

**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

**AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2013**

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**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:		
Comparative Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	A	9
Comparative Statement 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:		
Comparative Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	B	23
General Capital Fund:		
Comparative Statements of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	C	24
Statement of Fund Balance – Regulatory Basis	C-1	25
Water-Sewer Utility Fund:		
Comparative Statement of Assets, Liabilities, Reserves & Fund Balance – Regulatory Basis	D	26
Comparative Statement of Operations & Change in Fund Balance – Regulatory Basis	D-1	28
Statement of Capital Fund Balance – Regulatory Basis	D-2	29
Statement of Revenues – Operating Fund Regulatory Basis	D-3	30
Statement of Expenditures – Operating Fund Regulatory Basis	D-4	31
Payroll Fund:		
Comparative Statement of Assets and Liabilities - Regulatory Basis	G	32
General Fixed Assets Account Group:		
Comparative Statement of Assets and Reserves Regulatory Basis	H	33
Notes to Financial Statements		37

(continued)

	PART I	PAGE
Supplemental Exhibits:		
Current Fund		
Schedule of Cash – Treasurer	A-4	57
Schedule of Taxes Receivable & Analysis of Property Tax Levy	A-5	58
Schedule of Tax Title Liens	A-6	59
Schedule of Revenue Accounts Receivable	A-7	60
Schedule of County Taxes Payable	A-8	61
Schedule of Local School District Tax Payable	A-9	62
Schedule of Regional High School Tax Payable	A-10	63
Schedule of Appropriation Reserves	A-11	64
Schedule of Interfunds	A-12	69
Schedule of Interfund – Grant Fund	A-13	70
Schedule of Grants Receivable – Grant Fund	A-14	71
Schedule of Reserve for State & Federal Grants - Appropriated	A-15	72
Schedule of Reserve for State & Federal Grants Unappropriated	A-16	73
Trust Fund:		
Schedule of Trust Cash	B-1	77
Schedule of Amount Due State of New Jersey	B-2	78
Schedule of Reserves for Animal Control	B-3	78
Schedule of Interfund – Current Fund	B-4	79
Schedule of Miscellaneous Reserves	B-5	80
Schedule of LOSAP	B-6	81
General Capital Fund:		
Schedule of General Capital Cash	C-2	85
Analysis of General Capital Cash	C-3	86
Schedule of Deferred Charges to Future Taxation- Funded	C-4	87
Schedule of Deferred Charges to Future Taxation-Unfunded	C-5	88
Schedule of Capital Improvement Fund	C-6	89
Schedule of Improvement Authorizations	C-7	90
Schedule of General Serial Bonds	C-8	91
Statement of Green Trust Loan Program Payable	C-9	92
Schedule of Bond Anticipation Notes	C-10	94
Schedule of Grants Receivable	C-11	95
Schedule of Bonds and Notes Authorized	C-12	96
Water - Sewer Utility Fund:		
Schedule of Water-Sewer Utility Cash Treasurer	D-5	99
Analysis of Water-Sewer Utility Capital Cash	D-6	100
Schedule of Consumer Accounts Receivable	D-7	101
Schedule of Fixed Capital	D-8	102
Schedule of Fixed Capital Authorized and Uncompleted	D-9	103
Schedule of Interfunds – Operating Fund	D-10	104
Schedule of Interfunds – Capital Fund	D-11	104

(continued)

PART I		PAGE
Schedule of Appropriation Reserves	D-12	105
Schedule of Accrued Interest on Notes and Loans	D-13	106
Schedule of Improvement Authorizations	D-14	107
Schedule of Capital Improvement Fund	D-15	108
Schedule of Reserve for Amortization	D-16	108
Schedule of Reserve for Deferred Amortization	D-17	109
Schedule of Water-Sewer Serial Bonds	D-18	110
Schedule of NJ Environmental Infrastructure Trust Loan	D-19	111
Schedule of NJ Environmental Infrastructure Fund Loan	D-20	112
Schedule of NJ Environmental Infrastructure Trust Loan	D-21	113
Schedule of NJ Environmental Infrastructure Fund Loan	D-22	114
Schedule of Bonds and Notes Authorized Not Issued	D-23	115

PART II

Supplementary Data:

Comparative Schedule of Tax Rate Information	119
Comparison of Tax Levies And Collection Currently Delinquent Taxes and Tax Title Liens	119
Comparison of Water-Sewer Rents Levied	120
Comparative Schedule of Fund Balances	120
Summary of Municipal Debt	120
Summary of Statutory Debt Condition – Annual Debt Statement	121
Borrowing Power Under N.J.S.A. 40A:2-6	121
Calculation of “Self-Liquidating Purpose” Water-Sewer Utility Per N.J.S 40A:2-45	121

Single Audit Section:

Independent Auditor’s Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures Of Federal Awards and State Financial Assistance Required by OMB Circular A-133 And NJ OMB Circular 04-04	125	
Schedule of Expenditures of Federal Awards	Schedule 1	128
Schedule of Expenditures of State Awards	Schedule 2	129
Notes to Schedule of Expenditures of Federal and State Awards		130
Schedule of Findings & Questioned Costs	K-6	131

PART III

Comments and Recommendations:

General Comments	137
Officials in Office and Surety Bonds	141
Acknowledgment	142

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**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

PART I

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying comparative statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Borough of Island Heights, County of Ocean, State of New Jersey as of December 31, 2013 and 2012, and the related comparative statements of operations and changes in fund balance--regulatory basis for the years then ended, the related statements of revenues--regulatory basis, statements of expenditures--regulatory basis, and the related notes to the financial statements for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As discussed in Note 1 to the financial statements, the Borough of Island Heights 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 these 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 U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” 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, 2013 and 2012, 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 has not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Fund, and represent 73.83% and 71.77% of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Borough of Island Heights, County of Ocean, State of New Jersey, as of December 31, 2013 and 2012, and the results of its operations and changes in fund balance --regulatory basis of such funds for the years then ended, and the related statement of revenues--regulatory basis, statement of expenditures--regulatory basis of the various funds, and the related notes to financial statements, for the year ended December 31, 2013 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 made for the purpose of forming an opinion on the financial statements referred to in the first paragraph as a whole. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are also not required parts 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.

Prior Period Financial Statements

The financial statements as of December 31, 2012, were audited by other auditors whose report dated December 3, 2013 expressed an qualified opinion on the regulatory basis of accounting.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014, on our consideration of the Borough of Island Heights internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Island Heights internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.



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

July 25, 2014
Medford, 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Borough of Island Heights (herein referred to as “the Borough”), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements, and have issued our report thereon dated July 25, 2014 in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the accounting practices prescribed by the Division of Local Government Services.

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 noted certain matters

involving the internal control over financial reporting and its operation that we consider to be a material weakness. 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
CR# 435

July 25, 2014
Medford, New Jersey

BASIC FINANCIAL STATEMENTS

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

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

Sheet 1 of 2

DECEMBER 31, 2013 AND 2012

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>Assets</u>			
Cash	A-4	\$ 1,516,371.36	\$ 1,353,814.32
Cash - Change Fund		50.00	50.00
		<u>1,516,421.36</u>	<u>1,353,864.32</u>
Due from State of New Jersey (Chapter 20, P.L. 1971)	A-4,5	1,671.12	4,013.12
		<u>1,518,092.48</u>	<u>1,357,877.44</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	138,317.07	146,342.32
Tax Title Liens Receivable	A-6	7,931.56	5,422.51
Revenue Accounts Receivable	A-7	1,985.66	2,157.90
Interfunds:			
Animal Control Trust Fund	A-12	.86	
General Capital Fund	A-12	3.01	40,238.01
Other Trust Fund	A-12	5.56	
		<u>148,243.72</u>	<u>194,160.74</u>
Deferred Charges:			
Emergency Authorizations	A-3	35,000.00	25,000.00
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	A-3	48,000.00	60,000.00
		<u>83,000.00</u>	<u>85,000.00</u>
		<u>1,749,336.20</u>	<u>1,637,038.18</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-13	60,629.91	57,201.65
Grants Receivable	A-14	50,602.61	46,080.74
		<u>111,232.52</u>	<u>103,282.39</u>
		<u>\$ 1,860,568.72</u>	<u>\$ 1,740,320.57</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2013 AND 2012

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Liabilities:			
Appropriation Reserves	A-3,11	\$ 267,008.19	\$ 258,941.22
Reserve for Encumbrances	A-3,11	34,658.26	100,418.07
Spending Reserve - Hurricane Sandy	A-3	30,038.94	28,301.75
Due to State of New Jersey - Various Fees	A-4	125.00	355.00
Tax Overpayments	A-4		1,222.79
Prepaid Taxes	A-4,5	47,036.95	28,047.38
Accounts Payable	A-4,11	134,798.72	58,385.81
County Taxes Payable	A-8	891.08	
Local District School Tax Payable	A-9	326,362.00	288,357.00
Regional High School Tax Payable	A-10	288,109.32	342,638.72
Interfunds:			
Grant Fund	A-13	60,629.91	57,201.65
Special Emergency Note Payable	A	48,000.00	60,000.00
Revenue Reserve - FEMA	A-4	96,274.62	28,125.00
		<u>1,333,932.99</u>	<u>1,251,994.39</u>
Reserve for Receivables and Other Assets		148,243.72	194,160.74
Fund Balance	A-1	267,159.49	190,883.05
		<u>1,749,336.20</u>	<u>1,637,038.18</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-15	102,362.49	101,509.44
Reserve for Encumbrances		4,191.78	
Unappropriated Reserves	A-16	4,678.25	1,772.95
		<u>111,232.52</u>	<u>103,282.39</u>
		<u>\$ 1,860,568.72</u>	<u>\$ 1,740,320.57</u>

There were deferred school taxes on December 31, 2013 and 2012 of \$804,999.90 (see Note 11).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND

Sheet 1 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 165,176.00	\$ 232,328.11
Miscellaneous Revenue Anticipated	A-2	395,979.96	472,152.82
Receipts from Delinquent Taxes	A-2	146,317.03	102,121.28
Receipts from Current Taxes	A-2	5,818,611.63	5,840,955.30
Non-Budget Revenues	A-2	77,298.24	35,941.54
Other Credits to Income:			
Reimbursements	A-4		3,588.76
Unexpended Balance of Appropriation Reserves	A-11	120,916.60	110,130.93
Grant Fund Cancelled Excess	A-13		114.65
Interfunds Liquidated		40,228.58	19,165.12
Accounts Payable Cancelled		9,497.28	
Total Income		<u>6,774,025.32</u>	<u>6,816,498.51</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		889,320.00	879,016.00
Other Expenses		891,935.00	909,910.00
Deferred Charges and Statutory Expenditures		166,898.00	188,011.00
Budget Appropriations excluded from Caps:			
Operations:			
Other Expenses		40,622.60	98,541.14
Capital Improvements			20,000.00
Municipal Debt Service		189,341.55	190,434.92
Deferred Charges		37,000.00	30,000.00
	A-3	<u>2,215,117.15</u>	<u>2,315,913.06</u>
Refund of Prior Year Revenue	A-4	225.00	
Due from State of New Jersey (Ch. 20, P.L. 1971) - Cancelled		2,313.01	
County Taxes	A-8	1,363,334.72	1,410,896.16
Local School Tax Payable Adjustment	A-9	9,113.00	
Local District School Tax	A-9	1,823,853.00	1,766,030.00
Regional High School Tax	A-10	1,153,617.00	1,269,215.42
Total Expenditures		<u>6,567,572.88</u>	<u>6,762,054.64</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND

Sheet 2 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2013</u>	<u>Year 2012</u>
Excess in Revenue		\$ 206,452.44	\$ 54,443.87
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year	A-3	35,000.00	85,000.00
Statutory Excess to Fund Balance		241,452.44	139,443.87
Fund Balance January 1	A	190,883.05	283,767.29
		432,335.49	423,211.16
Decreased by:			
Utilization as Anticipated Revenue	A-2	165,176.00	232,328.11
Fund Balance December 31	A	\$ 267,159.49	\$ 190,883.05

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

		<u>Anticipated</u>			
	<u>Ref.</u>	<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 165,176.00	\$ _____	\$ 165,176.00	\$ _____
<u>Miscellaneous Revenues</u>					
Local Aid:					
	A-7	6,600.00		4,718.50	(1,881.50)
Fines and Costs, Municipal Court	A-7	35,125.00		31,282.75	(3,842.25)
Interest and Costs on Taxes	A-7	20,500.00		24,939.16	4,439.16
Interest on Investments and Deposits	A-7	502.69		554.87	52.18
Beach Fees	A-7	21,500.00		18,875.00	(2,625.00)
Cable Television Franchise Fees	A-7	22,300.00		23,479.82	1,179.82
Post Office Lease	A-7	40,950.00		40,980.00	30.00
Antenna Lease	A-7	123,400.00		106,308.92	(17,091.08)
Uniform Construction Code Fees	A-7	18,000.00		16,811.00	(1,189.00)
State Aid:					
Consolidated Municipal Property Tax Act	A-7	7,767.00		7,767.00	
Energy Receipts Tax	A-7	109,640.00		109,640.34	0.34
Special Items:					
Federal and State Programs Offset by Revenues:					
Body Armor Fund	A-13	1,375.66		1,375.66	
Clean Communities Program	A-13		4,327.78	4,327.78	
Recycling Tonnage Grant	A-13	397.29		397.29	
966 Equipment Grant	A-13		4,521.87	4,521.87	
Total Miscellaneous Revenues	A-1	<u>408,057.64</u>	<u>8,849.65</u>	<u>395,979.96</u>	<u>(20,927.33)</u>

