

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

FOR THE YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH**

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH**

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Atlantic Highlands as of December 31, 2018, and the related statements of operations and changes in in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough, as of December 31, 2018, or the results of its operations and changes in fund balance for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough, as of December 31, 2018, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statement of revenues - regulatory basis, statement of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2018 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended December 31, 2018 the Borough adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 19 to the financial statements, during the fiscal year ended December 31, 2018 the Borough determined that the accounts receivable balance recorded in the Harbor Utility Fund in the prior period was not accurate. The Borough has corrected this with a prior period adjustment to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental schedules presented for the various funds and letter of comments and recommendations section are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the basic financial statements.

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

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Prior Period Financial Statements

The financial statements as of December 31, 2017, were audited by other auditors whose report dated September 27, 2018, expressed an unmodified 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 August 6, 2019 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Freehold, New Jersey
August 6, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Borough of Atlantic Highlands, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 6, 2019. Our report indicated that the Borough's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the schedule of financial statement findings that we consider to be significant deficiencies as Finding No.'s 2018-001, 2018-002, 2018-003, 2018-004, & 2018-005.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of financial statement findings as Finding No.'s 2018-001, 2018-002, 2018-003, 2018-004, & 2018-005.

Borough of Atlantic Highlands's Response to Findings

The Borough of Atlantic Highlands's response to the findings identified in our audit is described in the accompanying schedule of financial statement findings. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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

Freehold, New Jersey
August 6, 2019

BASIC FINANCIAL STATEMENTS

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Operating Fund:			
Cash - Treasurer	A-4	\$ 3,977,744.42	\$ 4,380,542.52
Change Fund	A	150.00	250.00
Due To/From State of New Jersey - Seniors' and Veterans' Deductions	A-9	<u>25.35</u>	<u>500.00</u>
		<u>3,977,919.77</u>	<u>4,381,292.52</u>
Receivables With Full Reserves:			
Delinquent Property Tax Receivable	A-5	135,370.48	195,320.95
Tax Title Liens Receivable	A-6	12,609.94	11,521.58
Property Acquired for Taxes	A-7	85,300.00	85,300.00
Revenue Accounts Receivable	A-8	5,105.57	6,331.70
Due From Grant Fund	A-21	104,408.86	121,128.76
Due From Trust Fund	A-22	<u>-</u>	<u>526.10</u>
		<u>342,794.85</u>	<u>420,129.09</u>
Total Operating Fund		<u>4,320,714.62</u>	<u>4,801,421.61</u>
Grant Fund:			
Due From Trust Fund	A	112,650.00	-
Grants Receivable	A-24	<u>107,487.63</u>	<u>367,596.85</u>
Total Grant Fund		<u>220,137.63</u>	<u>367,596.85</u>
Total Assets		<u>\$ 4,540,852.25</u>	<u>\$ 5,169,018.46</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Operating Fund:			
Appropriation Reserves	A-3	\$ 553,879.48	\$ 419,295.70
Reserve for Encumbrances	A-12	94,058.83	247,729.20
Accounts Payable	A-10	45,401.74	24,457.77
Prepaid Taxes	A-14	116,940.98	959,245.93
County Taxes Payable	A-17	9,634.49	7,899.14
Regional District High School Tax Payable	A-19	898,960.06	786,724.06
Local District School Tax Payable	A-18	1,106,921.87	1,021,854.37
Tax Overpayment	A-13	-	250.00
Due To General Capital Fund	A	50,000.00	-
Due To Trust Fund	A-22	561.87	214.23
Reserves			
Shade Tree Commission	A-15	11,492.98	13,563.13
State Library Aid	A-16	1,071.00	1,071.00
Police Cash Evidence	A	287.00	287.00
Police Found Property	A	1,397.17	1,078.00
		<u>2,890,607.47</u>	<u>3,483,669.53</u>
Reserve for Receivables	A	342,794.85	420,129.09
Fund Balance	A-1	<u>1,087,312.30</u>	<u>897,622.99</u>
		<u>1,430,107.15</u>	<u>1,317,752.08</u>
Total Operating Fund		<u>4,320,714.62</u>	<u>4,801,421.61</u>
Federal and State Grant Fund:			
Due To Current Fund	A-21	\$ 104,408.86	\$ 121,128.76
Due To Trust Fund	A	-	350.00
Due To Employee	A	35.00	35.00
Reserve for Grants:			
Unappropriated	A-26	9,701.79	22,566.64
Appropriated	A-25	58,282.08	207,685.89
Reserve for Encumbrances	A-23	<u>47,709.90</u>	<u>15,830.56</u>
Total Grant Fund		<u>220,137.63</u>	<u>367,596.85</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,540,852.25</u>	<u>\$ 5,169,018.46</u>

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

BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 700,000.00	\$ 669,040.57
Miscellaneous Revenue Anticipated	1,769,925.15	2,100,945.87
Receipts From Delinquent Taxes	195,320.95	237,588.83
Receipts From Current Taxes	17,520,105.94	16,808,492.91
Non-Budget Revenue	258,280.63	424,195.02
Other Credits To Income:		
Due from State of New Jersey	-	750.00
Unexpended Balance of Appropriation Reserves	311,089.02	320,266.08
Accounts Payable Cancelled	-	2,779.16
Encumbrances Payable Cancelled	43,990.62	-
Grants Appropriated Cancelled	-	27,777.50
Tax Overpayments Cancelled	19,072.17	-
Statutory Excess	-	526.10
Interfunds Returned - Trust Other	-	1,691.72
	<hr/>	<hr/>
Total Revenue	20,817,784.48	20,594,053.76
Expenditures:		
Budget Appropriations Within Caps:		
Operations:		
Salaries & Wages	2,471,350.08	2,550,950.88
Other Expenses	2,875,775.00	2,617,325.00
Deferred Charges and Statutory Expenditures	650,164.38	595,706.57
Operations:		
Salaries & Wages	20,000.00	26,000.00
Other Expenses	121,184.60	410,183.98
Capital Improvements	205,000.00	182,000.00
Municipal Debt Service	1,501,071.35	1,731,427.14
County Taxes	2,463,875.43	2,352,808.64
Amount Due County For Added and Omitted Taxes	9,634.49	7,899.14
Local District School Tax	5,199,449.00	5,020,220.00
Regional High School Tax	4,319,155.00	4,115,690.00
Interfund Advanced - Grant Fund	1,362.79	29,552.01
Grants Receivable Cancelled	-	31,877.50
Municipal Open Space Tax	89,725.41	63,765.58
Municipal Open Space For Added and Omitted Taxes	347.64	214.23
	<hr/>	<hr/>
Total Expenditures	19,928,095.17	19,735,620.67
Excess/ (Deficit) in Revenue	<hr/>	<hr/>
	889,689.31	858,433.09
Fund Balance, January 1	<hr/>	<hr/>
	897,622.99	708,230.47
	1,787,312.30	1,566,663.56
Decreased By:		
Utilized as Anticipated Revenue	<hr/>	<hr/>
	700,000.00	669,040.57
Fund Balance, December 31	<hr/>	<hr/>
	\$ 1,087,312.30	\$ 897,622.99

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Surplus Anticipated	\$ 700,000.00	\$ 700,000.00	\$ -
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	9,900.00	9,995.00	95.00
Fees and Permits	60,500.00	69,841.56	9,341.56
Fines and Costs:			
Municipal Court	72,000.00	88,102.64	16,102.64
Interest and Costs on Taxes	60,000.00	59,111.43	(888.57)
Interest on Investments and Deposits	40,000.00	74,354.26	34,354.26
Anticipated Utility Operating Surplus	600,000.00	600,000.00	-
Cable Franchise Fees	78,717.47	78,717.47	-
Recreation Property Lease	40,000.00	41,363.00	1,363.00
Recreation Program	42,000.00	43,666.74	1,666.74
Recycling Fees	20,000.00	13,129.62	(6,870.38)
Payments in Lieu of Taxes - Senior Citizen Housing	34,000.00	35,657.40	1,657.40
Energy Receipts Tax	322,946.00	325,117.00	2,171.00
Consolidated Municipal Property Tax			
Relief Aid	2,171.00	-	(2,171.00)
Uniform Construction Code Fees	152,000.00	146,090.00	(5,910.00)
Henry Hudson - Fuel Usage	20,000.00	16,606.47	(3,393.53)
Borough of Highlands - Shared Services Agreement	95,000.00	110,495.05	15,495.05
Uniform Fire Safety Act	11,000.00	16,492.91	5,492.91
Clean Communities Program	21,959.77	21,959.77	-
Distracted Driving Crackdown	6,600.00	6,600.00	-
Pedestrian Safety Grant	11,000.00	11,000.00	-
Recycling Tonnage Grant	1,624.83	1,624.83	-
Total Miscellaneous Revenues	<u>1,701,419.07</u>	<u>1,769,925.15</u>	<u>68,506.08</u>
Receipts From Delinquent Taxes	<u>175,000.00</u>	<u>195,320.95</u>	<u>20,320.95</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Property Taxes for Support of Municipal Budget Appropriations:			
Local Tax for Municipal Purposes	5,517,737.33	5,687,523.22	169,785.89
			<hr/>
Budget Totals	8,094,156.40	8,352,769.32	258,612.92
Non-Budget Revenue	-	258,280.63	258,280.63
			<hr/>
	<u>\$ 8,094,156.40</u>	<u>\$ 8,611,049.95</u>	<u>\$ 516,893.55</u>

Analysis of Realized Revenue

Revenue From Collections		\$ 17,520,105.94
Allocated To:		
Regional District School	\$ 5,199,449.00	
Regional District High School	4,319,155.00	
County Taxes	2,473,509.92	
Municipal Open Space	90,073.05	
		<hr/>
		12,082,186.97
Balance for Support of Municipal Budget Purposes		5,437,918.97
Add: Appropriation Reserve for Uncollected Taxes		249,604.25
		<hr/>
Amount for Support of Municipal Budget Appropriations		<u>\$ 5,687,523.22</u>

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:		
Central Jersey Employee Benefits Dividend	\$ 134,672.00	
JIF Dividend	32,331.00	
Proceeds from Lawsuit Settlement	9,500.00	
Sale of Municipal Assets	23,422.59	
State of NJ - Sandy Proceeds	7,264.16	
T-Mobile Cell Tower Contract	41,581.68	
Miscellaneous	9,509.20	
		<hr/>
		<u>\$ 258,280.63</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			Unexpended Balance Canceled
	Original Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
GENERAL GOVERNMENT						
Administration and Executive:						
Mayor & Council						
Salaries and Wages	\$ 22,500.00	\$ 22,500.00	\$ 22,500.00	\$ -	\$ -	\$ -
Other Expenses	4,000.00	4,000.00	3,009.99	-	990.01	-
General Administration:						
Salaries and Wages	76,000.00	76,000.00	66,754.45	-	9,245.55	-
Other Expenses	43,000.00	43,000.00	33,247.32	19.92	9,732.76	-
Drug Education Program						
Other Expenses	9,000.00	9,000.00	7,900.00	-	1,100.00	-
Human Resources (Personnel)						
Salaries and Wages	5,500.00	6,000.00	5,617.91	-	382.09	-
Municipal Clerk's Office:						
Salaries and Wages	64,000.00	90,000.00	88,751.10	-	1,248.90	-
Other Expenses	32,800.00	36,300.00	35,904.57	-	395.43	-
Annual Audit:						
Other Expenses	21,000.00	21,000.00	21,000.00	-	-	-
Computerized Data Processing						
Other Expenses	70,000.00	70,000.00	66,066.98	3,450.00	483.02	-
Revenue Administration						
Salaries and Wages	26,000.00	26,000.00	24,738.74	-	1,261.26	-
Other Expenses	8,600.00	8,600.00	5,919.83	-	2,680.17	-
Assessment of Taxes:						
Salaries and Wages	21,200.00	21,200.00	20,399.97	-	800.03	-
Other Expenses	6,500.00	6,500.00	4,287.29	-	2,212.71	-
Department of Finance:						
Financial Administration:						
Salaries and Wages	48,000.00	43,000.00	40,512.00	-	2,488.00	-
Other Expenses	24,000.00	24,000.00	18,514.97	63.96	5,421.07	-
Department of Law:						
Legal Services and Costs:						
Salaries and Wages	25,000.08	25,000.08	25,000.08	-	-	-
Other Expenses	80,000.00	80,000.00	56,054.64	-	23,945.36	-
Tax Appeals	7,500.00	7,500.00	-	-	7,500.00	-
Municipal Prosecutor:						
Salaries and Wages	17,500.00	17,500.00	16,999.95	-	500.05	-
Other Expenses	100.00	100.00	-	-	100.00	-
Department of Parks, Recreation and Social Services:						
Celebration of Public Events:						
Other Expenses	7,500.00	7,500.00	-	-	7,500.00	-
Recreation Services and Programs						
Salaries and Wages	22,000.00	22,000.00	14,419.25	-	7,580.75	-
Other Expenses	30,000.00	30,000.00	16,563.87	1,187.50	12,248.63	-
Public Library						
Other Expenses	1,500.00	1,600.00	1,502.21	-	97.79	-
Insurance:						
General Liability	105,000.00	105,000.00	96,214.15	-	8,785.85	-
Surety Bonds	500.00	500.00	-	-	500.00	-
Workers' Compensation	120,000.00	120,000.00	118,143.64	-	1,856.36	-
Employee Group Health	875,000.00	875,000.00	798,715.82	-	76,284.18	-
Department of Public Safety:						
Police:						
Salaries and Wages	1,707,500.00	1,662,500.00	1,553,670.71	-	108,829.29	-
Other Expenses	180,500.00	180,500.00	140,653.55	35,805.89	4,040.56	-
Office of Emergency Management:						
Other Expenses	6,500.00	6,500.00	3,666.44	390.00	2,443.56	-
Aid to Volunteer Fire Companies						
Other Expenses	60,000.00	60,000.00	49,197.23	9,938.21	864.56	-
Aid to Volunteer Ambulance Companies						
Other Expenses	12,000.00	12,000.00	12,000.00	-	-	-

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			Unexpended Balance Canceled
	Original Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Uniform Fire Safety Act (Fire Department)						
Salaries and Wages	11,000.00	11,000.00	9,630.00	-	1,370.00	-
Other Expenses	11,875.00	11,875.00	8,711.15	-	3,163.85	-
Fire						
Salaries and Wages	3,750.00	3,750.00	3,750.00	-	-	-
Department of Community Development:						
Engineering Services and Costs:						
Salaries and Wages	3,000.00	3,000.00	3,000.00	-	-	-
Other Expenses	12,000.00	12,000.00	7,082.50	-	4,917.50	-
Planning Board:						
Salaries and Wages	10,200.00	10,200.00	7,987.74	-	2,212.26	-
Other Expenses	22,000.00	22,000.00	16,712.94	-	5,287.06	-
Master Plan	10,000.00	10,000.00	388.50	-	9,611.50	-
COAH Planner						
Other Expenses	30,000.00	30,000.00	20,623.75	-	9,376.25	-
Affordable Housing						
Other Expenses	5,000.00	5,000.00	2,253.60	-	2,746.40	-
Department of Public Works:						
Public Buildings and Grounds:						
Salaries and Wages	61,000.00	61,000.00	56,814.24	-	4,185.76	-
Other Expenses	93,500.00	93,500.00	73,597.64	15,283.66	4,618.70	-
Streets and Road Maintenance						
Salaries and Wages	240,000.00	214,350.00	189,543.55	-	24,806.45	-
Other Expenses	72,000.00	72,000.00	70,038.57	1,826.60	134.83	-
Solid Waste Collection						
Salaries and Wages	148,000.00	161,000.00	159,508.37	-	1,491.63	-
Other Expenses	36,000.00	37,000.00	35,912.16	995.65	92.19	-
Vehicle Maintenance						
Salaries and Wages	60,000.00	70,000.00	64,508.04	-	5,491.96	-
Other Expenses	46,500.00	46,500.00	32,979.22	8,342.44	5,178.34	-
Municipal Court:						
Salaries and Wages	85,000.00	68,800.00	68,568.73	-	231.27	-
Other Expenses	19,600.00	25,600.00	23,969.63	394.00	1,236.37	-
Public Defender						
Salaries and Wages	6,000.00	6,000.00	-	-	6,000.00	-
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	-
Shade Tree Commission						
Salaries and Wages	10,000.00	10,000.00	10,000.00	-	-	-
Animal Control Services						
Other Expenses	5,000.00	5,000.00	4,334.60	-	665.40	-
Right to Know Safely						
Other Expenses	3,700.00	3,700.00	1,472.15	780.00	1,447.85	-
Environmental Commission						
Other Expenses	2,000.00	2,000.00	691.02	-	1,308.98	-
<u>Uniform Construction Code Appropriations</u>						
<u>Offset by Dedicated Revenues</u>						
State Uniform Construction Code						
Salaries and Wages	50,000.00	56,500.00	56,276.34	-	223.66	-
Other Expenses	2,000.00	2,000.00	658.89	-	1,341.11	-
Construction Official						
Salaries and Wages	14,500.00	15,050.00	15,000.03	-	49.97	-
Other Expenses	800.00	800.00	334.37	-	465.63	-

