

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

**REPORT OF AUDIT  
YEAR ENDED JUNE 30, 2010**

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**BOROUGH OF HIGHLANDS**

**COUNTY OF MONMOUTH**

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**COUNTY OF MONMOUTH**

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**COUNTY OF MONMOUTH**  
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**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH**  
**PART I**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY DATA**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Borough of Highlands (the "Borough"), as of June 30, 2010 and 2009, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis for the year ended June 30, 2010. These financial statements - regulatory basis are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund and represent 19.27% and 16.81% of the assets and liabilities as of June 30, 2010 and 2009, respectively, of the Borough's Trust Funds.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough, as of June 30, 2010 and 2009 or the results of its operations or cash flows of its proprietary fund types and nonexpendable trust funds for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

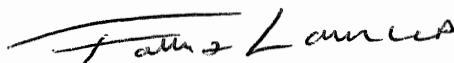
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough, as of June 30, 2010 and 2009, and the results of its operations and the changes in fund balance - regulatory basis of the individual funds for the years then ended and the statements of revenues - regulatory basis, and statements of expenditures - regulatory basis for the year ended June 30, 2010, on the basis of accounting described in Note 1 to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2010 on our consideration of the Borough's internal control over financial reporting and 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 and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements - regulatory basis of the Borough taken as a whole. The accompanying financial information listed as supplementary schedules in the table of contents is not a required part of the financial statements - regulatory basis and is presented for purposes of additional analysis as required by New Jersey State Division of Local Government Services. The accompanying financial information listed as supplementary schedules in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Except for the LOSAP Fund supplementary schedules, such information has been subjected to the auditing procedures applied in the audit of the financial statements - regulatory basis 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. Except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund supplementary information been audited, in our opinion, is fairly presented in all material respects in relation to the financial statements - regulatory basis taken as a whole, on the basis of accounting described in Note 1 to the financial statements.



Thomas P. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #465



Fallon & Larsen LLP

December 20, 2010

Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

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

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

We have audited the financial statements - regulatory basis of the Borough of Highlands (the "Borough") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010 in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America. As described in Note 1 to the financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was also qualified because the Division of Local Government Services does not require the Length of Service Award Program to be audited, only reviewed. Except as discussed in the preceding sentence, 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 the audit requirements 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, we considered the Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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 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.

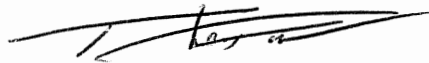
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

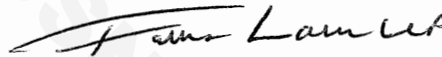
As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain matters that we have reported to management of the Borough in the Comments and Recommendations section of this report.

This report is intended solely for the information and use of the governing body, management, others within the Borough, the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas P. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #465



Fallon & Larsen LLP

December 20, 2010

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

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

<b>ASSETS</b>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Cash	A-4	\$ 1,659,563.38	\$ 1,947,520.20
Cash - Change Fund	A	445.00	445.00
		<u>1,660,008.38</u>	<u>1,947,965.20</u>
Due from State of New Jersey-Ch.20, P.L. 1971	A-9	<u>43,419.09</u>	<u>46,125.25</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	457,260.37	468,505.21
Tax Title Liens Receivable	A-6	29,041.04	25,952.76
Property Acquired for Taxes	A-7	215,100.00	215,100.00
Revenue Accounts Receivable	A-8	11,645.06	13,304.22
Interfund - Animal Control Trust Fund	A-10	4,210.92	4,210.92
		<u>713,046.47</u>	<u>727,073.11</u>
		<u>2,416,473.94</u>	<u>2,721,163.56</u>
Federal and State Grant Fund:			
Cash	A-4	105,266.62	114,511.00
Grants Receivable	A-25	36,966.00	20,780.98
		<u>142,232.62</u>	<u>135,291.98</u>
Total Assets		<u>\$ 2,558,706.56</u>	<u>\$ 2,856,455.54</u>

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3/A-11	\$ 283,241.23	\$ 347,494.79
Reserve for Encumbrances	A-12	200,957.64	178,425.55
Accounts Payable	A-13	55,181.86	75,962.47
Prepaid Taxes	A-15	40,771.56	44,366.65
Tax Overpayments	A-14	97,529.84	51,281.34
Regional High School Tax Payable	A-16	0.02	0.02
Business Improvement Tax Payable	A-19	555.00	10,119.03
Municipal Open Space Tax Payable	A-20	27,000.00	
Due to State of New Jersey - Marriage License	A-21		125.00
Due to State of New Jersey - DCA Training Fees	A-22		146.00
Reserve for Insurance Claims	A-23		851.63
		<u>705,237.15</u>	<u>708,772.48</u>
Reserve for Receivables and Other Assets	A	713,046.47	727,073.11
Fund Balance	A-1	<u>998,190.32</u>	<u>1,285,317.97</u>
		<u>2,416,473.94</u>	<u>2,721,163.56</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-26	121,232.63	116,391.03
Unappropriated Reserves	A-27	3,252.29	6,857.23
Reserve for Encumbrances	A-28	16,625.82	10,921.84
Due to State of New Jersey	A-29	1,121.88	1,121.88
		<u>142,232.62</u>	<u>135,291.98</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,558,706.56</u>	<u>\$ 2,856,455.54</u>

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended June 30,

	Ref.	2010	2009
Revenue and Other Income Realized:			
Fund Balance Utilized	A-2	\$ 1,240,000.00	\$ 1,278,000.00
Miscellaneous Revenue Anticipated	A-2	1,204,246.03	1,152,197.82
Receipts from Delinquent Taxes	A-2	464,949.76	473,428.27
Receipts from Current Taxes	A-2	14,735,722.33	14,745,583.61
Non-Budget Revenues	A-2	32,927.68	113,945.98
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	251,412.03	208,283.39
Canceled - Tax Overpayments	A-14	240.72	71,376.42
Canceled - Accounts Payable	A-13	5,340.08	76,591.40
Prior Year Interfunds Returned	A-10	4,210.92	1,519.91
Statutory Dog Excess			4,210.92
DCA Training Fees Canceled	A-22	146.00	
BID Tax Payable Canceled	A-19	2,619.03	
Grants Appropriated Canceled	A-26	529.88	
		<hr/>	<hr/>
Total Revenue		<u>17,942,344.46</u>	<u>18,125,137.72</u>
Expenditures:			
Budget Appropriations Within Caps:			
Operations:			
Salaries and Wages	A-3	3,031,048.80	3,078,571.00
Other Expenses	A-3	3,035,256.20	3,080,507.00
Deferred Charges and Statutory Expenditures	A-3	491,126.48	380,361.00
Budget Appropriations Excluded from Caps:			
Operations:			
Other Expenses	A-3	247,231.30	269,544.44
Capital Improvements	A-3	63,105.00	80,000.00
Municipal Debt Service	A-3	542,906.96	537,575.53
Deferred Charges	A-3	25,426.91	28,114.69
		<hr/>	<hr/>
		<u>7,436,101.65</u>	<u>7,454,673.66</u>
County Taxes	A-17	2,130,583.69	2,096,329.65
Local District School Tax	A-18	3,093,267.00	3,218,273.00
Regional High School Tax	A-16	4,287,786.02	4,095,763.36
Business Improvement District Tax	A-19	555.00	95,000.00
Local Municipal Open Space Tax	A-20	41,000.00	
Grants Receivable Canceled	A-25	178.75	
Interfunds Advanced			4,210.92
		<hr/>	<hr/>
Total Expenditures		<u>16,989,472.11</u>	<u>16,964,250.59</u>

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
 REGULATORY BASIS

For the Years Ended June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Statutory Excess to Fund Balance		\$ 952,872.35	\$ 1,160,887.13
Fund Balance, July 1	A	<u>1,285,317.97</u>	<u>1,402,430.84</u>
		2,238,190.32	2,563,317.97
Decreased by:			
Utilized as Anticipated Revenue	A-1/A-2	<u>1,240,000.00</u>	<u>1,278,000.00</u>
Fund Balance June 30	A	<u>\$ 998,190.32</u>	<u>\$ 1,285,317.97</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

For the Year Ended June 30, 2010

	Ref.	Budget	Anticipated Special N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,240,000.00		\$ 1,240,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	22,000.00		20,286.80	\$(1,713.20)
Other	A-8	18,000.00		32,664.00	14,664.00
Fees and Permits	A-8	96,000.00		85,751.50	(10,248.50)
Fines and Costs:					
Municipal Court	A-8	117,000.00		130,896.21	13,896.21
Interest and Costs on Taxes	A-8	97,000.00		103,224.13	6,224.13
Interest on Investments and Deposits	A-8	30,000.00		44,283.85	14,283.85
Cable T.V. Franchise Fees	A-8	22,000.00		23,285.48	1,285.48
Consolidated Municipal Property Tax Relief Aid	A-8	93,362.00		93,362.00	
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	A-8	339,188.00		339,188.00	
Supplemental Energy Receipts Tax	A-8	13,157.00		13,157.00	
Garden State Trust Fund	A-8	610.00		203.25	(406.75)
Uniform Construction Code Fees	A-8	31,000.00		47,192.00	16,192.00
Recycling Tonnage Grant	A-25	4,243.88		4,243.88	
Drunk Driving Enforcement Fund	A-25	10,351.80		10,351.80	
Alcohol Education and Rehabilitation Fund	A-25	1,067.42		1,067.42	

The accompanying notes are an integral part of this statement.



