments and Deposits	1,604.28	1,604.28
Beach Fees	32,355.00	32,355.00
Cable Television Franchise Fees	27,831.47	27,831.47
Post Office Lease	51,054.25	51,054.25
Antenna Lease	77,614.86	77,614.86
Uniform Construction Code Fees	20,489.00	20,489.00
State Aid:		
Energy Receipts Tax	117,407.00	117,407.00
Other Special Items:		
Reserve for Insurance Reimbursements	100,000.00	100,000.00
Surplus Capital Fund	<u>45,000.00</u>	<u>45,000.00</u>
	<u>\$ 541,810.93</u>	<u>\$ 541,810.93</u>
Receipts		\$ 441,629.61
Reserve for Insurance		100,000.00
Interfunds		<u>181.32</u>
		<u>\$ 541,810.93</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-8

SCHEDULE OF COUNTY TAXES PAYABLE

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$	5,580.69
Increased by:			
2016 Tax Levy:			
General County Tax	\$ 1,235,469.02		
County Library Tax	133,026.20		
County Health Tax	47,970.40		
County Open Space Tax	42,000.10		
County Share of Added and Omitted Taxes	<u>8,447.71</u>		
			<u>1,466,913.43</u>
			<u>1,472,494.12</u>
Decreased by:			
Payments			<u>1,464,046.41</u>
Balance December 31, 2016		\$	<u><u>8,447.71</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF LOCAL SCHOOL DISTRICT TAX PAYABLE

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015:			
School Tax Deferred	\$	555,000.00	
School Tax Payable		<u>372,862.00</u>	
			\$ 927,862.00
Increased by:			
Levy School Year July 1, 2015 to June 30, 2016			<u>1,951,307.00</u>
			<u>2,879,169.00</u>
Decreased by:			
Payments			<u>1,934,109.00</u>
Balance December 31, 2016:			
School Tax Deferred		555,000.00	
School Tax Payable		<u>390,060.00</u>	
			\$ <u><u>945,060.00</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-10

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015:			
School Tax Deferred	\$ 249,999.90		
School Tax Payable	<u>286,917.62</u>		
		\$ 536,917.52	
Increased by:			
Levy School Year July 1, 2015 to June 30, 2016		<u>1,199,555.00</u>	
		<u>1,736,472.52</u>	
Decreased by :			
Payments		<u>1,173,635.43</u>	
Balance December 31, 2016:			
School Tax Deferred	249,999.90		
School Tax Payable	<u>312,837.19</u>		
		\$ <u><u>562,837.09</u></u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 5

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Dec. 31, 2015</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<u>OPERATIONS WITHIN CAPS</u>					
General Administration					
Other Expenses	\$ 89.13	\$ 1,588.90	\$ 1,678.03	\$ 1,588.90	\$ 89.13
Mayor and Council					
Salaries and Wages	2,738.00		2,738.00		2,738.00
Other Expenses	969.00		969.00		969.00
Municipal Clerk					
Salaries and Wages	1,142.67		1,142.67		1,142.67
Other Expenses	4,988.22	3,800.00	8,788.22	4,730.41	4,057.81
Advertising Budget	277.50		277.50		277.50
Elections					
Other Expenses	309.64		309.64		309.64
Financial Administration					
Salaries and Wages	198.20		198.20	140.72	57.48
Other Expenses	981.92	266.85	1,248.77	1,248.77	
Audit	5,350.00		5,350.00	1,000.00	4,350.00
Computerized Data Processing					
Other Expenses	3,768.19	217.49	3,985.68	217.49	3,768.19
Collection of Taxes					
Salaries and Wages	291.82		291.82	291.82	
Other Expenses	1,129.57		1,129.57		1,129.57
Assessment of Taxes					
Salaries and Wages	905.75		905.75	171.12	734.63
Other Expenses	171.12		171.12		171.12
Tax Map Revisions					
Legal Services and Costs		1,500.00	1,500.00	575.00	925.00
Other Expenses	22,823.13		24,823.63	7,350.50	17,473.13
Advertising and Legal Notices	1,168.50	2,000.50	1,168.50		1,168.50
Counsel - Labor					
Other Expenses	11,163.00		11,163.00		11,163.00
Engineering Services and Costs					
Other Expenses	12,176.86	80.00	12,256.86	80.00	12,176.86

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Dec. 31, 2015</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	\$ 260.00	\$	\$ 260.00	\$ 260.00	\$ 582.50
Other Expenses - Legal	582.50		582.50		396.30
Other Expenses - Miscellaneous	396.30		396.30		
Insurance					
General Liability	1,000.00		1,000.00		1,000.00
Other Insurance	2,500.00		2,500.00	232.76	2,267.24
Workers Compensation	5,329.62		5,329.62		5,329.62
Employee Group Insurance	23,879.00		23,879.00	16,321.64	7,557.36
Police					
Salaries and Wages	125,158.54		125,158.54	4,626.47	120,532.07
Other Expenses	17,259.29	2,519.59	19,778.88	3,159.34	16,619.54
Medical Testing	705.00		705.00	705.00	
Crossing Guards and Badge Checkers					
Salaries and Wages	3,672.14		3,672.14	180.62	3,491.52
Other Expenses	250.00		250.00		250.00
Emergency Management Service					
Salaries and Wages	12.00		12.00	12.00	
Other Expenses	163.64	395.55	559.19	395.55	163.64
First Aid					
Other Expenses					
Fire Department					
Aid to Volunteer Fire Company					
Other Expenses	2,050.00		2,050.00		2,050.00
Municipal Prosecutor					
Salaries and Wages	80.22		80.22		80.22
Other Expenses	225.03		225.03		225.03
Municipal Court					
Salaries and Wages	3,796.21		3,796.21	509.28	3,286.93
Other Expenses	831.08	358.06	1,189.14	68.06	1,121.08
Public Defender					
Salaries and Wages	600.00		600.00		600.00
Other Expenses	250.00		250.00		250.00

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 3 of 5

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Dec. 31, 2015</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Public Buildings, Grounds, Parks, Playgrounds and Beaches	\$ 8,405.61	\$	\$ 8,405.61	\$ 1,858.65	\$ 6,546.96
Salaries and Wages	8,288.09	10,397.71	18,685.80	7,534.12	11,151.68
Other Expenses					
Solid Waste Collection	4,654.38	12,341.42	16,995.80	12,341.42	4,654.38
Contractual	250.00		250.00		250.00
Other Expenses					
Recycling					
Other Expenses	2,680.00		2,680.00		2,680.00
Vehicle Maintenance					
Other Expenses	33,376.71	5,818.60	39,195.31	5,580.20	33,615.11
Shade Trees					
Other Expenses	250.00		250.00		250.00
Snow Removal					
Salaries and Wages					
Other Expenses					
Board of Health	500.00		500.00		500.00
Salaries and Wages	205.25		205.25	79.00	126.25
Other Expenses					
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	10.00		10.00		10.00
Environmental Commission					
Other Expenses	354.22		354.22		354.22
Dog Regulation					
Other Expenses	1,100.00		1,100.00	211.20	888.80
Senior Advisory Committee					
Other Expenses	250.00		250.00		250.00
Beachfront Maintenance					
Salaries and Wages - Lifeguards	39.25		39.25		39.25
Other Expenses	2,242.67		2,242.67		2,242.67