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			Unexpended
	Original Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Canceled
UNCLASSIFIED						
Utilities:						
Electricity	77,000.00	77,000.00	67,884.01	-	9,115.99	-
Street Lighting	81,000.00	81,000.00	80,329.08	-	670.92	-
Telephone (excluding equipment acquisition)	39,000.00	39,000.00	38,160.80	-	839.20	-
Natural Gas	34,000.00	34,000.00	26,483.67	-	7,516.33	-
Telecommunication Costs	7,500.00	8,200.00	7,634.66	-	565.34	-
Gasoline	65,000.00	74,000.00	66,333.77	-	7,666.23	-
Landfill Solid Waste Disposal Costs	210,000.00	240,000.00	214,330.75	-	25,669.25	-
Total Operations - Within "CAPS"	5,329,125.08	5,344,125.08	4,813,431.13	78,477.83	452,216.12	-
Contingent	3,000.00	3,000.00	-	-	3,000.00	-
Detail:						
Salaries and Wages	2,529,650.08	2,471,350.08	2,299,934.79	-	171,415.29	-
Other Expenses	2,802,475.00	2,875,775.00	2,513,496.34	78,477.83	283,800.83	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"						
Deferred Charges:						
Future Taxation Unfunded - Ord. 02-99	50,000.00	50,000.00	50,000.00	-	-	-
Contribution To:						
Public Employees' Retirement System	180,255.38	180,255.38	180,255.38	-	-	-
Police and Firemen's Retirement System of NJ	294,409.00	294,409.00	294,409.00	-	-	-
Unemployment Insurance	7,500.00	7,500.00	-	-	7,500.00	-
Social Security System (O.A.S.I.)	118,000.00	118,000.00	108,647.00	-	9,353.00	-
Total Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"	650,164.38	650,164.38	633,311.38	-	16,853.00	-
Total General Appropriations for Municipal Purposes - Within "CAPS"	5,982,289.46	5,997,289.46	5,446,742.51	78,477.83	472,069.12	-
LOSAP:						
Other Expenses	60,000.00	60,000.00	-	-	60,000.00	-
Recycling (N.J.S.A. 13:1E-96.5):						
Other Expenses	10,000.00	10,000.00	5,157.36	-	4,842.64	-
Total Other Operations - Excluded from "CAPS"	70,000.00	70,000.00	5,157.36	-	64,842.64	-
Interlocal Municipal Service Agreements:						
911 Emergency Service Contract with County	-	5,000.00	4,544.54	-	455.46	-
Gasoline - HHRS	-	-	-	-	-	-
Other Expenses	25,000.00	5,000.00	4,703.74	-	296.26	-
Mechanical Services - Highlands						
Salaries and Wages	20,000.00	20,000.00	20,000.00	-	-	-
Total Interlocal Municipal Service Agreements	45,000.00	30,000.00	29,248.28	-	751.72	-
Public and Private Programs Offset By Revenues:						
Clean Communities Program	11,240.02	21,959.77	21,959.77	-	-	-
Pedestrian Safety Grant	-	11,000.00	11,000.00	-	-	-
Body Armor Fund	1,624.83	1,624.83	1,624.83	-	-	-
Distracted Driving Crackdown	-	6,600.00	6,600.00	-	-	-
Total Public and Private Programs Offset By Revenues	12,864.85	41,184.60	41,184.60	-	-	-
Total Operations - Excluded from "CAPS"	127,864.85	141,184.60	75,590.24	-	65,594.36	-

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			Unexpended
	Original Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Balance Canceled
Detail:						
Salaries and Wages	20,000.00	20,000.00	20,000.00	-	-	-
Other Expenses	107,864.85	121,184.60	55,590.24	-	65,594.36	-
Capital Improvements - Excluded From "CAPS"						
Down Payments on Improvements						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-	-
Acquisition of Fire Turnout Gear	15,000.00	15,000.00	-	15,000.00	-	-
Fire/Police Vehicle	15,000.00	15,000.00	15,000.00	-	-	-
Trucks for Streets and Roads	50,000.00	50,000.00	39,694.00	-	10,306.00	-
Highland Place/Ocean Ave Drainage	75,000.00	75,000.00	68,509.00	581.00	5,910.00	-
Total Capital Improvements - Excluded From "CAPS"	205,000.00	205,000.00	173,203.00	15,581.00	16,216.00	-
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal	1,077,951.35	1,077,951.35	1,077,951.35	-	-	-
Interest on Bonds	423,126.74	423,126.74	423,120.00	-	-	6.74
Total Municipal Debt Service - Excluded From "CAPS"	1,501,078.09	1,501,078.09	1,501,071.35	-	-	6.74
Total General Appropriations for Municipal Purposes - Excluded From "CAPS"	1,833,942.94	1,847,262.69	1,749,864.59	15,581.00	81,810.36	6.74
Subtotal General Appropriations	7,816,232.40	7,844,552.15	7,196,607.10	94,058.83	553,879.48	6.74
Reserve for Uncollected Taxes	249,604.25	249,604.25	249,604.25	-	-	-
Total General Appropriations	\$ 8,065,836.65	\$ 8,094,156.40	\$ 7,446,211.35	\$ 94,058.83	\$ 553,879.48	\$ 6.74
Budget as Adopted		\$ 8,065,836.65				
Appropriated by N.J.S. 40A:4-87		28,319.75				
		<u>\$ 8,094,156.40</u>				
Analysis of Paid or Charged:						
Cash Disbursements			\$ 7,105,422.50			
Reserve for:						
Uncollected Taxes			249,604.25			
Deferred Charges			50,000.00			
Grants Appropriated			41,184.60			
			<u>\$ 7,446,211.35</u>			

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

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TRUST FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Animal Control Trust Fund:			
Cash	B-1	\$ 7,592.91	\$ 5,780.99
Change Fund	B	<u>50.00</u>	<u>50.00</u>
		<u>7,642.91</u>	<u>5,830.99</u>
Open Space Trust Fund			
Cash	B-1	170,919.02	29,562.24
Due From Current Fund	B-6	<u>561.87</u>	<u>214.23</u>
		<u>171,480.89</u>	<u>29,776.47</u>
Trust - Other Funds:			
Cash	B-1	369,871.65	377,831.40
Off-Duty Fees Receivable	B	-	4,680.00
Due From Grant Fund	B	<u>350.00</u>	<u>350.00</u>
		<u>370,221.65</u>	<u>382,861.40</u>
Length of Service Awards Program (LOSAP)			
Funds Held by Trustee	B-9	<u>695,055.74</u>	<u>702,865.16</u>
Total Assets		<u>\$ 1,244,401.19</u>	<u>\$ 1,121,334.02</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Animal Control Trust Fund:			
Due To:			
Current Fund	B-4	\$ -	\$ 526.10
State - License Fee	B-3	2.40	21.60
Reserve for Animal Control Fund Expenditures	B-2	<u>7,640.51</u>	<u>5,283.29</u>
		<u>7,642.91</u>	<u>5,830.99</u>
Open Space Trust Fund:			
Due to Grant Fund	B	113,000.00	-
Reserve for Open Space Trust	B-7	<u>58,480.89</u>	<u>29,776.47</u>
		<u>171,480.89</u>	<u>29,776.47</u>
Trust - Other Funds:			
Various Reserves	B-8	369,134.94	380,328.65
Reserve for Encumbrances	B-5	<u>1,086.71</u>	<u>2,532.75</u>
		<u>370,221.65</u>	<u>382,861.40</u>
Length of Service Awards Program (LOSAP)			
Reserve for Length of Service Award Program	B-10	<u>695,055.74</u>	<u>702,865.16</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,244,401.19</u>	<u>\$ 1,121,334.02</u>

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

GENERAL CAPITAL FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash - Treasurer	C-2,C-3	\$ 231,998.33	\$ 147,710.96
Due From Current Fund	A	50,000.00	-
Deferred Charges To Future Taxation:			
Funded	C-4	8,939,618.29	10,017,569.64
Unfunded	C-5	<u>1,476,689.10</u>	<u>522,889.10</u>
Total Assets		<u>\$ 10,698,305.72</u>	<u>\$ 10,688,169.70</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 8,939,618.29	\$ 10,017,569.64
Reserve for Debt Service	C-9	35,650.47	1,363.10
Due to Harbor Capital Fund	C-6	600,000.00	600,000.00
Improvement Authorizations:			
Funded	C-10	86,022.00	48,853.23
Unfunded	C-10	1,009,235.77	5,435.77
Capital Improvement Fund	C-7	378.90	578.90
Fund Balance	C-1	<u>27,400.29</u>	<u>14,369.06</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,698,305.72</u>	<u>\$ 10,688,169.70</u>

There were bonds authorized but not issued on December 31, 2018 in the amount of \$1,476,689.10 and on December 31, 2017 in the amount of \$522,889.10

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 14,369.06
Increased By:	
Unexpended Balance of Funded Improvement	
Authorization Cancelled	<u>13,031.23</u>
Balance, December 31, 2018	<u><u>\$ 27,400.29</u></u>

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

WATER/SEWER UTILITY FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 353,784.71	\$ 347,505.18
Advanced to Trustee	D	84,201.60	84,201.60
Cash - Change Fund	D	150.00	150.00
		<u>438,136.31</u>	<u>431,856.78</u>
Receivables and Other Assets With Full Reserves:			
Consumer Accounts Receivable	D-7	147,160.25	145,313.25
		<u>147,160.25</u>	<u>145,313.25</u>
Total Operating Fund		<u>585,296.56</u>	<u>577,170.03</u>
Capital Fund:			
Cash and Investments	D-5	1,216,679.54	1,187,392.26
Due from N.J. Natural Gas	D-9	11,591.92	40,879.20
Fixed Capital	D-15	18,316,370.37	16,759,835.02
Fixed Capital Authorized & Uncompleted	D-16	-	1,528,365.06
Total Capital Fund		<u>19,544,641.83</u>	<u>19,516,471.54</u>
Total Assets		<u>\$ 20,129,938.39</u>	<u>\$ 20,093,641.57</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balances</u>			
Operating Fund:			
Appropriation Reserves	D-4/D-10	\$ 183,967.17	\$ 51,901.85
Reserve for Encumbrances	D-4	34,553.94	27,807.70
Accrued Interest Payable	D-13	79,655.84	88,691.26
Water Rent Overpayments	D-12	5,297.90	9,995.33
Accounts Payable	D-14	4,110.24	3,462.60
		<u>307,585.09</u>	<u>181,858.74</u>
Reserve for Receivables and Other Assets	D	147,160.25	145,313.25
Fund Balance	D-1	130,551.22	249,998.04
		<u>585,296.56</u>	<u>577,170.03</u>
Total Operating Fund			
		<u>585,296.56</u>	<u>577,170.03</u>
Capital Fund:			
Serial Bonds	D-17	4,848,080.93	5,224,848.50
Loans Payable	D-18	1,339,767.02	1,459,477.53
Improvement Authorizations:			
Funded	D-19	-	28,542.68
Reserve for Amortization	D-20	12,128,522.42	10,753,874.05
Deferred Reserve for Amortization	D-21	-	850,000.00
Reserve for Debt Service	D	30,473.55	30,473.55
Bond Covenant Reserves:			
Borough of Atlantic Highlands Allocation	D-8	543,549.53	543,549.53
Borough of Highlands Allocation	D-8	588,845.32	588,845.32
Fund Balance	D-2	65,403.06	36,860.38
		<u>19,544,641.83</u>	<u>19,516,471.54</u>
Total Capital Fund			
		<u>19,544,641.83</u>	<u>19,516,471.54</u>
Total Liabilities, Reserves and Fund Balances			
		<u>\$ 20,129,938.39</u>	<u>\$ 20,093,641.57</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 175,000.00	\$ 320,000.00
Water/Sewer Rents	2,363,153.00	2,364,749.02
Miscellaneous Revenue Not Anticipated	115,679.34	200,779.75
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	21,720.83	52,050.88
Accounts Payable Cancelled	-	38,586.50
	<hr/>	<hr/>
Total Revenue	<u>2,675,553.17</u>	<u>2,976,166.15</u>
Expenditures:		
Operating	1,664,175.88	1,546,700.00
Capital Improvements	92,500.00	11,300.00
Debt Service	756,324.11	1,165,548.18
Deferred Charges and Statutory Expenditures	107,000.00	103,000.00
	<hr/>	<hr/>
Total Expenditures	<u>2,619,999.99</u>	<u>2,826,548.18</u>
Excess in Revenue	55,553.18	149,617.97
Fund Balance, January 1	<hr/> <u>249,998.04</u>	<hr/> <u>420,380.07</u>
	305,551.22	569,998.04
Decreased By:		
Utilized as Anticipated Revenue	<hr/> <u>175,000.00</u>	<hr/> <u>320,000.00</u>
Fund Balance, December 31	<hr/> <u>\$ 130,551.22</u>	<hr/> <u>\$ 249,998.04</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 36,860.38
Increased by:	
Cancel Improvement Authorization	<u>28,542.68</u>
Balance, December 31, 2018	<u><u>\$ 65,403.06</u></u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Surplus Utilized	\$ 175,000.00	\$ 175,000.00	\$ -
Water/Sewer Rents	2,365,000.00	2,363,153.00	(1,847.00)
Miscellaneous Revenue Not Anticipated	80,000.00	115,679.34	35,679.34
	<u>\$ 2,620,000.00</u>	<u>\$ 2,653,832.34</u>	<u>\$ 33,832.34</u>

Analysis of Rents:

Cash Receipts	\$ 2,358,455.57
Overpayments Applied	<u>4,697.43</u>
	<u>2,363,153.00</u>

Analysis of Miscellaneous Revenue:

Interest Earned on Investments	\$ 5,147.00
NJNG Reimbursement for Pipe Install	25,000.00
Miscellaneous	<u>85,532.34</u>
	<u>\$ 115,679.34</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER UTILITY OPERATING FUND
STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		
	Original Budget	Budget After Modifications		Encumbered	Reserved	Cancelled
Operating:						
Salaries and Wages	\$ 676,000.00	\$ 656,000.00	\$ 619,553.55	\$ -	\$ 36,446.45	\$ -
Other Expenses	339,888.74	336,175.88	313,946.37	18,656.94	3,572.57	-
Bank Fees	7,500.00	7,500.00	4,781.10	-	2,718.90	-
Insurance	144,500.00	153,400.00	127,904.00	-	25,496.00	-
Sewerage Treatment Fees	500,000.00	511,100.00	450,862.62	-	60,237.38	-
Total Operating	1,667,888.74	1,664,175.88	1,517,047.64	18,656.94	128,471.30	-
Capital Improvements:						
Capital Outlay	92,500.00	92,500.00	28,170.29	15,897.00	48,432.71	-
Total Capital Improvements	92,500.00	92,500.00	28,170.29	15,897.00	48,432.71	-
Debt Service:						
Payment of Bond Principal	376,767.57	380,480.43	380,480.43	-	-	-
Payment of Loan Principal	119,710.51	119,710.51	119,710.50	-	-	0.01
Interest on Bonds	233,618.84	233,618.84	233,618.84	-	-	-
Interest on Loans	22,514.34	22,514.34	22,514.34	-	-	-
Total Debt Service	752,611.26	756,324.12	756,324.11	-	-	0.01
Deferred Charges:						
Due from NJ Natural Gas - Capital	25,000.00	25,000.00	25,000.00	-	-	-
Total Deferred Charges	25,000.00	25,000.00	25,000.00	-	-	-
Statutory Expenditures:						
Contributions To:						
Public Employees' Retirement System	30,000.00	30,000.00	30,000.00	-	-	-
Social Security System (O.A.S.I.)	52,000.00	52,000.00	44,936.84	-	7,063.16	-
Total Statutory Expenditures	82,000.00	82,000.00	74,936.84	-	7,063.16	-
Total Water Utility Appropriations	\$ 2,620,000.00	\$ 2,620,000.00	\$ 2,401,478.88	\$ 34,553.94	\$ 183,967.17	\$ 0.01

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

HARBOR COMMISSION UTILITY FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Operating Fund:			
Cash - Treasurer	E-5	\$ 1,275,283.68	\$ 963,860.08
Change Fund	E	2,060.00	2,060.00
Interfund - Harbor Capital Fund	E-7	-	100,000.00
		<u>1,277,343.68</u>	<u>1,065,920.08</u>
Receivables and Other Assets with Full Reserves:			
Account Receivable	E	1,030,405.37	869,922.41
		<u>1,030,405.37</u>	<u>869,922.41</u>
Deferred Charges:			
Overexpenditure of Appropriations	E-8	273,500.00	39,070.56
Special Emergency Authorization	E-9	-	100,000.00
		<u>273,500.00</u>	<u>139,070.56</u>
Total Operating Fund		<u>2,581,249.05</u>	<u>2,074,913.05</u>
Capital Fund:			
Cash	E-5	1,938,408.88	2,495,123.86
Investment in Harbor Operating Special Emergency Notes	E-5	-	100,000.00
Fixed Capital	E-13	23,021,561.22	22,921,566.22
Fixed Capital Authorized and Uncompleted	E-14	19,850,000.00	19,850,000.00
Interfund - General Capital Fund	E	600,000.00	600,000.00
Total Capital Fund		<u>45,409,970.10</u>	<u>45,966,690.08</u>
Total Assets		<u>\$ 47,991,219.15</u>	<u>\$ 48,041,603.13</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balances</u>			
Operating Fund:			
Appropriation Reserves	E-4/E-15	\$ 49,246.29	\$ 354,088.76
Reserve for Encumbrances	E-4	41,904.12	164,873.71
Sales Tax Payable	E-12	-	1,014.50
Accounts Payable	E-11	16,541.25	10,958.00
Contracts Payable	E	273,500.00	-
Special Emergency Notes Payable	E-17	-	100,000.00
Accrued Interest Payable	E-18	71,365.70	95,980.72
		<u>452,557.36</u>	<u>726,915.69</u>
Reserve for Receivables	E	1,030,405.37	869,922.41
Fund Balance	E-1	1,098,286.32	478,074.95
		<u>2,581,249.05</u>	<u>2,074,913.05</u>
Total Operating Fund			
Capital Fund:			
General Serial Bonds	E-19	2,673,300.78	3,187,181.86
Bond Anticipation Notes	E-20	2,500,000.00	3,500,000.00
Improvement Authorizations:			
Funded	E-21	1,201,057.92	1,201,057.92
Unfunded	E-21	746,339.56	760,645.39
Reserve for Encumbrances	E-21	21,702.90	33,962.05
Interfund - Harbor Operating Fund	E-7	-	100,000.00
Capital Improvement Fund	E-10	436,212.71	236,212.71
Reserve for Heritage Square	E-24	26,691.00	26,691.00
Reserve to Pay Debt Service	E-23	54,957.68	804,957.68
Reserve for Amortization	E-22	20,347,826.11	19,733,950.03
Deferred Reserve for Amortization	E-25	17,350,000.00	16,350,000.00
Fund Balance	E-2	51,881.44	32,031.44
		<u>45,409,970.10</u>	<u>45,966,690.08</u>
Total Capital Fund			
Total Liabilities, Reserves and Fund Balances		<u>\$ 47,991,219.15</u>	<u>\$ 48,041,603.13</u>

There were bonds authorized but not issued on December 31, 2018 in the amount of \$434.33 and on December 31, 2017 in the amount of \$434.33.