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

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

For the Year Ended June 30, 2010

	Ref.	Budget	Anticipated	Special N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Municipal Alliance on Alcoholism and Drug Abuse	A-25		\$	27,281.00	27,281.00	
Summer Food Program - 2008	A-25	\$ 1,100.45			1,100.45	
Summer Food Program	A-25	9,951.39			9,951.39	
Police Communications Repeater	A-25	38,356.00			38,356.00	
Body Armor Grant	A-25		841.85		841.85	
Clean Communities Program	A-25		9,880.99		9,880.99	
Bayshore DWI Saturation Grant	A-25		6,400.00		6,400.00	
Bulletproof Vest Partnership Grant	A-25		3,585.00		3,585.00	
Capital Surplus	A-8	27,000.00			27,000.00	
Employee Health Insurance Contributions	A-8	10,740.00			21,122.53	\$ 10,382.53
Lease of Borough Property	A-8	27,779.00			60,810.50	33,031.50
Housing Authority - PILOT	A-8	20,000.00			20,644.00	644.00
Sale of Municipal Assets	A-8	12,500.00			12,500.00	
Police Off Duty Administrative Fees	A-8	13,970.00			15,615.00	1,645.00
<b>Total Miscellaneous Revenues</b>	<b>A-1</b>	<b>1,056,376.94</b>		<b>47,988.84</b>	<b>1,204,246.03</b>	<b>99,880.25</b>
Receipts from Delinquent Taxes	A-1/A-2	435,000.00			464,949.76	29,949.76
		2,731,376.94		47,988.84	2,909,195.79	129,830.01
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	5,671,047.67			5,758,121.04	87,073.37
	A-1/A-2	8,402,424.61		47,988.84	8,667,316.83	216,903.38
<b>Non-Budget Revenues</b>					<b>32,927.68</b>	<b>32,927.68</b>
<b>Total</b>		<b>\$ 8,402,424.61</b>		<b>\$ 47,988.84</b>	<b>\$ 8,700,244.51</b>	<b>\$ 249,831.06</b>

Ref. A-3 A-3 A-3

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended June 30, 2010

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	A-1/A-5	\$ 14,735,722.33
Allocated to School, County, Business Improvement District and Municipal Open Space Taxes	A-5	<u>9,586,700.05</u>
Balance for Support of Municipal Budget Appropriations		5,149,022.28
Add:		
Reserve for Uncollected Taxes	A-3	<u>609,098.76</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 5,758,121.04</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	<u>\$ 464,949.76</u>
	A-2	<u>\$ 464,949.76</u>

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended June 30, 2010

Analysis of Non-Budget Revenues:

Motor Vehicle Inspection Fees	\$ 1,725.00
Sale of Scrap	9,125.00
Restitution	314.31
State of NJ - Senior Citizen Administration Fee	1,224.12
Prior Year Reimbursements	3,271.25
Tax Penalties	6,571.10
Copies	640.25
Fire Safety - LEA Rebate	6,981.32
Statutory Dog Excess Reserve	1,585.33
Other Miscellaneous Revenue	<u>1,490.00</u>
A-2/A-4	\$ <u><u>32,927.68</u></u>

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Budget	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<u>Operations Within CAPS</u>							
<u>General Government Functions</u>							
Borough Administrator							
Salaries and Wages	\$ 91,076.00	\$ 91,076.00	\$ 91,076.00	\$ 83,599.92	\$ 83,599.92	\$ 1,077.03	\$ 7,476.08
Other Expenses	7,000.00	7,000.00	7,000.00	2,922.97	2,922.97		3,000.00
Central Services							
Salaries and Wages	24,850.00	24,850.00	24,850.00	23,590.12	23,590.12	490.64	1,259.88
Other Expenses	38,100.00	38,100.00	38,100.00	37,609.36	37,609.36		
Borough Council							
Salaries and Wages	13,000.00	13,000.00	13,000.00	11,750.00	11,750.00		1,250.00
Other Expenses	32,920.00	32,920.00	32,920.00	20,509.19	20,509.19	2,410.81	10,000.00
Borough Clerk							
Salaries and Wages	70,500.00	70,500.00	70,500.00	69,676.50	69,676.50	2,490.03	823.50
Other Expenses	31,640.00	31,640.00	31,640.00	29,149.97	29,149.97		
Financial Administration							
Salaries and Wages	109,500.00	109,500.00	109,500.00	109,008.08	109,008.08	491.92	
Other Expenses	21,525.00	21,525.00	21,525.00	18,865.75	18,865.75	2,659.25	
Audit Services	34,000.00	34,000.00	34,000.00	31,900.00	31,900.00	2,100.00	
Collection of Taxes							
Salaries and Wages	63,535.00	63,535.00	63,535.00	62,566.32	62,566.32	368.68	600.00
Other Expenses	7,825.00	7,825.00	7,825.00	7,198.37	7,198.37	626.63	
Assessment of Taxes							
Salaries and Wages	24,700.00	24,700.00	24,700.00	23,998.10	23,998.10	701.90	
Other Expenses	11,700.00	11,700.00	11,700.00	7,465.48	7,465.48	1,234.52	3,000.00

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
Legal Services and Costs	\$	\$	\$	\$	\$	\$
Other Expenses	220,560.00	220,560.00	185,177.03	185,177.03	4,382.97	31,000.00
Engineering Services and Costs						
Other Expenses	120,000.00	120,000.00	67,893.48	67,893.48	10,106.52	42,000.00
Code Enforcement						
Code Enforcement Officer	66,600.00	66,600.00	62,123.61	62,123.61	776.39	3,700.00
Salaries and Wages	15,835.00	15,835.00	6,708.19	6,708.19	1,626.81	7,500.00
Other Expenses	20,000.00	20,000.00			2,000.00	18,000.00
Other Expenses - Substandard Housing						
Municipal Land Use Law (N.J.S.A.:55D-1)						
Planning Board						
Salaries and Wages	6,500.00	6,500.00	5,500.08	5,500.08		999.92
Other Expenses	27,675.00	27,675.00	19,946.61	19,946.61	3,728.39	4,000.00
Zoning Board of Adjustment						
Salaries and Wages	6,250.00	6,250.00	5,500.08	5,500.08		749.92
Other Expenses	27,920.00	27,920.00	19,010.59	19,010.59	1,909.41	7,000.00
Affordable Housing						
Salaries and Wages	1.00	1.00				1.00
Other Expenses	1.00	1.00				1.00
Insurance						
General Liability	97,800.00	97,800.00	97,772.42	97,772.42	27.58	
Workers Compensation	158,000.00	158,000.00	157,958.20	157,958.20	41.80	
Employee Group Insurance	1,125,000.00	1,125,000.00	1,104,986.31	1,104,986.31	4,013.69	16,000.00
Unemployment Insurance	10,000.00	10,000.00	10,000.00	10,000.00		

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Appropriated</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
<b>Public Safety Functions</b>							
Fire	\$	\$	\$	\$	\$		
Other Expenses	68,653.00	68,653.00	68,653.00	67,775.31	877.69		
Police							
Salaries and Wages	1,667,325.00	1,645,325.00	1,645,325.00	1,582,307.47	10,629.17	\$	52,388.36
Other Expenses	68,177.00	90,177.00	90,177.00	59,100.98	6,576.02		24,500.00
Dispatch							
Salaries and Wages	145,000.00	145,000.00	145,000.00	124,251.50	3,748.50		17,000.00
Other Expenses	1,500.00	1,500.00	1,500.00		500.00		1,000.00
Municipal Court							
Salaries and Wages	83,980.00	83,980.00	83,980.00	74,726.44	753.56		8,500.00
Other Expenses	14,050.00	14,050.00	14,050.00	12,559.95	1,490.05		
First Aid Contribution	28,000.00	28,000.00	28,000.00	14,608.11	10,391.89		3,000.00
Emergency Management Services							
Salaries and Wages	4,485.00	4,485.00	4,485.00	3,649.92	835.08		
Other Expenses	21,450.00	21,450.00	21,450.00	21,436.63	13.37		
Public Defender							
Salaries and Wages	5,400.00	5,400.00	5,400.00	3,499.92			1,900.08
Fire Hydrant Fees	58,000.00	58,000.00	58,000.00	50,602.42	5,897.58		1,500.00
Uniform Fire Safety Act							
Salaries and Wages	26,005.00	26,005.00	26,005.00	23,400.00	105.00		2,500.00
Other Expenses	7,175.00	7,475.00	7,475.00	7,045.82	429.18		
Municipal Prosecutor							
Salaries and Wages	20,012.00	20,012.00	20,012.00	15,246.00	66.00		4,700.00
<b>Public Works Functions</b>							
Road Repair and Maintenance							
Salaries and Wages	92,037.00	92,037.00	92,037.00	87,744.72	2,292.28		2,000.00
Other Expenses	38,100.00	38,100.00	38,100.00	33,319.55	4,780.45		

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
Snow Removal	\$	\$	\$	\$		\$
Salaries and Wages	36,000.00	26,700.00	26,641.78			58.22
Other Expenses	44,500.00	36,500.00	35,546.95			953.05
Sanitation						
Salaries and Wages	298,665.00	298,665.00	292,352.21	\$	2,312.79	4,000.00
Other Expenses	12,000.00	12,000.00	6,465.07		2,534.93	3,000.00
Mechanical Garage						
Salaries and Wages	77,080.00	77,080.00	75,391.94		1,688.06	
Other Expenses	85,700.00	85,700.00	43,543.06		12,156.94	30,000.00
Public Buildings and Grounds						
Salaries and Wages	1.00	1.00				1.00
Other Expenses	101,835.00	116,835.00	94,166.80		9,668.20	13,000.00
Shade Tree Commission						
Other Expenses	1,000.00	1,000.00			250.00	750.00
Condominium Services						
Other Expenses	25,800.00	25,800.00	10,618.11		15,181.89	
Health and Human Services						
Services of Monmouth County Regional Health Commission Contract (R.S. 40:13)	51,450.00	51,450.00	50,089.25			1,360.75
Environmental Commission						
Other Expenses	1,000.00	1,000.00			250.00	750.00
Dog Control						
Other Expenses	10,000.00	10,000.00	8,061.00		1,939.00	
Community - School Substance Abuse Program	6,000.00	6,000.00	918.00		5,082.00	
N.J. Public Employees Occupational Safety and Health Act						
Other Expenses	2,000.00	2,000.00	370.00		1,630.00	