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Dec. 31, 2014</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Recreation					
Salaries and Wages	\$ 2,000.00		\$ 2,000.00		\$ 2,000.00
Other Expenses	2,842.52	100.00	2,942.52		2,942.52
Participation in Free County Library					
Deferred Sick Time				5,000.00	
Salary Settlements and Adjustments	5,000.00	5,000.00	5,000.00	2,840.77	2,159.23
<u>Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.S.A. 5:23-4.17)</u>					
Code Enforcement and Zoning					
Salaries and Wages	882.94		882.94		882.94
Other Expenses	1.10		1.10		1.10
Construction Code Official					
Salaries and Wages	100.44		100.44	100.44	.00
Other Expenses	100.00		100.00		100.00
Fire Official					
Salaries and Wages	144.14		144.14	101.10	43.04
Other Expenses	179.84		179.84		179.84
<u>Unclassified</u>					
Utilities					
Gasoline	15,536.15		15,536.15	612.24	14,923.91
Electricity	9,748.22	2,011.30	11,759.52	2,011.30	9,748.22
Telephone	2,143.41	660.00	2,803.41	660.00	2,143.41
Natural Gas	9,838.25	383.00	10,221.25	383.00	9,838.25
Street Lighting	2,551.77		2,551.77		2,551.77
Total Operations within Caps	<u>373,317.75</u>	<u>49,438.97</u>	<u>422,756.72</u>	<u>83,178.89</u>	<u>339,577.83</u>
Detail:					
Salaries and Wages	155,927.93		155,927.93	11,092.99	144,834.94
Other Expenses	217,389.82	49,438.97	266,828.79	72,085.90	194,742.89

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

FOR THE YEAR ENDED DECEMBER 31, 2016

STATUTORY EXPENDITURES WITHIN CAPS

Contribution to:

	<u>Balance Dec. 31, 2015</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Social Security System (O.A.S.I.)	\$ 19,535.33	\$	\$ 19,535.33	\$	\$ 19,535.33
Unemployment Compensation Insurance	962.59		962.59	117.21	845.38
Defined Contribution Retirement Program	200.00		200.00		200.00
Total Statutory Expenditures within Caps	<u>20,697.92</u>		<u>20,697.92</u>	<u>117.21</u>	<u>20,580.71</u>
Total Appropriations within Caps	<u>394,015.67</u>	<u>49,438.97</u>	<u>443,454.64</u>	<u>83,296.10</u>	<u>360,158.54</u>

OPERATIONS EXCLUDED FROM CAPS

Employee Group Health	5,699.00		5,699.00		5,699.00
Length of Service Awards Program (LOSAP)	100.00	4,600.00	4,700.00	4,600.00	100.00
Shared Services					
South Toms River-Professional Services Clerk	2,747.50	19,925.00	19,925.00	19,195.00	730.00
Toms River Township-Financial Services	8,546.50		2,747.50		2,747.50
Total Operations excluded from Caps	<u>8,546.50</u>	<u>24,525.00</u>	<u>33,071.50</u>	<u>23,795.00</u>	<u>9,276.50</u>

Detail:

Salaries and Wages	\$ 8,546.50	24,525.00	33,071.50	23,795.00	9,276.50
Other Expenses	<u>8,546.50</u>	<u>24,525.00</u>	<u>33,071.50</u>	<u>23,795.00</u>	<u>9,276.50</u>
Total General Appropriations excluded from Caps					
Subtotal General Appropriations	402,562.17	73,963.97	476,526.14	107,091.10	369,435.04
Reserve for Uncollected Taxes					
Total General Appropriations	<u>\$ 402,562.17</u>	<u>\$ 73,963.97</u>	<u>\$ 476,526.14</u>	<u>\$ 107,091.10</u>	<u>\$ 369,435.04</u>
Disbursed					
Accounts Payable	\$ 102,791.10	4,300.00			
	<u>\$ 107,091.10</u>				

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF INTERFUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Total (Memo Only)	Animal Control Trust	Trust Other	General Capital	Payroll Fund	Water-Sewer Utility Capital
Balance December 31, 2015 - Due To(From)	\$ 169,357.88	\$ (.49)	(77.71)	135,438.08	\$	\$ 33,998.00
Increased by:						
Receipts	212,117.85			68,859.85		143,258.00
Special Emergency Note	12,000.00					12,000.00
Revenue Accounts Receivable	35.00	35.00				
Total Increases	<u>224,152.85</u>	<u>35.00</u>		<u>68,859.85</u>		<u>155,258.00</u>
Total Increases and Balances	<u>393,510.73</u>	<u>34.51</u>	<u>(77.71)</u>	<u>204,297.93</u>		<u>189,256.00</u>
Decreased by:						
Disbursements	8,542.42		279.21		8,263.21	
Revenue Accounts Receivable	216.32	.30	98.57	117.45		
Total Decreases	<u>8,758.74</u>	<u>.30</u>	<u>377.78</u>	<u>117.45</u>	<u>8,263.21</u>	
Balance December 31, 2016 - Due To(From)	\$ 384,751.99	\$ 34.21	\$ (455.49)	\$ 204,180.48	\$ (8,263.21)	\$ 189,256.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF INTERFUND

GRANT FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015 - Due To		\$ 45,744.13
Increased by:		
Deposited in Current Fund:		
Grant Receivable	\$ 18,658.82	
Unappropriated Reserves	4,727.48	
2016 Budget Appropriations	<u>31,222.96</u>	
		<u>54,609.26</u>
		100,353.39
Decreased by:		
2016 Anticipated Revenue	31,222.96	
Grant Fund Disbursements	<u>12,938.12</u>	
		<u>44,161.08</u>
Balance December 31, 2016 - Due To		\$ <u><u>56,192.31</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-14