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 380,070.56	\$ 267,870.45
Harbor Operations	4,199,831.07	3,810,039.70
Gas Station Operations	1,607,151.45	975,098.24
Miscellaneous	160,161.45	143,781.89
Reserve for Debt Service - Capital Fund	750,000.00	1,400,000.00
Harbor Operations Rate Increase	-	89,000.00
Gas Station Operations Price Increase	-	396,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	402,137.96	582,901.43
	<hr/>	<hr/>
Total Revenue	7,499,352.49	7,664,691.71
	<hr/>	<hr/>
Expenditures:		
Operating	3,484,091.35	3,600,250.00
Capital Improvements	250,000.00	320,000.00
Debt Service	1,765,908.65	2,396,291.00
Deferred Charges	139,070.56	110,000.00
Statutory Expenditures	260,000.00	250,000.00
Surplus (General Budget)	600,000.00	600,000.00
	<hr/>	<hr/>
Total Expenditures	6,499,070.56	7,276,541.00
	<hr/>	<hr/>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute		
Deferred Charges to Budget of Succeeding Year	-	39,070.56
	<hr/>	<hr/>
Excess in Revenue	1,000,281.93	427,221.27
	<hr/>	<hr/>
Fund Balance, January 1	478,074.95	318,724.13
	<hr/>	<hr/>
	1,478,356.88	745,945.40
Decreased By:		
Utilized as Anticipated Revenue	380,070.56	267,870.45
	<hr/>	<hr/>
Fund Balance, December 31	<u>\$ 1,098,286.32</u>	<u>\$ 478,074.95</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 32,031.44
Increased By:	
Premium on Sale of Bond Anticipation Notes	<u>19,850.00</u>
Balance, December 31, 2018	<u><u>\$ 51,881.44</u></u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Fund Balance Anticipated	\$ 380,070.56	\$ 380,070.56	\$ -
Harbor Operations	3,899,000.00	4,199,831.07	300,831.07
Gas Station Operations	1,370,000.00	1,607,151.45	237,151.45
Miscellaneous	100,000.00	160,161.45	60,161.45
Reserve for Debt Service - Capital Fund	750,000.00	750,000.00	-
	<u>\$ 6,499,070.56</u>	<u>\$ 7,097,214.53</u>	<u>\$ 598,143.97</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		
	Original Budget	Budget After Modifications		Encumbered	Reserved	Cancelled
Operating:						
Salaries and Wages	\$ 1,248,500.00	\$ 1,248,500.00	\$ 1,243,537.58	\$ -	\$ 4,962.42	\$ -
Other Expenses	500,000.00	500,000.00	452,838.36	41,904.12	5,257.52	-
Gas Station Operations	1,338,591.35	1,338,591.35	1,328,118.06	-	10,473.29	-
Insurance	397,000.00	397,000.00	378,084.70	-	18,915.30	-
Total Operating	3,484,091.35	3,484,091.35	3,402,578.70	41,904.12	39,608.53	-
Capital Improvements:						
Capital Improvement Fund	200,000.00	200,000.00	200,000.00	-	-	-
Capital Outlay	50,000.00	50,000.00	50,000.00	-	-	-
Total Capital Improvements	250,000.00	250,000.00	250,000.00	-	-	-
Debt Service:						
Payment of Bond Principal	513,881.08	513,881.08	513,881.08	-	-	-
Payment of BAN's and Capital Notes	1,000,000.00	1,000,000.00	1,000,000.00	-	-	-
Interest on Bonds	136,027.57	136,027.57	136,027.57	-	-	-
Interest on Notes	116,000.00	116,000.00	116,000.00	-	-	-
Total Debt Service	1,765,908.65	1,765,908.65	1,765,908.65	-	-	-
Deferred Charges and Statutory Expenditures:						
Deferred Charges:						
Overexpenditure of Appropriations	39,070.56	39,070.56	39,070.56	-	-	-
Special Emergency Authorizations	100,000.00	100,000.00	100,000.00	-	-	-
Total Deferred Charges	139,070.56	139,070.56	139,070.56	-	-	-
Statutory Expenditures:						
Contributions To:						
Public Employees' Retirement System	75,000.00	75,000.00	75,000.00	-	-	-
Unemployment Compensation Insurance	15,000.00	15,000.00	15,000.00	-	-	-
Police & Firemen's Retirement System	90,000.00	90,000.00	90,000.00	-	-	-
Social Security System (O.A.S.I.)	80,000.00	80,000.00	70,362.24	-	9,637.76	-
Total Statutory Expenditures	260,000.00	260,000.00	250,362.24	-	9,637.76	-
Surplus (General Budget)	600,000.00	600,000.00	600,000.00	-	-	-
Total Harbor Commission Surplus	600,000.00	600,000.00	600,000.00	-	-	-
Total Harbor Commissions Utility Appropriations	\$ 6,499,070.56	\$ 6,499,070.56	\$ 6,407,920.15	\$ 41,904.12	\$ 49,246.29	\$ -
Analysis of Paid or Charged:						
Cash Disbursements			\$ 6,016,822.02			
Special Emergency Authorization			139,070.56			
Accrued Interest Payable			252,027.57			
			<u>\$ 6,407,920.15</u>			

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

GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Land	G-1	\$ 8,905,500.00	\$ 8,905,500.00
Buildings	G-1	2,994,900.00	2,994,900.00
Machinery and Equipment	G-1	<u>5,810,339.11</u>	<u>5,701,131.00</u>
Total Assets		<u>\$ 17,710,739.11</u>	<u>\$ 17,601,531.00</u>
 <u>Fund Balance</u>			
Investment in Fixed Assets	G-1	<u>\$ 17,710,739.11</u>	<u>\$ 17,601,531.00</u>
Total Fund Balance		<u>\$ 17,710,739.11</u>	<u>\$ 17,601,531.00</u>

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

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PAYROLL FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
PAYROLL FUND
STATEMENTS OF ASSETS, LIABILITIES AND RESERVES -
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash	G	\$ 81,506.29	\$ 10,613.30
Total Assets		<u>\$ 81,506.29</u>	<u>\$ 10,613.30</u>
<u>Liabilities and Reserves</u>			
Payroll Taxes Payable	G	81,506.29	10,613.30
Total Liabilities and Reserves		<u>\$ 81,506.29</u>	<u>\$ 10,613.30</u>

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

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

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

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**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity

This report includes the financial statements of the Borough of Atlantic Highlands (“Borough”), within the County of Monmouth, in the State of New Jersey and reflects the activities of the municipality which is under the control of the Mayor and Borough Council.

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

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough contain all funds and account groups in accordance with the “Requirements of Audit” as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these “Requirements”. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United State of America applicable to local government units. The more significant differences are explained further in this note.

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

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

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

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

Utility Operating and Capital Funds – These funds accounts for utility operations that are financed through user fees. The funds are operated on a basis similar to private business enterprises where the intent is that the costs of providing the utility to the general public be financed through user fees. Operations relating to the acquisition of capital facilities for utility purposes are recorded in the Utility Capital Fund.

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its Current and Utility Fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body must fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Cash, Cash Equivalents and Investments - Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Under GAAP, investments are reported at fair value but under regulatory basis of accounting, investments are stated at cost with the exception of LOSAP investments which are reported at fair value. Therefore unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments, which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A.17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

The cash management plan adopted by the Borough requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories and Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

General Fixed Assets – Accounting for governmental fixed assets, as required by *N.J.A.C.5:30-5.6*, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. All fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

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

Foreclosed property – Foreclosed Property or "Property Acquired for Taxes" is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the Borough to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with *N.J.S.A.40A:4-46* et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

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

Revenues – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenues when received.

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

Property Tax Revenues – are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the County of Monmouth, and Atlantic Highlands School District and Henry Hudson Regional School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

County Taxes – The municipality is responsible for levying, collecting and remitting County taxes for the County of Monmouth. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

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

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

Reserve for Uncollected Taxes – The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves. Appropriations for interest payments on outstanding general capital bonds and notes are provided on the cash basis. Appropriations for interest payments on outstanding utility capital bonds and notes are provided on the accrual basis.

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled by the governing body. Appropriation reserves and reserve for encumbrances at current year end are available until December 31st of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding year. Any unspent balances at this time are lapsed appropriation reserves and recorded as income.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General and Utility Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences.

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

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Subsequent Events – Management has reviewed and evaluated all events and transactions that occurred between December 31, 2018 and August 6, 2019, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure.

Note 2. Deposits and Investments

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

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Borough’s deposits may not be returned. Although the Borough does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Borough in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Borough relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2018, the Borough’s bank balance of \$9,720,582.19 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$ 8,910,426.28
Uninsured and Uncollateralized	<u>810,155.91</u>
	<u>\$ 9,720,582.19</u>

Investments

Fair Value Measurement – The fair value measurements of investments are required to be reported based on the hierarchy established by generally accepted accounting principles. Under GAAP, investments are required to be categorized based on the fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available.

Under regulatory basis of accounting, investments are measured at cost in the Borough’s financial statements. However, had the financial statements been prepared in accordance with GAAP, the Borough’s fair value, hierarchy level and maturities of its investments at December 31, 2018 would be as followed:

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2. Deposits and Investments (continued):

<u>Investment Type</u>	Carrying <u>Value</u>	Fair Value as of December 31, 2018			Investment Maturities (in Years)
		<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>	Less Than <u>1 Year</u>
Money Markets	\$ 21,667.88	\$ 21,667.88	\$ -	\$ 21,667.88	\$ 21,667.88
Mutual Funds	465,675.83	465,675.83	-	465,675.83	465,675.83
Fixed Account Investment Contract	207,712.03	-	207,712.03	207,712.03	207,712.03
	<u>\$ 695,055.74</u>	<u>\$ 487,343.71</u>	<u>\$ 207,712.03</u>	<u>\$ 695,055.74</u>	<u>\$ 695,055.74</u>
<u>Fund</u>					
Trust Fund - LOSAP	\$ 695,055.74	\$ 487,343.71	\$ 207,712.03	\$ 695,055.74	\$ 695,055.74
	<u>\$ 695,055.74</u>	<u>\$ 487,343.71</u>	<u>\$ 207,712.03</u>	<u>\$ 695,055.74</u>	<u>\$ 695,055.74</u>

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

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A; 5-15.1, the Borough’s investment policies place no limit in the amount the Borough may invest in any one issuer. More than 5% of the Borough’s investments are in mutual funds, money markets, and Fixed Investment Contract. These investments represent 100% of the Borough’s total investments.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 3. Property Taxes

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

Comparison Schedule of Tax Rates

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	<u>\$ 1.961</u>	<u>\$ 2.658</u>	<u>\$ 2.621</u>
Apportionment of Tax Rate:			
Municipal	0.615	0.846	0.848
Municipal Open Space	0.010	0.010	0.010
County General	0.275	0.369	0.366
Local School	0.580	0.787	0.759
Regional School	0.481	0.646	0.638

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2018	\$ 897,418,627.00
2017	637,601,581.00
2016	636,042,670.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2018	\$17,666,704.91	\$17,520,105.94	99.17%
2017	17,008,928.75	16,808,492.91	98.82%
2016	16,717,889.97	16,471,666.87	98.52%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2018	\$ 12,609.94	\$ 135,370.48	\$ 147,980.42	0.84%
2017	11,521.58	195,320.95	206,842.53	1.22%
2016	10,538.12	237,588.83	248,126.95	1.48%

Number of Tax Title Liens

<u>Year</u>	<u>Number</u>
2018	1
2017	1
2016	1

The last tax sale was held on September 26, 2018.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 4. Property Acquired By Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2018	\$ 85,300.00
2017	85,300.00
2016	85,300.00

Note 5. Water/Sewer Utility Service Charges

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

<u>Year</u>	<u>Beginning Balance</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2018	\$ 145,313.25	\$ 2,365,000.00	\$ 2,510,313.25	\$ 2,363,153.00	94.13%
2017	135,591.86	2,374,470.41	2,510,062.27	2,364,749.02	94.21%
2016	161,951.71	2,639,352.48	2,801,304.19	2,665,712.33	95.15%

Note 6. Fund Balances Appropriated

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

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
Current Fund:			
2018	\$ 1,087,312.30	\$ 875,000.00	80.47%
2017	897,622.99	700,000.00	77.98%
2016	708,230.47	669,040.57	94.47%
Water/Sewer Utility Operating Fund:			
2018	\$ 130,551.22	\$ 105,000.00	80.43%
2017	249,998.04	175,000.00	70.00%
2016	420,380.07	320,000.00	76.12%
Harbor Utility Operating Fund:			
2018	\$ 1,098,286.32	\$ 738,116.38	67.21%
2017	478,074.95	380,070.56	79.50%
2016	318,724.13	267,870.45	84.04%

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 7. Disaggregated Receivable and Payable Balances

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

Note 8. Interfund Receivables & Payables

The following interfund balances were recorded in the various statements of assets liabilities, reserves and fund balances at December 31, 2018:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 104,408.86	\$ 50,561.87
State and Federal Grant Fund	112,650.00	104,408.86
Open Space Trust Fund	561.87	113,000.00
Trust Other Fund	350.00	-
General Capital Fund	50,000.00	600,000.00
Harbor Utility Capital Fund	600,000.00	-
	<u>\$ 867,970.73</u>	<u>\$ 867,970.73</u>

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

Note 9. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2018.

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2018</u>
Land	\$ 8,905,500.00	\$ -	\$ -	\$ 8,905,500.00
Buildings	2,994,900.00	-	-	2,994,900.00
Machinery & Equipment	5,701,131.00	138,784.00	29,575.89	5,810,339.11
	<u>\$ 17,601,531.00</u>	<u>\$ 138,784.00</u>	<u>\$ 29,575.89</u>	<u>\$ 17,710,739.11</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

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

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the Borough's contractually required contribution to PERS plan was \$310,823.00.

Components of Net Pension Liability - At December 31, 2018, the Borough's proportionate share of the PERS net pension liability was \$6,152,701.00. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Borough's proportion measured as of June 30, 2018, was 0.0312486400% which was an increase of 0.0005302582% from its proportion measured as of June 30, 2017.

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

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 1,443,729	\$ 1,955,213
Deferred Inflows of Resources	2,164,076	1,594,586
Net Pension Liability	6,152,701	7,150,748
Borough's portion of the Plan's total net pension Liability	0.03125%	0.03072%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2018, the Borough's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$393,750.00. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$310,823.00 to the plan in 2018.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 117,333	\$ 31,725
Changes of Assumptions	1,013,863	1,967,307
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	57,713
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>312,533</u>	<u>107,331</u>
	<u>\$ 1,443,729</u>	<u>\$ 2,164,076</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

<u>Year Ending Dec 31,</u>	<u>Amount</u>
2019	\$ (28,836)
2020	(36,250.00)
2021	(174,263.00)
2022	(385,338.00)
2023	(95,660.00)
	<u>\$ (720,347)</u>

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

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

Discount Rate - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
Borough's Proportionate Share of the Net Pension Liability	\$ 7,736,313	\$ 6,152,701	\$ 4,824,153

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

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

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

The following represents the membership tiers for PFRS:

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2018, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the Borough's contractually required contributions to PFRS plan was \$402,098.00.