13

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

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Receipts from Delinquent Taxes	A-1,5	\$ 146,000.00	\$	\$ 146,317.03	\$ 317.03
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	1,636,000.00		1,644,714.60	8,714.60
Budget Totals		<u>2,355,233.64</u>	<u>8,849.65</u>	<u>2,352,187.59</u>	<u>(11,895.70)</u>
Non-Budget Revenues	A-1,4			77,298.24	77,298.24
		<u>\$ 2,355,233.64</u>	<u>\$ 8,849.65</u>	<u>\$ 2,429,485.83</u>	<u>\$ 65,402.54</u>
	Ref.	A-3	A-3		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 3

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 5,818,611.63
Allocated to School and County Taxes	A-8,9,10	<u>4,340,804.72</u>
Balance for Support of Municipal Budget		
Appropriations		1,477,806.91
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>166,907.69</u>
 Amount for Support of Municipal Budget		
Appropriations	A-2	<u><u>\$ 1,644,714.60</u></u>
 <u>Analysis of Non-Budget Revenue</u>		
Miscellaneous Revenue not Anticipated:		
Insurance Proceeds		\$ 42,584.31
Reimbursements		20,008.85
Police Special Duty Administration Fees		4,885.00
Prior Period Grant Reimbursements		4,100.00
Miscellaneous Other		<u>5,720.08</u>
	A-1,2	<u><u>\$ 77,298.24</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

	<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	\$ 17,000.00	\$ 14,500.00	\$ 13,421.34	\$ 1,078.66	\$
Mayor and Council					
Salaries and Wages	19,000.00	19,000.00	18,137.00	863.00	
Other Expenses	2,000.00	1,800.00	1,143.00	657.00	
Municipal Clerk					
Salaries and Wages	76,000.00	73,500.00	61,854.55	11,645.45	
Other Expenses	6,000.00	5,400.00	2,286.30	3,113.70	
Advertising Budget	500.00	500.00	198.12	301.88	
Elections					
Other Expenses	10,000.00	10,000.00	185.53	9,814.47	
Financial Administration					
Salaries and Wages	33,200.00	33,200.00	31,333.25	1,866.75	
Other Expenses	8,000.00	8,700.00	7,525.06	1,174.94	
Audit	16,000.00	21,000.00		21,000.00	
Computerized Data Processing					
Other Expenses	7,000.00	8,500.00	6,897.25	1,602.75	
Collection of Taxes					
Salaries and Wages	76,100.00	66,600.00	53,954.94	12,645.06	
Other Expenses	4,000.00	4,300.00	3,960.84	339.16	
Assessment of Taxes					
Salaries and Wages	15,000.00	14,000.00	12,947.00	1,053.00	
Other Expenses	1,000.00	1,000.00	649.30	350.70	
Tax Map Revisions	2,000.00	1,400.00	30.00	1,370.00	
Legal Services and Costs					
Advertising and Legal Notices	5,000.00	4,500.00	2,885.50	1,614.50	
Other Expenses	47,000.00	43,500.00	33,815.68	9,684.32	
Counsel - Labor					
Other Expenses	5,000.00	7,000.00	6,446.40	553.60	

19

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

	<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	\$ 25,000.00	\$ 22,000.00	\$ 18,633.00	\$ 3,367.00	\$
Environmental Investigation at Borough Garage	35,000.00	35,000.00	4,580.82	30,419.18	
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	6,000.00	5,800.00	5,408.00	392.00	
Other Expenses - Legal	3,000.00	2,000.00	1,439.00	561.00	
Other Expenses - Miscellaneous	750.00	950.00	720.99	229.01	
Insurance					
General Liability	25,600.00	25,600.00	25,600.00		
Other Insurance	22,200.00	22,200.00	22,200.00		
Workers Compensation	63,000.00	60,500.00	60,278.04	221.96	
Employee Group Insurance	109,000.00	149,000.00	136,964.20	12,035.80	
Police					
Salaries and Wages	465,000.00	444,500.00	414,830.32	29,669.68	
Other Expenses	30,000.00	26,500.00	25,569.73	930.27	
Medical Testing	2,500.00	1,000.00		1,000.00	
Crossing Guards and Badge Checkers					
Salaries and Wages	13,900.00	11,900.00	11,670.79	229.21	
Other Expenses	1,000.00	500.00		500.00	
Emergency Management Service					
Salaries and Wages	2,500.00	2,500.00	2,480.00	20.00	
Other Expenses	4,025.00	3,025.00	3,012.96	12.04	
First Aid					
Other Expenses	1,700.00	2,000.00	1,700.00	300.00	
Contribution	4,500.00	4,500.00	4,500.00		
Fire Department					
Other Expenses	4,000.00	4,300.00	3,998.23	301.77	
Contribution	20,000.00	20,000.00	20,000.00		

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Prosecutor					
Salaries and Wages	\$ 11,300.00	\$ 11,300.00	\$ 10,758.25	\$ 541.75	\$
Other Expenses	700.00	700.00	525.00	175.00	
Municipal Court					
Salaries and Wages	24,870.00	21,870.00	19,673.03	2,196.97	
Other Expenses	4,400.00	3,100.00	2,507.32	592.68	
Public Defender					
Salaries and Wages	1,200.00	1,200.00		1,200.00	
Other Expenses	1,000.00	1,000.00		1,000.00	
Public Buildings, Grounds, Parks, Playgrounds and Beaches					
Salaries and Wages	89,600.00	100,600.00	90,457.72	10,142.28	
Other Expenses	48,000.00	51,500.00	41,289.83	10,210.17	
Solid Waste Collection					
Contractual	152,000.00	160,100.00	141,978.69	18,121.31	
Other Expenses	500.00	200.00		200.00	
Recycling					
Salaries and Wages	38,400.00	38,400.00	37,105.93	1,294.07	
Other Expenses	7,000.00	6,500.00	4,889.61	1,610.39	
Vehicle Maintenance					
Other Expenses	27,000.00	28,500.00	22,517.98	5,982.02	
Shade Trees					
Other Expenses	250.00	250.00		250.00	
Snow Removal					
Salaries and Wages	8,000.00	8,000.00	924.39	7,075.61	
Other Expenses	8,000.00	8,000.00	40.99	7,959.01	
Board of Health					
Salaries and Wages	500.00				
Other Expenses	500.00	200.00		200.00	

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

	<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>	
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	\$ 10.00	\$ 10.00	\$	\$ 10.00	\$
Environmental Commission					
Other Expenses	2,000.00	2,000.00	245.00	1,755.00	
Dog Regulation					
Other Expenses	2,000.00	1,500.00	1,396.88	103.12	
Senior Advisory Committee					
Other Expenses	500.00	500.00		500.00	
Beachfront Maintenance					
Salaries and Wages - Lifeguards	7,300.00	5,800.00	4,194.50	1,605.50	
Other Expenses	3,000.00	3,700.00	2,777.30	922.70	
Recreation					
Salaries and Wages	2,000.00	2,000.00	2,000.00		
Other Expenses	4,200.00	2,200.00	1,560.55	639.45	
Participation in Free County Library	3,000.00	3,000.00	3,000.00		
Salary Settlements and Adjustments	7,500.00	7,500.00		7,500.00	
Deferred Sick Time	8,000.00	8,000.00	8,000.00		
<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	6,500.00	6,000.00	5,521.75	478.25	
Other Expenses	500.00	200.00		200.00	
Construction Code Official					
Salaries and Wages	11,000.00	11,000.00	10,255.00	745.00	
Other Expenses	1,000.00	300.00		300.00	
Fire Official					
Salaries and Wages	4,650.00	4,650.00	4,316.25	333.75	
Other Expenses	500.00	300.00	102.00	198.00	

19

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

	<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	\$ 22,000.00	\$ 21,500.00	\$ 19,049.98	\$ 2,450.02	\$
Electricity	34,000.00	26,700.00	20,809.34	5,890.66	
Telephone	15,000.00	15,500.00	14,562.56	937.44	
Natural Gas	12,000.00	15,000.00	14,894.56	105.44	
Street Lighting	23,000.00	20,300.00	17,058.89	3,241.11	
Total Operations within Caps	<u>1,781,355.00</u>	<u>1,781,255.00</u>	<u>1,523,670.44</u>	<u>257,584.56</u>	
Detail:					
Salaries and Wages	912,020.00	889,320.00	797,822.67	91,497.33	
Other Expenses	869,335.00	891,935.00	725,847.77	166,087.23	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Public Employees' Retirement System	47,060.00	47,060.00	47,060.00		
Social Security System (O.A.S.I.)	64,000.00	66,100.00	62,728.40	3,371.60	
Police and Firemen's Retirement System	48,978.00	48,978.00	48,978.00		
Unemployment Compensation Insurance	5,600.00	4,600.00	3,407.97	1,192.03	
Defined Contribution Retirement Program	160.00	160.00		160.00	
Total Statutory Expenditures within Caps	<u>165,798.00</u>	<u>166,898.00</u>	<u>162,174.37</u>	<u>4,723.63</u>	
Total Appropriations within Caps	<u>1,947,153.00</u>	<u>1,948,153.00</u>	<u>1,685,844.81</u>	<u>262,308.19</u>	
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Employee Group Health	1,000.00				
Length of Service Awards Program (LOSAP)	30,000.00	30,000.00	25,300.00	4,700.00	
<u>Public and Private Programs Offset by Revenues</u>					
Body Armor Fund	1,375.66	1,375.66	1,375.66		
Clean Communities Grant	4,327.78	4,327.78	4,327.78		
Recycling Tonnage Grant	397.29	397.29	397.29		
966 Equipment Grant	4,521.87	4,521.87	4,521.87		
Total Operations excluded from Caps	<u>41,622.60</u>	<u>40,622.60</u>	<u>35,922.60</u>	<u>4,700.00</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

	<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>	
Detail:					
Other Expenses	\$ 41,622.60	\$ 40,622.60	\$ 35,922.60	\$ 4,700.00	\$
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	109,000.00	109,000.00	109,000.00		
Interest on Bonds	41,000.00	41,000.00	40,925.00		75.00
Loan Repayments for Principal and Interest					
Principal	28,700.00	28,700.00	28,662.44		37.56
Interest	8,700.00	8,700.00	8,647.47		52.53
Capital Lease Obligations Approved After 7/01/2007					
Principal	19,000.00	19,000.00	2,106.64		16,893.36
Total Municipal Debt Service excluded from Caps	<u>206,400.00</u>	<u>206,400.00</u>	<u>189,341.55</u>		<u>17,058.45</u>
<u>DEFERRED CHARGES EXCLUDED FROM CAPS</u>					
Emergency Authorizations	25,000.00	25,000.00	25,000.00		
Special Emergency Authorizations - 3 Years	12,000.00	12,000.00	12,000.00		
Total Deferred Charges excluded from Caps	<u>37,000.00</u>	<u>37,000.00</u>	<u>37,000.00</u>		
Total General Appropriations excluded from Caps	<u>285,022.60</u>	<u>284,022.60</u>	<u>262,264.15</u>	4,700.00	17,058.45
Subtotal General Appropriations	2,232,175.60	2,232,175.60	1,948,108.96	267,008.19	17,058.45
Reserve for Uncollected Taxes	166,907.69	166,907.69	166,907.69		
Total General Appropriations	\$ <u>2,399,083.29</u>	\$ <u>2,399,083.29</u>	\$ <u>2,115,016.65</u>	\$ <u>267,008.19</u>	\$ <u>17,058.45</u>
Ref.	A-3	A-3	A-3	A	A-1

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 7

	<u>Ref.</u>	<u>Budget After Modification</u>
Adopted Budget	<u>A-2,3</u>	\$ 2,355,233.64
Emergency Authorizations	A, A-1	35,000.00
Appropriation (40A:4-87)	A-2	<u>8,849.65</u>
	A-1,3	<u>\$ 2,399,083.29</u>
	<u>Ref.</u>	<u>Paid or Charged</u>
Disbursements	<u>A-4</u>	\$ 1,865,828.10
Interfund - Grant Fund	A-13	10,622.60
Deferred Charges Raised:		
Emergency Appropriations	A	25,000.00
Special Emergency Authorizations - 3 Years		12,000.00
Reserve for Encumbrances	A	34,658.26
Reserve for Uncollected Taxes	A-2	<u>166,907.69</u>
	A-3	<u>\$ 2,115,016.65</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2013 AND 2012