SCHEDULE OF GRANTS RECEIVABLE

GRANT FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Grant</u>	<u>Balance Dec. 31, 2015</u>	<u>2016 Budget Revenue Realized</u>	<u>Realized</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2016</u>
2016 Year Grants					
Clean Communities Program	\$	5,640.13	\$ 5,640.13		\$
966 Equipment Grant		9,828.17	9,407.02	421.15	
ANJEC-2016 Open Space Stewardship		1,500.00	1,000.00		500.00
Body Armor Fund		1,301.99	1,301.99		
Winter Storm Jonas - Reimb to Fire Dept.		1,309.68	1,309.68		
OEM - 966 Equipment Grant FY17		11,642.99			11,642.99
2014 Year Grants:					
Community Development Block Grant	33,000.00				33,000.00
966 Equipment Grant	4,010.32				4,010.32
2012 Year Grants:					
Community Development Block Grant	6,822.90				6,822.90
	<u>\$ 43,833.22</u>	<u>\$ 31,222.96</u>	<u>\$ 18,658.82</u>	<u>\$ 421.15</u>	<u>\$ 55,976.21</u>
Interfund - Current Fund			<u>\$ 18,658.82</u>		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-15

SCHEDULE OF APPROPRIATED RESERVES

GRANT FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Grant</u>	<u>Balance Dec. 31, 2015</u>	<u>2016 Budget Appropriation</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2016</u>
2016 Year Grants					
Body Armor Fund	\$	\$ 1,301.99	\$	\$	\$ 1,301.99
Winter Storm Jonas - Reimb. to Fire Dept.		1,309.68	1,309.68		120.59
OEM - 966 Equipment Grant FY17		11,642.99	11,522.40		5,640.13
Clean Communities Program		5,640.13			
966 Equipment Grant		9,828.17	9,407.02	421.15	116.03
ANJEC-2016 Open Space Stewardship		1,500.00	1,383.97		
2015 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	31,559.00				31,559.00
Recycling Tonnage Grant	3,036.60				3,036.60
966 Equipment Grant	2,245.74				2,245.74
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	347.39				347.39
2008 Year Grants:					
Waterfront Access	30,000.00				30,000.00
	\$ 88,235.41	\$ 31,222.96	\$ 23,623.07	\$ 421.15	\$ 95,414.15
	A	A-14		A-14	A
Expenditures Paid in Current Fund			\$ 12,938.12		
Reserve for Encumbrances			10,684.95		
			\$ 23,623.07		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Grant</u>	Balance Dec. 31, 2015	Increases	Balance Dec. 31, 2016
Body Armor Grant	\$ 1,341.94		\$ 1,341.94
Recycling Tonnage Grant		1,727.48	1,727.48
Green Communities		3,000.00	3,000.00
	\$ 1,341.94	\$ 4,727.48	\$ 6,069.42

TRUST FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-1

SCHEDULE OF TRUST CASH

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Animal Control Trust</u>	<u>Other Trust</u>
Balance December 31, 2015	\$ 183.95	\$ 134,562.80
Increased by Receipts:		
Reserve for Animal Control Expenditures	\$ 1,335.00	
Interfund - Current Fund	.30	98.57
Various Trust Reserves	<u> </u>	<u>189,103.85</u>
Decreased by Disbursements:		
Reserve for Animal Control Expenditures	1,247.52	
Due to State of New Jersey	180.00	
Interfund - Current Fund	35.00	
Various Trust Reserves	<u> </u>	<u>38,737.84</u>
Balance December 31, 2016	\$ <u>56.73</u>	\$ <u>285,027.38</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-2

SCHEDULE OF AMOUNT DUE STATE OF NEW JERSEY

Balance December 31, 2015	\$
Increased by: Receipts	\$ <u>180.00</u>
Decreased by: Disbursements	\$ <u><u>180.00</u></u>
Balance December 31, 2016	\$ <u><u> </u></u>

SCHEDULE OF RESERVE FOR ANIMAL CONTROL

Exhibit B-3

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015	\$ 183.46
Increased by: Deposits	<u>1,335.00</u> <u>1,518.46</u>
Decreased by: Disbursements	<u>1,427.52</u>
Balance December 31, 2016	\$ <u><u>90.94</u></u>

Animal Control License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ <u>1,074.00</u>
2014	<u>1,315.40</u>
	\$ <u><u>2,389.40</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-4

SCHEDULE OF INTERFUND - CURRENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Total (Memo Only)</u>	<u>Animal Control Trust</u>	<u>Other Trust</u>
Balance December 31, 2015 - Due To	\$ <u>78.20</u>	\$ <u>.49</u>	\$ <u>77.71</u>
Increased by:			
Disbursed in Current Fund	279.21		279.21
Interest on Deposits	<u>98.87</u>	<u>.30</u>	<u>98.57</u>
Total Increases	<u>378.08</u>	<u>.30</u>	<u>377.78</u>
Total Increases and Balances	<u>456.28</u>	<u>.79</u>	<u>455.49</u>
Decreased by:			
Bank Service Charges	<u>35.00</u>	<u>35.00</u>	
Total Decreases	<u>35.00</u>	<u>35.00</u>	
Balance December 31, 2016 - Due To/(From)	\$ <u><u>421.28</u></u>	\$ <u><u>(34.21)</u></u>	\$ <u><u>455.49</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-5

SCHEDULE OF MISCELLANEOUS RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Increases	Decreases	Balance Dec. 31, 2016
Reserve for:				
Accumulated Absences	\$ 38,894.65	\$ 13,682.64	\$	\$ 52,577.29
Cash Bond Utility Connection	6,000.00			6,000.00
D.A.R.E Program	590.98			590.98
Escrow Deposits	14,938.82	15,450.00	7,797.71	22,591.11
P.O.A.A	458.00	12.00		470.00
Premiums Received at Tax Sale	25,500.00	144,200.00	8,000.00	161,700.00
Public Defender	491.49	902.00	1,393.49	42,160.51
Snow Removal	47,611.15	9,293.76	14,744.40	520.00
Community Garden Funds		520.00		962.00
Forfeiture Funds-State		962.00		
Tax Title Lien Redemption		7,081.45	7,081.45	
	\$ 134,485.09	\$ 192,103.85	\$ 39,017.05	\$ 287,571.89
Receipts				
Disbursements		\$ 189,103.85	\$ 38,737.84	
Interfunds:				
Utility Operating Fund		3,000.00	279.21	
Current Fund				
		\$ 192,103.85	\$ 39,017.05	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-6

SCHEDULE OF LOSAP

(LENGTH OF SERVICE AWARD PROGRAM) - UNAUDITED

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$ 419,194.62
Increased by:		
Contributions	\$ 31,050.00	
Earnings on Contributions	<u>30,693.30</u>	
		<u>61,743.30</u>
		<u>480,937.92</u>
Decreased by:		
Maintenance Charges	\$ <u>950.00</u>	
		<u>950.00</u>
Balance December 31, 2016		\$ <u><u>479,987.92</u></u>