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Appropriated		Budget After	Paid or	Expended	Reserved	Unexpended
	Budget	Budget Modification	Charged	Reserved	Balance	Canceled	
<u>Park and Recreation Functions</u>							
Beachfront Maintenance							
Salaries and Wages	\$ 15,000.00	\$ 17,000.00	\$ 13,708.00	\$ 3,292.00			
Other Expenses	13,150.00	13,150.00	12,201.69	948.31			
<u>Parks and Playgrounds</u>							
Other Expenses	12,700.00	12,700.00	8,842.07	3,857.93			
<u>Celebration of Public Events, Anniversary or Holiday</u>							
Other Expenses	3,000.00	3,000.00	103.66	2,896.34			
<u>Community Center</u>							
Salaries and Wages	167,895.00	167,895.00	159,838.65	4,056.35	\$ 4,000.00		
Other Expenses	24,800.00	24,800.00	21,452.42	3,347.58			
<u>Education Functions</u>							
Expenses of Participation in Free County Library							
Salaries and Wages	1.00	1.00			1.00		
Other Expenses	1.00	1.00			1.00		
<u>Uniform Construction Code - Appropriation Offset by</u>							
Dedicated Revenues (N.J.A.C. 5:23-4.17)							
Construction Code Official							
Salaries and Wages	61,245.00	61,245.00	58,859.76	2,385.24			
Other Expenses	4,500.00	4,500.00	1,592.10	1,300.00			

The accompanying notes are an integral part of this statement.



**BOROUGH OF HIGHLANDS**  
COUNTY OF MONMOUTH, NEW JERSEY  
**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

For the Year Ended June 30, 2010

	Budget	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<u>Unclassified:</u>							
Accumulated Sick Leave	\$ 31,730.00	\$ 31,730.00	\$ 31,730.00	\$ 31,730.00			
<u>Utility Expenses and Bulk Purchases</u>							
Electricity	74,200.00	74,200.00	74,200.00	61,819.67	\$ 10,380.33		\$ 2,000.00
Street Lighting	66,000.00	66,000.00	66,000.00	53,541.12	6,458.88		6,000.00
Telephone	36,000.00	36,000.00	36,000.00	31,346.70	4,653.30		
Water	8,000.00	8,000.00	8,000.00	6,666.35	1,333.65		8,000.00
Natural Gas	25,000.00	25,000.00	25,000.00	13,148.82	3,851.18		4,000.00
Telecommunication Costs	26,600.00	26,600.00	26,600.00	19,570.23	3,029.77		2,000.00
Gasoline and Diesel Fuel	66,000.00	66,000.00	66,000.00	57,669.60	6,330.40		
<u>Landfill/Solid Waste Disposal Costs</u>							
Monmouth County Reclamation Center							
Other Expenses	245,000.00	245,000.00	245,000.00	166,763.77	38,236.23		40,000.00
<u>Total Operations Within CAPS</u>	6,467,215.00	6,467,215.00	6,467,215.00	5,826,680.25	239,624.75		400,910.00
<u>Detail:</u>							
Salaries and Wages	3,176,643.00	3,147,343.00	3,147,343.00	2,998,931.12	32,117.68		116,294.20
Other Expenses	3,290,572.00	3,319,872.00	3,319,872.00	2,827,749.13	207,507.07		284,615.80

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Appropriated		Expended	Unexpended Balance Canceled
	Budget	Budget After Modification		
<b>Deferred Charges and Statutory Expenditures Within CAPS</b>				
Statutory Expenditures:				
Contributions to:				
Public Employees' Retirement System	\$ 106,615.35	\$ 106,615.35	\$ 106,615.35	
Social Security System (O.A.S.I.)	140,000.00	140,000.00	137,585.90	2,414.10
Police and Firemen's System of N.J.	241,011.13	241,011.13	241,011.13	
Defined Contribution Retirement Program	3,500.00	3,500.00	37.50	3,462.50
Total Deferred Charges and Statutory Expenditures Within CAPS	491,126.48	491,126.48	485,249.88	5,876.60
Total Appropriations Within CAPS	6,958,341.48	6,958,341.48	6,311,930.13	245,501.35
<b>Operations Excluded from CAPS</b>				
Length of Service Awards Program 9-1-1	45,000.00	45,000.00	25,300.00	19,700.00
	13,700.00	13,700.00		13,700.00
Contribution to:				
Public Employees' Retirement System	15,853.65	15,853.65	15,853.65	
Police and Firemen's Retirement System	23,237.87	23,237.87	23,237.87	
Stormwater Management	24,000.00	24,000.00	21,700.00	2,300.00
Recycling Tax (N.J.S.A. 13:1E-96.5): Other Expenses	10,470.00	10,470.00	6,930.12	2,039.88
				1,500.00

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Appropriated	Expended	Unexpended
	Budget	Budget After Modification	Paid or Charged
			Reserved
			Balance Canceled
Public and Private Programs Offset by Revenues			
Summer Food Service for Children - 2008	\$ 1,100.45	\$ 1,100.45	\$ 1,100.45
Summer Food Service for Children	9,951.39	9,951.39	9,951.39
Municipal Alliance on Alcoholism and Drug Abuse County Share		27,281.00	27,281.00
Municipal Share		3,410.00	3,410.00
Drunk Driving Enforcement Fund	10,351.80	10,351.80	10,351.80
Clean Communities Grant		9,880.99	9,880.99
Body Armor Grant		841.85	841.85
Municipal Court Alcohol Education and Rehabilitation Fund	1,067.42	1,067.42	1,067.42
Recycling Tonnage Grant	4,243.88	4,243.88	4,243.88
Bayshore DWI Saturation Grant		6,400.00	6,400.00
Police Communications Repeater	38,356.00	38,356.00	38,356.00
Bulletproof Vest Partnership Grant		3,585.00	3,585.00
Matching Funds for Grants	6,000.00	2,590.00	\$ 2,590.00
Total Operations - Excluded from CAPS	203,332.46	251,321.30	\$ 37,739.88
Detail:			
Other Expenses	203,332.46	251,321.30	37,739.88
			4,090.00
			4,090.00

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended Reserved	Unexpended Balance Canceled
<u>Capital Improvements Excluded from CAPS</u>					
Capital Improvement Fund	\$ 63,105.00	\$ 63,105.00	\$ 63,105.00		
Total Capital Improvements - Excluded from CAPS	63,105.00	63,105.00	63,105.00		
<u>Municipal Debt Service Excluded from CAPS</u>					
Payment of Bond Principal	202,000.00	202,000.00	202,000.00		\$ 48.45
Interest on Bonds	174,805.00	174,805.00	174,756.55		2.86
Interest on Notes	15,640.00	15,640.00	15,637.14		
Capital Lease Obligations Approved Prior to 7/1/2007					
Principal	137,100.00	137,100.00	137,100.00		161.73
Interest	13,575.00	13,575.00	13,413.27		
Total Municipal Debt Service Excluded from CAPS	543,120.00	543,120.00	542,906.96		213.04

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<b>Deferred Charges - Municipal - Excluded from CAPS</b>						
Deferred Charges to Future Taxation Unfunded						
Ordinance 07-21	\$ 10,891.91	\$ 10,891.91	\$ 10,891.91			
Ordinance 04-10	235.00	235.00	235.00			
Ordinance 09-03	10,000.00	10,000.00	10,000.00			
Ordinance 09-05	4,300.00	4,300.00	4,300.00			
<b>Total Deferred Charges - Municipal - Excluded from CAPS</b>	<b>25,426.91</b>	<b>25,426.91</b>	<b>25,426.91</b>			
<b>Total General Appropriations Excluded from CAPS</b>	<b>834,984.37</b>	<b>882,973.21</b>	<b>840,930.29</b>	<b>\$ 37,739.88</b>		<b>\$ 4,303.04</b>
Subtotal General Appropriations	7,793,325.85	7,841,314.69	7,152,860.42		283,241.23	405,213.04
Reserve for Uncollected Taxes	609,098.76	609,098.76	609,098.76			
<b>Total General Appropriations</b>	<b>\$ 8,402,424.61</b>	<b>\$ 8,450,413.45</b>	<b>\$ 7,761,959.18</b>	<b>\$ 283,241.23</b>		<b>\$ 405,213.04</b>
Ref.	A-2	A-3	A-3		A	

The accompanying notes are an integral part of this statement.

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

CURRENT FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget	A-2	\$ 8,402,424.61
Added by N.J.S. 40A:4-87	A-2	<u>47,988.84</u>
	A-3	<u>\$ 8,450,413.45</u>
		<u>Paid or Charged</u>
Disbursements	A-4	\$ 6,831,848.00
Reserve for Encumbrances	A-12	200,957.64
Appropriated Reserves for Federal and State Grants	A-26	120,054.78
Reserve for Uncollected Taxes	A-2	<u>609,098.76</u>
	A-3	<u>\$ 7,761,959.18</u>

The accompanying notes are an integral part of this statement.

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

TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

<b>ASSETS</b>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Animal Control Trust Fund:			
Cash	B-1	\$ 7,379.85	\$ 9,011.58
Change Fund		40.00	40.00
		<u>7,419.85</u>	<u>9,051.58</u>
Trust Other Fund:			
Cash	B-1	525,987.78	492,387.16
Interfund - Current Fund	B-1		
		<u>525,987.78</u>	<u>492,387.16</u>
Open Space Trust Fund:			
Cash	B-1	14,026.91	
Interfund - Current Fund	B	27,000.00	
		<u>41,026.91</u>	
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Investments	B-7	137,163.46	101,365.00
		<u>\$ 711,598.00</u>	<u>\$ 602,803.74</u>
<b>LIABILITIES AND RESERVES</b>			
Animal Control Trust Fund:			
Reserve for Animal Control Expenditures	B-2	\$ 7,419.85	\$ 4,840.66
Interfund - Current Fund	B-1		4,210.92
		<u>7,419.85</u>	<u>9,051.58</u>
Trust Other Fund:			
Reserve for Encumbrances	B-4		83.50
Various Reserves	B-5	525,987.78	492,303.66
		<u>525,987.78</u>	<u>492,387.16</u>
Open Space Trust Fund:			
Reserve for Open Space	B-6	41,026.91	
		<u>41,026.91</u>	
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Reserve for Length of Service Award Program	B-8	137,163.46	101,365.00
		<u>\$ 711,598.00</u>	<u>\$ 602,803.74</u>

The accompanying notes are an integral part of this statement.