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

Net Pension Liability and Pension Expense - At December 31, 2018 the Borough's proportionate share of the PFRS net pension liability was \$5,565,452.00. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Borough's proportion measured as of June 30, 2018, was 0.0411291461%, which was a decrease of 0.0023059932% from its proportion measured as of June 30, 2017.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

	<u>12/31/2018</u>	<u>12/31/2017</u>
	June 30, 2018	June 30, 2017
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 961,077	\$ 1,616,155
Deferred Inflows of Resources	1,847,401	1,248,828
Net Pension Liability	5,565,452	6,705,546
Borough's portion of the Plan's total net pension Liability	0.04113%	0.04344%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the Borough's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2018 measurement date was \$515,649.00. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Borough contributed \$402,098.00 to the plan in 2018.

At December 31, 2018, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 56,621	\$ 23,031
Changes of Assumptions	477,719	1,426,329
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	30,448
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	426,737	367,593
	<u>\$ 961,077</u>	<u>\$ 1,847,401</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

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

<u>Year Ending</u> <u>Dec 31,</u>	<u>Amount</u>
2019	\$ 186,791
2020	(53,025.00)
2021	(397,487.00)
2022	(529,262.00)
2023	(93,341.00)
	<u> </u>
	<u>\$ (886,324)</u>

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

Additionally, the State’s proportionate share of the PFRS net pension liability attributable to the Borough is \$755,975.00 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The State’s proportion of the net pension liability associated with the Borough was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2018 was 0.0411291461%, which was a decrease of 0.0023059932% from its proportion measured as of June 30, 2017, which is the same proportion as the Borough’s. At December 31, 2018, the Borough’s and the State of New Jersey’s proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$ 5,565,452
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>755,975</u>
	<u>\$ 6,321,427</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

At December 31, 2018, the State’s proportionate share of the PFRS expense, associated with the Borough, calculated by the plan as of the June 30, 2018 measurement date was \$89,544.00.

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary’s modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary’s modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected f

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 10. Pension Obligations (continued):

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

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
Borough's Proportionate Share of the Net Pension Liability	\$ 7,448,667	\$ 5,565,452	\$ 4,001,280
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	1,011,779	755,975	543,508
	\$ 8,460,446	\$ 6,321,427	\$ 4,544,788

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

Note 11. Postemployment Benefits Other Than Pensions

General Information about the OPEB Plan

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

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

Basis of Presentation

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

Allocation Methodology

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

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

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

Additionally, the State's proportionate share of the OPEB liability attributable to the Borough is \$3,936,160.00 as of December 31, 2018. The OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the OPEB liability was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The State's proportion of the OPEB liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2018 was 0.063345%, which was a decrease of 0.004914% from its proportion measured as of June 30, 2017, which is the same proportion as the Borough's. At December 31, 2018, the Borough's and the State of New Jersey's proportionate share of the OPEB liability were as follows:

State of New Jersey's	
Proportionate Share of OPEB Liability	
Associated with the Borough	\$ 3,936,160.00

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

At December 31, 2018, the State's proportionate share of the OPEB expense, associated with the Borough, calculated by the plan as of the June 30, 2018 measurement date was \$119,152.00

Note 12. Municipal Debt

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 8,939,618.29	\$ 10,017,569.64	\$ 11,308,013.45
Water/Sewer Utility:			
Bonds, Notes and Loans	6,187,847.95	6,684,326.03	7,573,808.64
Harbor Utility:			
Bonds, Notes and Loans	5,173,300.78	6,687,181.86	8,841,452.01
	<hr/>	<hr/>	<hr/>
Total Debt Issued	20,300,767.02	23,389,077.53	27,723,274.10
	<hr/>	<hr/>	<hr/>
Authorized but not issued:			
General:			
Bonds, Notes and Loans	1,476,689.10	522,889.10	572,889.10
Harbor Utility:			
Bonds, Notes and Loans	434.33	434.33	434.33
	<hr/>	<hr/>	<hr/>
Total Authorized But Not Issued	1,477,123.43	523,323.43	573,323.43
	<hr/>	<hr/>	<hr/>
Total Gross Debt	\$ 21,777,890.45	\$ 23,912,400.96	\$ 28,296,597.53
	<hr/>	<hr/>	<hr/>
Deductions:			
General:			
Funds on Hand For Payment of Bonds and Notes:			
Reserve for Debt Service	\$ 35,650.47	\$ 1,363.10	\$ 28,706.04
Utility:			
Self Liquidating Debt	11,361,583.06	13,371,942.22	16,415,694.98
	<hr/>	<hr/>	<hr/>
Total Deductions	11,397,233.53	13,373,305.32	16,444,401.02
	<hr/>	<hr/>	<hr/>
Total Net Debt	\$ 10,380,656.92	\$ 10,539,095.64	\$ 11,852,196.51
	<hr/>	<hr/>	<hr/>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

Summary of Statutory Debt Condition - Annual Debt Statement

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 1,590,000.00	\$ 1,590,000.00	\$ -
Regional School Debt	2,996,396.00	2,996,396.00	-
General Debt	10,416,307.39	35,650.47	10,380,656.92
Utility Debt	11,361,583.06	11,361,583.06	-
	<u>\$ 26,364,286.45</u>	<u>\$ 15,983,629.53</u>	<u>\$ 10,380,656.92</u>

Net Debt \$10,380,656.92 divided by the average Equalized Valuation Basis per N.J.S.A 40A:2-2 as amended, \$838,337,469.67, equals 1.238%. New Jersey statute 40A:2-6, as amended, limits the debt of a Municipality to 3.5% of the last three preceding year's average equalized valuations of real estate, including improvements and the assessed valuation of Class II Railroad Property. The remaining borrowing power in dollars at December 31, 2018 is calculated as follows:

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 29,341,811.44
Net Debt	10,380,656.92
Remaining Borrowing Power	\$ 18,961,154.52

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

Cash Receipts From Fees, Rents or Other Charges for the Year	\$ 2,628,832.34
Deductions:	
Operating and Maintenance Costs	\$ 1,760,388.74
Debt Service	752,611.26
Total Deductions	2,513,000.00
Excess/(Deficit) in Revenue	\$ 115,832.34

*If Excess in Revenues all Utility Debt is Deducted

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

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

Cash Receipts From Fees, Rents or Other Charges for the Year		\$ 7,097,214.53
Deductions:		
Operating and Maintenance Costs	\$ 3,734,091.35	
Debt Service	<u>1,765,908.65</u>	
Total Deductions		<u>5,500,000.00</u>
Excess/(Deficit) in Revenue		<u>\$ 1,597,214.53</u>

*If Excess in Revenues all Utility Debt is Deducted

General Debt

A. Serial Bonds Payable

In 2007, the Borough issued \$5,611,597.56 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2022.

In 2010, the Borough issued \$6,995,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 3.00% to 5.00% and mature in 2030.

In 2014, the Borough issued \$2,759,000.00 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2024.

In 2017, the Borough issued \$4,105,000.00 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 3.00% to 4.00% and mature in 2030.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,124,443.42	\$ 375,329.16	\$ 1,499,772.58
2020	1,174,436.27	322,032.00	1,496,468.27
2021	1,216,615.85	276,649.54	1,493,265.39
2022	1,267,122.75	224,484.92	1,491,607.67
2023	757,000.00	170,150.00	927,150.00
2024-2028	2,460,000.00	438,000.00	2,898,000.00
2029-2030	<u>940,000.00</u>	<u>56,800.00</u>	<u>996,800.00</u>
	<u>\$ 8,939,618.29</u>	<u>\$ 1,863,445.62</u>	<u>\$ 10,803,063.91</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

B. Bond Anticipation Notes Payable – Short Term Debt

The Borough had no bond anticipation notes outstanding in the General Capital Fund at December 31, 2018.

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2018, the Borough had \$1,476,689.10 in various General Capital bonds and notes authorized but not issued.

Water/Sewer Utility Debt

A. Serial Bonds Payable

In 2007, the Borough issued \$1,339,139.84 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2022.

In 2010, the Borough issued \$805,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 3.00% to 5.00% and mature in 2020.

In 2014, the Borough issued \$1,054,000.00 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2026.

In 2011, the Borough issued \$3,427,200.00 of MCIA Bonds. The MCIA Bonds were issued at an interest rate of 3.00% and mature in 2032.

In 2016, the Borough issued \$405,000.00 of MCIA (AHHRSA) Refunding Bonds. The MCIA (AHHRSA) Refunding Bonds were issued at interest rates varying from 3.00% to 4.00% and mature in 2031.

In 2016, the Borough issued \$475,000.00 of MCIA Refunding Bonds. The MCIA Refunding Bonds were issued at interest rates varying from 3.00% to 4.00% and mature in 2030.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 397,090.12	\$ 220,631.16	\$ 617,721.28
2020	412,529.41	220,986.64	633,516.05
2021	434,984.15	182,250.46	617,234.61
2022	487,077.25	162,720.10	649,797.35
2023	348,400.00	140,525.00	488,925.00
2024-2028	1,659,400.00	457,305.00	2,116,705.00
2029-2032	1,108,600.00	105,315.00	1,213,915.00
	<u>\$ 4,848,080.93</u>	<u>\$ 1,489,733.36</u>	<u>\$ 6,337,814.29</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

B. Bond Anticipation Notes Payable – Short Term Debt

The Borough had no bond anticipation notes outstanding in the Utility Capital Fund at December 31, 2018.

C. Bonds and Notes Authorized But Not Issued

The Borough had no bonds and notes authorized but not issued in the Utility Capital Fund at December 31, 2018.

D. Loans Payable

In 2003, the Borough finalized a \$1,000,000.00 Farmer’s Home Loan. The Farmer’s Home Loan were issued at an interest rate of 5.00% and mature in 2022.

New Jersey Environmental Infrastructure Trust

In 2014 the Borough finalized one two loan agreements with the State of New Jersey Department of Environmental Protection, pursuant to the 2014 New Jersey Environmental Infrastructure Trust Financing Program.

The first loan consists of, a Trust Loan Agreement of \$1,114,875.00 to be repaid over a 19 year period at interest rates ranging from 3.00% to 5.00% and mature in 2033.

The second loan consists of, a Trust Loan Agreement of \$365,000.00 to be repaid over a 19 year period at interest rates ranging from 3.00% to 5.00% and mature in 2033.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 122,141.61	\$ 19,840.82	\$ 141,982.43
2020	124,695.77	16,536.66	141,232.43
2021	127,379.30	13,103.13	140,482.43
2022	96,976.11	9,101.15	106,077.26
2023	76,688.55	8,243.76	84,932.31
2024-2028	383,442.75	28,618.80	412,061.55
2029-2033	408,442.93	12,187.54	420,630.47
	<u>\$ 1,339,767.02</u>	<u>\$ 107,631.86</u>	<u>\$ 1,447,398.88</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

Harbor Utility Debt

A. Serial Bonds Payable

In 2007, the Borough issued \$3,245,262.60 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2020.

In 2010, the Borough issued \$1,555,000.00 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 3.00% to 5.00% and mature in 2020.

In 2014, the Borough issued \$1,016,000.00 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature in 2026.

In 2016, the Borough issued \$915,000.00 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 3.00% to 4.00% and mature in 2030.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 543,266.46	\$ 114,634.70	\$ 657,901.16
2020	567,034.32	88,171.38	655,205.70
2021	175,000.00	65,670.00	240,670.00
2022	185,000.00	57,670.00	242,670.00
2023	190,000.00	49,220.00	239,220.00
2024-2028	803,000.00	126,040.00	929,040.00
2029-2030	210,000.00	12,600.00	222,600.00
	<u>\$ 2,673,300.78</u>	<u>\$ 514,006.08</u>	<u>\$ 3,187,306.86</u>

B. Bond Anticipation Notes Payable – Short Term Debt

The following is a summary of bond anticipation notes payable accounted for in the Utility Capital Fund at December 31, 2018:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate</u>	Balance December 31, <u>2018</u>
Various Harbor Improvements	3/11/2018	3/12/2019	2.500%	<u>\$ 2,500,000.00</u>
				<u>\$ 2,500,000.00</u>

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 12. Municipal Debt (continued):

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2018 the Borough had \$434.33 in various Utility bonds and notes authorized but not issued.

Summary of Principal Debt

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

	Balance December 31, <u>2017</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2018</u>	Balance Due Within <u>One Year</u>
General Capital:					
General Bonds	\$ 10,017,569.64	\$ -	\$ 1,077,951.35	\$ 8,939,618.29	\$ 1,124,443.42
Authorized but Not Issued	522,889.10	1,003,800.00	50,000.00	1,476,689.10	-
	<u>\$ 10,540,458.74</u>	<u>\$ 1,003,800.00</u>	<u>\$ 1,127,951.35</u>	<u>\$ 10,416,307.39</u>	<u>\$ 1,124,443.42</u>
Water/Sewer Utility Capital:					
Utility Bonds	\$ 5,224,848.50	\$ -	\$ 376,767.57	\$ 4,848,080.93	\$ 397,090.12
Loans	1,459,477.53	-	119,710.51	1,339,767.02	122,141.61
	<u>\$ 6,684,326.03</u>	<u>\$ -</u>	<u>\$ 496,478.08</u>	<u>\$ 6,187,847.95</u>	<u>\$ 519,231.73</u>
Harbor Utility Capital:					
Utility Bonds	\$ 3,187,181.86	\$ -	\$ 513,881.08	\$ 2,673,300.78	\$ 543,266.46
Bond Anticipation Notes	3,500,000.00	2,500,000.00	3,500,000.00	2,500,000.00	2,500,000.00
Authorized but Not Issued	434.33	-	-	434.33	-
	<u>\$ 6,687,616.19</u>	<u>\$ 2,500,000.00</u>	<u>\$ 4,013,881.08</u>	<u>\$ 5,173,735.11</u>	<u>\$ 3,043,266.46</u>
	<u>\$ 23,912,400.96</u>	<u>\$ 3,503,800.00</u>	<u>\$ 5,638,310.51</u>	<u>\$ 21,777,890.45</u>	<u>\$ 4,686,941.61</u>

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 13. Deferred School Taxes

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

<u>Local Taxes</u>	<u>Balance, December 31,</u>	
	<u>2018</u>	<u>2017</u>
Total Balance of Local Tax	\$ 2,494,757.50	\$ 2,409,690.00
Deferred Taxes	<u>1,387,835.63</u>	<u>1,387,835.63</u>
Local Tax Payable	<u>\$ 1,106,921.87</u>	<u>\$ 1,021,854.37</u>

<u>Regional Tax</u>	<u>Balance, December 31,</u>	
	<u>2018</u>	<u>2017</u>
Total Balance of Regional Tax	\$ 2,283,926.90	\$ 2,171,690.90
Deferred Taxes	<u>1,384,966.84</u>	<u>1,384,966.84</u>
Regional Tax Payable	<u>\$ 898,960.06</u>	<u>\$ 786,724.06</u>

Note 14. Deferred Compensation Salary Account

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

Note 15. Accrued Sick, Vacation and Compensation Time

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation, sick pay and compensation time. The Borough permits certain employees within limits to accumulate unused vacation, sick pay and compensation time, which may be taken as time off or paid at a later date at an agreed upon rate. In accordance with New Jersey accounting principles, this unused accumulated absences amount is not reported as a liability in the accompanying financial statements. It is estimated that accrued benefits for compensated absences are valued at \$914,522.55 at December 31, 2018.

The Borough has established a Trust Fund in accordance with NJSA 40A:4-39 to set aside funds for future payments of compensated absences. As of December 31, 2018, the Borough has reserved in the Other Trust Fund \$1,000.00 to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 16. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; injuries to employees; and natural disaster. The Borough is a member of the Monmouth County Municipal Joint Insurance Fund (JIF). This public entity risk pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program. There were not settlements in excess of insurance coverage in 2018, 2017 and 2016.

New Jersey Unemployment Compensation Insurance

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

<u>Year</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 15,101.82	\$ 12,643.86	\$ 7,647.95
2017	15,074.05	15,988.34	5,189.99
2016	15,015.92	16,236.89	6,104.28

Note 17. Contingencies

Grantor Agencies

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2018 the Borough estimates that no material liabilities will result from such audits.

Litigation

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 18. Length of Service Awards Program

Tax Appeals

Losses arising from tax appeals are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses.

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

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

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The Borough elected to contribute \$1,150.00 for the year ended December 31, 2018 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2018, the Borough contributed a total of \$52,250.00 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The Borough has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

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

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

**BOROUGH OF ATLANTIC HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 18. Length of Service Awards Program (continued):

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2018 payouts of \$32,803.58 were made to vested participants.

Forfeited Accounts – During the year ended December 31, 2018, no accounts were forfeited.