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GENERAL CAPITAL FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-2

SCHEDULE OF GENERAL CAPITAL CASH

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$ 239,022.21
Increased by Receipts:		
Capital Improvement Fund	\$ 31,000.00	
Reserve for Pavers	694.00	
Interfund - Current Fund	117.45	
		<u>31,811.45</u>
		270,833.66
Decreased by Disbursements:		
Improvement Authorizations	1,880.00	
Reserve for Pavers	499.00	
Capital Fund Balance	45,000.00	
		<u>47,379.00</u>
Balance December 31, 2016		\$ <u><u>223,454.66</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-3

ANALYSIS OF GENERAL CAPITAL CASH

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance		Receipts		Disbursements		Transfers		Balance	
	Dec. 31, 2015	Dec. 31, 2016	Miscellaneous	Miscellaneous	Authorizations	Miscellaneous	From	To	Dec. 31, 2016	Dec. 31, 2016
Capital Improvement Fund	\$ 82,579.36	\$ 110,999.36	\$ 31,000.00	\$	\$	\$	\$ 2,580.00	\$	\$ 110,999.36	\$
Grants Receivable	(174,855.86)	(277,996.01)					172,000.00	68,859.85	(277,996.01)	
Interfund - Current Fund	(135,438.08)	(204,180.48)	117.45				68,859.85		(204,180.48)	
Reserve for Payment of Bond Anticipation Notes (01-08)	533.26	533.26							533.26	
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 (06-06)	103.73	103.73							103.73	
Reserve for Payment of Bond Anticipation Notes (07-09)	77.50	77.50							77.50	
Reserve for Payment of Bond Anticipation Notes (09-01)	14.47	14.47							14.47	
Reserve for Payment of Bond Anticipation Notes (13-01)	24,848.00	24,848.00							24,848.00	
Reserve for Encumbrances	11,610.92	11,610.92					11,610.92	3,867.01	3,867.01	
Reserve for Benches	19,166.00	19,166.00							19,166.00	
Reserve for Pavers	1,909.00	1,909.00	694.00						1,909.00	
Capital Fund Balance	48,033.77	48,033.77		45,000.00					2,104.00	3,033.77
Improvement Authorizations:										
Ordinance Number	Improvement Description									
00-02,	Repair and Replacement of the Bulkhead at Wanamaker and									
05-04	Summit Avenue, Construction of Gazebos	145,878.71					850.00	850.00	145,878.71	
01-02	Paving and Repair of Laurel Avenue and Other Streets	(8.61)							(8.61)	
01-11	Improvements to the Central Avenue Beach and the Simpson Avenue Groin	2,019.47						6,226.03	6,226.03	
04-07	Installation of Boardwalk on River Avenue						552.00	552.00		2,019.47
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)					2,390.01	2,390.01	(564.75)	
12-04	Repairs to Summit Avenue Beach Parking Lot	(400.00)							(400.00)	
13-06	Repairs to Simpson Avenue and Boardwalk	101,076.78			1,125.00		75.00	837.88	100,714.66	
14-06	Repairs to Jaynes Avenue and Maple Avenue	114,900.00			755.00			755.00	114,900.00	
16-08	Reconstruction of River Avenue							174,580.00	174,580.00	
		\$ 239,022.21	\$ 31,811.45	\$ 1,880.00	\$ 45,499.00	\$ 258,917.78	\$ 258,917.78	\$ 258,917.78	\$ 223,454.66	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE

TAXATION - FUNDED

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$ 1,539,776.20
Decreased by:		
2016 Budget Appropriation to Debt Service:		
Serial Bonds Paid by Budget	\$ 108,000.00	
Green Trust Loan Paid by Budget	<u>30,425.76</u>	
		<u>138,425.76</u>
Balance December 31, 2016		\$ <u><u>1,401,350.44</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-5

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

FOR THE YEAR ENDED DECEMBER 31, 2016

Ordinance Number	Improvement Description	Balance		2016 Authorizations	Balance Dec. 31, 2016	Bond Anticipation Notes	Analysis of Balance	
		Dec. 31, 2015	Dec. 31, 2016				Expenditures	Unexpended Improvement Authorizations
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 313,369.35	\$ 313,369.35		\$ 313,369.35	\$	\$	\$ 119.35
01-02	Summit Avenue, Construction of Gazebos	8.61	8.61					
01-08	Paving and Repair of Laurel Avenue and Other Streets							8.61
	Improvements for the Five Year Recreation Plan and Senior Park Improvements							
05-10	Renovation and Repair to Police/Emergency Management Building	17,466.74	17,466.74		17,466.74			
06-06	Handicapped Ramps and Road Improvements	634.01	634.01		634.01			
07-09	Paving and Repair of Gilford Avenue	13,396.27	13,396.27		13,396.27			
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	20,922.50	20,922.50		20,922.50			
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	142,500.00	142,500.00		142,500.00			
08-08	Replacement of HVAC Systems at Borough Hall and Court	12,827.45	12,827.45		12,827.45			4,827.45
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	14,250.00	14,250.00		14,250.00			
10-02	Improvements to Summit Avenue	17,485.53	17,485.53		17,485.53			
12-04	Repairs to Summit Avenue Beach Parking Lot	5,564.75	5,564.75		5,564.75			564.75
13-01	Improvements to Cedar Avenue	16,542.00	16,542.00		16,542.00			400.00
13-06	Repairs to Simpson Avenue and Boardwalk	12,010.00	12,010.00		12,010.00			
14-06	Repairs to Jaynes Avenue and Maple Avenue	95,000.00	95,000.00		95,000.00			95,000.00
16-08	Reconstruction of River Avenue	95,000.00	95,000.00	49,020.00	49,020.00			95,000.00
		<u>\$ 776,977.21</u>	<u>\$ 825,997.21</u>	<u>\$ 49,020.00</u>	<u>\$ 825,997.21</u>	<u>\$ 581,057.05</u>	<u>\$ 5,800.81</u>	<u>\$ 239,139.35</u>
	Bond Anticipation Notes Outstanding-December 31, 2016					\$ 609,000.00		
	Less: Bond Anticipation Notes Issued in excess of Authorized:			\$				
01-08	Improvements for the Five Year Recreation Plan and Senior Park Improvements		533.26		533.26			
05-10	Renovation and Repair to Police/Emergency Management Building		2,365.99		2,365.99			
06-06	Handicapped Ramps and Road Improvements		103.73		103.73			
07-09	Paving and Repair of Gilford Avenue		77.50		77.50			
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue		14.47		14.47			
13-01	Improvements to Cedar Avenue		24,848.00		24,848.00			
			<u>27,942.95</u>		<u>27,942.95</u>			
			<u>\$ 581,057.05</u>		<u>\$ 581,057.05</u>			
	Improvement Authorizations - Unfunded							\$ 385,018.06
	Less: Unexpended Proceeds of Authorized Bond Anticipation Notes Issued:							
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos							<u>145,878.71</u>
								<u>\$ 239,139.35</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$	82,579.36
Increased by:			
2016 Budget Appropriation			<u>31,000.00</u>
			113,579.36
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-8		<u>2,580.00</u>
Balance December 31, 2016		\$	<u><u>110,999.36</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2015		2016 Authorizations	Prior Year Encumbrances	Paid or Charged	Balance Dec. 31, 2016	
				Funded	Unfunded				Funded	Unfunded
00-02, 05-04, 11-11	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	5/16/2000	\$ 620,000.00	\$	\$ 145,998.06	\$	\$ 850.00	\$	\$	\$ 145,998.06
10-02	Improvements to Summit Avenue	2/23/2010	175,000.00			2,390.01	2,390.01			
01-11	Improvements to the Central Avenue Beach and the Simpson Avenue Groin	11/13/2001	195,000.00	2,019.47		6,226.03			8,245.50	
04-07	Installation of Boardwalk on River Avenue	10/19/2004	275,000.00			552.00	552.00			
13-06	Repairs to Simpson Avenue and Boardwalk	10/08/2013	250,000.00	101,076.78	95,000.00	837.88	1,200.00		100,714.66	95,000.00
14-06	Repairs to Jaynes Avenue and Maple Avenue	11/13/2014	225,000.00	114,900.00	95,000.00	755.00	755.00		114,900.00	95,000.00
16-08	Reconstruction of River Avenue	6/28/2016	223,600.00			223,600.00			174,580.00	49,020.00
				\$ 2,17,996.25	\$ 335,998.06	\$ 223,600.00	\$ 11,610.92	\$ 5,747.01	\$ 398,440.16	\$ 385,018.06
	Disbursements						\$ 1,880.00			
	Reserve for Encumbrances						3,867.01			
							\$ 5,747.01			
	Deferred Charges - Unfunded					\$ 49,020.00				
	Capital Improvement Fund					2,580.00				
	Grants Receivable					172,000.00				
						\$ 223,600.00				