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

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

<b>ASSETS</b>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Cash	C-2	\$ 1,450,325.36	\$ 1,120,305.52
N.J. Department of Transportation Grants Receivable	C-6	259,500.00	374,846.67
Community Development Block Grant Receivable	C-7	185,200.00	185,200.00
Monmouth County Open Space Grant Receivable	C-8	58,000.00	58,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	3,636,000.00	3,838,000.00
Unfunded	C-5	<u>2,644,844.00</u>	<u>2,112,079.00</u>
		<u>\$ 8,233,869.36</u>	<u>\$ 7,688,431.19</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 3,636,000.00	\$ 3,838,000.00
Bond Anticipation Notes	C-11	1,693,950.00	825,300.00
Improvement Authorizations:			
Funded	C-12	342,276.47	346,333.68
Unfunded	C-12	1,883,165.05	1,940,130.57
Reserve for Encumbrances	C-13	500,204.46	507,778.32
Accounts Payable	C	2,315.25	2,315.25
Capital Improvement Fund	C-14	79,027.05	45,722.05
Miscellaneous Reserves	C-15	95,181.51	94,101.75
Reserve for N.J. Department of Transportation Grants			
Receivable	C-16		60,000.00
Fund Balance	C-1	<u>1,749.57</u>	<u>28,749.57</u>
		<u>\$ 8,233,869.36</u>	<u>\$ 7,688,431.19</u>

There were bonds and notes authorized but not issued on June 30, 2010 of \$950,894.00  
(Exhibit C-17)

The accompanying notes are an integral part of this statement.



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

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 28,749.57
Decreased by:		
Anticipated as Revenue in Current Fund Budget	C-2	<u>27,000.00</u>
Balance, June 30, 2010	C	<u>\$ 1,749.57</u>

The accompanying notes are an integral part of this statement.

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

WATER - SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

<b>ASSETS</b>	Ref.	2010	2009
<u>Operating Fund</u>			
Cash	D-5	\$ 327,189.58	\$ 604,880.71
Change Fund		<u>100.00</u>	<u>100.00</u>
		<u>327,289.58</u>	<u>604,980.71</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	<u>173,081.08</u>	<u>142,676.64</u>
Total Operating Fund		<u>500,370.66</u>	<u>747,657.35</u>
<u>Capital Fund</u>			
Cash	D-5	11,378.41	11,378.41
Fixed Capital	D-13	741,522.31	741,522.31
Fixed Capital Authorized and Uncompleted	D-14	<u>750,000.00</u>	<u>750,000.00</u>
Total Capital Fund		<u>1,502,900.72</u>	<u>1,502,900.72</u>
Total Assets		<u>\$ 2,003,271.38</u>	<u>\$ 2,250,558.07</u>

The accompanying notes are an integral part of this statement.

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

WATER - SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<u>Operating Fund</u>			
Appropriation Reserves	D-4/D-8	\$ 25,618.77	\$ 36,051.48
Reserve for Encumbrances	D-9	40,256.30	25,263.19
Customer Overpayments	D-10	9,004.95	5,445.85
Accrued Interest on Bonds and Notes	D-11	1,248.60	1,904.11
Accounts Payable	D-12	51,097.30	71,461.00
		<u>127,225.92</u>	<u>140,125.63</u>
Reserve for Receivables and Other Assets	D	173,081.08	142,676.64
Fund Balance	D-1	<u>200,063.66</u>	<u>464,855.08</u>
Total Operating Fund		<u>500,370.66</u>	<u>747,657.35</u>
<u>Capital Fund</u>			
Capital Improvement Fund	D-15	6,750.00	6,750.00
Reserve for Down Payments on Capital Improvements	D-16	100.00	100.00
Reserve for Amortization	D-17	741,522.31	741,522.31
Deferred Reserve for Amortization	D-18	287,000.00	270,000.00
Bond Anticipation Notes Payable	D-19	130,000.00	140,000.00
Serial Bonds Payable	D-20	188,000.00	195,000.00
Improvement Authorizations: Unfunded	D-21	149,206.05	149,206.05
Fund Balance	D-2	<u>322.36</u>	<u>322.36</u>
Total Capital Fund		<u>1,502,900.72</u>	<u>1,502,900.72</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,003,271.38</u>	<u>\$ 2,250,558.07</u>

There were bonds and notes authorized but not issued on June 30, 2010 of \$145,000.00  
(Exhibit D- 22)

The accompanying notes are an integral part of this statement.

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

WATER - SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	D-3	\$ 465,770.00	\$ 503,136.00
Sewer Rents	D-3	1,211,097.66	1,135,795.47
Reserve for Accrued Interest on Bonds			4,563.28
Other Credits to Income:			
Non-Budget Revenues	D-3	27,329.86	26,819.15
Unexpended Balance of Appropriation Reserves	D-8	35,676.07	77,796.82
Accounts Payable Canceled	D-12	<u>20,413.35</u>	<u>                    </u>
Total Revenue		<u>1,760,286.94</u>	<u>1,748,110.72</u>
Expenditures:			
Operating	D-4	1,504,720.00	1,349,830.00
Capital Improvements			10,000.00
Debt Service	D-4	18,173.36	27,741.73
Deferred Charges and Statutory Expenditures	D-4	<u>36,415.00</u>	<u>34,141.00</u>
Total Expenditures		<u>1,559,308.36</u>	<u>1,421,712.73</u>
Statutory Excess to Fund Balance		200,978.58	326,397.99
Fund Balance July 1	D	<u>464,855.08</u>	<u>641,593.09</u>
		665,833.66	967,991.08
Decreased by:			
Utilization as Anticipated Revenue	D-1/D-3	<u>465,770.00</u>	<u>503,136.00</u>
Fund Balance June 30	D	<u>\$ 200,063.66</u>	<u>\$ 464,855.08</u>

The accompanying notes are an integral part of this statement.

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

WATER - SEWER UTILITY CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Ref.

Balance, June 30, 2009 and 2010

D

\$ 322.36

The accompanying notes are an integral part of this statement.

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**BOROUGH OF HIGHLANDS**  
 COUNTY OF MONMOUTH, NEW JERSEY  
 WATER - SEWER UTILITY OPERATING FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended June 30, 2010

	Appropriated		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Reserved	Reserved	
Operating:						
Salaries and Wages	\$ 157,525.00	\$ 165,525.00	\$ 155,663.62	\$ 3,861.38	\$ 6,000.00	
Other Expenses	1,312,195.00	1,304,195.00	1,229,502.67	18,692.33	56,000.00	
Group Insurance	46,000.00	46,000.00	44,314.80	1,685.20		
Workers Compensation Insurance	40,000.00	40,000.00	30,500.12	499.88	9,000.00	
Other Insurances	40,000.00	40,000.00	19,228.86	771.14	20,000.00	
Debt Service:						
Payment of Bond Principal	7,000.00	7,000.00	7,000.00			
Interest on Bonds	9,200.00	9,200.00	9,158.76		41.24	
Interest on Notes	8,035.00	8,035.00	2,014.60		6,020.40	
Deferred Charges:						
Deferred Charge to Future Revenue:						
Ordinance 06-06 Rehabilitation of Sanitary Sewer System	10,000.00	10,000.00	10,000.00			
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	13,320.00	13,320.00	13,162.00		158.00	
Social Security System (O.A.S.I.)	12,053.00	12,053.00	11,944.16	108.84		
Unemployment Compensation Insurance	1,200.00	1,200.00	1,200.00			
	<u>\$ 1,656,528.00</u>	<u>\$ 1,656,528.00</u>	<u>\$ 1,533,689.59</u>	<u>\$ 25,618.77</u>	<u>\$ 97,219.64</u>	
Ref.	D-3	D-3	D-1	D/D-1		
Analysis of Paid or Charged:						
Cash Disbursements			\$ 1,482,259.93			
Accrued Interest on Bonds and Notes			11,173.36			
Reserve for Encumbrances			40,256.30			
			<u>\$ 1,533,689.59</u>			

The accompanying notes are an integral part of this statement.

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

GENERAL FIXED ASSET ACCOUNT GROUP  
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS  
REGULATORY BASIS

As of June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
General Fixed Assets:			
Land	E-1	\$ 1,097,800.00	\$ 1,097,800.00
Buildings and Improvements	E-1	5,772,197.90	5,772,197.90
Machinery and Equipment	E-1	<u>2,422,794.47</u>	<u>2,328,290.37</u>
		<u>\$ 9,292,792.37</u>	<u>\$ 9,198,288.27</u>
Investments in General Fixed Assets		<u>\$ 9,292,792.37</u>	<u>\$ 9,198,288.27</u>

The accompanying notes are an integral part of this statement.



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

PAYROLL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
Cash		\$ <u>11,164.22</u>	\$ <u>34,898.22</u>
<b>LIABILITIES</b>			
Payroll Liabilities		\$ <u>11,164.22</u>	\$ <u>34,898.22</u>

The accompanying notes are an integral part of this statement.