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

Note 19. Prior Period Adjustment

Correction of an Error - In the fiscal year ended December 31, 2018, the Borough determined that the accounts receivable balance recorded in the Harbor Utility Fund in the prior period was not accurate. This caused the Borough's prior year asset and reserve balances in the Harbor Utility Fund to be understated by \$869,922.41 as of December 31, 2017. The Borough has corrected this by restating the balances for the fiscal year ended December 31, 2017 as follows:

	Original Balance	Net Adjustment	Restated Balance
Harbor Utility Fund Accounts Receivable	\$ -	\$ 869,922.41	\$ 869,922.41
Harbor Utility Fund Reserve for Receivables	-	869,922.41	869,922.41

Note 20. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018 the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balances of the following funds:

<u>Description</u>	Balance December 31, <u>2018</u>	2019 Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Harbor Utility Operating Fund:			
Overexpenditure of Appropriations	\$ 273,500.00	\$ 273,500.00	\$ -

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SUPPLEMENTARY SCHEDULES

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CURRENT FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2018**

		Current Fund
Balance, December 31, 2017	\$	4,380,542.52
Increased By Receipts:		
Taxes Receivable	\$ 16,723,837.12	
Tax Overpayments	41,165.97	
Revenue Accounts Receivable	1,728,740.55	
Miscellaneous Revenue Not Anticipated	258,280.63	
Due From:		
State of New Jersey - Senior Citizens' and Veterans' Deductions	32,818.49	
Interfund - Federal and State Grant Fund	143,806.28	
Reserve for Police Found Property	2,272.43	
Reserve for Shade Tree Commission	10,351.61	
Prepaid Taxes	98,387.80	
Due to State - Marriage Licenses	850.00	
	19,040,510.88	
		23,421,053.40
Decreased By Disbursements:		
2018 Appropriations	7,105,422.50	
2017 Appropriation Reserves	278,071.15	
Accounts Payable	12,823.40	
Due to State - Marriage Licenses	850.00	
County Taxes Payable	2,471,774.57	
Regional District High School Tax Payable	4,206,919.00	
Local School District Tax	5,114,381.50	
Reserve for Shade Tree Commission	12,421.76	
Tax Overpayments	3,790.62	
Interfund - Federal and State Grant Fund	145,169.07	
Interfund - Open Space Fund	89,725.41	
Reserve for Police Found Property	1,960.00	
	19,443,308.98	
Balance, December 31, 2018	\$	3,977,744.42

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Year</u>	Balance December 31, <u>2017</u>	2018 <u>Levy</u>	<u>Added</u>	<u>2017</u> Collections	<u>2018</u> Collections	Transfer to Tax Title Liens	Due From State of New Jersey	<u>Cancelled</u>	Balance December 31, <u>2018</u>
2017	\$ 195,320.95	\$ -	\$ -	\$ -	\$ 195,320.95	\$ -	\$ -	\$ -	\$ -
2018	-	17,597,981.39	68,723.52	959,245.93	16,528,516.17	1,088.36	32,343.84	10,140.13	135,370.48
	<u>\$ 195,320.95</u>	<u>\$ 17,597,981.39</u>	<u>\$ 68,723.52</u>	<u>\$ 959,245.93</u>	<u>\$ 16,723,837.12</u>	<u>\$ 1,088.36</u>	<u>\$ 32,343.84</u>	<u>\$ 10,140.13</u>	<u>\$ 135,370.48</u>

Cash Receipts
Overpayments Created

\$ 16,765,003.09
<u>(41,165.97)</u>
<u>\$ 16,723,837.12</u>

Analysis of Property Tax Levy

Tax Yield	\$ 17,597,981.39	<u>\$ 17,666,704.91</u>
General Purpose Tax	68,723.52	
Added Taxes (R.S. 54-4-63, 1 et seq.)		
Tax Levy	4,319,155.00	
Regional District High School Tax	5,199,449.00	
Local District School Tax		
County Taxes:		
County Tax	\$ 2,050,502.14	
County Library Tax	145,332.96	
County Health Tax	40,685.75	
County Open Space Tax	227,354.58	
Due County for Added and Omitted Taxes	<u>9,634.49</u>	
	2,473,509.92	
Local Municipal Open Space Tax	89,725.41	
Due Municipal Open Space Tax for Added and Omitted Taxes	<u>347.64</u>	
	90,073.05	
Local Tax for Municipal Purposes	5,517,737.33	
Add: Additional Tax Levied	<u>66,780.61</u>	
	5,584,517.94	
	<u>\$ 17,666,704.91</u>	

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 11,521.58
Increased By:	
Transfer From Taxes Receivable	<u>1,088.36</u>
Balance, December 31, 2018	<u><u>\$ 12,609.94</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2018 & 2017

\$ 85,300.00

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Accrued in <u>2018</u>	<u>Collections</u>	Balance December 31, <u>2018</u>
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	\$ -	\$ 9,995.00	\$ 9,995.00	\$ -
Fees and Permits	-	69,841.56	69,841.56	-
Fines and Costs:				
Municipal Court	6,331.70	86,876.51	88,102.64	5,105.57
Interest and Costs on Taxes	-	59,111.43	59,111.43	-
Interest on Investments and Deposits	-	74,354.26	74,354.26	-
Anticipated Utility Operating Surplus	-	600,000.00	600,000.00	-
Cable Franchise Fees	-	78,717.47	78,717.47	-
Recreation Property Lease	-	41,363.00	41,363.00	-
Recreation Program	-	43,666.74	43,666.74	-
Recycling Fees	-	13,129.62	13,129.62	-
Payments in Lieu of Taxes - Senior Citizen Housing	-	35,657.40	35,657.40	-
Energy Receipts Tax	-	325,117.00	325,117.00	-
Uniform Construction Code Fees	-	146,090.00	146,090.00	-
Henry Hudson - Fuel Usage	-	16,606.47	16,606.47	-
Borough of Highlands - Shared Services Agreement	-	110,495.05	110,495.05	-
Uniform Fire Safety Act	-	16,492.91	16,492.91	-
	<u>\$ 6,331.70</u>	<u>\$ 1,727,514.42</u>	<u>\$ 1,728,740.55</u>	<u>\$ 5,105.57</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF DUE (TO)/FROM STATE OF NEW JERSEY -
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 500.00
Increased By:		
Senior Citizens' & Veterans Deductions Per Duplicate		32,500.00
		33,000.00
Decreased By:		
Senior Citizens' Deductions Disallowed	156.16	
Cash Received From State of New Jersey	32,818.49	
		32,974.65
Balance, December 31, 2018		\$ 25.35

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 24,457.77
Increased by:	
Current Year Payables	<u>33,767.37</u>
	58,225.14
Decreased By:	
Cash Disbursements	<u>12,823.40</u>
Balance, December 31, 2018	<u><u>\$ 45,401.74</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance, December 31, <u>2017</u>	Balance after <u>Modifications</u>	Paid or <u>Charged</u>	<u>Lapsed</u>
GENERAL GOVERNMENT				
Administration and Executive:				
Office of the Mayor:				
Other Expenses	\$ 996.28	\$ 996.28	\$ 96.00	\$ 900.28
General Administration:				
Other Expenses	13,539.85	13,539.85	5,160.50	8,379.35
Municipal Clerk's Office:				
Other Expenses	4,546.35	4,546.35	52.33	4,494.02
Computerized Data Processing				
Other Expenses	9,846.23	9,846.23	8,237.00	1,609.23
Tax Assessment Administration:				
Other Expenses	1,688.50	1,688.50	46.90	1,641.60
Department of Finance:				
Financial Administration:				
Other Expenses	4,894.69	4,894.69	1,500.00	3,394.69
Collection of Taxes:				
Other Expenses	1,303.01	1,303.01	14.99	1,288.02
Department of Law:				
Legal Services and Costs:				
Other Expenses	34,470.51	34,470.51	3,374.30	31,096.21
Animal Control Services				
Other Expenses	2,791.80	2,791.80	1,113.30	1,678.50
Recreation Services and Programs				
Other Expenses	14,271.93	14,271.93	365.00	13,906.93
Department of Public Safety:				
Police:				
Other Expenses	57,699.45	57,699.45	57,588.37	111.08
Uniform Fire Safety Act:				
Salaries and Wages	1,250.00	1,250.00	110.00	1,140.00
Other Expenses	4,107.58	4,107.58	1,058.13	3,049.45
Aid to Volunteer Fire Companies:				
Other Expenses	29,981.96	29,981.96	19,868.51	10,113.45
Municipal Court:				
Other Expenses	8,102.60	8,102.60	25.00	8,077.60
Department of Community Development:				
Engineering Services and Costs:				
Other Expenses	17,421.00	17,421.00	7,645.50	9,775.50
Planning Board:				
Other Expenses	3,924.68	3,924.68	2,821.50	1,103.18
Master Plan	10,000.00	10,000.00	542.50	9,457.50
COAH Planner				
Other Expenses	27,593.75	27,593.75	18,411.25	9,182.50

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance, December 31, <u>2017</u>	Balance after <u>Modifications</u>	Paid or <u>Charged</u>	<u>Lapsed</u>
Department of Public Works:				
Public Buildings and Grounds:				
Other Expenses	32,121.49	32,121.49	14,809.71	17,311.78
Street/Road Repairs and Maintenance:				
Other Expenses	32,873.91	32,873.91	30,721.91	2,152.00
Garbage and Trash Removal:				
Salaries and Wages	907.91	907.91	499.99	407.92
Other Expenses	5,207.58	5,207.58	2,827.07	2,380.51
Vehicle Maintenance:				
Other Expenses	20,168.51	20,168.51	10,081.37	10,087.14
Right to Know/Safety:				
Other Expenses	3,250.00	3,250.00	3,228.21	21.79
Celebration of Public Events:				
Other Expenses	3,429.00	3,429.00	1,430.00	1,999.00
Landfill/Solid Waste Disposal Costs:				
Other Expenses	19,843.38	19,843.38	5,375.00	14,468.38
State Uniform Construction Code:				
Other Expenses	829.26	829.26	4.11	825.15
Utilities:				
Electricity	1,809.48	1,809.48	917.49	891.99
Street Lighting	3,019.97	3,019.97	3,019.97	-
Natural Gas	9,374.69	9,374.69	3,240.92	6,133.77
Gasoline	11,569.82	11,569.82	11,372.83	196.99
LOSAP:				
Other Expenses	60,000.00	60,000.00	52,250.00	7,750.00
Gasoline - HHRSD				
Other Expenses	2,206.57	2,206.57	2,028.86	177.71
Capital Improvement Fund Excluded from CAPS				
Reach Mower	22,000.00	22,000.00	22,000.00	-
Revaluation	20,000.00	20,000.00	20,000.00	-
All Other Accounts Without Activity	169,876.42	169,876.42	43,990.62	125,885.80
Total General Appropriations	<u>\$ 666,918.16</u>	<u>\$ 666,918.16</u>	<u>\$ 355,829.14</u>	<u>\$ 311,089.02</u>
Appropriation Reserves		\$ 419,295.70		
Encumbrances Payable		<u>247,622.46</u>		
		<u><u>\$ 666,918.16</u></u>		
Cash Disbursed			\$ 278,071.15	
Encumbrances Cancelled			43,990.62	
Transferred To Accounts Payable			<u>33,767.37</u>	
			<u><u>\$ 355,829.14</u></u>	

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 247,729.20
Increased By:	
Current Appropriations Charged	<u>94,058.83</u>
	341,788.03
Decreased By:	
Transferred to Appropriation Reserves	<u>247,729.20</u>
Balance, December 31, 2018	<u><u>\$ 94,058.83</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 CURRENT FUND
 SCHEDULE OF TAX OVERPAYMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 250.00
Increased By:		
Cash Receipts		41,165.97
		41,415.97
Decreased By:		
Refunds	\$ 3,790.62	
Cancellation of Overpayments	19,072.17	
Applied to Prepaid Taxes	18,553.18	
		41,415.97
Balance, December 31, 2018		\$ -

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 CURRENT FUND
 SCHEDULE OF PREPAID TAXES
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 959,245.93
Increased By:		
Cash Receipts	\$ 98,387.80	
Transfer from Overpayments	18,553.18	
		116,940.98
		1,076,186.91
Decreased By:		
Applied To Taxes Receivable		959,245.93
Balance, December 31, 2018		\$ 116,940.98

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF RESERVE FOR SHADE TREE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 13,563.13
Increased By:	
Cash Receipts	<u>10,351.61</u>
	23,914.74
Decreased By:	
Cash Disbursements	<u>12,421.76</u>
Balance, December 31, 2018	<u><u>\$ 11,492.98</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF RESERVE FOR STATE LIBRARY AID
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2018 & 2017

\$ 1,071.00

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 7,899.14
Increased By:		
2018 Tax Levy:		
County Tax	\$ 2,050,502.14	
County Library Tax	145,332.96	
County Health Tax	40,685.75	
County Open Space Tax	227,354.58	
Added and Omitted Taxes	9,634.49	
		2,473,509.92
		2,481,409.06
Decreased By:		
Cash Disbursed		2,471,774.57
Balance, December 31, 2018		\$ 9,634.49

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017			
School Tax Payable	\$ 1,021,854.37		
School Tax Deferred	1,387,835.63		
			\$ 2,409,690.00
Increased By:			
Levy - School Year July 1, 2018 to June 30, 2019			5,199,449.00
			7,609,139.00
Decreased By:			
Cash Disbursed			5,114,381.50
Balance, December 31, 2018			
School Tax Payable	\$ 1,106,921.87		
School Tax Deferred	1,387,835.63		
			\$ 2,494,757.50
<u>2018 Liability for Regional District School Tax</u>			
Tax Payable, December 31, 2018	\$ 1,106,921.87		
Tax Paid	5,114,381.50		
			\$ 6,221,303.37
Less:			
Tax Payable, December 31, 2017			1,021,854.37
Amount Charged to 2018 Operations			\$ 5,199,449.00

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF REGIONAL DISTRICT HIGH SCHOOL TAX
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017			
School Tax Payable	\$	786,724.06	
School Tax Deferred		<u>1,384,966.84</u>	
			\$ 2,171,690.90
Increased By:			
Levy - School Year July 1, 2018 to June 30, 2019			<u>4,319,155.00</u>
			6,490,845.90
Decreased By:			
Cash Disbursed			<u>4,206,919.00</u>
Balance, December 31, 2018			
School Tax Payable	\$	898,960.06	
School Tax Deferred		<u>1,384,966.84</u>	
			<u>\$ 2,283,926.90</u>
<u>2018 Liability for Regional District High School Tax</u>			
Tax Payable, December 31, 2018	\$	898,960.06	
Tax Paid		<u>4,206,919.00</u>	
			\$ 5,105,879.06
Less:			
Tax Payable, December 31, 2017			<u>786,724.06</u>
Amount Charged To 2018 Operations			<u>\$ 4,319,155.00</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 CURRENT FUND
 SCHEDULE OF MARRIAGE LICENSE FEES PAYABLE
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	-
Increased By:		
Cash Receipts		850.00
		850.00
Decreased By:		
Cash Disbursements		850.00
		850.00
Balance, December 31, 2018	\$	-

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
CURRENT FUND
SCHEDULE OF INTERFUND RECEIVABLE - FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 121,128.76
Increased By:		
Disbursed by Current Fund:		
Appropriated Reserves	\$ 145,169.07	
2018 Anticipated Revenue	<u>41,184.60</u>	
		<u>186,353.67</u>
		307,482.43
Decreased By:		
Deposited in Current Fund:		
Grants Receivable	161,888.97	
2018 Budget Appropriations:		
Grants Appropriated	<u>41,184.60</u>	
		<u>203,073.57</u>
Balance, December 31, 2018		<u><u>\$ 104,408.86</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 CURRENT FUND
 SCHEDULE OF INTERFUND RECEIVABLE/(PAYABLE) - OTHER FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Total (MEMO ONLY)</u>	<u>Open Space Trust Fund</u>	<u>Animal Control Fund</u>
Balance, December 31, 2017			
Interfund Receivable	\$ 526.10	\$ -	\$ 526.10
Interfund Payable	<u>(214.23)</u>	<u>(214.23)</u>	<u>-</u>
Increased By:			
Cash Disbursements	<u>89,725.41</u>	<u>89,725.41</u>	<u>-</u>
	<u>89,725.41</u>	<u>89,725.41</u>	<u>-</u>
Decreased By:			
Cash Receipts	526.10	-	526.10
Open Space Tax Levy	89,725.41	89,725.41	-
Open Space Added and Omitted Levy	<u>347.64</u>	<u>347.64</u>	<u>-</u>
	<u>90,599.15</u>	<u>90,073.05</u>	<u>526.10</u>
Balance, December 31, 2018			
Interfund Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund Payable	<u>\$ (561.87)</u>	<u>\$ (561.87)</u>	<u>\$ -</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 15,830.56
Increased By:	
Transfer from Appropriated Reserves	<u>47,709.90</u>
Decreased By:	
Transfer to Appropriated Reserves	<u>15,830.56</u>
Balance, December 31, 2018	<u><u>\$ 47,709.90</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	2018 Budget Revenue <u>Realized</u>	<u>Received</u>	Transferred From Unappropriated <u>Reserves</u>	Balance December 31, <u>2018</u>
Federal:					
Cops in Shops - College Summer Initiative 2017	\$ 1,200.00	\$ -	\$ -	\$ -	\$ 1,200.00
CDBG Roadway Grant	159,856.85	-	142,104.39	-	17,752.46
NJ Clean Vessel 2017	13,540.00	-	13,540.00	-	-
Sub-Total Federal	174,596.85	-	155,644.39	-	18,952.46
State:					
Clean Communities Grant	-	21,959.77	10,719.75	11,240.02	-
Body Armor Grant	-	1,624.83	-	1,624.83	-
Distacted Driver Crackdown	-	6,600.00	1,800.00	-	4,800.00
Pedestrian Safety Grant	-	11,000.00	7,264.83	-	3,735.17
DOT - Memorial Pkwy Project	80,000.00	-	-	-	80,000.00
Monmouth County Open Space Grant	113,000.00	-	113,000.00	-	-
Sub-Total State	193,000.00	41,184.60	132,784.58	12,864.85	88,535.17
Total	\$ 367,596.85	\$ 41,184.60	\$ 288,428.97	\$ 12,864.85	\$ 107,487.63