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-8

SCHEDULE OF GENERAL SERIAL BONDS

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2016</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2016</u>
General Improvement Bonds	2011	\$ 1,623,000.00	2017	2.00%			
			2018	2.00%			
			2019	2.25%			
			2020	2.38%			
			2021	2.50%			
			2026	3.00%			
					\$ 1,188,000.00	\$ 108,000.00	\$ 1,080,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 1 of 2

FOR THE YEAR ENDED DECEMBER 31, 2016

Improvement Description	Date of Issue	Original Issue	Maturities of Loan		Interest Rate	Balance Dec. 31, 2015	Paid by Budget Appropriation	Balance Dec. 31, 2016
			Outstanding Date	Dec. 31, 2015 Amount				
River Avenue Boardwalk	6/27/2006	\$ 600,000.00	See Amortization Schedule		2.00%	\$ 351,776.20	\$ 30,425.76	\$ 321,350.44

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 2 of 2

FOR THE YEAR ENDED DECEMBER 31, 2016

River Avenue Boardwalk

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>
21	March 2017	15,441.45	3,213.51
22	September 2017	15,595.87	3,059.09
23	March 2018	15,751.83	2,903.13
24	September 2018	15,909.34	2,745.62
25	March 2019	16,068.44	2,586.52
26	September 2019	16,229.12	2,425.84
27	March 2020	16,391.41	2,263.55
28	September 2020	16,555.33	2,099.63
29	March 2021	16,720.88	1,934.08
30	September 2021	16,888.09	1,766.87
31	March 2022	17,056.97	1,597.99
32	September 2022	17,227.54	1,427.42
33	March 2023	17,399.82	1,255.14
34	September 2023	17,573.81	1,081.15
35	March 2024	17,749.55	905.41
36	September 2024	17,927.05	727.91
37	March 2025	18,106.32	548.64
38	September 2025	18,287.38	367.58
39	March 2026	18,470.24	184.72
		<u>\$ 321,350.44</u>	<u>\$ 33,093.80</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF BOND ANTICIPATION NOTES

FOR THE YEAR ENDED DECEMBER 31, 2016

<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, 2015 & 2016</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	3/21/2013	3/14/2016	3/13/2017	2.00%	\$ 58,250.00
01-08	Improvements to Recreation Facilities	3/20/2014	3/14/2016	3/13/2017	2.00%	80,000.00
05-10	Renovation and Repair to Police/Emergency Management Building	3/15/2015	3/14/2016	3/13/2017	2.00%	175,000.00
06-06	Handicapped Ramps & Oak Ave Road Improvements	3/20/2014	3/14/2016	3/13/2017	2.00%	18,000.00
07-09	Paving and Repair of Gilford Avenue	3/21/2013	3/14/2016	3/13/2017	2.00%	3,000.00
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	3/20/2014	3/14/2016	3/13/2017	2.00%	13,500.00
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	3/21/2013	3/14/2016	3/13/2017	2.00%	21,000.00
08-08	Replacement of HVAC Systems at Borough Hall and Court	3/21/2013	3/14/2016	3/13/2017	2.00%	8,000.00
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	3/21/2013	3/14/2016	3/13/2017	2.00%	14,250.00
10-02	NJDOT Improvements to Summit Avenue	3/20/2014	3/14/2016	3/13/2017	2.00%	17,000.00
12-04	NJDOT Improvements to Summit Avenue Beach Parking Lot	3/20/2014	3/14/2016	3/13/2017	2.00%	500.00
13-01	NJDOT Improvements to Cedar Avenue	3/20/2014	3/14/2016	3/13/2017	2.00%	5,000.00
						16,142.00
						<u>36,858.00</u>
						\$ <u><u>609,000.00</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF GRANTS RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance Dec. 31, 2015</u>	<u>Allotments</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2016</u>
10-02	NJ DOT - Improvements to Summit Avenue	\$ 34,671.31	\$		\$ 34,671.31
13-06	NJ DOT - Simpson Avenue	15,184.55			15,184.55
14-04	NJ DOT - Jaynes Avenue and Maple Avenue	125,000.00		68,859.85	56,140.15
16-08	NJ DOT - River Road	_____	172,000.00	_____	172,000.00
		<u>\$ 174,855.86</u>	<u>\$ 172,000.00</u>	<u>\$ 68,859.85</u>	<u>\$ 277,996.01</u>
				A-12	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-12