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**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A.    Reporting Entity

The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

The financial statements of the Borough of Highlands, County of Monmouth, New Jersey (“Borough”) include every board, body, officer or commission maintained wholly or in part by funds appropriated by the Borough, as required by the provision of N.J.S. 40A:5-5. The financial statements, however, do not include the operation of School Boards, Highlands Housing Authority, Volunteer Fire Departments and First Aid Squads which are subject to separate audit. Included within the financial statements are taxes levied, collected and turned over to School Boards and appropriations for contributions to Volunteer Fire Departments and First Aid Squads. Complete financial statements of the above entities can be obtained by contacting the Treasurer of the respective entity.

B.    Description of Funds

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with GAAP.

The accounting policies of the Borough conform to the accounting principles and practices applicable to municipalities prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The accompanying financial statements are presented in the format prescribed by the State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and are a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature.

Grant Fund - accounts for receipts and disbursements of Federal and State Grants.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Description of Funds (continued)

Trust Funds - receipts, custodianship, and disbursements of monies in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund and are offset by deferred charges to future taxation.

Water-Sewer Utility Operating and Capital Funds - are used to account for Water/Sewer 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 Water/Sewer Utility to the general public be financed through user fees. Operations related to the acquisition of Water/Sewer capital facilities are recorded within the Water/Sewer Utility Capital Fund. Bonds and notes payable of the utility are recorded in the Utility Capital Fund.

Payroll Fund - receipts and disbursements to account for the payroll and payroll tax liabilities of the Borough.

General Fixed Assets Account Group - reflects estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

C. Basis of Accounting

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

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

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

Grant Revenues and Expenditures - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they are earned and the expenditures to be recognized when the liability is incurred.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenditures - unexpended or uncommitted appropriations, at June 30, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - contractual orders at June 30, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

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

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at June 30, 2010 is set forth in Note 8.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

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

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Inventories of Supplies - the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The inventories have offsetting reserve amounts.

Fixed Assets - Utility - property and equipment purchased by the Utility Fund is recorded in the Utility Capital Fund at cost and is adjusted for dispositions and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Utility Capital Fund represents the aggregate charges (capital outlay and debt service) to the operating budget for the costs of acquisitions of property and equipment and proceeds from grants-in-aid. The utilities do not record depreciation of property and equipment. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by enterprise funds.

Reserve for Sale of Municipal Assets - the proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

General Fixed Assets - property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from accounting principles generally accepted in the United States of America. The following is a brief description of the Directive.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation on general fixed assets is recorded in the financial statements.

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

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Comparative Data - comparative total data for the various funds for the prior year has been presented in the accompanying Balance Sheets and Statements of Operations and Changes in Fund Balance in order to provide an understanding of changes in the Borough's financial position. However, Comparative Statements of Revenue and Statements of Expenditures have not been presented since this inclusion would make the statements unduly complex and difficult to read.

D.    Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

E.    Budgets and Budgetary Accounting

The Borough of Highlands must adopt an annual budget in accordance with N.J.S.A. 40A:4-4 et al. N.J.S.A. 40A:4-5 which requires the governing body to introduce and approve the annual municipal budget no later than August 10 of each year. At introduction, the governing body shall 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 circulated 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.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division 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.

F.    Cash, Cash Equivalents and Investments

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 the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Cash, Cash Equivalents and Investments (continued)

The Borough of Highlands is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of 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 in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

The Borough considers highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Deposits

All bank deposits as of the balance sheet date are either insured or covered by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act (see Note 1 - Cash, Cash Equivalents and Investments).

At June 30, 2010, the Borough's deposits had a carrying amount of \$4,112,867.11 and a bank balance of \$4,231,030.96. Of the bank balance \$358,585.59 was covered by federal depository insurance, and the remainder was covered by the Governmental Unit Deposit Protection Act.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of June 30, 2010, the Borough's bank balance was not exposed to custodial credit risk.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

Investments

As of June 30, 2010, the Borough had the following investments:

	<u>Book Value</u>	<u>Fair Value</u>
LOSAP	\$137,163.46	\$137,163.46

The fair value of investments was based on quoted market prices.

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

Interest Rate Risk - Investments

LOSAP investment options are at the discretion of each individual participant and not the Borough.

Credit Risk - Investments

All investments are in financial institutions in accordance with New Jersey state statutes. The Borough does not have an investment policy that would further limit its investment choices and it places no limit on the amount that can be invested with any one issuer.

**NOTE 3 BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

At June 30, 2010, the Borough of Highlands had authorized but not issued bonds and notes as follows:

General Capital Fund:	
Bonds and Notes	\$ 950,894.00
Water-Sewer Utility Capital Fund:	
Bonds and Notes	145,000.00



**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 4    LONG-TERM DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The terms of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

As of June 30, 2010 the Borough's long-term debt is summarized as follows:

General Obligation Bonds

\$498,000.00 2003 Bonds due in annual installments ranging from \$52,000.00 to \$57,000.00 through December, 2013, interest rates ranging from 3.25% to 4.00%.	\$ 217,000.00
\$474,000.00 2006 Bonds due in annual installments ranging from \$44,000.00 to \$57,000.00 through December, 2016, interest rates ranging from 4.00% to 5.00%.	351,000.00
\$3,178,000.00 2008 Bonds due in annual installments ranging from \$110,000.00 to \$220,000.00 through December, 2028, interest rates ranging from 4.00% to 5.25%.	<u>3,068,000.00</u>
Total	<u>\$3,636,000.00</u>

Water-Sewer Utility Capital Bonds

\$195,000.00 2008 Bonds due in annual installments ranging from \$7,000.00 to \$14,000.00 through December, 2028, interest rates ranging from 4.00% to 5.25%.	<u>\$188,000.00</u>
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**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 4 LONG-TERM DEBT (continued)**

Water-Sewer Utility Capital Bonds (continued)

Schedule of Annual Debt Service for principal and interest over the next five years and five-year increments thereafter for bonded debt issued and outstanding are as follows:

<u>Fiscal Year</u>	<u>General Capital Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 206,000.00	\$ 167,568.76	\$ 373,568.76
2012	209,000.00	159,597.51	368,597.51
2013	219,000.00	150,780.01	369,780.01
2014	226,000.00	140,828.76	366,828.76
2015	177,000.00	131,288.76	308,288.76
2016-2020	827,000.00	534,226.30	1,361,226.30
2021-2025	904,000.00	337,634.42	1,241,634.42
2026-2029	<u>868,000.00</u>	<u>87,830.00</u>	<u>955,830.00</u>
Total	<u>\$3,636,000.00</u>	<u>\$1,709,754.52</u>	<u>\$5,345,754.52</u>

<u>Fiscal Year</u>	<u>Water-Sewer Utility Capital Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 7,000.00	\$ 8,931.26	\$ 15,931.26
2012	7,000.00	8,651.26	15,651.26
2013	7,000.00	8,336.26	15,336.26
2014	7,000.00	7,986.26	14,986.26
2015	8,000.00	7,611.26	15,611.26
2016-2020	44,000.00	32,302.55	76,302.55
2021-2025	54,000.00	20,692.55	74,692.55
2026-2029	<u>54,000.00</u>	<u>5,508.13</u>	<u>59,508.13</u>
Total	<u>\$188,000.00</u>	<u>\$100,019.53</u>	<u>\$288,019.53</u>

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 4 LONG-TERM DEBT (continued)**

Changes in Long-Term Outstanding Debt

Transactions for the year ended June 30, 2010 are summarized as follows:

<u>General Capital Fund</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Serial Bonds	\$3,838,000.00	\$ -	\$202,000.00	\$3,636,000.00
 <u>Water-Sewer Utility Capital Fund</u>				
Serial Bonds	<u>195,000.00</u>	<u>-</u>	<u>7,000.00</u>	<u>188,000.00</u>
Total	<u>\$4,033,000.00</u>	<u>\$ -</u>	<u>\$209,000.00</u>	<u>\$3,824,000.00</u>

Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.50% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at June 30, 2010 was 0.78%. The Borough's remaining borrowing power is 2.72%.

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

**NOTE 5 SHORT-TERM DEBT**

Bond Anticipation Notes

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuing of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 5 SHORT-TERM DEBT (continued)**

Bond Anticipation Notes (continued)

On June 30, 2010, the Borough's outstanding bond anticipation notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>				
Various Improvements at Certain Pump Stations and Community Center	01-21-10	01-20-11	\$313,300.00	.85%
Improvements to Shore Drive	01-21-10	01-20-11	256,000.00	.85%
Various Road Improvements	01-21-10	01-20-11	256,000.00	.85%
Rehabilitation of Storm Sewer - Valley Avenue	01-21-10	01-20-11	123,500.00	.85%
Demolition of Wastewater Plant	01-21-10	01-20-11	218,950.00	.85%
Improvements to Waterwitch Avenue	01-21-10	01-20-11	102,500.00	.85%
Design & Permitting Various Drainage Projects	01-21-10	01-20-11	<u>423,700.00</u>	.85%
Total			<u>\$1,693,950.00</u>	
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>Water-Sewer Utility Capital Fund</u>				
Rehabilitation of Sanitary Sewer System	01-21-10	01-20-11	<u>\$130,000.00</u>	.85%

Special Emergency Notes (40A:4-55)

The Borough issues special emergency notes to fund special emergency appropriations prior to the funds being raised in the budget. The term of the notes cannot exceed one year but the notes may be renewed from time to time, but at least 1/5 of all such notes, and the renewals thereof, shall mature and be paid in each year, so that all notes and renewals shall have matured and have been paid not later than the last day of the fifth year following the date of the emergency resolution.

On June 30, 2010, the Borough had no outstanding special emergency notes.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 5 SHORT-TERM DEBT (continued)**

Changes in Short-Term Debt

Transactions for the year ended June 30, 2010 are summarized as follows:

	Balance June 30, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2010</u>
<u>General Capital Fund</u>				
Bond Anticipation Notes	\$ 825,300.00	\$ 868,650.00	\$ -	\$ 1,693,950.00
<u>Water-Sewer Utility Capital Fund</u>				
Bond Anticipation Notes	<u>140,000.00</u>	<u>-</u>	<u>10,000.00</u>	<u>130,000.00</u>
Total	<u>\$ 965,300.00</u>	<u>\$ 868,650.00</u>	<u>\$ 10,000.00</u>	<u>\$ 1,823,950.00</u>

**NOTE 6 CAPITAL LEASE PROGRAM**

In 2005 and 2007 the Borough closed on capital lease agreements with the Monmouth County Improvement Authority involving Capital Equipment Pooled Lease Revenue Bonds.