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Transferred From Encumbrances Payable	Transferred from 2018 Budget Appropriations	Paid or Charged	Encumbrances <u>2018</u>	Balance December 31, <u>2018</u>
Federal:						
Pass Through - NJ Department of Law and Public Safety:						
Cops in Shops - College Summer Initiative 2017	\$ 1,200.00	\$ -	\$ -	\$ -	\$ -	\$ 1,200.00
US Department of Housing and Urban Development	159,856.85	-	-	132,756.64	27,100.21	-
Community Development Block Grant Roadway						
US Fish and Wildlife Service	13,540.00	-	-	13,540.00	-	-
NJ Clean Vessels Act Grant						
Sub-Total Federal	<u>174,596.85</u>	<u>-</u>	<u>-</u>	<u>146,296.64</u>	<u>27,100.21</u>	<u>1,200.00</u>
State:						
Clean Communities Program	16,977.23	175.00	21,959.77	6,078.68	1,102.00	31,931.32
Pedestrian Safety Grant	-	-	11,000.00	-	-	11,000.00
Recycling Tonnage Grant	9,317.73	240.00	-	1,732.18	4,839.40	2,986.15
Distracted Driver Crackdown	-	-	6,600.00	2,255.00	-	4,345.00
Alcohol Rehabilitation Program	1,409.13	-	-	-	-	1,409.13
Memorial Parkway Project Streetscape - 2016	5,070.00	15,415.56	-	747.27	14,668.29	5,070.00
Body Armor Fund	314.95	-	1,624.83	1,599.30	-	340.48
Sub-Total State	<u>33,089.04</u>	<u>15,830.56</u>	<u>41,184.60</u>	<u>12,412.43</u>	<u>20,609.69</u>	<u>57,082.08</u>
Total	<u>\$ 207,685.89</u>	<u>\$ 15,830.56</u>	<u>\$ 41,184.60</u>	<u>\$ 158,709.07</u>	<u>\$ 47,709.90</u>	<u>\$ 58,282.08</u>
			Interfund - Current	\$ 145,169.07		
			Interfund - Harbor	13,540.00		
				<u>\$ 158,709.07</u>		

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GRANT FUND
SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Decreased By Budget <u>Appropriation</u>	Balance December 31, <u>2018</u>
State:			
Clean Communities Grant	\$ 11,240.02	\$ 11,240.02	\$ -
Body Armor Fund	1,624.83	1,624.83	-
Recycling Tonnage Grant - 2015	9,701.79	-	9,701.79
	<hr/>		<hr/>
Sub-Total State	22,566.64	12,864.85	9,701.79
	<hr/>		<hr/>
Total	\$ 22,566.64	\$ 12,864.85	\$ 9,701.79
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TRUST FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST FUNDS
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Animal Control <u>Trust Fund</u>	Trust <u>Other Fund</u>	Open Space <u>Trust Fund</u>
Balance, December 31, 2017	\$ 5,780.99	\$ 377,831.40	\$ 29,562.24
Increased By Receipts:			
Due To:			
State of New Jersey	265.60	-	-
Reserve for Animal Control Trust			
Fund Expenditures	2,532.22	-	-
Reserve for Open Space	-	-	91,624.78
Due to Grant Fund	-	-	113,000.00
Various Reserves	-	242,952.37	-
	<u>2,797.82</u>	<u>242,952.37</u>	<u>204,624.78</u>
Total Receipts			
Subtotal	<u>8,578.81</u>	<u>620,783.77</u>	<u>234,187.02</u>
Decreased By Disbursements:			
Due To Current Fund	526.10	-	-
Due To State of NJ	284.80	-	-
Animal Control Trust Fund			
Expenditures	175.00	-	-
Reserve for Open Space	-	-	63,268.00
Various Reserves	-	250,912.12	-
	<u>985.90</u>	<u>250,912.12</u>	<u>63,268.00</u>
Total Disbursements			
Balance, December 31, 2018	<u>\$ 7,592.91</u>	<u>\$ 369,871.65</u>	<u>\$ 170,919.02</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 ANIMAL CONTROL TRUST FUND
 SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND
 EXPENDITURES / DANGEROUS ANIMAL
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	5,283.29
Increased By:		
Dog License Fees Collected		2,532.22
		7,815.51
Decreased By:		
Expenditures		175.00
Balance, December 31, 2018	\$	7,640.51

License Fees Collected

2017	\$	2,335.00
2016		5,743.29
		\$ 8,078.29

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
ANIMAL CONTROL TRUST FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 21.60
Increased By:	
State Share of Dog License Fee	<u>265.60</u>
	287.20
Decreased By:	
Paid By Current Fund	<u>284.80</u>
Balance, December 31, 2018	<u><u>\$ 2.40</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 ANIMAL CONTROL TRUST FUND
 SCHEDULE OF DUE TO CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	526.10
Decreased By:		
Cash Disbursements		526.10
Balance, December 31, 2018	\$	-

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST OTHER FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 2,532.75
Increased By:	
Various Reserves	<u>1,086.71</u>
	3,619.46
Decreased By:	
Various Reserves	<u>2,532.75</u>
Balance, December 31, 2018	<u><u>\$ 1,086.71</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
OPEN SPACE TRUST FUND
SCHEDULE OF INTERFUND RECEIVABLE - CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 214.23
Increased By:	
Open Space Tax Levy	89,725.41
Open Space Added and Omitted Levy	<u>347.64</u>
	<u>90,287.28</u>
Decreased By:	
Cash Receipts	<u>89,725.41</u>
Balance, December 31, 2018 & 2017	<u><u>\$ 561.87</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
OPEN SPACE TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 29,776.47
Increased By:		
Open Space Tax Levy	89,725.41	
Open Space Added and Omitted Levy	347.64	
Interest Income	<u>1,899.37</u>	
		<u>91,972.42</u>
		121,748.89
Decreased By:		
Disbursements		<u>63,268.00</u>
Balance, December 31, 2018 & 2017		<u><u>\$ 58,480.89</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
TRUST - OTHER FUND
SCHEDULE OF VARIOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Transfer from Encumbrances <u>Payable</u>	<u>Increased</u>	<u>Decreased</u>	Transfer to Encumbrances <u>Payable</u>	Balance December 31, <u>2018</u>
Reserve for:						
Street Opening Deposits	\$ 16,886.00	\$ -	\$ 1,250.00	\$ -	\$ -	\$ 18,136.00
Developer Deposits	2,068.95	2,532.75	133,395.87	103,700.62	1,086.71	33,210.24
P.O.A.A	646.00	-	210.00	-	-	856.00
Restitution	497.57	-	-	-	-	497.57
Construction Code - DCA Fees	2,061.23	-	9,158.00	11,142.96	-	76.27
Police Off Duty	60,534.79	-	83,125.00	83,105.00	-	60,554.79
Fire Marshall	-	-	214.00	-	-	214.00
Disposal of Forfeited Property	11,383.27	-	497.68	4,724.68	-	7,156.27
Public Defender	2,839.36	-	-	-	-	2,839.36
NJNG Center Avenue	100,000.00	-	-	-	-	100,000.00
Tax Sale Premiums	157,000.00	-	-	39,700.00	-	117,300.00
Unemployment Trust	5,189.99	-	15,101.82	12,643.86	-	7,647.95
Accumulated Absences	1,000.00	-	-	-	-	1,000.00
COAH - Affordable Housing	1,424.75	-	-	-	-	1,424.75
Special Master Trust Fund	683.27	-	-	575.00	-	108.27
Harbor Security Deposits	18,113.47	-	-	-	-	18,113.47
	<u>\$ 380,328.65</u>	<u>\$ 2,532.75</u>	<u>\$ 242,952.37</u>	<u>\$ 255,592.12</u>	<u>\$ 1,086.71</u>	<u>\$ 369,134.94</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")
SCHEDULE OF FUNDS HELD BY TRUSTEE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 702,865.16
Increased By:		
Borough Contributions		<u>52,250.00</u>
		755,115.16
Decreased By:		
Withdrawals	32,803.58	
Loss on Investments	25,305.84	
Accounting Charges/Taxes	<u>1,950.00</u>	
		<u>60,059.42</u>
Balance, December 31, 2018 & 2017		<u><u>\$ 695,055.74</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 702,865.16
Increased By:		
Borough Contributions		<u>52,250.00</u>
		755,115.16
Decreased By:		
Withdrawals	32,803.58	
Loss on Investments	25,305.84	
Accounting Charges/Taxes	<u>1,950.00</u>	
		<u>60,059.42</u>
Balance, December 31, 2018 & 2017		<u><u>\$ 695,055.74</u></u>

GENERAL CAPITAL FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 147,710.96
Increased By:		
Reserve for Debt Service	34,287.37	
Capital Improvement Fund	<u>50,000.00</u>	
		<u>84,287.37</u>
Balance, December 31, 2018		<u><u>\$ 231,998.33</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF ANALYSIS OF GENERAL CAPITAL CASH
FOR THE YEAR ENDED DECEMBER 31, 2018**

		Balance December 31, <u>2018</u>
Capital Improvement Fund		\$ 378.90
Fund Balance		27,400.29
Interfund Receivable - Current Fund		(50,000.00)
Interfund Payable - Harbor Capital Fund		600,000.00
Reserve for Debt Service		35,650.47
<u>Ordinance Number</u>	<u>Improvement Description</u>	
02-99/10-07	Various Improvements	(361,617.01)
20-07	2007 Road Improvements	(46,272.09)
11-9/8-13	Various Improvements	(59,564.23)
15-09	Construction of Streetscape III	-
13-10	Construction of Streetscape IV	-
09-11	West Avenue Road Improvements	-
03-16	Improvements to Avenue D Bulkhead	35,822.00
21-18	2019 Road Program	50,200.00
		\$ 231,998.33

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 10,017,569.64
Decreased By:	
Serial Bonds Paid by Current Fund	<u>1,077,951.35</u>
Balance, December 31, 2018	<u><u>\$ 8,939,618.29</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 GENERAL CAPITAL FUND
 SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Ordinance Date	Improvement Description	Balance December 31, 2017	New Authorization	Paid In Current Fund Budget	Balance December 31, 2018	Analysis of Balance	
							Unexpended Improvement Authorizations	Expenditures
02-99/10-07		Various Improvements	\$ 411,617.01	\$ -	\$ 50,000.00	\$ 361,617.01	\$ -	\$ 361,617.01
20-07		2007 Road Improvements	46,272.09	-	-	46,272.09	-	46,272.09
11-9/8/13		Various Improvements	65,000.00	-	-	65,000.00	5,435.77	59,564.23
21-18		2019 Road Program	-	1,003,800.00	-	1,003,800.00	1,003,800.00	-
			\$ 522,889.10	\$ 1,003,800.00	\$ 50,000.00	\$ 1,476,689.10	\$ 1,009,235.77	\$ 467,453.33

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF INTERFUND - HARBOR UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2018 and 2017

\$ 600,000.00

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 578.90
Increased By:	
Current Fund Appropriation	<u>50,000.00</u>
	50,578.90
Decreased By:	
Improvement Authorizations	<u>50,200.00</u>
Balance, December 31, 2018	<u><u>\$ 378.90</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Purpose	Date of Issue	Original Issue	Outstanding		Interest Rate	Balance December 31, 2017	Decreased	Balance December 31, 2018
			Date	Amount				
Monmouth County Refunding Bonds	4/12/2007	\$ 5,611,597.56	12/1/2019	486,443.42	5.000%	\$ 2,544,569.64	\$ 462,951.35	\$ 2,081,618.29
			12/1/2020	511,436.27	4.000%			
			12/1/2021	531,615.85	4.000%			
			12/1/2022	552,122.75	4.000%			
General Improvement Bonds	2/25/2010	6,995,000.00	2/1/2019	310,000.00	3.000%	935,000.00	300,000.00	635,000.00
			2/1/2020	325,000.00	5.000%			
Pooled Government Refunding Bonds Series 2015	12/4/2014	2,759,000.00	12/1/2019	318,000.00	5.000%	2,463,000.00	305,000.00	2,158,000.00
			12/1/2020	333,000.00	5.000%			
			12/1/2021	350,000.00	5.000%			
			12/1/2022	365,000.00	5.000%			
			12/1/2023	387,000.00	5.000%			
			12/1/2024	405,000.00	4.000%			
Refunding Bonds	9/13/2016	4,105,000.00	8/1/2019	10,000.00	3.000%	4,075,000.00	10,000.00	4,065,000.00
			8/1/2020	5,000.00	3.000%			
			8/1/2021	335,000.00	4.000%			
			8/1/2022	350,000.00	4.000%			
			8/1/2023	370,000.00	4.000%			
			8/1/2024	375,000.00	4.000%			
			8/1/2025	395,000.00	4.000%			
			8/1/2026	410,000.00	4.000%			
			8/1/2027	425,000.00	4.000%			
			8/1/2028	450,000.00	4.000%			
		8/1/2029	460,000.00	4.000%				
		8/1/1930	480,000.00	4.000%				
						\$ 10,017,569.64	\$ 1,077,951.35	\$ 8,939,618.29

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
RESERVE FOR DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 1,363.10
Increased By:	
Cash Receipts	<u>34,287.37</u>
Balance, December 31, 2018	<u><u>\$ 35,650.47</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Ordinance Date	Improvement Description	Ordinance Amount	Balance December 31, 2017		2018 Authorizations	Canceled	Balance December 31, 2018	
				Funded	Unfunded			Funded	Unfunded
11-09/4-11/08-13	06/10/09 02/23/11 04/10/13	Various Improvements	\$ 7,625,676.00	\$ -	\$ 5,435.77	\$ -	\$ -	\$ -	\$ 5,435.77
15-09	09/09/09	Construction of Streetscape III	460,000.00	149.60	-	-	149.60	-	-
13-10	06/09/10	Construction of Streetscape IV	417,000.00	179.85	-	-	179.85	-	-
09-11	06/08/11	West Avenue Road Improvements	200,000.00	12,701.78	-	-	12,701.78	-	-
03-16	02/24/16	Improvement to Avenue D Bulkhead	250,000.00	35,822.00	-	-	-	35,822.00	-
21-18	12/19/18	2019 Road Program	1,054,000.00	-	-	1,054,000.00	-	50,200.00	1,003,800.00
				\$ 48,853.23	\$ 5,435.77	\$ 1,054,000.00	\$ 13,031.23	\$ 86,022.00	\$ 1,009,235.77
				Capital Improvement Fund		50,200.00			
				Deferred Charges Unfunded		1,003,800.00			
						<u>\$ 1,054,000.00</u>			

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2017</u>	New <u>Authorization</u>	<u>Paid In Current Fund Budget</u>	Balance December 31, <u>2018</u>
02-99/10-07	Various Improvements	\$ 411,617.01	-	\$ 50,000.00	\$ 361,617.01
20-07	Various Improvements	46,272.09	-	-	46,272.09
08-13	Various Improvements	65,000.00	-	-	65,000.00
21-18	2019 Road Program	-	1,003,800.00	-	1,003,800.00
		<u>\$ 522,889.10</u>	<u>\$ 1,003,800.00</u>	<u>\$ 50,000.00</u>	<u>\$ 1,476,689.10</u>

WATER/SEWER UTILITY FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2017	\$ 347,505.18	\$ 1,187,392.26
Increased By Receipts:		
Miscellaneous Revenue Anticipated	\$ 115,679.34	\$ -
Consumer Accounts Receivable	2,358,455.57	-
Due from New Jersey Natural Gas	-	29,287.28
	<u>2,474,134.91</u>	<u>29,287.28</u>
	2,821,640.09	1,216,679.54
Decreased By Disbursements:		
2018 Budget Appropriations	2,145,345.70	-
2017 Appropriation Reserves	57,341.08	-
Accrued Interest Payable	<u>265,168.60</u>	-
	<u>2,467,855.38</u>	<u>-</u>
Balance, December 31, 2018	<u><u>\$ 353,784.71</u></u>	<u><u>\$ 1,216,679.54</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER UTILITY CAPITAL FUND
SCHEDULE OF ANALYSIS OF WATER/SEWER UTILITY CAPITAL CASH
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2018</u>
Due from N.J. Natural Gas	\$ (11,591.92)
Reserve for Debt Service	30,473.55
Bond Covenant Reserves:	
Borough of Atlantic Highlands Allocation	543,549.53
Borough of Highlands Allocation	588,845.32
Fund Balance	65,403.06
Ordinance	
<u>Date</u>	<u>Improvement Description</u>
05-04	Various Improvements to the Water/Sewer System
11-06	Water Main/Drywell/Sewer Reline
02-08/12-08	Various Improvements to the Water/Sewer System
03-08	Completion of Stormwater/Drainage Improvement Work Related to the Settlement of Litigation
06-12	Acquisition of Utility Truck
	-
	-
	-
	-
	-
	\$ 1,216,679.54