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2016</u>
00-02,	Repair and Replacement of the Bulkhead at Wanamaker	
05-04	and Summit Avenue, Construction of Gazebos	\$ 119.35
01-02	Paving and Repair of Laurel Avenue and Other Streets	8.61
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	4,827.45
10-02	Improvements to Summit Avenue	564.75
12-04	Repairs to Summit Avenue Beach Parking Lot	400.00
13-06	Repairs to Simpson Avenue and Boardwalk	95,000.00
14-06	Repairs to Jaynes Avenue and Maple Avenue	95,000.00
16-08	Reconstruction of River Avenue	49,020.00
		<u>\$ 244,940.16</u>

WATER-SEWER UTILITY FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-5

SCHEDULE OF WATER-SEWER UTILITY CASH - TREASURER

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2015	\$ 203,426.95	\$ 148,848.42
Increased by Receipts:		
Consumer Accounts Receivable	\$ 1,048,676.51	
Water Tower Antenna Lease	34,408.77	
Miscellaneous Revenue	20,996.48	
Utility Rent Prepayments	3,444.58	
Interfund-Other Trust Fund	3,000.00	
Capital Improvement Fund		1,000.00
Interfund-Operating Fund		6,041.55
Capital Fund Balance	<u>1,110,526.34</u>	<u>7,041.88</u>
	<u>1,313,953.29</u>	<u>155,890.30</u>
Decreased by Disbursements:		
2016 Budget Appropriations	878,332.43	
Appropriation Reserve	13,809.23	
Accrued Interest on Bonds and Loans	101,480.88	
Operations	1,500.00	
Improvement Authorizations		151,008.13
Interfunds	<u>6,000.00</u>	
	<u>1,001,122.54</u>	<u>151,008.13</u>
Balance December 31, 2016	\$ <u>312,830.75</u>	\$ <u>4,882.17</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-6

ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance	Receipts	Disbursements	Transfers		Balance
	Dec. 31, 2015	\$ 1,000.00	\$	From	To	Dec. 31, 2016
	\$	\$	\$	\$	\$	\$
Capital Improvement Fund	33,460.00					34,460.00
Interfunds:						
Water-Sewer Utility Operating Fund	107.20	6,041.55				6,148.75
Current Fund	(33,998.00)					(189,256.00)
NJ Environmental Infrastructure Loan Receivable	(730,698.30)			436,978.30		(293,720.00)
Investment Note - Current Fund	(24,000.00)				12,000.00	(12,000.00)
Reserve for Encumbrances	18,937.58			18,937.58		9,650.00
Fund Balance	12,879.29	.33		.30	1,632.00	14,511.32
Ordinance						
Number	<u>Improvement Description</u>					
03-03	Installation of New Sewer Mains					
08-09	Repair and Replacement of Pumps at Pump Stations	(4,250.00)				(4,250.00)
08-12	Various Water and Sewer Improvements	1,632.00		1,632.00		
09-04	Rehabilitation and Repair of the Sanitary Sewer System		1,725.00			18,275.00
09-08	Replacement of Pump Stations	(44,563.63)	7,502.50			(52,066.13)
10-03	Installation of a New Water Storage Tank (Amending 08-10)	489,777.63	34,880.70	120,991.05	1,155.00	335,060.88
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)	158,311.93	34,091.18		15,082.58	(40,375.62)
10-06	Repair and Replacement of Fire Hydrants	268,502.72	46,570.00			221,932.72
16-09	Various Water and Sewer Improvements		26,238.75			(26,238.75)
		\$ 148,848.42	\$ 7,041.88	\$ 476,497.88	\$ 476,497.88	\$ 4,882.17

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2016

Balance December 31, 2015		\$	18,621.94
Increased by:			
Water-Sewer Rents Levied			<u>1,054,447.99</u>
			1,073,069.93
Decreased by:			
Receipts	\$ 1,048,676.51		
Prepaid Rents Applied	<u>2,689.73</u>		
			<u>1,051,366.24</u>
Balance December 31, 2016		\$	<u><u>21,703.69</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Transfer from Fixed Capital Authorized and Uncompleted	Balance Dec. 31, 2016
Wells	\$ 910,460.73	\$	\$ 910,460.73
Sewer Mains	167,700.00	76,000.00	243,700.00
Treatment Plant	314,739.36	160,000.00	474,739.36
Pumping Station Structures and Improvements	288,878.35		288,878.35
Sewer Flusher, Pumps and Equipment	44,000.00		44,000.00
Electric Power Pumping Equipment	5,023.85		5,023.85
Other Power and Pumping Equipment	2,200.00		2,200.00
Transmission Main and Accessories	7,922.63		7,922.63
Tank and Standpipes	88,204.65	150,000.00	238,204.65
Distribution Main, Accessories, Distribution System and Rehabilitation of System	516,037.43		516,037.43
Fire Hydrants	2,700.00		2,700.00
Truck Equipment, Utility Truck and Backhoe	75,700.00		75,700.00
Engineering	1,838.29		1,838.29
Legal	1,033.94		1,033.94
Interest During Construction	172.72		172.72
Sewer Plant	409,065.08		409,065.08
Water-Sewer System Improvements	547,485.98	5,868.00	553,353.98
Water Meters	58,000.00		58,000.00
Rehabilitation of Sewer Lines and Water Mains	44,964.99		44,964.99
Office and Computer Equipment	15,000.00		15,000.00
Renovations to Water Tower	136,669.82		136,669.82
Drainage Improvements	10,426.00		10,426.00
Purchase of Pick-up Truck	53,196.25		53,196.25
Filter Media and Plant Upgrades	69,841.88		69,841.88
	<u>\$ 3,771,261.95</u>	<u>\$ 391,868.00</u>	<u>\$ 4,163,129.95</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-9

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

FOR THE YEAR ENDED DECEMBER 31, 2016

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2015	2016 Authorizations	Authorization Cancelled by Resolution	Transfer to Fixed Capital	Balance Dec. 31, 2016
		Date	Amount					
03-03	Installation of New Sewer Mains	3/11/2003	\$ 76,000.00	\$ 76,000.00			\$ 76,000.00	
07-14	Filter Media and Plant Upgrades	8/21/2007	70,000.00	158.12				158.12
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	150,000.00	150,000.00			150,000.00	
08-12	Various Water and Sewer Improvements	9/09/2008	20,000.00	20,000.00		14,132.00	5,868.00	
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	20,000.00	20,000.00				20,000.00
09-08	Replacement of Pump Stations	10/29/2009	70,000.00	70,000.00				70,000.00
09-09	Preliminary and Final Design for Replacement of Water Treatment Plant	12/08/2009	160,000.00	160,000.00			160,000.00	
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	1,924,640.00	1,924,640.00				1,924,640.00
10-04	Replacement of Pump Stations (amending 09-08)	4/27/2010	17,250.00	17,250.00				17,250.00
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	2,747,650.00	2,747,650.00				2,747,650.00
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	275,860.00				275,860.00
16-09	Various Water and Sewer Improvements	8/09/2016	937,500.00	937,500.00				937,500.00
				\$ 5,461,558.12	\$ 937,500.00	14,132.00	391,868.00	\$ 5,993,058.12