As of June 30, 2010, the Borough's capital lease obligations are as follows:

\$441,900 Series 2005 due in one installment of \$94,500.00 in September 2010, coupon rate, 4.00%.	\$ 94,500.00
\$240,400.00 Series 2007 due in annual installments ranging from \$45,800.00 to \$52,500.00 through September 2012, coupon rate, ranging from 4.00% to 5.00%.	<u>151,100.00</u>
Total	<u>\$245,600.00</u>

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 6 CAPITAL LEASE PROGRAM (continued)**

Schedule of Annual Debt Service for Principal and Interest for the Next Five (5) Years and Five-Year Increments Thereafter for Capital Leases

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$142,600.00	\$ 7,737.50	\$150,337.50
2012	50,500.00	3,635.00	54,135.00
2013	<u>52,500.00</u>	<u>1,312.50</u>	<u>53,812.50</u>
Total	<u>\$245,600.00</u>	<u>\$12,685.00</u>	<u>\$258,285.00</u>

**NOTE 7 DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

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

**NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At June 30, 2010, the Borough has no deferred charges are shown on the balance sheets of the various funds.

**NOTE 9 TAXES COLLECTED IN ADVANCE**

Taxes collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance June 30</u>	
	<u>2010</u>	<u>2009</u>
Prepaid Taxes	\$40,771.56	\$44,366.65

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 10 FIXED ASSETS**

Changes in fixed assets for the year ended June 30, 2010 were as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Land	\$1,097,800.00	\$ -	\$ -	\$1,097,800.00
Buildings and Improvements	5,772,197.90	-	-	5,772,197.90
Machine and Equipment	<u>2,328,290.37</u>	<u>94,504.10</u>	<u>-</u>	<u>2,422,794.47</u>
	<u>\$9,198,288.27</u>	<u>\$ 94,504.10</u>	<u>\$ -</u>	<u>\$9,292,792.37</u>

**NOTE 11 ASSESSMENT AND COLLECTION OF PROPERTY TAXES**

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1<sup>st</sup> in each year and filed with the County Board of Taxation ("Board") by January 10<sup>th</sup> of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 20<sup>th</sup> with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector ("Collector") on or before June 3<sup>rd</sup>. In accordance with N.J.S.A. 54:4-66 tax bills are prepared and mailed by the Collector twice a year and are due quarterly on February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup> and November 1<sup>st</sup>. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. Any taxes not paid as of June 30 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 12 LOCAL DISTRICT SCHOOL AND REGIONAL HIGH SCHOOL TAXES**

Local District School and Regional High School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 provides that any municipality that levies school taxes on a school year basis may defer from the municipal purposes tax levy 50% (fifty percent) of the levy. The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. At year end taxes due consisted of the following:

	Local District School Tax Balance June 30,		Regional High School Tax Balance June 30,	
	2010	2009	2010	2009
Balance of Tax	\$1,546,633.50	\$1,609,136.50	\$2,143,893.03	\$2,047,881.69
Deferred	<u>1,546,633.50</u>	<u>1,609,136.50</u>	<u>2,143,893.01</u>	<u>2,047,881.67</u>
Taxes Payable	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          .02</u>	\$ <u>          .02</u>

**NOTE 13 FUND BALANCES APPROPRIATED**

Fund balances at June 30, 2010 which were appropriated and included as anticipated revenue in the 2011 municipal budget, as introduced, for the year ending June 30, 2011 were as follows:

Current Fund:	
Fund Balance	\$ 980,000.00
Water-Sewer Utility Fund:	
Fund Balance	200,060.00

**NOTE 14 PENSION PLANS**

Plan Description

Substantially, all Borough employees participate in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The plans are cost-sharing multiple-employer defined benefit plans and, as such, do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Borough is not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.



**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 14 PENSION PLANS (continued)**

Funding Policy

Employee contributions are currently five and one-half percent (5 ½%) and eight and one-half percent (8 ½%) of their base wages for PERS and PFRS, respectively. Employer’s contributions are actuarially determined annually by the Division of Pensions. Borough contributions to the plan for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2008	\$ 75,568.00	\$ 186,934.00
2009	113,855.00	232,861.00
2010	135,631.00	264,249.00

All contributions were equal to the required contributions.

**NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS**

Effective for fiscal year 2010, the Borough implemented GASB Statement 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)” prospectively.

Plan Description

The Borough administers a single-employer defined benefit healthcare plan. The plan provides postemployment healthcare benefits through the Borough’s group health insurance plan which covers both active and retired members. Benefit provisions are established through Borough policy as approved by the Borough Council. The Borough does not issue a publicly financial report for the plan.

Funding Policy

There are no contributions required from eligible retirees. The Borough’s contribution is based on monthly premiums for eligible retirees as calculated by the Borough’s health care provider and is financed on a pay-as-you-go basis. As described in Note 1, the accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). New Jersey laws currently do not provide for the accrual of reserves, the establishment of irrevocable trust, or standards regarding the issuance of debt to fund the OPEB liability. Accordingly, costs are recognized when paid.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS (continued)**

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Borough has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB.

<u>Annual OPEB Cost</u>	<u>Year Ending June 30, 2010</u>
Annual Required Contribution	\$ 1,096,731
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	<u>1,096,731</u>
Age Adjusted Contributions Made	<u>327,870</u>
Change in Net OPEB Obligation	768,861
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	<u>\$ 768,861</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Year Ended June 30, 2010	\$1,096,731	29.90%	\$768,861

Funding Status and Funding Progress

As of June 30, 2010 (most recent actuarial valuation), the actuarial accrued liability of benefits was \$17,823,570 all of which was unfunded. The covered payroll (annual payroll of active participating employees) was approximately \$2,242,858 for the year ended June 30, 2010, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 770.60 percent.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS (continued)**

Funding Status and Funding Progress (continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences for events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The following assumptions were made:

An average retirement age of 55 was assumed for all active members for the purpose of determining the actuarial accrued liability.

Mortality rates were assumed to follow the RP2000 Mortality Table for Males and Females Projected 10 years.

Standard turnover assumptions were utilized in accordance with GASB 45 paragraph 35b using the entry age actuarial cost method.

Healthcare costs and trends developed were consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection.

Payroll growth rate was assumed to be 2% based on the New Jersey tax levy cap.

**BOROUGH OF HIGHLANDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS (continued)**

Other Information

As of June 30, 2010, 18 former employees were receiving these benefits. The Borough's approximate contributions to the plan for the past three years for eligible retirees were as follows:

2010	\$364,000
2009	320,000
2008	280,000

**NOTE 16 DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not ordinarily available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are for the exclusive benefit of the Plan participants and their beneficiaries and the assets cannot be diverted to any other purpose. The Borough serves as Trustee under the Plan.

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED**

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

Annual Contributions - The minimum and maximum annual contributions to be made by the Borough for each active volunteer member shall be in accordance with N.J.S.A. 40A:14-183 (from \$100.00 to \$1,150.00 per year of active emergency service), commencing with the fiscal year 2005-2006. There shall be no contributions made for prior years service.

Appropriations - Appropriations for the purpose of funding the Borough's LOSAP plan shall be included as a separate line item in the Borough's budget, commencing with the year 2005-2006.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”) - UNAUDITED (continued)**

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

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

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

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

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

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

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

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 18 INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Open Space Trust Fund	Current Fund	\$27,000.00

The balance was a result of not moving the entire open space levy to the Municipal Open Space Trust Fund.

**NOTE 19 INTERFUND TRANSFERS**

<u>Transfers In:</u>	<u>Transfers Out:</u>	<u>Total</u>
Current Fund	Animal Control Trust Fund	\$ 4,210.92

The transfer was made to pay the prior year interfund.

**NOTE 20 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. The 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 Joint Insurance Fund will be self-sustaining through member premiums. The Joint Insurance Fund contracts for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability, and workmen's compensation. There were no settlements in excess of insurance coverage in 2010, 2009, and 2008.

**NOTE 21 CONTINGENT LIABILITIES**

A. Accrued Sick and Vacation - Unaudited

The Borough has a potential contingent liability for accrued unused sick and vacation days under the adopted policies and procedures of the Borough. The Borough has a potential liability of approximately \$1,181,373 at June 30, 2010. In accordance with New Jersey principles, these amounts are not reported as an expenditure or liability in the accompanying statements. The reserve for accumulated leave at June 30, 2010 was \$5,662.80.

**BOROUGH OF HIGHLANDS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 21 CONTINGENT LIABILITIES (continued)**

**B. Unemployment Compensation Insurance**

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq). The Borough has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The Reserve for Unemployment Compensation Insurance at June 30, 2010 and 2009 totaled \$112,226.25 and \$124,242.16, respectively.

**C. Litigation**

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

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

**D. Federal and State Grants**

The Borough receives financial assistance from the U.S. government and the State of New Jersey 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, cost previously reimbursed could be disallowed and require payments to the grantor agency. As of June 30, 2010, the Borough estimates that no material liabilities will result from such audits.

**NOTE 22 SUBSEQUENT EVENTS**

During fiscal year 2011 the Borough adopted the following bond ordinance:

<u>Description</u>	<u>Total Appropriation</u>	<u>Debt Authorization</u>
Reconstruction of Highland Avenue	\$ 170,000.00	\$161,500.00

During fiscal year 2011 the Borough adopted a special emergency appropriation for the preparation and implementation of the revaluation of real property in the amount of \$180,000.00.