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 145,313.25
Increased By:		
Water/Sewer Rents Levied		<u>2,365,000.00</u>
		2,510,313.25
Decreased By:		
Collections	\$ 2,358,455.57	
Overpayments Applied	<u>4,697.43</u>	
		<u>2,363,153.00</u>
Balance, December 31, 2018		<u><u>\$ 147,160.25</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND COVENANT RESTRICTED RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2018 and 2017</u>
Reserve for AHHRSA Revenue Fund	\$ 10.21
Reserve for Bond Reserve Fund	634,357.10
Reserve for Renewal and Replacement Fund	25,003.76
Reserve for Bond Service Fund	<u>473,023.78</u>
	<u>\$ 1,132,394.85</u>
Allocation:	
Borough of Atlantic Highlands	\$ 543,549.53
Borough of Highlands	<u>588,845.32</u>
	<u>\$ 1,132,394.85</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF DUE FROM N.J. NATURAL GAS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 40,879.20
Decreased By:	
Cash Disbursement	4,287.28
Budget Appropriation	<u>25,000.00</u>
	<u>29,287.28</u>
Balance, December 31, 2018	<u><u>\$ 11,591.92</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	<u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 4,531.27	\$ 4,531.27	\$ -	\$ 4,531.27
Other Expenses	33,794.22	33,794.22	19,441.80	14,352.42
Bank Fees	50.07	50.07	-	50.07
Insurance	569.73	569.73	-	569.73
Sewerage Treatment Fees	40,003.69	40,003.69	38,546.92	1,456.77
	<hr/>			
Total Operating	78,948.98	78,948.98	57,988.72	20,960.26
	<hr/>			
Statutory Expenditures:				
Contributions To:				
Social Security	760.57	760.57	-	760.57
	<hr/>			
Total Statutory Expenditures	760.57	760.57	-	760.57
	<hr/>			
Total Water Utility Fund Appropriations	\$ 79,709.55	\$ 79,709.55	\$ 57,988.72	\$ 21,720.83
	<hr/> <hr/>			

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF RESERVE FOR ENCUMBERANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 27,807.70
Increased By:	
Transfer from Budget Appropriations	<u>34,553.94</u>
	62,361.64
Decreased By:	
Transferred to Appropriation Reserves	<u>27,807.70</u>
Balance, December 31, 2018	<u><u>\$ 34,553.94</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CUSTOMER OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	9,995.33
Decreased By:		
Applied to Customer Accounts Receivable		<u>4,697.43</u>
Balance, December 31, 2018	\$	<u><u>5,297.90</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 88,691.26
Increased By:	
Current Appropriations	<u>256,133.18</u>
	344,824.44
Decreased By:	
Interest Paid	<u>265,168.60</u>
Balance, December 31, 2018	<u><u>\$ 79,655.84</u></u>

Analysis of Accrued Interest

<u>Principal Outstanding</u> <u>December 31, 2018</u>	<u>Interest</u> <u>Rate</u>	<u>From</u>	<u>To</u>	<u>Months</u>	<u>Amount</u>
Serial Bonds:					
\$ 523,080.93	Various	12/1/2018	12/31/2018	30	\$ 3,487.21
70,000.00	Various	8/1/2018	12/31/2018	152	1,477.78
879,000.00	Various	12/1/2018	12/31/2018	30	2,930.00
2,508,000.00	5.000%	7/15/2018	12/31/2018	169	53,610.04
398,000.00	Various	8/1/2018	12/31/2018	152	5,041.33
<u>470,000.00</u>	Various	8/1/2018	12/31/2018	152	<u>5,953.33</u>
<u><u>4,848,080.93</u></u>					<u><u>\$ 72,499.69</u></u>
Loans Payable:					
\$ 184,438.59	5.000%	12/3/2018	12/31/2018	28	\$ 717.26
850,328.43	0.000%	8/1/2018	12/31/2018	152	-
<u>305,000.00</u>	Various	8/1/2018	12/31/2018	152	<u>6,438.89</u>
Total <u><u>1,339,767.02</u></u>					<u><u>\$ 7,156.15</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 3,462.60
Increased By:	
Transfer from Appropriation Reserves	<u>647.64</u>
Balance, December 31, 2018	<u><u>\$ 4,110.24</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 WATER/SEWER UTILITY CAPITAL FUND
 SCHEDULE OF FIXED CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31,2017		\$ 16,759,835.02
Increased by:		
Transfer from Fixed Capital Authorized and Uncompleted	\$ 1,528,365.06	
Capital Outlay	28,170.29	
		1,556,535.35
Balance, December 31,2018		\$ 18,316,370.37

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Purpose	Ordinance		Balance December 31, 2017	Decreased Transfer to Fixed Capital	Balance December 31, 2018
		Date	Amount			
05-04	Various Improvements to Water/Sewer System	4/14/2004	\$ 375,000.00	\$ 10,787.01	\$ 10,787.01	\$ -
21-05	Various Improvements to Water/Sewer System	10/26/2005	550,000.00	35,599.55	35,599.55	-
11-06	Water Main/Drywell/Sewer Reline	7/25/2006	440,000.00	56,978.50	56,978.50	-
02-08/ 12-08	Various Improvements to Water/Sewer System	2/27/2008 9/24/2008				
			900,000.00	900,000.00	900,000.00	-
03-08	Completion of Stormwater/Drainage Improvement Work Related to the Settlement of Litigation	3/9/2008	495,000.00	495,000.00	495,000.00	-
06-12	Acquisition of Utility Truck	5/23/2012	30,000.00	30,000.00	30,000.00	-
				<u>\$ 1,528,365.06</u>	<u>\$ 1,528,365.06</u>	<u>\$ -</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 WATER/SEWER UTILITY CAPITAL FUND
 SCHEDULE OF SERIAL BONDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding</u> December 31, 2018		<u>Interest Rate</u>	<u>Balance</u> December 31, 2017	<u>Decreased</u>	<u>Balance</u> December 31, 2018
			<u>Date</u>	<u>Amount</u>				
Water/Sewer Utility Refunding Bonds	4/12/2007	1,339,139.84	12/1/2019	115,290.12	5.000%	\$ 632,248.50	\$ 109,167.57	\$ 523,080.93
			12/1/2020	121,529.41	4.000%			
			12/1/2021	126,384.15	4.000%			
			12/1/2022	159,877.25	4.000%			
Water/Sewer Utility Bonds	2/25/2010	805,000.00	2/1/2019	35,000.00	3.000%	105,000.00	35,000.00	70,000.00
			2/1/2020	35,000.00	5.000%			
Water/Sewer Utility Refunding Bonds	12/4/2014	1,054,000.00	12/1/2019	96,000.00	5.000%	968,000.00	89,000.00	879,000.00
			12/1/2020	98,000.00	5.000%			
			12/1/2021	101,000.00	5.000%			
			12/1/2022	109,000.00	5.000%			
			12/1/2023	118,000.00	5.000%			
			12/1/2024	119,000.00	4.000%			
			12/1/2025	119,000.00	4.000%			
2011 MCIA (AHHRSA)	4/1/2014	3,427,200.00	12/15/2019	148,800.00	5.000%	2,649,600.00	141,600.00	2,508,000.00
			12/15/2020	156,000.00	5.000%			
			12/15/2021	165,600.00	5.000%			

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 WATER/SEWER UTILITY CAPITAL FUND
 SCHEDULE OF LOANS PAYABLE
 FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding</u>		<u>Interest Rate</u>	<u>Balance December 31, 2017</u>	<u>Decreased Paid by Budget Appropriation</u>	<u>Balance December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Water System Improvements - Farmers Home Administration	2/3/1984	1,000,000.00	6/3/2019	24,926.73	5.000%	\$ 232,460.55	\$ 48,021.96	\$ 184,438.59
			12/3/2019	25,526.33	5.000%			
			6/3/2020	26,184.59	5.000%			
			12/3/2020	26,822.63	5.000%			
			6/3/2021	27,506.15	5.000%			
			12/3/2021	28,184.60	5.000%			
		6/3/2022	25,287.56	5.000%				
New Jersey Environmental Infrastructure Fund Series 2014A (AHFSA)	8/1/2014	1,114,875.00	2/1/2019	18,896.18	0.000%	907,016.98	56,688.55	850,328.43
			8/1/2019	37,792.37	0.000%			
			2/1/2020	18,896.18	0.000%			
			8/1/2020	37,792.37	0.000%			
			2/1/2021	18,896.18	0.000%			
			8/1/2021	37,792.37	0.000%			
			2/1/2022	18,896.18	0.000%			
			8/1/2022	37,792.37	0.000%			
			2/1/2023	18,896.18	0.000%			
			8/1/2023	37,792.37	0.000%			
		2/1/2024	18,896.18	0.000%				
		8/1/2024	37,792.37	0.000%				
		2/1/2025	18,896.18	0.000%				
		8/1/2025	37,792.37	0.000%				
		2/1/2026	18,896.18	0.000%				

New Jersey Environmental Infrastructure Trust Series 2014A (AHRSA)		8/1/2014	365,000.00	8/1/2019	15,000.00	5.000%	320,000.00	15,000.00	305,000.00
8/1/2026				8/1/2019	15,000.00	5.000%			
2/1/2027				8/1/2020	15,000.00	5.000%			
8/1/2027				8/1/2021	15,000.00	5.000%			
2/1/2028				8/1/2022	15,000.00	5.000%			
8/1/2028				8/1/2023	20,000.00	5.000%			
2/1/2029				8/1/2024	20,000.00	5.000%			
8/1/2029				8/1/2025	20,000.00	3.000%			
2/1/2030				8/1/2026	20,000.00	3.000%			
8/1/2030				8/1/2027	20,000.00	3.000%			
2/1/2031				8/1/2028	20,000.00	3.000%			
8/1/2031				8/1/2029	25,000.00	3.000%			
2/1/2032				8/1/2030	25,000.00	3.000%			
8/1/2032				8/1/2031	25,000.00	3.000%			
2/1/2033				8/1/2032	25,000.00	3.125%			
8/1/2033				8/1/2033	25,000.00	3.250%			
					320,000.00			15,000.00	305,000.00

\$ 1,459,477.53 \$ 119,710.51 \$ 1,339,767.02

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Purpose	Date	Ordinance Amount	Balance December 31, 2017		Decreased by Cancelled	Balance December 31, 2018	
				Funded	Unfunded		Funded	Unfunded
05-04	Various Improvements to Water/Sewer System	4/14/2004	\$ 375,000.00	\$ 1,086.98	\$ -	\$ 1,086.98	\$ -	\$ -
11-06	Water Main/Drywell/Sewer Reline	7/25/2006	440,000.00	8,007.90	-	8,007.90	-	-
02-08/ 12-08	Various Improvements to Water/Sewer System	2/27/2008 9/24/2008	900,000.00	7,995.87	-	7,995.87	-	-
03-08	Completion of Stormwater/Drainage Improvement Work Related to the Settlement of Litigation	3/9/2008	495,000.00	10,754.93	-	10,754.93	-	-
06-12	Acquisition of Utility Truck	5/23/2012	30,000.00	697.00	-	697.00	-	-
				\$ 28,542.68	\$ -	\$ 28,542.68	\$ -	\$ -

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 10,753,874.05
Increased By:		
Capital Outlay - Current Budget Appropriation	\$ 28,170.29	
Serial Bonds Reduced	376,767.57	
Loans Paid by Operating Budget	119,710.51	
Transfer from Deferred Reserve for Amortization	<u>850,000.00</u>	
		<u>1,374,648.37</u>
Balance, December 31, 2018		<u><u>\$ 12,128,522.42</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Balance December 31,2017</u>	<u>Reserve for Amortization</u>	<u>Balance December 31,2018</u>
02-08/ 12-08	Various Improvements to Water/Sewer System	2/7/2008 9/24/2008	\$ 325,000.00	\$ 325,000.00	\$ -
03-08	Completion of Stormwater/Drainage Improvement Work Related to the Settlement of Litigation	3/9/2008	495,000.00	495,000.00	-
06-12	Acquisition of Utility Truck	5/23/2012	30,000.00	30,000.00	-
			<u>\$ 850,000.00</u>	<u>\$ 850,000.00</u>	<u>\$ -</u>

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HARBOR COMMISSION UTILITY FUND

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY FUND
SCHEDULE OF CASH - TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, December 31, 2017	\$ 963,860.08	\$ 2,495,123.86
Increased By Receipts:		
Gas Station Operations	\$ 1,607,151.45	-
Harbor Operations	4,199,831.07	-
Miscellaneous Revenue Anticipated	160,161.45	-
Reserve for Debt Service - Capital Fund	750,000.00	-
Due From Harbor Capital Fund	100,000.00	-
Investment from Harbor Operating Fund	-	100,000.00
Capital Improvement Fund	-	200,000.00
Premium on Bond Anticipation Notes	-	19,850.00
	<u>6,817,143.97</u>	<u>319,850.00</u>
	7,781,004.05	2,814,973.86
Decreased By Disbursements:		
2018 Appropriations	6,016,822.02	-
Sales Tax Payable	1,014.50	-
Accounts Payable	867.75	-
Appropriation Reserves	110,373.51	-
Accrued Interest on Bonds	276,642.59	-
Special Emergency Notes Payable	100,000.00	-
Due to Harbor Operating Fund	-	100,000.00
Improvement Authorization	-	26,564.98
Reserve for Payment of Debt Service	-	750,000.00
	<u>6,505,720.37</u>	<u>876,564.98</u>
Balance, December 31, 2018	<u><u>\$ 1,275,283.68</u></u>	<u><u>\$ 1,938,408.88</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY CAPITAL FUND
 SCHEDULE OF ANALYSIS OF HARBOR COMMISSION UTILITY CAPITAL FUND CASH
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2018</u>
Capital Improvement Fund	\$ 436,212.71
Fund Balance	51,881.44
Reserve for Heritage Square	26,691.00
Reserve for Debt Service	54,957.68
Reserve for Encumbrances	21,702.90
Interfund - General Capital Fund	(600,000.00)
Ordinance	
Number Improvement Description	
09-03 Various Harbor Improvements	\$ (434.33)
03-13 Various Harbor Improvements	135,386.71
05-13/12-13 Various Harbor Improvements	1,201,057.92
02-16 Renovations to Public Restrooms and Showers	<u>610,952.85</u>
	<u>\$ 1,938,408.88</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY OPERATING FUND
 SCHEDULE OF INTERFUND - HARBOR CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	100,000.00
Increased by:		
Payment of BAN & Interest		-
		100,000.00
Decreased by:		
Cash Receipts		100,000.00
		-
Balance, December 31, 2018	\$	-

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY OPERATING FUND
 SCHEDULE OF DEFERRED CHARGES
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	<u>Increased</u>	Decreased in <u>2019 Budget</u>	Balance December 31, <u>2018</u>
Overexpenditure of Appropriations - 2017	\$ 39,070.56	\$ -	\$ 39,070.56	\$ -
Overexpenditure of Appropriations - 2018	-	273,500.00	-	273,500.00
	<u>\$ 39,070.56</u>	<u>\$ 273,500.00</u>	<u>\$ 39,070.56</u>	<u>\$ 273,500.00</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
SCHEDULE OF DEFERRED CHARGES
N.J.S 40A-55 SPECIAL EMERGENCY AUTHORIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2017</u>	<u>Budget Appropriation</u>	<u>Balance December 31, 2018</u>
Hurricane Sandy Expenses	1/9/2013	\$ 500,000.00	\$100,000.00	\$ 100,000.00	\$ 100,000.00	\$ -
		<u>\$ 500,000.00</u>	<u>\$100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ -</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 236,212.71
Increased By:	
Budget Appropriation	<u>200,000.00</u>
Balance, December 31, 2018	<u><u>\$ 436,212.71</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
SCHEDULE OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 10,958.00
Increased By:	
Charges to Appropriation Reserves	<u>6,451.00</u>
	17,409.00
Decreased By:	
Cash Disbursements	<u>867.75</u>
Balance, December 31, 2018	<u><u>\$ 16,541.25</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
SCHEDULE OF SALES TAX PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 1,014.50
Decreased By:	
Cash Disbursed	<u>1,014.50</u>
Balance, December 31, 2018	<u><u>\$ -</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 22,921,566.22
Increased By:	
Capital Outlay	<u>99,995.00</u>
Balance, December 31, 2018	<u><u>\$ 23,021,561.22</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Improvement Description	Ordinance		Balance December 31, 2018 and 2017
		Date	Amount	
03-13	Various Harbor Improvements	3/13/2013	7,000,000.00	\$ 7,000,000.00
05-13/12-13	Various Harbor Improvements	3/13/13 - 7/24/13	12,100,000.00	12,100,000.00
02-16	Renovation of Public Restrooms in the Tow Boat Building	2/24/2016	750,000.00	<u>750,000.00</u>
				<u><u>\$ 19,850,000.00</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance December 31, <u>2017</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	<u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 78,622.13	\$ 78,622.13	\$ -	\$ 78,622.13
Other Expenses	160,930.62	160,930.62	66,629.51	94,301.11
Bank Fees	2,500.00	2,500.00	-	2,500.00
Gas Station Operations	136,334.44	136,334.44	200.00	136,134.44
Insurance	14,603.04	14,603.04	-	14,603.04
	<hr/>			
Total Operating	392,990.23	392,990.23	66,829.51	326,160.72
	<hr/>			
Capital Improvements:				
Capital Outlay	116,500.00	116,500.00	49,995.00	66,505.00
	<hr/>			
Total Capital Improvements	116,500.00	116,500.00	49,995.00	66,505.00
	<hr/>			
Statutory Expenditures:				
Contributions To:				
Social Security System (O.A.S.I.)	9,472.24	9,472.24	-	9,472.24
	<hr/>			
Total Statutory Expenditures	9,472.24	9,472.24	-	9,472.24
	<hr/>			
Total Harbor Commission Utility Appropriations	\$ 518,962.47	\$ 518,962.47	\$ 116,824.51	\$ 402,137.96
	<hr/> <hr/>			
			\$ 110,373.51	
Cash Disbursements			6,451.00	
Accounts Payable			<hr/>	
			<u>\$ 116,824.51</u>	