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-10

SCHEDULE OF APPROPRIATION RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Dec. 31, 2015</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Expended</u>	<u>Balance Lapsed</u>
Operating:					
Salaries and Wages	\$ 5,041.13	\$	\$ 5,041.13	\$ 1,407.84	\$ 3,633.29
Other Expenses	4,541.37	21,219.34	25,760.71	11,217.00	14,543.71
Ocean County Utilities Authority	39,254.00		39,254.00	363.00	38,891.00
Engineering	8,000.00		8,000.00		8,000.00
Statutory Expenditures:					
Contribution to:					
Social Security System	1,415.93		1,415.93	821.39	594.54
Unemployment Compensation Insurance	2.33		2.33		2.33
	<u>\$ 58,254.76</u>	<u>\$ 21,219.34</u>	<u>\$ 79,474.10</u>	<u>\$ 13,809.23</u>	<u>\$ 65,664.87</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-11

SCHEDULE OF ACCRUED INTEREST ON NOTES AND LOANS

FOR THE YEAR ENDED DECEMBER 31,2016

Balance December 31, 2015	\$ 43,525.87
Increased by:	
Budget Appropriation for Interest on Notes	<u>99,993.55</u>
	143,519.42
Decreased by:	
Disbursements	<u>101,480.88</u>
Balance December 31, 2016	<u>\$ 42,038.54</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-12

SCHEDULE OF CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED DECEMBER 31,2016

Balance December 31, 2015	\$ 33,460.00
Increased by:	
Budget Appropriation	<u>1,000.00</u>
Balance December 31, 2016	<u>\$ 34,460.00</u>

SCHEDULE OF RESERVE FOR AMORTIZATION

Exhibit D-13

Balance December 31, 2015	\$ 3,303,172.18
Increased by:	
Paid by Budget Appropriation:	
Infrastructure Loans	\$ 21,672.74
Serial Bonds	46,637.28
Transfer from Deferred Reserve for Amortization	<u>99,196.53</u>
	<u>167,506.55</u>
Balance December 31, 2016	<u>\$ 3,470,678.73</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-14

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2015		2016 Authorizations	Reserve for Encumbrance	Paid or Charged	Cancelled	Balance Dec. 31, 2016	
				Funded	Unfunded					Funded	Unfunded
03-03	Installation of New Sewer Mains	3/11/2003	\$ 76,000.00	\$	\$	\$	\$ 2,700.00	\$	\$	\$	\$
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	150,000.00								
08-12	Various Water and Sewer Improvements	9/09/2008	20,000.00	1,632.00	12,500.00			14,132.00			
09-04/15-07	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	20,000.00								
09-08/15-08	Replacement of Pump Stations	10/29/2009	70,000.00	20,000.00	21,936.37		1,725.00			18,275.00	14,433.87
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	1,924,640.00	489,777.63			34,880.70			456,051.93	
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	2,747,650.00	158,311.93	19,150.00		41,041.18			221,932.72	151,503.33
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	268,502.72			46,570.00				
16-09	Various Water and Sewer Improvements	8/09/2016	937,500.00			937,500.00	26,238.75				911,261.25
				\$ 938,224.28	\$ 53,586.37	\$ 937,500.00	\$ 18,937.58	\$ 160,658.13	\$ 14,132.00	\$ 696,259.65	\$ 1,077,198.45
	Disbursed Reserve for Encumbrances						\$ 151,008.13				
							\$ 9,650.00				
							\$ 160,658.13				

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-15

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Ordinance Number</u>	<u>Project</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2015</u>	<u>Loans Paid by Budget Appropriations</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, 2016</u>
			\$	\$	\$	\$	\$	\$
03-03	Installation of New Sewer Mains	3/11/2003	\$ 32,962.83				\$ 32,962.83	
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	47,513.28				47,513.28	
08-12	Various Water and Sewer Improvements	9/09/2008	4,217.52		1,632.00	304.38	2,889.90	
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	1,000.00					1,000.00
09-08	Replacement of Pump Stations	10/29/2009	3,500.00					3,500.00
09-09	Preliminary and Final Design for Replacement of Water Treatment Plant	12/08/2009	15,830.52				15,830.52	
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	456,694.19	97,863.04				554,557.23
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	566,847.46	104,110.17				670,957.63
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	67,454.43	10,975.93		4,058.34		82,488.70
			\$ 1,196,020.23	\$ 212,949.14	\$ 1,632.00	\$ 4,362.72	\$ 99,196.53	\$ 1,312,503.56

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-16

SCHEDULE OF WATER-SEWER SERIAL BONDS

FOR THE YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Original Issue	Maturities of		Interest Rate	Balance Dec. 31, 2015	Paid by Budget Appropriation	Balance Dec. 31, 2016
			Date	Amount				
Water-Sewer Improvement Bonds	2011	\$ 754,000.00						
			2017	51,000.00	2.00%			
			2018	51,000.00	2.00%			
			2019	51,000.00	2.25%			
			2020	51,000.00	2.38%			
			2021	51,000.00	2.50%			
			2026	244,000.00	3.00%	\$ 550,000.00	\$ 51,000.00	\$ 499,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-17

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

FOR THE YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2016	Interest Rates	Balance Dec. 31, 2015	Budget Appropriation	Balance Dec. 31, 2016
Utility System	2006	\$	Year	Amount	Year	Amount	Year
		\$ 205,000.00	2017	10,000.00			
			2018	10,000.00	4.00%		
			2019	10,000.00	4.00%		
			2020	10,000.00	4.00%		
			2021	10,000.00	4.125%		
			2022	15,000.00	4.125%		
			2023	15,000.00	4.25%		
			2024	15,000.00	5.00%		
			2025	15,000.00	4.25%		
			2026	15,000.00	4.25%		
						\$ 135,000.00	\$ 125,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-18