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ <u>271.57</u>	\$ <u>1,992.03</u>
<u>Other Trust Fund</u>			
Cash	B-1	<u>131,069.70</u>	<u>119,206.51</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Funds Held by Trustee	B-6	<u>370,558.40</u>	<u>308,104.27</u>
		<u>\$ 501,899.67</u>	<u>\$ 429,302.81</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Reserve for Animal Control Trust Fund Expenditures	B-3	\$ 270.71	\$ 1,992.03
Interfund - Current Fund	B-4	.86	
		<u>271.57</u>	<u>1,992.03</u>
<u>Other Trust Fund</u>			
Interfund - Current Fund	B-4	5.56	
Miscellaneous Reserves	B-5	<u>131,064.14</u>	<u>119,206.51</u>
		<u>131,069.70</u>	<u>119,206.51</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-6	<u>370,558.40</u>	<u>308,104.27</u>
		<u>\$ 501,899.67</u>	<u>\$ 429,302.81</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

RESERVES AND FUND BALANCE - REGULATORY BASIS

DECEMBER 31, 2013 AND 2012

<u>Assets</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Cash	C-2	\$ 85,246.66	\$ 44,596.27
Deferred Charges to Future Taxation:			
Capital Lease Obligations (Memo)	C	54,097.96	
Funded	C-4	1,814,841.01	1,952,503.45
Unfunded	C-5	723,338.08	623,114.96
Grants Receivable	C-11	254,795.92	154,738.56
		<u>\$ 2,932,319.63</u>	<u>\$ 2,774,953.24</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Capital Improvement Fund	C-6	\$ 77,579.36	\$ 84,329.36
Improvement Authorizations:			
Funded	C-7	319,773.77	216,125.06
Unfunded	C-7	329,710.89	340,696.40
Reserve for Encumbrances	C-7	4,519.86	80,435.02
General Serial Bonds	C-8	1,404,000.00	1,513,000.00
Green Trust Loan Payable	C-9	410,841.01	439,503.45
Bond Anticipation Notes	C-10	264,000.00	
Capital Lease Obligations (Memo)	C	54,097.96	
Interfund - Current Fund		3.01	40,238.01
Reserve for Benches	C-3	19,760.00	19,364.00
Fund Balance	C-1	48,033.77	41,261.94
		<u>\$ 2,932,319.63</u>	<u>\$ 2,774,953.24</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$461,781.57 and \$623,114.96, respectively (Schedule C-12).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2012	<u>C</u>	\$ 41,261.94
Increased by:		
Funded Improvement Authorizations		
Cancelled	C-7	<u>6,771.83</u>
Balance December 31, 2013	C	<u>\$ 48,033.77</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D

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

Sheet 1 of 2

DECEMBER 31, 2013 AND 2012

<u>Assets</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Operating Fund:			
Cash	D-5	\$ 219,582.16	\$ 225,871.81
Interfunds:			
Water-Sewer Utility Capital Fund	D-10	11.11	13.48
		<u>219,593.27</u>	<u>225,885.29</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	12,778.91	68,270.05
Total Operating Fund		<u>232,372.18</u>	<u>294,155.34</u>
Capital Fund:			
Cash	D-5	299,084.82	286,818.79
Investment in Special Emergency Note -			
Current Fund	D-5	48,000.00	60,000.00
NJ Environmental Infrastructure Loan Receivable		1,267,153.30	2,653,746.00
Fixed Capital	D-8	3,771,261.95	3,771,261.95
Fixed Capital Authorized and Uncompleted	D-9	5,461,558.12	5,461,558.12
Total Capital Fund		<u>10,847,058.19</u>	<u>12,233,384.86</u>
		<u>\$ 11,079,430.37</u>	<u>\$ 12,527,540.20</u>
 <u>Liabilities and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4,12	\$ 30,136.96	\$ 46,649.19
Reserve for Encumbrances	D-4,12	11,985.25	18,379.19
Prepaid Rents	D-5,7	3,689.86	1,413.03
Accounts Payable		1,137.05	
Accrued Interest on Notes and Loans	D-13	48,487.72	52,786.07
		<u>95,436.84</u>	<u>119,227.48</u>
Reserve for Receivables and Other Assets		12,778.91	68,270.05
Fund Balance	D-1	124,156.43	106,657.81
Total Operating Fund		<u>232,372.18</u>	<u>294,155.34</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

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

Exhibit D

Sheet 2 of 2

DECEMBER 31, 2013 AND 2012

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Capital Fund:			
Interfund - Water-Sewer Utility Operating Fund	D-11	\$ 11.11	\$ 13.48
Improvement Authorizations:			
Funded	D-14	1,557,144.46	1,558,641.49
Unfunded	D-14	111,030.26	287,030.26
Reserve for Encumbrances	D-14	21,744.27	1,406,729.66
Capital Improvement Fund	D-15	36,750.00	36,750.00
Reserve for Amortization	D-16	3,195,946.92	3,141,859.67
Reserve for Deferred Amortization	D-17	741,052.49	342,568.62
Utility Serial Bonds	D-18	652,000.00	703,000.00
NJ Environmental Infrastructure:			
Trust Loan	D-19	155,000.00	165,000.00
Fund Loan	D-20	130,509.62	141,453.63
Trust Loan	D-21	2,120,000.00	2,200,000.00
Fund Loan	D-22	2,118,661.04	2,243,288.15
Fund Balance	D-2	7,208.02	7,049.90
Total Capital Fund		<u>10,847,058.19</u>	<u>12,233,384.86</u>
		<u>\$ 11,079,430.37</u>	<u>\$ 12,527,540.20</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, 2013 and 2012 of \$295,650.00 (Exhibit D-23).

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-1

COMPARATIVE STATEMENT OF OPERATIONS AND

CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	D-3	\$ 57,900.00	\$ 111,240.00
Rents	D-3	934,476.95	909,424.95
Miscellaneous Revenue Anticipated	D-3	24,148.87	6,576.13
Water Tower Antenna Lease	D-3	39,583.35	36,733.34
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-12	29,237.15	55,433.62
Total Income		<u>1,085,346.32</u>	<u>1,119,408.04</u>
<u>Expenditures</u>			
Budget:			
Operating		568,900.00	578,000.00
Capital Improvements			10,000.00
Debt Service		427,047.70	473,803.12
Deferred Charges and Statutory Expenditures		14,000.00	12,000.00
Total Expenditures	D-4	<u>1,009,947.70</u>	<u>1,073,803.12</u>
Excess in Revenue		75,398.62	45,604.92
Fund Balance January 1	D	<u>106,657.81</u>	<u>172,292.89</u>
		182,056.43	217,897.81
Decreased by:			
Utilization by Water-Sewer Operating Fund	D-1	<u>57,900.00</u>	<u>111,240.00</u>
Fund Balance December 31	D	<u>\$ 124,156.43</u>	<u>\$ 106,657.81</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

	<u>Ref.</u>	
Balance December 31, 2012	D	\$ 7,049.90
Increased by:		
Funded Improvement Authorizations - Cancelled	D-14	<u>158.12</u>
Balance December 31, 2013	D	<u>\$ 7,208.02</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

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 57,900.00	\$ 57,900.00	\$
Rents	910,580.00	934,476.95	23,896.95
Miscellaneous	6,500.00	24,148.87	17,648.87
Water Tower Antenna Lease	36,000.00	39,583.35	3,583.35
	<u>\$ 1,010,980.00</u>	<u>\$ 1,056,109.17</u>	<u>\$ 45,129.17</u>

Ref. D-4

Analysis of Miscellaneous

Receipts	\$ 24,000.03
Interfund	<u>148.84</u>
	<u>\$ 24,148.87</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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
			<u>Paid or Charged</u>	<u>Reserved</u>	
Operating					
Salaries and Wages	\$ 138,900.00	\$ 140,900.00	\$ 134,042.52	\$ 6,857.48	\$
Other Expenses	124,000.00	121,600.00	109,263.51	12,336.49	
Ocean County Utilities Authority	195,000.00	188,400.00	186,724.20	1,675.80	
Insurance	100,000.00	116,000.00	110,966.97	5,033.03	
Engineering	13,000.00	2,000.00		2,000.00	
Debt Service					
Payment of Bond Principal	51,000.00	51,000.00	51,000.00		
Interest on Bonds	16,880.00	16,880.00	16,878.84		1.16
Infrastructure Loan:					
Principal	20,950.00	20,950.00	20,944.01		5.99
Interest	7,190.00	7,190.00	6,186.60		1,003.40
New Jersey Infrastructure Trust Loans:					
Principal	204,630.00	204,630.00	204,627.11		2.89
Interest	127,430.00	127,430.00	127,411.14		18.86
Statutory Expenditures					
Contribution to Social Security System	10,000.00	12,000.00	10,271.60	1,728.40	
Unemployment Compensation Insurance	2,000.00	2,000.00	1,494.24	505.76	
	<u>\$ 1,010,980.00</u>	<u>\$ 1,010,980.00</u>	<u>\$ 979,810.74</u>	<u>\$ 30,136.96</u>	<u>\$ 1,032.30</u>
	<u>Ref.</u>	<u>D-3</u>	<u>D-1</u>	<u>D</u>	<u>D-1</u>
Reserve for Encumbrances	D		\$ 11,985.25		
Disbursements	D-5		919,337.77		
Accrued Interest on Loans and Notes	D-13		<u>48,487.72</u>		
			<u>\$ 979,810.74</u>		

31

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash	\$ <u>7,517.48</u>	\$ <u>3,000.32</u>
<u>Liabilities</u>		
Payroll Liabilities	\$ <u>7,517.48</u>	\$ <u>3,000.32</u>

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL FIXED ASSETS ACCOUNT GROUP

COMPARATIVE STATEMENT OF ASSETS AND RESERVES

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</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>1,692,309.00</u>
	<u>\$ 3,357,822.00</u>	<u>\$ 3,216,142.00</u>
<u>Reserves</u>		
Investment in Fixed Assets	<u>\$ 3,357,822.00</u>	<u>\$ 3,216,142.00</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, 2013**

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 2013.

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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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, 2013 is set forth in Note 8.

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, 2013 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

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. The estimated historic value of the Borough’s fixed assets at year end is as follows:

	Balance		Balance
	Jan. 1, 2013	Adjustments	Dec. 31, 2013
General Fixed Assets Account Group:			
Land	\$ 183,483	\$	\$ 183,483
Building	1,340,350		1,340,350
Equipment	1,692,309	141,680	1,833,989
Water-Sewer Utility Fund:			
Fixed Capital	3,771,262		3,771,262
Fixed Capital Authorized and Uncompleted	5,461,558		5,461,558
	<u>\$ 12,448,962</u>	<u>\$ 141,680</u>	<u>\$ 12,590,642</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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

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

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

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

At year-end, the carrying amount of the Borough’s deposits was \$2,264,561 and the bank balance amount was \$2,275,752. 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 \$1,775,752.

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:

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a.
- (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.

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 no investments in qualified securities at December 31, 2013.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every municipality 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>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
<u>Depository Account</u>		
Insured:		
FDIC	\$ 500,000	\$ 500,000
GUDPA	<u>1,775,752</u>	<u>1,578,618</u>
	<u>\$ 2,275,752</u>	<u>\$ 2,078,618</u>

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

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.

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 municipality 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).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 108,000	\$ 37,530
2015	108,000	35,370
2016	108,000	33,210
2017	108,000	31,050
2018	108,000	28,890
2019-21	324,000	75,870
2026	<u>540,000</u>	<u>20,250</u>
	\$ <u>1,404,000</u>	\$ <u>262,170</u>

Green Trust Loan Program

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 29,239	\$ 8,071
2015	29,826	7,484
2016	30,426	6,884
2017	31,037	6,273
2018	31,661	5,649
2019-23	168,111	18,437
2024-26	<u>90,541</u>	<u>2,735</u>
	\$ <u>410,841</u>	\$ <u>55,533</u>

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

Water-Sewer Utility Capital Fund

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

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>
2014	\$ 51,000	\$ 17,310
2015	51,000	16,290
2016	51,000	15,270
2017	51,000	14,250
2018	51,000	13,230
2019-21	153,000	34,590
2026	<u>244,000</u>	<u>9,150</u>
	\$ <u>652,000</u>	\$ <u>120,090</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 2012 till 2030, respectively. Interest rates vary between 4% to 5% for the loan in the amount of \$205,000. The interest rate for the second Trust Loan is 5%. The loan proceeds were received in 2007 for the first Trust and Fund Loans issued. To date the Borough has received partial funding from the Trust and Fund Loans that closed during 2011.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 230,255	\$ 112,794
2015	229,938	108,044
2016	234,622	103,294
2017	239,305	98,294
2018	244,052	93,144
2019-23	1,312,638	379,476
2024-29	1,444,104	204,438
2029-30	<u>589,257</u>	<u>25,747</u>
	\$ <u>4,524,171</u>	\$ <u>1,125,231</u>

NOTE 3. DEBT (CONTINUED)

B. Short-Term Debt

On December 31, 2013, the Borough's outstanding bond anticipation notes were as follows:

General Capital Fund

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 58,250	1.04%
05-10	Renovation and Repair to Police/Emergency Management Building	3,000	1.04%
07-09	Paving and Repair of Gilford Avenue	21,000	1.04%
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	142,500	1.04%
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	8,000	1.04%
08-08	Replacement of HVAC Systems at Borough Hall and Court	14,250	1.04%
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	<u>17,000</u>	1.04%
		<u>\$ 264,000</u>	

C. Bonds and Notes Authorized but not Issued

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

	<u>2013</u>	<u>2012</u>
General Capital Fund	\$ 461,782	\$ 623,115
Water-Sewer Utility Capital Fund	295,650	295,650

D. Borrowing Power

New Jersey statutes limit the debt of a municipality 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, 2013 was .70%. The Borough's remaining borrowing power is 2.80%.