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY OPERATING FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$ 164,873.71
Increased By:	
Transferred from Budget Appropriations	<u>41,904.12</u>
	206,777.83
Decreased By:	
Transfer to Appropriation Reserves	<u>164,873.71</u>
Balance, December 31, 2018	<u><u>\$ 41,904.12</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY OPERATING FUND
 SCHEDULE OF SPECIAL EMERGENCY NOTES PAYABLE
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	100,000.00
Decreased By:		
Cash Receipts		100,000.00
		<hr style="border-top: 1px solid black;"/>
Balance, December 31, 2018	\$	<hr style="border-top: 1px solid black;"/> -

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY OPERATING FUND
 SCHEDULE OF ACCRUED INTEREST ON BONDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	95,980.72
Increased by:		
Budget Appropriations		252,027.57
		348,008.29
Decreased By:		
Interest Paid		276,642.59
		71,365.70
Balance, December 31, 2018	\$	71,365.70

Analysis of Balance:

	Principal Outstanding <u>December 31, 2018</u>	Interest <u>Rate</u>	From	To	Period <u>(Days)</u>		<u>Amount</u>
Serial Bonds:							
\$	781,300.78	Various	12/1/2018	12/31/2018	30	\$	3,255.42
	140,000.00	Various	8/1/2018	12/31/2018	152		2,955.56
	847,000.00	Various	12/1/2018	12/31/2018	30		2,823.33
	905,000.00	Various	8/1/2018	12/31/2018	152		11,463.33
\$	2,673,300.78					\$	20,497.64

Bond Anticipation Notes:

	\$ 2,500,000.00	2.500%	3/13/2018	12/31/2018	293.00		\$ 50,868.06
	\$ 2,500,000.00						\$ 50,868.06

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY CAPITAL FUND
 SCHEDULE OF HARBOR COMMISSION UTILITY SERIAL BONDS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2018</u>	<u>Interest Rate</u>	<u>Balance December 31, 2017</u>	<u>Paid by Budget Appropriation</u>	<u>Balance December 31, 2018</u>
Harbor Commission Utility	4/12/2017	\$ 3,245,262.60	12/1/2019 12/1/2020	5.000% 4.000%	\$ 1,144,181.86	\$ 362,881.08	\$ 781,300.78
Harbor Commission Utility	2/25/2010	1,555,000.00	2/1/2019 2/1/2020	3.000% 5.000%	205,000.00	65,000.00	140,000.00
Harbor Commission Utility Refunding	12/4/2014	1,016,000.00	12/1/2019 12/1/2020 12/1/2021 12/1/2022 12/1/2023 12/1/2024 12/1/2025 12/1/2026	5.000% 5.000% 5.000% 5.000% 5.000% 4.000% 4.000% 4.000%	933,000.00	86,000.00	847,000.00
Harbor Commission Utility Refunding of 2010 Issue	10/5/2016	915,000.00	8/1/2020 8/1/2021 8/1/2022 8/1/2023 8/1/2024 8/1/2025 8/1/2026 8/1/2027 8/1/2028 8/1/2029 8/1/2030	3.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000%	905,000.00	-	905,000.00
					<u>\$ 3,187,181.86</u>	<u>\$ 513,881.08</u>	<u>\$ 2,673,300.78</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY CAPITAL FUND
 SCHEDULE OF HARBOR COMMISSION UTILITY BOND ANTICIPATION NOTES
 FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Ord. Number</u>	<u>Improvement Description</u>	<u>Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2017</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance December 31, 2018</u>
03-13	Various Harbor Improvements	3/21/2013	3/11/2018	3/12/2019	2.500%	\$ 2,750,000.00	\$ 2,500,000.00	\$ 2,750,000.00	\$ 2,500,000.00
02-16	Renovations to Public Restrooms and Showers in the Tow Boat Building	3/15/2016	3/11/2018	3/12/2019	2.500%	750,000.00	-	750,000.00	-
						<u>\$ 3,500,000.00</u>	<u>\$ 2,500,000.00</u>	<u>\$ 3,500,000.00</u>	<u>\$ 2,500,000.00</u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY CAPITAL FUNDS
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	Improvement Description	Date	Amount	Balance December 31, 2017		Increased by		Decreased by		Balance December 31, 2018	
				Funded	Unfunded	Reserve for Encumbrances	Paid or Charged	Reserve for Encumbrances	Funded	Unfunded	
03-13/05-1	Various Harbor Improvements	2/13/2013	7,000,000.00	\$ -	\$ 135,386.71	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,386.71
12-13	Various Harbor Improvements	7/24/2013	12,100,000.00	1,201,057.92	-	-	-	-	-	1,201,057.92	-
02-16	Renovations to Public Restrooms and Showers in the Tow Boat Building	2/24/2016	750,000.00	-	625,258.68	33,962.05	26,564.98	21,702.90	-	-	610,952.85
				\$ 1,201,057.92	\$ 760,645.39	\$ 33,962.05	\$ 26,564.98	\$ 21,702.90	#####	#####	\$ 746,339.56

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017		\$ 19,733,950.03
Increased By:		
Capital Outlay	99,995.00	
Serial Bond Paid by Operating Budget	<u>#####</u>	
		<u>613,876.08</u>
Balance, December 31, 2018		<u><u>\$ 20,347,826.11</u></u>

**BOROUGH OF ATLANTIC HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 HARBOR COMMISSION UTILITY CAPITAL FUND
 SCHEDULE OF RESERVE FOR PAYMENT OF DEBT SERVICE
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2017	\$	804,957.68
Decreased By:		
Anticipated Revenue - Harbor Commission Utility Utility Operating Fund		750,000.00
Balance, December 31, 2018	\$	54,957.68

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR HERITAGE HOUSE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance, December 31, 2018 and 2017

\$ 26,691.00

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUNDS
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	<u>Improvement Description</u>	Ordinance <u>Date</u>	Balance <u>December 31, 2017</u>	BANs Paid by Operating <u>Budget</u>	Balance <u>December 31, 2018</u>
03-13	Various Harbor Improvements	2/13/2013	\$ 4,250,000.00	\$ -	\$ 4,250,000.00
05-13/ 12-13	Various Harbor Improvements	3/13/2013 7/24/2013	12,100,000.00	1,000,000.00	13,100,000.00
			<u>\$ 16,350,000.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 17,350,000.00</u>

**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
HARBOR COMMISSION UTILITY CAPITAL FUNDS
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ordinance Number	<u>Improvement Description</u>	Balance <u>December 31, 2018 and 2017</u>
09-03	Various Harbor Improvements	<u>\$ 434.33</u>
		<u><u>\$ 434.33</u></u>

GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF ATLANTIC HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2018</u>
Land	\$ 8,905,500.00	\$ -	\$ -	\$ 8,905,500.00
Buildings	2,994,900.00	-	-	2,994,900.00
Machinery and Equipment	5,701,131.00	138,784.00	29,575.89	5,810,339.11
	<u>\$ 17,601,531.00</u>	<u>\$ 138,784.00</u>	<u>\$ 29,575.89</u>	<u>\$ 17,710,739.11</u>

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COMMENTS AND RECOMMENDATIONS

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BOROUGH OF ATLANTIC HIGHLANDS

PART II

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

FOR THE YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF ATLANTIC HIGHLANDS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Finding 2018-001

Criteria or specific requirement:

In accordance with requirements promulgated by the State of New Jersey, Division of Local Government Services, Interfunds should be paid and closed out by the end of the current year.

Condition:

Interfunds receivable and payable are reflected on the various balance sheets of the funds at December 31, 2018. This is a repeat of comment 2017-003.

Cause:

The Borough has not transferred the required funds to close out the interfunds by year end.

Effect or potential effect:

By not clearing interfunds within a timely manner, the Borough could experience difficulties with cash flow as a result of cash being utilized from other sources to pay for expenditures.

Recommendation:

That the Borough transfer the required funds to close out the interfunds.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

Finding 2018-002

Criteria or specific requirement:

In accordance with requirements promulgated by the State of New Jersey, Division of Local Government Services, capital ordinances with cash deficits in excess of five years old should be financed by the issuance of bonds and / or notes, or be funded by a budget appropriation.

Condition:

The Capital analysis of cash reflects negative cash balances in ordinances that are in excess of five years old. Two of these negative cash balances are in excess of five years old. This is a repeat of comment 2017-004 & 2017-005.

Cause:

The Borough has not provided the necessary funding within five years of the date in which such capital ordinances were adopted.

**BOROUGH OF ATLANTIC HIGHLANDS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Effect or potential effect:

By not providing timely funding for capital ordinances, the Borough could experience difficulties with cash flow as a result of cash being utilized from other sources to pay for capital expenditures.

Recommendation:

That the Borough seek the necessary funding, either through the issuance of bonds, notes, or budget appropriation, for capital ordinances with cash deficits in excess of five years old.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

Finding 2018-003

Criteria or specific requirement:

N.J.A.C. 5:30-5.6 requires that municipalities maintain a fixed asset accounting system that shall include assets descriptions, estimated or historical costs and other such information as shall be required by the governing body and updated each year with any additions or deletions. Proper internal control practices also dictate that complete and accurate records should be maintained to ensure adequate control over the preparation of the financial statements including related footnotes.

Condition:

The Borough did not maintain a fixed asset accounting system in accordance with N.J.A.C. 5:30:5.6.

Cause:

Internal control policies and procedures are not in place to properly maintain the fixed asset accounting system.

Effect or Potential Effect:

Non-compliance with N.J.A.C. 5:30-5.6.

Recommendation:

That internal control policies and procedures should be developed to properly maintain the general fixed assets accounting system in accordance with N.J.A.C. 5:30-5.6.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

Finding 2018-004

Criteria or specific requirement:

To provide better transparency for the reader of the financial statements. The accounts receivable for the Harbor Utility Fund should be recorded in the General Ledger system.

**BOROUGH OF ATLANTIC HIGHLANDS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition:

The Borough did not make the entry into the financial system to record the accounts receivable for the Harbor Utility Fund.

Cause:

The entry historically has never been done to record the accounts receivable for the Harbor Utility Fund.

Effect or Potential Effect:

By not recording the accounts receivable for the Harbor Utility Fund it misstates the Financial Statements.

Recommendation:

To record the charges against customers and record the payments made by customers.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

Finding 2018-005

Criteria of Specific Requirement:

N.J.S.A states that no officer, board, body or commission shall, during any fiscal year, expend any money, incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such service.

Condition:

The Borough's Harbor Utility Capital Fund's Capital Improvement Fund reflects an over-expenditure in the amount of \$273,500.00.

Cause:

Management oversight.

Effect or Potential Effect:

Non-compliance with N.J.S.A. 40A:4-57

Recommendation:

That the Borough raise this over expenditure as a deferred charge in subsequent year's budget.

View of Responsible Officials and Corrective Action Plan:

The responsible officials agree with this finding and will address the matter as part of their corrective action plan.

**BOROUGH OF ATLANTIC HIGHLANDS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

This section identifies the status of prior year findings related to the financial statements.

Financial Statement Findings

Finding No. 2017-001

Condition:

Grant information that was loaded into the System for Administering Grants Electronically (SAGE) was not reconciled with the information in the finance department's records. There was also no grant agreement for the Cops in Shops program available for examination.

Current Status:

This finding has been corrected.

Finding No. 2017-002

Condition:

The monthly dog license reports were not always in agreement with fees collected.

Current Status:

This finding has been corrected.

Finding No. 2017-003

Condition:

Interfunds receivable and payable are reflected on the various balance sheets of the funds at December 31, 2017. This is a repeat of comment 2016-001.

Current Status:

This finding has not been corrected. See Finding 2018-001.

Finding No. 2017-004

Condition:

The General Capital analysis of cash reflects negative cash balances in three ordinances. Two of these negative cash balances are in excess of five years old. This is a repeat of comment 2016-002.

Current Status:

This finding has not been corrected. See Finding 2018-002.

**BOROUGH OF ATLANTIC HIGHLANDS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding No. 2017-005

Condition:

The Harbor Capital analysis of cash reflects a negative balance in ordinance 09-03 in the amount of \$434.33.

Current Status:

This finding has not been corrected. See Finding 2018-002.

Finding No. 2017-006

Condition:

The Annual Debt Statement does not agree with the audit.

Current Status:

This finding has been corrected.

Finding No. 2017-007

Condition:

The accumulated absence liability included in the 2017 user friendly budget was not properly calculated. It was not calculated as of December 31, 2017.

Current Status:

This finding has been corrected.

Finding No. 2017-008

Condition:

There were Chapter 159's that were not posted to the revenue or expenditure budget line items.

Current Status:

This finding has been corrected.

Finding No. 2017-009

Condition:

There was \$150 balance in the petty cash fund the Harbor Utility Operating Fund at year end.

Current Status:

This finding has been corrected.

Finding No. 2017-0010

Condition:

**BOROUGH OF ATLANTIC HIGHLANDS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The petty cash list on the State of New Jersey website has not been updated to reflect the current petty cash records at the Borough.

Current Status:

This finding has been corrected.

Finding No. 2017-0011

Condition:

Interest was not charged on delinquent lease payments as is required in the lease agreement.

Current Status:

This finding has been corrected.

Finding No. 2017-0012

Condition:

Charges were incurred in the capital outlay appropriations in the Harbor Commission Utility Operating Budget that should have been included in the Fixed Capital account.

Current Status:

This finding has been corrected.

Finding No. 2017-0013

Condition:

The Harbor Capital general ledger improvement authorization account did not reflect the prior year's audit adjustments.

Current Status:

This finding has been corrected.

Finding No. 2017-0014

Condition:

The reserve for restitution does not have an approved rider.

Current Status:

This finding has been corrected.

Finding No. 2017-0015

Condition:

There is no formal reconciliation of the developer deposits. Deposits are not segregated and are held in the general trust cash account. The escrows are accounted for in an Excel spreadsheet maintained by the Planning Board Secretary.

**BOROUGH OF ATLANTIC HIGHLANDS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Current Status:

This finding has been corrected.

Finding No. 2017-0016

Condition:

The Borough received security deposits on building leases at the Harbor. These deposits are held in Investor Bank accounts that are not posted to the Trust Other Fund.

Current Status:

This finding has been corrected.

Finding No. 2017-0017

Condition:

The Borough has not collected several security deposits on building leases at the Harbor.

Current Status:

This finding has been corrected.

Finding No. 2017-0018

Condition:

There is no formal reconciliation of the police off duty police reserve. Also, some off duty is billed in arrears.

Current Status:

This finding has been corrected.

FEDERAL AWARDS

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

STATE FINANCIAL ASSISTANCE

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

BOROUGH OF ATLANTIC HIGHLANDS

PART III

**LETTER OF COMMENTS AND RECOMMENDATIONS – REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Rhonda C. Le Grice	Mayor
Charles Lero	Councilmember
Roy Delloso	Councilmember
Stephen Boracchia	Councilmember
Lou Fligor	Councilmember
Jon Crowley	Councilmember
Tom Hayden	Councilmember
Debra Latshaw - Adams	Chief Financial Officer
Michelle Clark	Municipal Clerk
Debra Marchetti	Tax Collector
Martha Diaz - Verson	Court Administrator

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

In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year ended December 31, 2018.

GENERAL COMMENTS:

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

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

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$40,000 for the year ended December 31, 2018.

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

OTHER COMMENTS (FINDINGS):

Finding 2018-001* - Interfunds receivable and payable are reflected on the various balance sheets of the funds at December 31, 2018. This is a repeat of comment 2017-003 & 2016-001.

Finding 2018-002* - The Capital analysis of cash reflects negative cash balances in ordinances that are in excess of five years old.

Finding 2018-003 - The Borough did not maintain a fixed asset accounting system in accordance with N.J.A.C. 5:30:5.6.

Finding 2018-004 - The Borough did not make the entry into the financial system to record the accounts receivable for the Harbor Utility Fund.

Finding 2018-005 - The Borough's Harbor Utility Capital Fund's Capital Improvement Fund reflects an over-expenditure in the amount of \$273,500.00.

*Denotes Prior Year Finding.

RECOMMENDATIONS:

Finding 2018-001 - That the Borough transfer the required funds to close out the interfunds.

Finding 2018-002 - That the Borough seek the necessary funding, either through the issuance of bonds, notes, or budget appropriation, for capital ordinances with cash deficits in excess of five years old.

Finding 2018-003 - That internal control policies and procedures should be developed to properly maintain the general fixed assets accounting system in accordance with N.J.A.C. 5:30-5.6.

Finding 2018-004 - To record the charges against customers and record the payments made by customers.

Finding 2018-005 - That the Borough raise this over expenditure as a deferred charge in subsequent year's budget.

Appreciation

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

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

Freehold, New Jersey
August 6, 2019