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

FOR THE YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Year	Amount				
Utility System	2006	\$ 198,500.00	2017	9,678.35				
			2018	9,425.21				
			2019	9,172.09				
			2020	8,918.95				
			2021	8,665.82				
			2022	11,568.93				
			2023	11,177.37				
			2024	10,773.94				
			2025	10,299.31				
			2026	9,896.10	0.00%	\$ 109,570.84	\$ 9,994.77	\$ 99,576.07

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-19

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

FOR THE YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Year	Amount				
Utility System:	2010	\$ 2,275,000.00						
			2017	95,000.00	5.00%			
			2018	100,000.00	5.00%			
			2019	105,000.00	5.00%			
			2020	110,000.00	5.00%			
			2021	115,000.00	5.00%			
			2022	120,000.00	5.00%			
			2023	130,000.00	5.00%			
			2024	135,000.00	5.00%			
			2025	140,000.00	5.00%			
			2026	150,000.00	5.00%			
			2027	155,000.00	5.00%			
			2028	165,000.00	5.00%			
			2029	165,000.00	5.00%			
			2030	175,000.00	5.00%			
						\$ 1,950,000.00	\$ 90,000.00	\$ 1,860,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-20

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

FOR THE YEAR ENDED DECEMBER 31, 2016

Purpose	Date of Issue	Amount of Original Issue	Maturities Outstanding December 31, 2016		Interest Rate	Balance Dec. 31, 2015	Decreased	Balance Dec. 31, 2016
			Year	Amount				
Utility System:	2010	\$ 2,451,000.00	2017	\$ 124,627.11				
			2018	124,627.11				
			2019	124,627.11				
			2020	124,627.11				
			2021	124,627.11				
			2022	124,627.11				
			2023	124,627.11				
			2024	124,627.11				
			2025	124,627.11				
			2026	124,627.11				
			2027	124,627.11				
			2028	80,161.50	0.00%	\$ 1,869,406.82	\$ 418,347.11	\$ 1,451,059.71
							\$ 124,627.11	
							293,720.00	
							\$ 418,347.11	

Current Year Principal Payment
De-Obligated Loan Allotment

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-21

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

FOR THE YEAR ENDED DECEMBER 31,2016

<u>Ordinance Number</u>	<u>Project</u>	<u>Balance Dec. 31, 2016</u>
08-09	Repair and Replacement of Pumps at Pump Stations	\$ 4,250.00
09-08	Replacement of Pump Stations	66,500.00
10-03	Installation of a New Water Storage Tank	120,991.05
10-04	Replacement of Pump Stations (Amending 09-08)	17,250.00
10-05	Replacement of Water Treatment Plant (Amending 09-09)	191,878.95
16-09	Various Water and Sewer Improvements	937,500.00
		<u>\$ 1,338,370.00</u>

**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

**PART II
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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HOLMAN | FRENIA
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The Honorable Mayor and Members of the
Borough Council
Borough of Island Heights, New Jersey

We have audited the financial statements of the Borough of Island Heights in the County of Ocean for the year ended December 31, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

GENERAL COMMENTS

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

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

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

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

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 Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$6,000 for the period of January 1, 2016 to December 31, 2016, thereafter "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 5, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

“The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500 and 18% per annum on any amount in excess of \$1,500 becoming delinquent after due date, subject to any abatement or discount for the late payment of taxes as provided by law.”

The governing body on January 5, 2016 also adopted resolutions authorizing interest to be charged on delinquent water-sewer charges:

“... the rate of interest to be charged to the non-payment of Water and Sewer, on or before the date when they would become delinquent shall be at the rate of 18% per annum, except no interest shall be charged if the payment of the installment is made within ten (10) days after the date upon which it became payable...”

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

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2016 included real estate taxes for 2014.

The last tax sale was held on July 7, 2016 and was complete.

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

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

YEAR	NUMBER OF LIENS
2016	8
2015	6
2014	6

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

Deductions From Taxes

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

Examination of Bills

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

Payroll Fund

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

Municipal Court

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

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

A test sample was selected of ten (10); five traffic and five criminal cases processed through the system. The purpose of the test was to determine that traffic fines were levied in accordance with State Statutes, that payments were deposited intact and on a timely basis, that dispositions were entered in traffic and criminal dockets, closure procedures for delinquent traffic tickets were enforced and that proper procedures were in effect for defendants paying on a the partial payment system. This test disclosed no discrepancies regarding fines being properly levied, entering of dispositions and closure procedures.

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

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

Tax Collector's Annual Report

N.J.S.54:4-91 requires that on or before May 1st of each year, the Tax Collector shall file with the Treasurer and the governing body a statement of receipts during the preceding year as well as added assessments, taxes canceled and taxes unpaid as of December 31, all for the preceding tax year. This report was filed in 2016 with the governing body.

Construction Code Office

- (1) **Indirect Costs** – Indirect costs are not allocated to the Construction Code Budget Appropriation.
- (2) **Annual Report** – An annual report of revenue, expenditures and a recommendation for any fee increase or decrease was filed with the governing body.
- (3) **Construction Code Costs** – A test was conducted to determine that all revenues collected for construction code fees are applied to pay for municipal costs of enforcing the Uniform Construction Code [N.J.A.C.5:23.17(c)2]. No exceptions were discovered as a result of the test that would indicate that construction code revenues were not being applied to pay for costs related to enforcement of the Uniform Construction Code.
- (4) **Construction Code Permits** – A test of the fees charged for construction code permits disclosed no exceptions regarding charges being levied in accordance with the Borough Ordinances in effect.

Prior Year Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no prior year findings.

OFFICIALS IN OFFICE AND SURETY BONDS

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

NAME	POSITION	AMOUNT OF BOND	
Jeffrey B. Silver	Mayor	\$50,000	
Steven Berglund	Council President	\$50,000	
John Bendel	Councilman	\$50,000	
Sean Asay	Councilman	\$50,000	
Kieran Pillion	Councilman	\$50,000	
Sandra Blain-Snow	Councilwoman	\$50,000	
Susan Thompson	Councilwoman	\$50,000	
Katherine Fenton-Newman	Borough Clerk	\$50,000	
Margaret Gorman	Chief Financial Officer	\$1,000,000	(A)
Wendy Prior	Tax Collector	\$1,000,000	(A)
Damian G. Murray Esq.	Magistrate	\$1,000,000	(A)
Elizabeth Boettger	Court Administrator	\$1,000,000	(A)

(A) Covered under the Blanket Bond Coverage through the Ocean Joint Insurance Fund for \$1,000,000.00, subject to a \$2,500 deductible.

Acknowledgment

We express our appreciation for the assistance and courtesies extended to the members of the audit team. The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, please contact us.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA# 435

June 23, 2017
Toms River, New Jersey