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.

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity

During 2013 and 2012 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
General Debt:				
Serial Bonds	\$ 1,513,000.00	\$ 264,000	\$ 109,000	\$ 1,668,000
Bond Anticipation Notes				
Green Trust Loan	439,503		28,662	410,841
Water-Sewer Utility Fund Debt:				
Serial Bonds	703,000		51,000	652,000
Bond Anticipation Notes				
NJEIT	4,749,742		225,571	4,524,171
	<u>\$ 7,405,245</u>	<u>\$ 264,000</u>	<u>\$ 414,233</u>	<u>\$ 7,255,012</u>

	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
General Debt:			
Serial Bonds	\$ 1,623,000	\$ 110,000	\$ 1,513,000
Green Trust Loan	467,601	28,098	439,503
Water-Sewer Utility Fund Debt:			
Serial Bonds	754,000	51,000	703,000
NJEIT	4,970,629	220,887	4,749,742
	<u>\$ 7,815,230</u>	<u>\$ 409,985</u>	<u>\$ 7,405,245</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 \$109,337 and \$103,903 at December 31, 2013 and 2012, 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 municipal budget for the year ending December 31 of the succeeding years are as follows:

	<u>2013</u>	<u>2012</u>
Current Fund	\$ 229,000	\$ 165,176
Water-Sewer Utility Capital Fund	96,000	57,900

NOTE 6. 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>2013</u>	<u>2012</u>
Prepaid Taxes	\$ 47,037	\$ 28,047
Prepaid Water-Sewer Charges	3,690	1,413

NOTE 7. 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 8. 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.

NOTE 8. 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, 2013 the following deferred charge is reflected on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2013</u>
Current Fund:	
Emergency Authorizations:	
(N.J.S. 40A:4-47):	
Supplemental Environmental Investigation	\$ 35,000
Special Emergency Authorizations:	
(N.J.S. 40A:4-55):	
Hurricane Sandy	<u>48,000</u>
	<u>\$ 83,000</u>

NOTE 9. PENSION PLANS

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits ("the Division"): the Police and Firemen's Retirement System ("the PFRS"), the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

NOTE 9. PENSION PLANS (CONTINUED)

Police and Firemen’s Retirement System (PFRS)

The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 10% in October 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Defined Contribution Retirement Program (DCRP)

The DCRP 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 Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. 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. Plan members are required to contribute 5.5% of their annual covered salary and the Borough is required to contribute 3% of the annual salary. The employee contributions along with the Borough’s contribution 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, 2013, 2012 and 2011.

Other Information

The Borough’s contributions, equal to the required contribution for each fiscal year, were as follows:

	<u>2013</u>		<u>2012</u>		<u>2011</u>	
	<u>PERS</u>	<u>PFRS</u>	<u>PERS</u>	<u>PFRS</u>	<u>PERS</u>	<u>PFRS</u>
Normal Contribution	\$ 13,098	\$ 29,192	\$ 21,309	\$ 29,679	\$ 24,278	\$ 29,671
Accrued Liability	31,318	17,013	42,618	15,207	38,685	13,473
Total Regular Pension Contribution	44,416	46,205	63,927	44,886	62,963	43,144
Non-Contributory Group Life Insurance	2,644	2,773	4,073	2,365	4,782	3,168
Total Due	\$ <u>47,060</u>	\$ <u>48,978</u>	\$ <u>68,000</u>	\$ <u>47,251</u>	\$ <u>67,745</u>	\$ <u>46,312</u>

The Division does not invest in securities issued by the Borough.

NOTE 10. 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 55-2. 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, 2013 and 2012 were \$21,013 and \$17,121, respectively, which equaled the required contributions for each year. There were two retired participants eligible at December 31, 2013 and 2012.

NOTE 11. 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 municipality 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.

NOTE 11. SCHOOL TAXES (CONTINUED)

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Balance of Tax	\$ 538,109	\$ 592,639	\$ 843,357	\$ 843,357
Deferred	<u>250,000</u>	<u>250,000</u>	<u>555,000</u>	<u>555,000</u>
Tax Payable	\$ <u>288,109</u>	\$ <u>342,639</u>	\$ <u>288,357</u>	\$ <u>288,357</u>

NOTE 12. RISK MANAGEMENT

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

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 13. 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, 2013, the Borough estimates that no material liabilities will result from such audits.

Major Tax Assessments

Taxpayers in 2013 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%

NOTE 13. CONTINGENT LIABILITIES (CONTINUED)

Major Tax Assessments (Continued)

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.

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2013:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 10	\$ 60,630
Grant Fund	60,630	
Animal Control Trust Fund		1
Other Trust Fund		6
General Capital Fund		3
Water-Sewer Utility Operating Fund	11	
Water-Sewer Utility Capital Fund	<u> </u>	<u>11</u>
	\$ <u>60,651</u>	\$ <u>60,651</u>

NOTE 15. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED

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

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

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

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

NOTE 15. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED
(CONTINUED)

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.

SUPPLEMENTARY EXHIBITS

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-4

SCHEDULE OF CASH - TREASURER

Balance December 31, 2012		\$ 1,353,814.32
Increased by Receipts:		
Taxes Receivable	\$ 5,917,408.49	
Prepaid Taxes	47,036.95	
Revenue Accounts Receivable	385,352.30	
Miscellaneous Revenue not Anticipated	77,298.24	
Interfunds	552,868.04	
Interfund - Grant Fund	9,006.03	
Due from State of New Jersey (Ch. 20, P.L. 1971)	18,278.99	
Due to State - Various Fees	2,585.00	
Revenue Reserve	68,149.62	
	<u>7,077,983.66</u>	<u>8,431,797.98</u>
Decreased by Disbursements:		
2013 Budget Appropriations	1,865,828.10	
County Taxes	1,362,443.64	
Local District School Tax	1,794,961.00	
Regional High School Tax	1,208,146.40	
Appropriation Reserves	121,834.23	
Interfunds	512,634.40	
Interfund - Grant Fund	5,577.77	
Due to State - Various Fees	2,815.00	
Hurricane Sandy-Spending Reserves	28,961.08	
Special Emergency Note	12,000.00	
Refund Prior Year Revenue	225.00	
	<u>6,915,426.62</u>	<u>6,915,426.62</u>
Balance December 31, 2013		\$ <u><u>1,516,371.36</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-5

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2012	2013 Levy	Collections			Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2013
			By Cash		Ch. 20, P.L. 1971			
			2013	2012				
2012	\$ 146,342.32	\$	\$ 145,094.24	\$ 1,222.79	\$	\$	\$	\$ 25.29
2013		5,982,052.49	5,772,314.25	28,047.38	18,250.00	22,640.03	2,509.05	138,291.78
	<u>\$ 146,342.32</u>	<u>\$ 5,982,052.49</u>	<u>\$ 5,917,408.49</u>	<u>\$ 29,270.17</u>	<u>\$ 18,250.00</u>	<u>\$ 22,640.03</u>	<u>\$ 2,509.05</u>	<u>\$ 138,317.07</u>

Analysis of 2013 Property Tax Yield and Tax Levy

Tax Yield:

General Purpose Tax	\$ 5,978,164.04	
Added and Omitted Taxes	<u>3,888.45</u>	
		<u>\$ 5,982,052.49</u>

Tax Levy:

Local District School Tax	\$ 1,823,853.00	
Regional High School Tax	1,153,617.00	
County Taxes:		
General County Tax	\$ 1,141,865.39	
County Library Tax	131,037.54	
County Health Tax	47,424.71	
County Open Space Tax	42,116.00	
County Added and Omitted Tax	891.08	
Total County Taxes	<u>1,363,334.72</u>	
Local Tax for Municipal Purposes	1,636,000.00	
Add: Additional Tax Levied	<u>5,247.77</u>	
		<u>\$ 5,982,052.49</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2012	\$ 5,422.51
Increased by:	
Transfers from Taxes Receivable	<u>2,509.05</u>
Balance December 31, 2013	<u>\$ 7,931.56</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-7

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2012</u>	<u>Accrued in 2013</u>	<u>Collected</u>	<u>Balance Dec. 31, 2013</u>
Local Revenues:				
Fees and Permits	\$	\$ 4,718.50	4,718.50	\$
Fines and Costs, Municipal Court	2,157.90	31,110.51	31,282.75	1,985.66
Interest and Costs on Taxes		24,939.16	24,939.16	
Interest on Investments and Deposits		554.87	554.87	
Beach Fees		18,875.00	18,875.00	
Cable Television Franchise Fees		23,479.82	23,479.82	
Post Office Lease		40,980.00	40,980.00	
Antenna Lease		106,308.92	106,308.92	
Uniform Construction Code Fees		16,811.00	16,811.00	
State Aid:				
Consolidated Municipal Property Tax Act		7,767.00	7,767.00	
Energy Receipts Taxes		109,640.34	109,640.34	
	<u>\$ 2,157.90</u>	<u>\$ 385,185.12</u>	<u>\$ 385,357.36</u>	<u>\$ 1,985.66</u>
Receipts			\$ 385,352.30	
Interfunds			5.06	
			<u>\$ 385,357.36</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-8

SCHEDULE OF COUNTY TAXES PAYABLE

Increased by:

2013 Tax Levy:

General County Tax	\$ 1,141,865.39
County Library Tax	131,037.54
County Health Tax	47,424.71
County Open Space Tax	42,116.00
County Share of Added and Omitted Taxes	891.08
	<u>1,363,334.72</u>

Decreased by:

Payments

1,362,443.64

Balance December 31, 2013

\$ 891.08

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Balance December 31, 2012:			
School Tax Deferred	\$	555,000.00	
School Tax Payable		<u>288,357.00</u>	
			\$ 843,357.00
Increased by:			
Prior Period Adjustment		9,113.00	
Levy School Year July 1, 2013 to June 30, 2014		<u>1,823,853.00</u>	
			<u>1,832,966.00</u>
			<u>2,676,323.00</u>
Decreased by:			
Payments			<u>1,794,961.00</u>
Balance December 31, 2013:			
School Tax Deferred		555,000.00	
School Tax Payable		<u>326,362.00</u>	
			\$ <u><u>881,362.00</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-10

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance December 31, 2012:			
School Tax Deferred	\$ 249,999.90		
School Tax Payable	<u>342,638.72</u>		
		\$ 592,638.62	
Increased by:			
Levy School Year July 1, 2013 to June 30, 2014		<u>1,153,617.00</u>	
		<u>1,746,255.62</u>	
Decreased by :			
Payments		<u>1,208,146.40</u>	
Balance December 31, 2013:			
School Tax Deferred	249,999.90		
School Tax Payable	<u>288,109.32</u>		
		\$ <u>538,109.22</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 5

	<u>Balance Dec. 31, 2012</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	\$ 4,153.90	\$ 243.75	\$ 2,397.65	\$ 243.75	\$ 2,153.90
Mayor and Council					
Salaries and Wages	1,119.54		19.54		19.54
Other Expenses	380.34	60.00	440.34		440.34
Municipal Clerk					
Salaries and Wages	4,225.74		2,525.74	2,432.23	93.51
Other Expenses	3,431.43	85.50	3,516.93	57.00	3,459.93
Advertising Budget	234.50		234.50		234.50
Elections					
Other Expenses	9,828.28		9,828.28		9,828.28
Financial Administration					
Salaries and Wages	8,740.09		1,340.09	1,253.33	86.76
Other Expenses	1,169.33	429.85	1,099.18	807.26	291.92
Audit	4,700.00				
Computerized Data Processing					
Other Expenses	1,471.85	500.00	1,971.85	500.00	1,471.85
Collection of Taxes					
Salaries and Wages	20,863.53		2,038.53	1,963.21	75.32
Other Expenses	552.00		52.00		52.00
Assessment of Taxes					
Salaries and Wages	694.06		519.06	517.88	1.18
Other Expenses	632.06		2,732.06		2,732.06
Tax Map Revisions	825.00		825.00	825.00	
Legal Services and Costs					
Advertising and Legal Notices	1,633.50	160.00	793.50	160.00	633.50
Other Expenses	1,724.00	4,264.88	7,988.88	5,785.86	2,203.02
Counsel - Labor					
Other Expenses	2,000.00		4,000.00	425.00	3,575.00