During fiscal year 2011 the Borough adopted an ordinance increasing the user charges of the Water-Sewer Utility.

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

CURRENT FUND  
SCHEDULE OF CASH

	Ref.	Regular	Grant Fund
Balance, June 30, 2009	A	\$ 1,947,520.20	\$ 114,511.00
Increased by Receipts:			
State of New Jersey (Ch. 20, P.L. 1971)	A-9	\$ 61,206.16	
Taxes Receivable	A-5	15,069,533.36	
Revenue Accounts Receivable	A-8	1,091,186.25	
Federal and State Grants Receivable	A-25		\$ 89,838.78
Unappropriated Grant Reserves	A-27		3,252.29
Interfund - Federal and State Grant Fund	A-24		6,643.87
Interfund - Animal Control Trust Fund	A-10	4,210.92	
NJ DCA Training Fees	A-22	3,400.00	
Marriage License Fees	A-21	1,125.00	
Non-Budget Revenues	A-2	32,927.68	
Tax Overpayments	A-14	81,605.11	
Prepaid Taxes	A-15	40,771.56	
		<u>16,385,966.04</u>	<u>99,734.94</u>
		18,333,486.24	214,245.94
Decreased by Disbursements:			
2010 Budget Appropriations	A-3	6,831,848.00	
2009 Appropriation Reserves	A-11	256,253.70	
County Taxes Payable	A-17	2,130,583.69	
Regional High School Tax	A-16	4,287,786.02	
Local District School Tax	A-18	3,093,267.00	
Business Improvement District Tax	A-19	7,500.00	
Federal/State Grant Appropriations	A-26		108,979.32
Accounts Payable	A-13	33,695.14	
Tax Overpayments Refunded	A-14	6,843.81	
Marriage License Fees	A-21	1,250.00	
NJ DCA Training Fees	A-22	3,400.00	
Reserve for Insurance Claims	A-23	851.63	
Municipal Open Space Tax Payable	A-20	14,000.00	
Interfund - Federal and State Grant Fund	A-24	6,643.87	
		<u>16,673,922.86</u>	<u>108,979.32</u>
Balance, June 30, 2010	A	<u>\$ 1,659,563.38</u>	<u>\$ 105,266.62</u>



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

CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance June 30, 2009	2010 Levy	2009 Collections	2010 Collections	Chapter 20, P.L. 1971 Senior Citizens and Veterans	Tax Overpayments Applied	Transfer to Tax Title Liens	Canceled, Remitted or Abated	Balance June 30, 2010
FY 2009	\$ 468,505.21		\$ 464,935.80	\$ 464,935.80		\$ 13.96		\$ 3,555.45	
FY 2010	\$ 468,505.21	\$ 15,274,674.69	\$ 44,366.65	\$ 14,604,597.56	\$ 58,500.00	\$ 28,258.12	\$ 3,088.28	\$ 78,603.71	\$ 457,260.37
		\$ 15,274,674.69	\$ 44,366.65	\$ 15,069,533.36	\$ 58,500.00	\$ 28,272.08	\$ 3,088.28	\$ 82,159.16	\$ 457,260.37
Ref.	A	A-5	A-2/A-15	A-2/A-4	A-2/A-9	A-2/A-14	A-6		A

Analysis of FY 2010 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$ 15,254,477.34
Special District Tax	555.00
Added Taxes	19,642.35
	<u>\$ 15,274,674.69</u>
Tax Levy:	
Regional High School Tax	A-5
Local District School Tax	A-16
County Taxes:	A-18
County Tax	
County Open Space Tax	A-17
County Library Tax	A-17
Due County for Added and Omitted Taxes	A-17
Total County Taxes	
Business Improvement District Tax	A-19
Local Municipal Open Space Tax	A-20
Local Tax for Municipal Purposes	A-2
Add: Additional Tax Levied	
	<u>\$ 15,274,674.69</u>

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

CURRENT FUND  
 SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 25,952.76
Increased by:		
Transfer from Taxes Receivable	A-5	<u>3,088.28</u>
Balance, June 30, 2010	A	<u>\$ 29,041.04</u>

Exhibit A-7

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
 (AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance, June 30, 2009 and 2010	A	<u>\$ 215,100.00</u>

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

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Ref.	Balance June 30, 2009	Accrued in 2010	Collected	Balance June 30, 2010
Licenses:					
Alcoholic Beverages	A-2	\$ 20,286.80	\$ 20,286.80	20,286.80	
Other	A-2	32,664.00	32,664.00	32,664.00	
Fees and Permits	A-2	85,751.50	85,751.50	85,751.50	
Municipal Court:					
Fines and Costs	A-2	\$ 13,304.22	129,237.05	130,896.21	\$ 11,645.06
Interest and Costs on Taxes	A-2		103,224.13	103,224.13	
Interest on Investments and Deposits	A-2		44,283.85	44,283.85	
Cable T. V. Franchise Fees	A-2		23,285.48	23,285.48	
Consolidated Municipal Property Tax Relief Aid	A-2		93,362.00	93,362.00	
Energy Receipts Tax (P.L. 1997, Ch 162 & 167)	A-2		339,188.00	339,188.00	
Supplemental Energy Receipts Tax	A-2		13,157.00	13,157.00	
Garden State Trust Fund	A-2		203.25	203.25	
Uniform Construction Code Fees	A-2		47,192.00	47,192.00	
Capital Surplus	A-2		27,000.00	27,000.00	
Employee Health Insurance Contributions	A-2		21,122.53	21,122.53	
Lease of Borough Property	A-2		60,810.50	60,810.50	
Housing Authority - PILOT	A-2		20,644.00	20,644.00	
Sale of Municipal Assets	A-2		12,500.00	12,500.00	
Police Off Duty Administrative Fees	A-2		15,615.00	15,615.00	
		\$ 13,304.22	\$ 1,089,527.09	\$ 1,091,186.25	\$ 11,645.06
Ref.		A		A-4	A

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

CURRENT FUND  
SCHEDULE OF DUE FROM STATE - Ch.20, P.L. 1971

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 46,125.25
Increased by:		
Deductions per Tax Duplicate:		
Senior Citizens		\$ 21,250.00
Veterans		39,250.00
Senior Citizen Deductions Allowed by Collector - FY 2010 Taxes		250.00
Veteran's Deductions Allowed - FY 2010 Taxes		<u>1,500.00</u>
		62,250.00
Senior Citizen Deductions Disallowed by Collector - FY 2010 Taxes		3,250.00
Veteran's Deductions Disallowed - FY 2010 Taxes		<u>500.00</u>
	A-5	<u>58,500.00</u>
		104,625.25
Decreased by:		
Received from State of New Jersey	A-4	<u>61,206.16</u>
Balance, June 30, 2010	A	\$ <u><u>43,419.09</u></u>

Exhibit A-10

SCHEDULE INTERFUND - ANIMAL CONTROL TRUST FUND

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 4,210.92
Decreased by:		
Cash Receipts	A-1/A-4	\$ <u><u>4,210.92</u></u>

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

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**

	Balance June 30, 2009	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
<u>Operations Within CAPS</u>					
General Government:					
Borough Administrator					
Salaries and Wages	\$ 3,765.08	\$	\$ 3,765.08		\$ 3,765.08
Other Expenses	2,717.85	259.97	2,977.82	42.00	2,935.82
Central Services					
Salaries and Wages	1,265.88		1,265.88		1,265.88
Other Expenses	3,162.15	1,161.93	4,324.08	1,142.15	3,181.93
Borough Council					
Other Expenses	2,000.08	299.00	2,299.08	200.00	2,099.08
Borough Clerk					
Salaries and Wages	462.86		462.86		462.86
Other Expenses	1,887.91	6,959.02	8,846.93	4,858.49	3,988.44
Financial Administration					
Salaries and Wages	2,746.49		2,746.49	2,365.56	380.93
Other Expenses	3,386.15	76.67	3,462.82	256.67	3,206.15
Audit Services	33,900.00		33,900.00	33,900.00	
Collection of Taxes					
Salaries and Wages	2,379.21		2,379.21	546.85	1,832.36
Other Expenses	1,734.07	59.40	1,793.47	59.40	1,734.07
Assessment of Taxes					
Salaries and Wages	1,363.96		1,363.96	443.84	920.12
Other Expenses	1,458.17		1,458.17		1,458.17
Legal Services and Costs					
Other Expenses	10,976.38	37,167.87	48,144.25	12,931.08	35,213.17
Engineering Services and Costs					
Other Expenses	2,505.93	19,397.56	21,903.49	14,501.52	7,401.97
Code Enforcement Officer					
Salaries and Wages	3,406.34		3,406.34	644.30	2,762.04
Other Expenses	3,927.51	1,914.33	5,841.84	5,614.06	227.78

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

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance June 30, 2009	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Municipal Land Use Law (N.J.S.A. 40A:55D-1):					
Planning Board	\$ 374.92	\$ 3,329.72	\$ 374.92	1,492.32	\$ 374.92
Salaries and Wages	3,418.45		6,748.17		5,255.85
Other Expenses					
Zoning Board of Adjustment	224.92	3,282.25	224.92	650.00	224.92
Salaries and Wages	3,223.20		6,505.45		5,855.45
Other Expenses					
Insurance:					
General Liability	67.81		67.81		67.81
Workers Compensation	136.56		136.56		136.56
Employee Group Insurance	3,519.16		3,519.16	436.43	3,082.73
Public Safety:					
Fire					
Other Expenses	1,664.05	34,805.09	36,469.14	34,491.27	1,977.87
Police					
Salaries and Wages	11,160.97		11,160.97	6,662.23	4,498.74
Other Expenses	12,759.38	10,733.03	23,492.41	8,814.49	14,677.92
Dispatch					
Salaries and Wages	2,723.67		2,723.67		2,723.67
Municipal Court					
Salaries and Wages	2,417.20		2,417.20	2,400.00	17.20
Other Expenses	2,562.15	315.95	2,878.10	315.95	2,562.15
First Aid Organization Contribution	2,590.96	15,159.65	17,750.61	14,319.65	3,430.96
Emergency Management Services					
Salaries and Wages	835.08		835.08		835.08
Other Expenses	150.72	2,160.23	2,310.95	2,053.64	257.31
Public Defender					
Salaries and Wages	2,700.78		2,700.78	4,600.22	2,700.78
Fire Hydrant Fees	5,072.57		5,072.57		472.35
Uniform Fire Safety Act					
Salaries and Wages	2,605.00		2,605.00		2,605.00
Other Expenses	3,141.14	549.79	3,690.93	147.85	3,543.08