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 2 of 5

	<u>Balance Dec. 31, 2012</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Engineering Services and Costs					
Other Expenses	\$ 4,788.33	\$ 733.75	\$ 7,522.08	\$ 1,362.31	\$ 6,159.77
Municipal Land Use Law (N.J.S. 40:55D-1)					
Planning Board					
Salaries and Wages	483.84		233.84	216.32	17.52
Other Expenses - Legal	2,741.00		2,741.00		2,741.00
Other Expenses - Miscellaneous	1,227.00		1,227.00		1,227.00
Insurance					
Workers Compensation	10,782.47		6,782.47		6,782.47
Employee Group Insurance	14,190.40		14,190.40	14,189.95	.45
Police					
Salaries and Wages	32,260.86		15,835.86	15,807.01	28.85
Other Expenses	2,068.47	10,035.30	14,103.77	10,487.42	3,616.35
Medical Testing	3,440.00	145.00	585.00	145.00	440.00
Crossing Guards and Badge Checkers					
Salaries and Wages	2,566.20		216.20	193.14	23.06
Other Expenses		1,000.00	1,000.00	1,000.00	
Emergency Management Service					
Salaries and Wages	120.00		120.00		120.00
Other Expenses	2,397.85	15,912.13	18,309.98	15,888.64	2,421.34
Fire Department					
Other Expenses	2,650.00		2,650.00		2,650.00
Municipal Prosecutor					
Salaries and Wages	927.52		477.52	431.53	45.99
Other Expenses	571.00		571.00		571.00
Municipal Court					
Salaries and Wages	2,886.26	225.00	1,011.26	979.26	32.00
Other Expenses	2,717.13		2,717.13	62.13	2,655.00

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

	<u>Balance Dec. 31, 2012</u>	<u>Reserve for Encumbrances</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Public Defender					
Salaries and Wages	\$ 1,200.00	\$	\$	\$	\$
Other Expenses	720.00		720.00		720.00
Public Buildings, Grounds, Parks, Playgrounds and Beaches					
Salaries and Wages	8,363.62		4,913.62	(13,091.99)	18,005.61
Other Expenses	12,027.54	9,311.31	22,838.85	12,523.06	10,315.79
Solid Waste Collection					
Contractual	7,015.36	14,108.14	27,623.50	27,546.20	77.30
Other Expenses	500.00		500.00		500.00
Recycling					
Salaries and Wages	156.42		6.42		6.42
Other Expenses	2,378.11	518.76	2,896.87	608.71	2,288.16
Vehicle Maintenance					
Other Expenses	334.50	6,348.97	10,683.47	6,510.67	4,172.80
Shade Trees					
Other Expenses	250.00		250.00		250.00
Snow Removal					
Salaries and Wages	8,000.00		8,000.00	8,000.00	
Other Expenses	8,000.00		8,000.00	8,000.00	
Board of Health					
Salaries and Wages	500.00				
Other Expenses	229.00	223.00	452.00	223.00	229.00
Mental Health Program (N.J.S. 40:5-2.9)					
Other Expenses	10.00		10.00		10.00
Environmental Commission					
Other Expenses	460.56	885.00	1,345.56	885.00	460.56
Dog Regulation					
Other Expenses	1,000.00		1,000.00		1,000.00

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

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 5

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Senior Advisory Committee					
Other Expenses	\$ 753.00	\$	\$ 753.00	\$	\$ 753.00
Beachfront Maintenance					
Other Expenses	1,465.13	915.00	1,480.13	915.00	565.13
Recreation					
Salaries and Wages	2,000.00				
Other Expenses	636.00	1,074.95	1,710.95	911.40	799.55
Participation in Free County Library	649.12		649.12		649.12
Salary Settlements and Adjustments	5,000.00		63,700.00	63,700.00	
Deferred Sick Time					
<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	867.82		417.82	393.52	24.30
Other Expenses	500.00		500.00		500.00
Construction Code Official					
Salaries and Wages	539.90		414.90	410.20	4.70
Other Expenses	500.00		500.00		500.00
Fire Official					
Salaries and Wages	74.78		24.78		24.78
Other Expenses	396.88		396.88		396.88
<u>Unclassified</u>					
Utilities					
Gasoline	6,496.66	1,029.70	7,526.36	2,004.44	5,521.92
Electricity	12,664.46	13.18	12,677.64	3,039.38	9,638.26
Telephone	3,703.54	496.65	4,200.19	1,529.75	2,670.44
Natural Gas	1,881.64		1,881.64	1,079.74	801.90
Street Lighting	5,125.02		5,125.02	3,145.70	1,979.32
Total Operations within Caps	<u>249,596.54</u>	<u>68,719.82</u>	<u>323,816.36</u>	<u>204,067.01</u>	<u>119,749.35</u>

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 5 of 5

Detail:	Balance Dec. 31, 2012	Reserve for Encumbrances	Budget After Modification	Paid or Charged	Balance Lapsed
Salaries and Wages	\$ 101,590.18	\$ 225.00	\$ 101,815.18	\$ 83,205.64	\$ 18,609.54
Other Expenses	<u>148,006.36</u>	<u>68,494.82</u>	<u>216,501.18</u>	<u>120,861.37</u>	<u>101,139.81</u>
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Social Security System (O.A.S.I.)	6,266.60		2,266.60	2,232.79	33.81
Unemployment Compensation Insurance	1,668.08		1,168.08	444.64	723.44
Defined Contribution Retirement Program	<u>160.00</u>		<u>160.00</u>		<u>160.00</u>
Total Statutory Expenditures within Caps	<u>8,094.68</u>		<u>3,594.68</u>	<u>2,677.43</u>	<u>917.25</u>
Total Appropriations within Caps	<u>257,691.22</u>	<u>68,719.82</u>	<u>327,411.04</u>	<u>206,744.44</u>	<u>120,666.60</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Employee Group Health	1,000.00				
Length of Service Awards Program (LOSAP)	<u>250.00</u>		<u>250.00</u>		<u>250.00</u>
Total General Appropriations	\$ <u>258,941.22</u>	\$ <u>68,719.82</u>	\$ <u>327,661.04</u>	\$ <u>206,744.44</u>	\$ <u>120,916.60</u>
Disbursements				\$ 121,834.23	
Accounts Payable				<u>84,910.21</u>	
				\$ <u>206,744.44</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Animal Control Trust	Trust Other	General Capital
Balance December 31, 2012 - (Due From)	\$ <u>(40,238.01)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(40,238.01)</u>
Increased by:				
Disbursements:	512,634.40	.86	116,048.95	396,584.59
Revenue Accounts Receivable	5.06		5.06	
Total Increases	<u>512,639.46</u>	<u>.86</u>	<u>116,054.01</u>	<u>396,584.59</u>
Total Increases and Balances	<u>552,877.47</u>	<u>.86</u>	<u>116,054.01</u>	<u>436,822.60</u>
Decreased by:				
Receipts	<u>552,868.04</u>		<u>116,048.45</u>	<u>436,819.59</u>
Balance December 31, 2013 - (Due From)	\$ <u><u>(9.43)</u></u>	\$ <u><u>(0.86)</u></u>	\$ <u><u>(5.56)</u></u>	\$ <u><u>(3.01)</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF INTERFUND

GRANT FUND

Balance December 31, 2012 - Due To		\$ 57,201.65
Increased by:		
Deposited in Current Fund:		
Grant Receivable	\$ 4,327.78	
Unappropriated Reserves	4,678.25	
2013 Budget Appropriations	<u>10,622.60</u>	
		<u>19,628.63</u>
		76,830.28
Decreased by:		
2013 Anticipated Revenue	10,622.60	
Grant Fund Disbursements	<u>5,577.77</u>	
		<u>16,200.37</u>
Balance December 31, 2013 - Due To		\$ <u><u>60,629.91</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-14

SCHEDULE OF GRANTS RECEIVABLE

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2012</u>	<u>2013 Budget Revenue Realized</u>	<u>Realized</u>	<u>Balance Dec. 31, 2012</u>
2013 Year Grants:				
Body Armor Fund	\$	\$ 1,375.66	\$ 1,375.66	\$
Clean Communities Grant		4,327.78	4,327.78	
Recycling Tonnage Grant		397.29	397.29	
966 Equipment Grant		4,521.87		4,521.87
2012 Year Grants:				
Community Development Block Grant	32,500.00			32,500.00
Green Communities	3,000.00			3,000.00
Sustainable Jersey	10,000.00			10,000.00
2010 Year Grants:				
Municipal Alliance Grant	<u>580.74</u>			<u>580.74</u>
	<u>\$ 46,080.74</u>	<u>\$ 10,622.60</u>	<u>\$ 6,100.73</u>	<u>\$ 50,602.61</u>
Interfund - Current Fund			\$ 4,327.78	
Unappropriated Reserves			<u>1,772.95</u>	
			<u>\$ 6,100.73</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-15

SCHEDULE OF APPROPRIATED RESERVES

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2012</u>	<u>2013 Budget Appropriation</u>	<u>Expended</u>	<u>Balance Dec. 31, 2013</u>
2013 Year Grants:				
Body Armor Fund	\$	\$ 1,375.66		\$ 1,375.66
Clean Communities Grant		4,327.78	4,327.78	
Recycling Tonnage Grant		397.29		397.29
966 Equipment Grant		4,521.87	4,441.77	80.10
2012 Year Grants:				
Body Armor Fund	1,266.87			1,266.87
Community Development Block Grant	32,500.00			32,500.00
Friends of Recreation	3,000.00			3,000.00
Green Communities				
Grant Share	3,000.00			3,000.00
Local Match	3,000.00			3,000.00
Recycling Tonnage Grant	1,774.27			1,774.27
Sustainable Jersey	20,000.00		1,000.00	19,000.00
2011 Year Grants:				
Body Armor Fund	3,944.12			3,944.12
Recycling Tonnage Grant	30.93			30.93
2010 Year Grants:				
Drunk Driving Enforcement Fund	597.39			597.39
Municipal Alliance Grant	677.26			677.26
2008 Year Grants:				
Waterfront Access	30,000.00			30,000.00
2007 Year Grants:				
Body Armor Fund	284.36			284.36
Prior to 2007 Year Grant:				
Alcohol Education Rehabilitation Fund	1,434.24			1,434.24
	<u>\$ 101,509.44</u>	<u>\$ 10,622.60</u>	<u>\$ 9,769.55</u>	<u>\$ 102,362.49</u>
Expenditures Paid in Current Fund			\$ 5,577.77	
Reserve for Encumbrances			<u>4,191.78</u>	
			<u>\$ 9,769.55</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	<u>Balance Dec. 31, 2012</u>	<u>Transfer to 2013 Budget Revenues</u>	<u>Increases</u>	<u>Balance Dec. 31, 2013</u>
Body Armor Grant	\$ 1,375.66	\$ 1,375.66	\$ 1,641.65	\$ 1,641.65
Recycling Tonnage Grant	397.29	397.29	3,036.60	3,036.60
	<u>\$ 1,772.95</u>	<u>\$ 1,772.95</u>	<u>\$ 4,678.25</u>	<u>\$ 4,678.25</u>

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TRUST FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-1

SCHEDULE OF TRUST CASH

	<u>Animal Control Trust</u>	<u>Other Trust</u>
Balance December 31, 2012	\$ 1,992.03	\$ 119,206.51
Increased by Receipts:		
Animal Control License Fees:		
Due to State of New Jersey Department of Health	\$ 251.40	\$
Borough Share	1,282.60	
Interfund - Current Fund	.86	73.31
Trust Reserves	<u> </u>	<u>127,838.33</u>
	1,534.86	127,911.64
	<u>3,526.89</u>	<u>247,118.15</u>
Decreased by Disbursements:		
Animal Control Trust Fund Expenditures Under		
R.S. 4:19-15.11	3,003.92	
Due to State of New Jersey Department of Health	251.40	
Interfund - Current Fund		67.75
Trust Reserves	<u> </u>	<u>115,980.70</u>
	3,255.32	116,048.45
Balance December 31, 2013	<u>\$ 271.57</u>	<u>\$ 131,069.70</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-2

SCHEDULE OF AMOUNT DUE STATE OF NEW JERSEY

Increased by:		
Receipts	B-1	\$ 251.40
Decreased by:		
Disbursements	B-1	\$ <u>251.40</u>

SCHEDULE OF RESERVE FOR ANIMAL CONTROL

TRUST FUND EXPENDITURES

Exhibit B-3

Balance December 31, 2012	B	\$ 1,992.03
Increased by:		
Miscellaneous Fees Collected		<u>1,282.60</u>
		3,274.63
Decreased by:		
Expenditures (R.S. 4:19-15.11)	B-1	<u>3,003.92</u>
Balance December 31, 2013	B	\$ <u>270.71</u>

Animal Control License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ <u>1,902.20</u>
2012	<u>1,336.88</u>
	\$ <u>3,239.08</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-4

SCHEDULE OF INTERFUND - CURRENT FUND

	<u>Total (Memo Only)</u>	<u>Animal Control Trust</u>	<u>Other Trust</u>
Increased by:			
Interest Earned	\$ 74.17	\$.86	\$ 73.31
Decreased by:			
Disbursements	<u>67.75</u>	<u> </u>	<u>67.75</u>
Balance December 31, 2013 - Due To	<u>\$ 6.42</u>	<u>\$.86</u>	<u>\$ 5.56</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-5

SCHEDULE OF MISCELLANEOUS RESERVES

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Reserve for:				
Accumulated Absences	\$ 49,700.37	\$ 8,000.00	\$	\$ 57,700.37
D.A.R.E. Program	1,166.80		1,075.82	90.98
Escrow Deposits	14,122.48	4,274.94	4,960.00	13,437.42
Parking Offenses Adjudication Act	390.00	8.00		398.00
Premiums on Tax Sale	30,500.00	12,100.00	24,200.00	18,400.00
Public Defender	1,268.50	1,092.99	750.00	1,611.49
Snow Removal	17,558.36	16,000.00	4,632.48	28,925.88
Tax Title Lien Redemption		80,362.40	80,362.40	
Water-Sewer Connection Bond	4,500.00	6,000.00		10,500.00
	<u>\$ 119,206.51</u>	<u>\$ 127,838.33</u>	<u>\$ 115,980.70</u>	<u>\$ 131,064.14</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

TRUST FUND

Exhibit B-6

SCHEDULE OF LOSAP

(LENGTH OF SERVICE AWARD PROGRAM) - UNAUDITED

Balance December 31, 2012		\$ 308,104.27
Increased by:		
Contributions	\$ 25,300.00	
Earnings on Contributions	<u>49,832.77</u>	
		<u>75,132.77</u>
		<u>383,237.04</u>
Decreased by:		
Withdrawals	11,678.64	
Maintenance Charges	<u>1,000.00</u>	
		<u>12,678.64</u>
Balance December 31, 2013		<u><u>\$ 370,558.40</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

Balance December 31, 2012		\$ 44,596.27
Increased by Receipts:		
Proceeds:		
Bond Anticipation Note	\$ 264,000.00	
Grants	106,512.10	
Reserve for Park Benches	396.00	
Interfund - Current Fund	<u>1.06</u>	
		<u>370,909.16</u>
		415,505.43
Decreased by Disbursements:		
Improvement Authorizations	290,022.71	
Interfund - Current Fund	<u>40,236.06</u>	
		<u>330,258.77</u>
Balance December 31, 2013		<u><u>\$ 85,246.66</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-3

ANALYSIS OF GENERAL CAPITAL CASH

	Balance Dec. 31, 2012	Receipts		Disbursements Improvement Authorizations	Transfers		Balance Dec. 31, 2013	
		Note Proceeds	Miscellaneous		From	To		
Capital Improvement Fund	\$ 84,329.36	\$	\$	\$	\$ 6,750.00	\$	\$ 77,579.36	
Grants Receivable	(154,738.56)		106,512.10		295,000.00	88,430.54	(254,795.92)	
Interfund:								
Current Fund	40,238.01		1.06	40,236.06			3.01	
Reserve for Payment of Bond Anticipation Notes (05-10)		2,365.99					2,365.99	
Reserve for Payment of Bond Anticipation Notes (07-09)		77.50					77.50	
Reserve for Encumbrances	80,435.02				80,435.02	4,519.86	4,519.86	
Reserve for Benches	19,364.00		396.00				19,760.00	
Capital Fund Balance	41,261.94					6,771.83	48,033.77	
Improvement Authorizations:								
Ordinance	Improvement Description							
00-02,	Repair and Replacement of the Bulkhead at Wanamaker and							
05-04	Summit Avenue, Construction of Gazebos	(58,056.96)	58,250.00	79,565.88			(79,372.84)	
01-02	Paving and Repair of Laurel Avenue and Other Streets	(8.61)					(8.61)	
01-08	Improvements for the Five Year Recreation Plan and Senior Park Improvements	1,077.60		18,544.34			(17,466.74)	
01-11	Improvements to the Central Avenue Beach and the Simpson Avenue Groin	133,717.60		692.52	123.75		132,901.33	
04-07	Installation of Boardwalk on River Avenue				552.00	552.00		
04-10	Improvements to the Borough Offices							
05-10	Renovation and Repair to Police/Emergency Management Building	(3,000.00)	634.01			2,365.99		
06-02	Recreation Equipment and Improvements	6,279.33			6,279.33			
06-06	Handicapped Ramps and Road Improvements	(13,396.27)		10,053.66		10,053.66	(13,396.27)	
06-07	Construction of a Recycling Center				368.75	368.75		
07-09	Paving and Repair of Gilford Avenue	(20,922.50)	20,922.50					
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	(142,500.00)	142,500.00	61,624.10		61,624.10		
07-12	Improvements to Public Works Facility							
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	(7,832.45)	8,000.00				167.55	
08-08	Replacement of HVAC Systems at Borough Hall and Court	(14,250.00)	14,250.00					
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	(17,485.53)	17,000.00	1,342.58		1,342.58	(485.53)	
10-02	Improvements to Summit Avenue	(4,966.24)		160.08	3,967.86	4,127.94	(4,966.24)	
12-04	Repairs to Summit Avenue Beach Parking Lot	75,050.53		3,161.99	88,430.54		(16,542.00)	
13-01	Improvements to Cedar Avenue			112,627.56		146,750.00	34,122.44	
13-06	Repairs to Simpson Avenue and Boardwalk			2,250.00		155,000.00	152,750.00	
		<u>\$ 44,596.27</u>	<u>\$ 264,000.00</u>	<u>\$ 106,909.16</u>	<u>\$ 330,258.77</u>	<u>\$ 481,907.25</u>	<u>\$ 481,907.25</u>	<u>\$ 85,246.66</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE

TAXATION - FUNDED

Balance December 31, 2012		\$ 1,952,503.45
Decreased by:		
2013 Budget Appropriation to Debt Service:		
Serial Bonds Paid by Budget	\$ 109,000.00	
Green Trust Loan Paid by Budget	<u>28,662.44</u>	
		<u>137,662.44</u>
Balance December 31, 2013		<u>\$ 1,814,841.01</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-5

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2012</u>	<u>2013</u>		<u>Balance Dec. 31, 2013</u>	<u>Analysis of Balance</u>		<u>Unexpended Improvement Authorizations</u>
			<u>Authorizations</u>	<u>Cancelled</u>		<u>Bond Anticipation Notes</u>	<u>Expenditures</u>	
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue. Construction of Gazebos	\$ 313,434.61	\$	\$ 65.26	\$ 313,369.35	\$ 58,250.00	\$ 79,372.84	\$ 175,746.51
01-02	Paving and Repair of Laurel Avenue and Other Streets	8.61			8.61		8.61	
01-08	Improvements for the Five Year Recreation Plan and Senior Park Improvements	22,250.00		4,783.26	17,466.74		17,466.74	
05-10	Renovation and Repair to Police/Emergency Management Building	3,000.00		2,365.99	634.01	634.01		
06-06	Handicapped Ramps and Road Improvements	22,339.90		8,839.90	13,500.00		13,396.27	103.73
07-09	Paving and Repair of Gillford Avenue	20,922.50			20,922.50	20,922.50		
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	142,500.00			142,500.00	142,500.00		
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	32,844.59			32,844.59	8,000.00		24,844.59
08-08	Replacement of HVAC Systems at Borough Hall and Court	14,250.00			14,250.00	14,250.00		
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	17,500.00		14.47	17,485.53	17,000.00	485.53	
10-02	Improvements to Summit Avenue	5,564.75			5,564.75		4,966.24	598.51
12-04	Repairs to Summit Avenue Beach Parking Lot	28,500.00		11,958.00	16,542.00		16,542.00	
13-01	Improvements to Cedar Avenue		33,250.00		33,250.00			33,250.00
13-06	Repairs to Simpson Avenue and Boardwalk		95,000.00		95,000.00			95,000.00
		<u>\$ 623,114.96</u>	<u>\$ 128,250.00</u>	<u>\$ 28,026.88</u>	<u>\$ 723,338.08</u>	<u>\$ 261,556.51</u>	<u>\$ 132,238.23</u>	<u>\$ 329,543.34</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2012	\$ 84,329.36
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>6,750.00</u>
Balance December 31, 2013	<u><u>\$ 77,579.36</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2012		2013 Authorizations	Prior Year Encumbrances	Paid or Charged	Cancelled	Balance Dec. 31, 2013	
		Date	Amount	Funded	Unfunded					Funded	Unfunded
00-02,	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	5/16/2000	\$ 620,000.00	\$	\$ 255,377.65	\$	\$	\$ 79,565.88	\$ 65.26	\$	\$ 175,746.51
05-04,11-11	Improvements for the Five Year Recreation Plan and Senior Park Improvements	8/21/2001	35,000.00	1,077.60	22,250.00			0.00	4,783.26		
01-11	Improvements to the Central Avenue Beach and the Simpson Avenue Groin	11/13/2001	195,000.00	133,717.60				18,544.34			
04-07	Installation of Boardwalk on River Avenue	10/19/2004	275,000.00				552.00	552.00		132,901.33	
05-10	Renovation and Repair to Police/Emergency Management Building	8/23/2005	80,000.00				2,365.99	0.00	2,365.99		
06-02	Recreation Equipment and Improvements	4/11/2006	75,000.00	6,279.33				0.00	6,279.33		
06-06	Handicapped Ramps and Road Improvements	6/13/2006	190,000.00		8,943.63		10,053.66	10,053.66	8,839.90		103.73
06-07	Construction of a Recycling Center	6/13/2006	90,000.00				368.75	0.00	368.75		
07-11	Installation of Bulkheads at Long Point and Simpson Aves	8/21/2007	150,000.00				61,624.10	61,624.10			
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	5/06/2008	165,000.00		25,012.14			0.00			25,012.14
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	2/24/2009	150,000.00		14.47		1,342.58	1,342.58	14.47		
10-02	Improvements to Summit Avenue	2/23/2010	175,000.00		598.51		4,127.94	4,127.94			598.51
12-04	Repairs to Summit Avenue Beach Parking Lot	7/19/2012	215,000.00	75,050.53	28,500.00			3,161.99	100,388.54		
13-01	Improvements to Cedar Avenue	2/26/2013	180,000.00			180,000.00		112,627.56		34,122.44	33,250.00
13-06	Repairs to Simpson Avenue and Boardwalk	10/08/2013	250,000.00			250,000.00		2,250.00		152,750.00	95,000.00
				\$ 216,125.06	\$ 340,696.40	\$ 430,000.00	\$ 80,435.02	\$ 294,542.57	\$ 123,229.25	\$ 319,773.77	\$ 329,710.89
	Disbursements							\$ 290,022.71			
	Reserve for Encumbrances							4,519.86			
								\$ 294,542.57			
	Deferred Charges - Unfunded					\$ 128,250.00			\$ 28,026.88		
	Capital Fund Balance								6,771.83		
	Capital Improvement Fund					6,750.00					
	Grants Receivable					295,000.00			88,430.54		
						\$ 430,000.00			\$ 123,229.25		

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-8

SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2013</u>
			<u>Outstanding Dec. 31, 2013</u>	<u>Date</u>				
General Improvement Bonds	2011	\$ 1,623,000.00		2014	108,000.00	2.00%		
				2015	108,000.00	2.00%		
				2016	108,000.00	2.00%		
				2017	108,000.00	2.00%		
				2018	108,000.00	2.00% - 2.50%		
				2019	108,000.00	2.00% - 2.50%		
				2020	108,000.00	2.00% - 2.50%		
				2021	108,000.00	2.00% - 2.50%		
				2026	540,000.00	3.00%		
							\$ <u>109,000.00</u>	\$ <u>1,404,000.00</u>
						\$ <u>1,513,000.00</u>		\$ <u>1,404,000.00</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 1 of 2

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Loan</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2013</u>
			<u>Outstanding Dec. 31, 2013 Date</u>	<u>Amount</u>				
River Avenue Boardwalk	6/27/2006	\$ 600,000.00	See Amortization Schedule		2.00%	\$ <u>439,503.45</u>	\$ <u>28,662.44</u>	\$ <u>410,841.01</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF GREEN TRUST LOAN PROGRAM PAYABLE

Sheet 2 of 2

River Avenue Boardwalk

<u>Payment Number</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>
15	March 2014	\$ 14,546.55	\$ 4,108.41
16	September 2014	14,692.01	3,962.95
17	March 2015	14,838.93	3,816.03
18	September 2015	14,987.32	3,667.64
19	March 2016	15,137.19	3,517.77
20	September 2016	15,288.57	3,366.39
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>\$ 410,841.01</u>	<u>\$ 55,532.99</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Issued For Cash</u>	<u>Balance Dec. 31, 2013</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	3/21/2013	3/21/2013	3/20/2014	1.04%	\$ 58,250.00	\$ 58,250.00
05-10	Renovation and Repair to Police/Emergency Management Building	3/21/2013	3/21/2013	3/20/2014	1.04%	3,000.00	3,000.00
07-09	Paving and Repair of Gilford Avenue	3/21/2013	3/21/2013	3/20/2014	1.04%	21,000.00	21,000.00
07-11	Installation of Bulkheads at Long Point and Simpson Avenues	3/21/2013	3/21/2013	3/20/2014	1.04%	142,500.00	142,500.00
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	3/21/2013	3/21/2013	3/20/2014	1.04%	8,000.00	8,000.00
08-08	Replacement of HVAC Systems at Borough Hall and Court	3/21/2013	3/21/2013	3/20/2014	1.04%	14,250.00	14,250.00
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	3/21/2013	3/21/2013	3/20/2014	1.04%	17,000.00	17,000.00
						<u>\$ 264,000.00</u>	<u>\$ 264,000.00</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF GRANTS RECEIVABLE

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance Dec. 31, 2012</u>	<u>Allotments</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2013</u>
10-02	NJ DOT - Improvements to Summit Avenue	\$ 34,671.31	\$	\$	\$ 34,671.31
12-04	NJ DOT - Summit Ave Parking Lot	120,067.25		120,067.25	
13-01	NJ DOT - Cedar Avenue		145,000.00	74,875.39	70,124.61
13-06	NJ DOT - Simpson Avenue		150,000.00		150,000.00
		<u>\$ 154,738.56</u>	<u>\$ 295,000.00</u>	<u>\$ 194,942.64</u>	<u>\$ 254,795.92</u>
	Receipts			\$ 106,512.10	
	Cancelled - Improvement Authorizations			<u>88,430.54</u>	
				<u>\$ 194,942.64</u>	

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-12

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2013</u>
00-02, 05-04	Repair and Replacement of the Bulkhead at Wanamaker and Summit Avenue, Construction of Gazebos	\$ 255,119.35
01-02	Paving and Repair of Laurel Avenue and Other Streets	8.61
01-08	Improvements for the Five Year Recreation Plan and Senior Park Improvements	17,466.74
06-06	Handicapped Ramps and Road Improvements	13,500.00
08-06	Construction of Curbs, Driveway Aprons and Paving on Chestnut Avenue	24,844.59
09-01	Construction of Curbs, Driveway Aprons and Paving on Ensor Place and Jackson Avenue	485.53
10-02	Improvements to Summit Avenue	5,564.75
12-04	Repairs to Summit Avenue Beach Parking Lot	16,542.00
13-01	Improvements to Cedar Avenue	33,250.00
13-06	Repairs to Simpson Avenue and Boardwalk	95,000.00
		<u>\$ 461,781.57</u>

WATER - SEWER UTILITY FUND

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BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-5

SCHEDULE OF WATER-SEWER UTILITY CASH - TREASURER

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2012	\$ 225,871.81	\$ 286,818.79
Increased by Receipts:		
Consumer Accounts Receivable	\$ 933,063.92	
Water Tower Antenna Lease	39,583.35	
Miscellaneous Revenue	24,000.03	
Utility Rent Prepayments	3,689.86	
NJ Environmental Infrastructure Loan Receivable		1,562,592.70
Interfunds	151.21	148.84
Investment in Special Emergency Note - Current Fund		12,000.00
	<u>1,000,488.37</u>	<u>1,574,741.54</u>
	1,226,360.18	1,861,560.33
Decreased by Disbursements:		
2013 Appropriations	919,337.77	
2012 Appropriations	32,904.18	
Accrued Interest on Bonds and Loans	52,786.07	
Accounts Payable	1,750.00	
Improvement Authorizations		1,562,324.30
Interfunds		151.21
	<u>1,006,778.02</u>	<u>1,562,475.51</u>
Balance December 31, 2013	<u>\$ 219,582.16</u>	<u>\$ 299,084.82</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-6

ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH

		<u>Balance</u>			<u>Transfers</u>		
		<u>Dec. 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>From</u>	<u>To</u>	<u>Balance</u>
		\$	\$	\$	\$	\$	\$
		<u>36,750.00</u>	<u>148.84</u>	<u>151.21</u>			<u>36,750.00</u>
Capital Improvement Fund							
Interfund - Water-Sewer Utility Operating Fund		13.48	148.84	151.21			11.11
NJ Environmental Infrastructure Loan Receivable		(2,653,746.00)	1,562,592.70		176,000.00		(1,267,153.30)
Investment Note - Current Fund		(60,000.00)	12,000.00				(48,000.00)
Reserve for Encumbrances		1,406,729.66			1,406,729.66	21,744.27	21,744.27
Fund Balance		7,049.90					7,049.90
Ordinance							
Number	Improvement Description						
03-03	Installation of New Sewer Mains	1,050.00			2,700.00	2,700.00	1,050.00
05-12	Replacement of Pump Station			8,356.00		8,356.00	
07-14	Replacement of Filter Media and Upgrades at Water Treatment Plant	0.00					158.12
		158.12					
08-09	Repair and Replacement of Pumps at Pump Stations	(4,250.00)		6,900.00		6,900.00	(4,250.00)
08-10	Preliminary Costs for Installation of a New Water Storage Tank				6,034.27	6,034.27	
08-12	Various Water and Sewer Improvements	1,632.00					1,632.00
09-04	Rehabilitation and Repair of the Sanitary Sewer System	20,000.00					20,000.00
09-08	Replacement of Pump Stations	(2,780.51)					(2,780.51)
10-03	Installation of a New Water Storage Tank (Amending 08-10)	0.00					
		738,561.10		1,114,998.19	0.00	1,022,379.60	645,942.51
10-04	Replacement of Pump Stations (Amending 09-08)	0.00					
		(1,589.23)					(1,589.23)
10-05	Replacement of Water Treatment Plant (Amending 09-09)	0.00					
		528,737.55		432,070.11	13,010.00	536,359.79	620,017.23
10-06	Repair and Replacement of Fire Hydrants	268,502.72					268,502.72
		<u>\$ 286,818.79</u>	<u>\$ 1,574,741.54</u>	<u>\$ 1,562,475.51</u>	<u>\$ 1,604,473.93</u>	<u>\$ 1,604,473.93</u>	<u>\$ 299,084.82</u>

0.00

100

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2012		\$ 68,270.05
Increased by:		
Water-Sewer Rents Levied		<u>878,985.81</u>
		947,255.86
Decreased by:		
Receipts	\$ 933,063.92	
Prepaid Rents Applied	<u>1,413.03</u>	
		<u>934,476.95</u>
Balance December 31, 2013		<u><u>\$ 12,778.91</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL

	Balance
	<u>Dec. 31, 2013</u>
Wells	\$ 910,460.73
Sewer Mains	167,700.00
Treatment Plant	314,739.36
Pumping Station Structures and Improvements	288,878.35
Sewer Flusher, Pumps and Equipment	44,000.00
Electric Power Pumping Equipment	5,023.85
Other Power and Pumping Equipment	2,200.00
Transmission Main and Accessories	7,922.63
Tank and Standpipes	88,204.65
Distribution Main, Accessories, Distribution System and Rehabilitation of System	516,037.43
Fire Hydrants	2,700.00
Truck Equipment, Utility Truck and Backhoe	75,700.00
Engineering	1,838.29
Legal	1,033.94
Interest During Construction	172.72
Sewer Plant	409,065.08
Water-Sewer System Improvements	547,485.98
Water Meters	58,000.00
Rehabilitation of Sewer Lines and Water Mains	44,964.99
Office and Computer Equipment	15,000.00
Renovations to Water Tower	136,669.82
Drainage Improvements	10,426.00
Purchase of Pick-up Truck	53,196.25
Filter Media and Plant Upgrades	69,841.88
	<u>69,841.88</u>
	<u>\$ 3,771,261.95</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-9

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Ordinance		Balance
		Date	Amount	Dec. 31, 2013
03-03	Installation of New Sewer Mains	3/11/2003	\$ 76,000.00	\$ 76,000.00
07-14	Filter Media and Plant Upgrades	8/21/2007	70,000.00	158.12
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	150,000.00	150,000.00
08-12	Various Water and Sewer Improvements	9/09/2008	20,000.00	20,000.00
09-04	Rehabilitation and Repair of the Sanitary Sewer System	7/28/2009	20,000.00	20,000.00
09-08	Replacement of Pump Stations	10/29/2009	70,000.00	70,000.00
09-09	Preliminary and Final Design for Replacement of Water Treatment Plant	12/08/2009	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
10-04	Replacement of Pump Stations (amending 09-08)	4/27/2010	17,250.00	17,250.00
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	2,747,650.00	2,747,650.00
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	275,860.00
				<u>\$ 5,461,558.12</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-10

SCHEDULE OF INTERFUNDS - OPERATING FUND

	Utility Capital Fund
Balance December 31, 2012 - (Due From)	\$ <u>(\$13.48)</u>
Increased by:	
Utility Capital Fund - Interest Earned on Deposit	148.84
Total Increases and Balances	<u>162.32</u>
Decreased by:	
Receipts	<u>151.21</u>
Balance December 31, 2013 - (Due From)	\$ <u><u>(\$11.11)</u></u>

SCHEDULE OF INTERFUNDS - CAPITAL FUND

Exhibit D-11

	Utility Operating Fund
Balance December 31, 2012 - Due To	\$ <u>13.48</u>
Increased by:	
Receipts	148.84
Total Increases and Balances	<u>162.32</u>
Decreased by:	
Disbursed	<u>151.21</u>
Balance December 31, 2013 - Due To	\$ <u><u>11.11</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-12

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2012</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Expended</u>	<u>Balance Lapsed</u>
Operating:					
Salaries and Wages	\$ 14,658.70	\$	\$ 14,658.70	\$ 5,545.93	\$ 9,112.77
Other Expenses	10,882.37	15,492.14	26,374.51	14,778.22	11,596.29
Ocean County Utilities Authority	11,431.22		11,431.22	11,402.00	29.22
Insurance	690.41		690.41	690.00	.41
Engineering	7,365.09		7,365.09		7,365.09
Statutory Expenditures:					
Contribution to:					
Social Security System	911.47		911.47	424.26	487.21
Unemployment Compensation Insurance	709.93		709.93	63.77	646.16
	<u>\$ 46,649.19</u>	<u>\$ 15,492.14</u>	<u>\$ 62,141.33</u>	<u>\$ 32,904.18</u>	<u>\$ 29,237.15</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-13

SCHEDULE OF ACCRUED INTEREST ON NOTES AND LOANS

Balance December 31, 2012	\$ 52,786.07
Increased by:	
Budget Appropriation for Interest on Notes	<u>48,487.72</u>
	101,273.79
Decreased by:	
Disbursements	<u>52,786.07</u>
Balance December 31, 2013	\$ <u><u>48,487.72</u></u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-14

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2012		Reserve for Encumbrance	Paid or Charged	Cancelled	Balance Dec. 31, 2013	
				Funded	Unfunded				Funded	Unfunded
03-03	Installation of New Sewer Mains	3/11/2003	\$ 76,000.00	\$ 1,050.00	\$	\$ 2,700.00	\$ 2,700.00	\$	\$ 1,050.00	\$
05-12	Replacement of Pump Station	9/06/2005	60,000.00			8,356.00	8,356.00			
07-14	Replacement of Filter Media and Upgrades at Water Treatment Plant	8/21/2007	70,000.00	158.12				158.12		
08-09	Repair and Replacement of Pumps at Pump Stations	6/24/2008	15,000.00			6,900.00	6,900.00			
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	150,000.00			6,034.27	6,034.27			
08-12	Various Water and Sewer Improvements	9/09/2008	20,000.00	1,632.00	12,500.00				1,632.00	12,500.00
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		63,719.49					63,719.49
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	1,924,640.00	738,561.10		1,022,379.60	1,114,998.19		645,942.51	
10-04	Replacement of Pump Stations (amending 09-08)	4/27/2010	17,250.00		15,660.77					15,660.77
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	2,747,650.00	528,737.55	195,150.00	360,359.79	445,080.11		620,017.23	19,150.00
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	275,860.00	<u>268,502.72</u>			<u>0.00</u>		<u>268,502.72</u>	
				<u>\$ 1,558,641.49</u>	<u>\$ 287,030.26</u>	<u>\$ 1,406,729.66</u>	<u>\$ 1,584,068.57</u>	<u>\$ 158.12</u>	<u>\$ 1,557,144.46</u>	<u>\$ 111,030.26</u>
	Disbursed						\$ 1,562,324.30			
	Reserve for Encumbrances						<u>21,744.27</u>			
							<u>\$ 1,584,068.57</u>			

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-15

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2012 and 2013 \$ 36,750.00

SCHEDULE OF RESERVE FOR AMORTIZATION

Exhibit D-16

Balance December 31, 2012 \$ 3,141,859.67

Increased by:

 Paid by Budget Appropriation:

 Infrastructure Loans

\$ 20,944.01

 Serial Bonds

33,143.24

54,087.25

Balance December 31, 2013 \$ 3,195,946.92

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-17

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

<u>Ordinance Number</u>	<u>Project</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2012</u>	<u>Loans Paid by Budget Appropriations</u>	<u>Bonds Paid by Budget Appropriations</u>	<u>Prior Year NJ EIT Loan Premium</u>	<u>Balance Dec. 31, 2013</u>
03-03	Installation of New Sewer Mains	3/11/2003	\$ 20,990.71	\$	\$ 3,990.70	\$	\$ 24,981.41
07-14	Filter Media and Plant Upgrades	8/21/2007					
08-10	Preliminary Costs for Installation of a New Water Storage Tank	8/12/2008	19,003.32		9,503.32		28,506.64
08-12	Various Water and Sewer Improvements	9/09/2008	3,304.38		304.38		3,608.76
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	10,796.61	1,677.97			12,474.58
10-03	Installation of a New Water Storage Tank (amending 08-10)	4/27/2010	163,105.07	97,863.04			260,968.11
10-05	Replacement of Water Treatment Plant (amending 09-09)	4/27/2010	98,516.95	94,110.17		176,000.00	368,627.12
10-06	Repair and Replacement of Fire Hydrants	4/27/2010	22,351.58	10,975.93	4,058.36		37,385.87
			<u>\$ 342,568.62</u>	<u>\$ 204,627.11</u>	<u>\$ 17,856.76</u>	<u>\$ 176,000.00</u>	<u>\$ 741,052.49</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-18

SCHEDULE OF WATER-SEWER SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2013</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Water-Sewer Improvement Bonds	2011	\$ 754,000.00	2014	\$ 51,000.00	2.00%			
			2015	51,000.00	2.00%			
			2016	51,000.00	2.00%			
			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%	\$ 703,000.00	\$ 51,000.00	\$ 652,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-19

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rates</u>	<u>Balance Dec. 31, 2012</u>	<u>Budget Appropriation</u>	<u>Balance Dec. 31, 2013</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2006	\$ 205,000.00	2014	\$ 10,000.00	5.00%			
			2015	10,000.00	5.00%			
			2016	10,000.00	5.00%			
			2017	10,000.00	4.00%			
			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%	\$ 165,000.00	\$ 10,000.00	\$ 155,000.00

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-20

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2013</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2006	\$ 198,500.00	2014	\$ 10,627.59				
			2015	10,311.19				
			2016	9,994.77				
			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%	\$ <u>141,453.63</u>	\$ <u>10,944.01</u>	\$ <u>130,509.62</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-21

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2013</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2010	\$ 2,275,000.00	2014	\$ 85,000.00	5.00%			
			2015	85,000.00	5.00%			
			2016	90,000.00	5.00%			
			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%			
						<u>\$ 2,200,000.00</u>	<u>\$ 80,000.00</u>	<u>\$ 2,120,000.00</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-22

SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2013</u>
			<u>Year</u>	<u>Amount</u>				
Utility System	2010	\$ 2,451,000.00	2014	\$ 124,627.11				
			2015	124,627.11				
			2016	124,627.11				
			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	124,627.11				
			2029	124,627.11				
			2030	124,627.28	0.00%	\$ 2,243,288.15	\$ 124,627.11	\$ 2,118,661.04

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

WATER-SEWER UTILITY FUND

Exhibit D-23

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Project</u>	<u>Balance Dec. 31, 2013</u>
08-09	Repair and Replacement of Pumps at Pump Stations	\$ 4,250.00
08-12	Various Water and Sewer Improvements	12,500.00
09-08	Replacement of Pump Stations	66,500.00
10-04	Replacement of Pump Stations (Amending 09-08)	17,250.00
10-05	Replacement of Water Treatment Plant (Amending 09-09)	19,150.00
		<u>\$ 119,650.00</u>

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BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN
PART II
SUPPLEMENTARY DATA
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2013

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COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

Tax Rate	<u>2013</u> \$ <u>1.728</u>	<u>2012</u> \$ <u>1.718</u>	<u>2011</u> \$ <u>1.680</u>
Apportionment of Tax Rate			
Municipal	.472	.449	.439
County	.396	.403	.404
Regional School	.333	.362	.349
Local School	.527	.504	.488
Assessed Valuation			
2013	\$ 345,958,568		
2012		\$ 350,184,922	
2011			\$ 352,364,449

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Collection</u>	<u>Currently</u> <u>Percentage of Collection</u>
2013	\$ 5,982,052	\$ 5,818,612	97.267%
2012	6,038,823	5,840,955	96.72%
2011	5,944,428	5,805,511	97.66%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens in relation to the tax levies of the last three years.

<u>Year Ended</u> <u>December 31</u>	<u>Amount of Tax</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>
2013	\$ 7,932	\$ 138,317	\$ 146,249	2.44%
2012	5,423	146,342	151,765	2.51%
2011	1,747	103,136	104,883	1.76%

COMPARISON OF WATER-SEWER RENTS LEVIED

<u>Year</u>	<u>Billings</u>	<u>Prior Year Delinquent</u>	<u>Collections</u>
2013	\$ 878,986	\$ 68,270	\$ 934,477
2012	938,597	39,098	909,425
2011	898,062	62,511	921,475

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2013	\$ 267,159	\$ 229,000
2012	190,883	165,176
2011	283,767	232,328
2010	365,941	299,000
2009	356,230	299,000
<u>Water-Sewer Fund</u>		
2013	\$ 124,156	\$ 96,000
2012	106,658	57,900
2011	172,293	111,240
2010	80,407	35,000
2009	69,693	50,000

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Issued</u>			
General Bonds, Notes and Loans	\$ 2,078,841	\$ 1,952,503	\$ 2,090,601
Water-Sewer Utility Bonds, Notes and Loans	<u>5,176,171</u>	<u>5,452,742</u>	<u>5,724,629</u>
Net Debt Issued	<u>7,255,012</u>	<u>7,405,245</u>	<u>7,815,230</u>
<u>Authorized but not Issued</u>			
General Bonds and Notes	461,782	623,115	595,283
Water-Sewer Utility Bonds and Notes	<u>119,650</u>	<u>295,650</u>	<u>295,650</u>
Total Authorized but not Issued	<u>581,432</u>	<u>918,765</u>	<u>890,933</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	\$ <u>7,836,444</u>	\$ <u>8,324,010</u>	\$ <u>8,706,163</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 .70%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 533,000	\$ 533,000	\$
Regional School District Debt	276,213	276,213	
General Debt	2,540,623		2,540,623
Water-Sewer Utility Debt	<u>5,295,821</u>	<u>5,295,821</u>	<u> </u>
	<u>\$ 8,645,657</u>	<u>\$ 6,105,034</u>	<u>\$ 2,540,623</u>

Net Debt \$2,540,623 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$364,033,693 = .70%.

BORROWING POWER UNDER N.J.S.A. 40A:2-6

3.5% of Equalized Valuation Basis	\$ 12,741,179
Net Debt	<u>2,540,623</u>
Remaining Borrowing Power	<u>\$ 10,200,556</u>

CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER-SEWER UTILITY PER N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for the Year		\$ 1,056,109
Deductions:		
Operating and Maintenance Cost	\$ 582,900	
Debt Service	<u>427,048</u>	
Total Deductions		<u>1,009,948</u>
Excess in Revenue		<u>\$ 46,161</u>

A Revised Annual Debt Statement should be filed by the Chief Financial Officer.

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SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NJ OMB CIRCULAR 04-04

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

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Island Heights's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey Grants Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal and state programs for the year ended December 31, 2013. The Borough of Island Heights's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Island Heights's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Borough of Island Heights's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal or state program. However, our audit does not provide a legal determination of the Borough of Island Heights's compliance with those requirements.

Opinion on Each Major Federal or State Program

In our opinion, the Borough of Island Heights complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal or state programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or New Jersey OMB's Circular 04-04.

Report on Internal Control Over Compliance

Management of the Borough of Island Heights is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Island Heights's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 or New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Island Heights's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB's Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

We have audited the financial statements of the Borough of Island Heights as of and for the year ended December 31, 2013, and have issued our report thereon dated July 25, 2014, which contained an qualified opinion, regulatory basis, on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB Circular 04-04 and is not a required part of the 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. The 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 schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.



Kevin P. Frenia
Certified Public Account
Registered Municipal Accountant
CR# 435

Medford, New Jersey
July 25, 2014

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 1

FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Grantor/Program Title</u>	<u>Federal C.F.D.A. Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>		<u>Program or Award Amount</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Cumulative Expenditures</u>
			<u>From</u>	<u>To</u>				
<u>Department of Environmental Protection</u>								
Pass-Through:								
New Jersey Department of Environmental Protection: Drinking Water State Revolving Fund	66.468	1503001-002/003	2011	to Completion	\$ 2,451,000.00	\$ 781,296.00	\$ 777,193.53	\$ 1,675,394.00
<u>Department of Law and Public Safety</u>								
Indirect Programs - Passed Through the New Jersey: Hurricane Sandy	97.036	100-066-1200-A70-068250	2012	to Completion	357,094.27	68,149.62	138,501.52	166,626.52
<u>Department of Transportation</u>								
Pass-Through:								
New Jersey Department of Transportation: Highway Planning and Construction: Summit Ave Parking Lot	20.205	78-6320-480-AK3-11	2011	to Completion	185,000.00	31,636.71	1,719.99	85,999.46
Cedar Ave	20.205	78-6320-480-AK3-13	2013	to Completion	99,833.85	74,875.39	99,833.85	99,833.85
Total Department of Transportation						<u>106,512.10</u>	<u>101,553.84</u>	<u>185,833.31</u>
Total Federal Expenditures						\$ <u>955,957.72</u>	\$ <u>1,017,248.89</u>	\$ <u>2,027,853.83</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Schedule 2

FOR THE YEAR ENDED DECEMBER 31, 2013

<u>State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Account Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Year 2013</u>		<u>Total State Expenditures</u>
			<u>From</u>	<u>To</u>	<u>Cash Received</u>	<u>State Expenditures</u>	
<u>Law and Public Safety</u>							
Direct Programs:							
Body Armor Replacement Fund	718-066-1020-001-YCJS-6120	\$ 1,376	2013	FY	\$ 3,017.31	\$	\$
Indirect Programs - Passed Through Ocean County							
Office of Emergency Management:							
966 Reimbursement	APU-634	4,522	2013	FY		249.99	249.99
Total Law and Public Safety					<u>3,017.31</u>	<u>249.99</u>	<u>249.99</u>
<u>Environmental Protection</u>							
Direct Programs:							
Clean Communities	752-042-4900-001-178810	4,328	2013	FY	4,327.78	4,327.78	4,327.78
Recycling Tonnage	752-042-4900-001-178810	3,434	2013	FY	3,433.89		
Capitalization Grants for Drinking Water State Revolving Fund	707-042-4840-011-xxxxxx	2,451,000	2011	Till Finished	<u>781,296.00</u>	<u>777,193.52</u>	<u>1,675,394.00</u>
Total Environmental Protection					<u>789,057.67</u>	<u>781,521.30</u>	<u>1,679,721.78</u>
Total State Assistance					\$ <u>792,074.98</u>	\$ <u>781,771.29</u>	\$ <u>1,679,971.77</u>

BOROUGH OF ISLAND HEIGHTS - COUNTY OF OCEAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal and State Awards include grant activity of the Borough of Island Heights and are presented on the regulatory basis of accounting (as described in note 1C. of the financial statements). The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and New Jersey OMB Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid".

Expenditures, as reported on the accompanying Schedules of Expenditures of Federal and State Awards, reflect cash disbursements charged directly to Borough funds as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 138,502	\$	\$ 138,502
General Capital Fund	101,554		101,554
Grant Fund		4,578	4,578
Water-Sewer Utility Capital Fund	<u>777,193</u>	<u>777,193</u>	<u>1,554,386</u>
	<u>\$ 1,017,249</u>	<u>\$ 781,771</u>	<u>\$ 1,799,020</u>

NOTE 2. CONTINGENCIES

Each of the cognizant agencies reserves the right to conduct additional audits of the Borough's grant programs. Management does not believe such audits would result in material amounts of disallowed costs.

**BOROUGH OF ISLAND HEIGHTS
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended December 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Qualified – Regulatory Basis</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Where significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to basic financial Statements noted?	No

Federal Awards

Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance With 510(A) of Circular A-133	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.468	New Jersey Department of Environmental Protection: Drinking Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**BOROUGH OF ISLAND HEIGHTS
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended December 31, 2013**

Section I – Summary of Auditor’s Results (continued):

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance With NJ OMB Circular Letter 04-04	No

Identification of major programs:

GMIS Number(s)	Name of State Program
W1503001-002/003	Drinking Water State Revolving Fund- Water Main

BOROUGH OF ISLAND HEIGHTS
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended December 31, 2013

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

No Current Year Findings

Section III – Federal Awards Financial Assistance Finding & Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133.

No Current Year Findings

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**BOROUGH OF ISLAND HEIGHTS
COUNTY OF OCEAN**

PART III

**COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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 – statutory basis of the Borough of Island Heights in the County of Ocean for the year ended December 31, 2013.

Scope of Audit

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

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

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

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

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 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.

A test was conducted to determine that expenditures greater than \$2,625 obtained solicitation of quotes. No exceptions were noted.

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

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

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

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

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit "for the performance of any work, or the furnishing of any materials, supplies or labor, or the hiring of teams or vehicles," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of *N.J.S.A.40A:11-6*.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 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 8, 2013 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 8, 2013 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, 2013 included real estate taxes for 2013 & 2012.

The last tax sale was held on August 16, 2013 and was complete.

Inspection of 2013 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
2013	4
2012	6
2011	3

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

Deductions From Taxes

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

Examination of Bills

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

Payroll Fund

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

Municipal Court

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

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

A test sample was selected of fifteen (15); ten traffic and five criminal cases processed through the system. The purpose of the test was to determine that traffic fines were levied in accordance with State Statutes, that payments were deposited intact and on a timely basis, that dispositions were entered in traffic and criminal dockets, closure procedures for delinquent traffic tickets were enforced and that

Municipal Court (continued):

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 2013 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. Corrective action was taken on all prior year findings.

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2013:

NAME	POSITION	AMOUNT OF BOND	
Jim Biggs	Mayor	\$50,000	
Jeffrey B. Silver	Council President	\$50,000	
John Bendel	Councilman	\$50,000	
Greg Heizler	Councilman	\$50,000	
Peter Kier	Councilman	\$50,000	
Joe Rogalski	Councilman	\$50,000	
Ellie Rogalski	Borough Clerk	\$50,000	
Lou Palazzo	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.

A handwritten signature in black ink, appearing to read "Kevin Frenia", written in a cursive style.

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

July 25, 2014
Medford, New Jersey