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

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES**

	Balance June 30, 2009	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Municipal Prosecutor	\$ 1,000.00	\$	\$ 1,000.00		\$ 1,000.00
Salaries and Wages					
Streets and Roads:					
Road Repairs and Maintenance	9,203.49		9,203.49	229.48	8,974.01
Salaries and Wages	5,847.23	1,335.00	7,182.23	2,533.21	4,649.02
Other Expenses					
Snow Removal	1,457.25		1,457.25		1,457.25
Salaries and Wages	173.35		173.35		173.35
Other Expenses					
Sanitation					
Salaries and Wages	6,029.51		6,029.51	326.16	5,703.35
Other Expenses	4,529.18	93.00	4,622.18	1,531.05	3,091.13
Mechanical Garage					
Salaries and Wages	895.95		895.95		895.95
Other Expenses	18,070.24	1,815.56	19,885.80	3,883.96	16,001.84
Public Buildings and Grounds					
Other Expenses	10,061.97	19,362.06	29,424.03	18,569.53	10,854.50
Shade Tree Commission					
Other Expenses	230.20		230.20		230.20
Condominium Services					
Other Expenses	14,477.17		14,477.17	14,477.17	
Environmental Commission					
Other Expenses	100.00		100.00		100.00
Dog Control					
Other Expenses	4,009.14	385.00	4,394.14	1,305.00	3,089.14
N.J. Public Employees Occupational Safety and Health Act:					
Other Expenses	1,000.00		1,000.00		1,000.00
Community - School Substance Abuse Program					
Beachfront Maintenance					
Salaries and Wages	2,273.99		2,273.99	288.00	1,985.99
Other Expenses	1,610.90	4,992.10	6,603.00	4,939.00	1,664.00
Parks and Playgrounds					
Other Expenses	172.47	4,631.20	4,803.67	4,631.20	172.47

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

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

	Balance June 30, 2009	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Celebration of Public Events. Anniversary and Holiday	\$ 1,583.61	\$ 1,014.98	\$ 2,598.59	\$ 1,014.98	\$ 1,583.61
Other Expenses					
Community Center	7,261.24		7,261.24	3,853.30	3,407.94
Salaries and Wages	5,437.26	3,298.96	8,736.22	4,919.74	3,816.48
Other Expenses					
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
Salaries and Wages	2,217.10		2,217.10	118.88	2,098.22
Other Expenses	1,875.15	230.20	2,105.35	230.20	1,875.15
Utility Expense and Bulk Purchases					
Electricity	10,016.51		10,016.51	1,952.20	8,064.31
Street Lighting	11,401.80		11,401.80	4,911.59	6,490.21
Telephone	4,094.90		4,094.90	4,036.32	58.58
Water	1,331.00		1,331.00	459.33	871.67
Natural Gas	2,281.49		2,281.49	503.67	1,777.82
Telecommunication Costs	2,663.06	1,761.03	4,424.09	1,803.69	2,620.40
Gasoline and Diesel Fuel	5,030.20		5,030.20		5,030.20
Monmouth County Reclamation Center					
Other Expenses	29,155.87		29,155.87	20,980.47	8,175.40
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	4,981.13		4,981.13		4,981.13
Defined Contribution Retirement Program	3,500.00		3,500.00		3,500.00



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

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES

Operations - Excluded from CAPS

	Balance June 30, 2009	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Length of Service Awards Program	\$ 5,750.00	\$	\$ 5,750.00	\$ 5,750.00	
9-1-1	9,400.00		9,400.00	9,115.60	\$ 284.40
Stormwater Management	7,265.00		7,265.00	1,182.00	6,083.00
Recycling Tax (N.J.S.A. 13:1E-96.5):					
Other Expenses	2,334.72		2,334.72	869.61	1,465.11
<u>Capital Improvements Excluded from CAPS</u>					
Acquisition of Property	50.00	\$ 1,875.00	1,925.00	1,875.00	50.00
	<u>\$ 347,494.79</u>	<u>\$ 178,425.55</u>	<u>\$ 525,920.34</u>	<u>\$ 274,508.31</u>	<u>\$ 251,412.03</u>

A

A-12

Ref.

A-1

Detail:

Cash Disbursements	\$ 256,253.70
Accounts Payable	<u>18,254.61</u>
	<u>\$ 274,508.31</u>

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

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 178,425.55
Increased by:		
Current Appropriations Charged	A-3	<u>200,957.64</u>
		379,383.19
Decreased by:		
Applied to Appropriation Reserves	A-11	<u>178,425.55</u>
Balance, June 30, 2010	A	<u>\$ 200,957.64</u>

Exhibit A-13

SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 75,962.47
Increased by:		
Transfer from Appropriation Reserves	A-11	<u>18,254.61</u>
		94,217.08
Decreased by:		
Cash Disbursed	A-4	\$ 33,695.14
Canceled	A-1	<u>5,340.08</u>
		<u>39,035.22</u>
Balance, June 30, 2010	A	<u>\$ 55,181.86</u>

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

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

	<u>Ref.</u>		
Balance, June 30, 2009	A	\$	51,281.34
Increased by:			
Cash Receipts	A-4		<u>81,605.11</u>
			132,886.45
Decreased by:			
Refunded	A-4	\$	6,843.81
Applied to Taxes Receivable	A-5		28,272.08
Canceled	A-1		<u>240.72</u>
			<u>35,356.61</u>
Balance, June 30, 2010	A	\$	<u><u>97,529.84</u></u>

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

CURRENT FUND  
SCHEDULE OF PREPAID TAXES

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 44,366.65
Increased by:		
Collections, FY 2011 Taxes	A-4	40,771.56
		<u>85,138.21</u>
Decreased by:		
Applied to Taxes Receivable	A-5	44,366.65
		<u>44,366.65</u>
Balance, June 30, 2010	A	\$ <u>40,771.56</u>

Exhibit A-16

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2009:		
School Tax Payable	A	\$ 0.02
School Tax Deferred	A-16	<u>2,047,881.67</u>
		\$ 2,047,881.69
Increased by:		
Levy - School Year July 1, 2009 to June 30, 2010	A-5	4,383,797.36
		<u>6,431,679.05</u>
Decreased by:		
Payments	A-4	<u>4,287,786.02</u>
Balance, June 30, 2010:		
School Tax Payable	A	0.02
School Tax Deferred	A-16	<u>2,143,893.01</u>
		\$ <u>2,143,893.03</u>
<u>FY 2010 Liability for Regional High School Tax</u>		
Tax Paid	A-4	\$ 4,287,786.02
Taxes Payable June 30, 2010	A	0.02
		<u>4,287,786.04</u>
Less Taxes Payable June 30, 2009	A	0.02
		<u>0.02</u>
Amount Charged to 2010 Operations	A-1	\$ <u>4,287,786.02</u>

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

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

	<u>Ref.</u>	
Increased by:		
County Tax	A-5	\$ 1,893,619.41
County Library Tax	A-5	110,871.50
County Open Space Tax	A-5	123,377.40
Due County for Added and Omitted Taxes	A-5	<u>2,715.58</u>
	A-1	\$ 2,130,583.89
Decreased by:		
Payments	A-4	<u>\$ 2,130,583.69</u>

Exhibit A-18

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2009:		
School Tax Deferred		\$ <u>1,609,136.50</u>
		\$ 1,609,136.50
Increased by:		
Levy - School Year July 1, 2009 to June 30, 2010	A-5	<u>3,030,764.00</u>
		4,639,900.50
Decreased by:		
Payments	A-1/A-4	<u>3,093,267.00</u>
Balance, June 30, 2010:		
School Tax Deferred		<u>1,546,633.50</u>
		\$ <u>1,546,633.50</u>

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

CURRENT FUND  
SCHEDULE OF BUSINESS IMPROVEMENT TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 10,119.03
Increased by:		
Business Improvement Tax	A-1/A-5	<u>555.00</u>
		10,674.03
Decreased by:		
Cash Disbursed	A-4	\$ 7,500.00
Canceled	A-1	<u>2,619.03</u>
		<u>10,119.03</u>
Balance, June 30, 2010	A	\$ <u><u>555.00</u></u>

Exhibit A-20

SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
Municipal Open Space Tax Levy	A-1/A-5	\$ 41,000.00
Decreased by:		
Cash Disbursed	A-4	<u>14,000.00</u>
Balance, June 30, 2010	A	\$ <u><u>27,000.00</u></u>

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

CURRENT FUND  
SCHEDULE OF DUE TO STATE OF NEW JERSEY  
MARRIAGE LICENSE FEES

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 125.00
Increased by:		
Receipts	A-4	<u>1,125.00</u>
		1,250.00
Decreased by:		
Disbursements	A-4	<u>\$ 1,250.00</u>

Exhibit A-22

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA TRAINING FEES

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 146.00
Increased by:		
Receipts	A-4	<u>3,400.00</u>
		3,546.00
Decreased by:		
Disbursements	A-4	\$ 3,400.00
Canceled	A-1	<u>146.00</u>
		<u>\$ 3,546.00</u>

Exhibit A-23

SCHEDULE OF RESERVE FOR INSURANCE CLAIMS

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 851.63
Decreased by:		
Cash Disbursed	A-4	<u>\$ 851.63</u>

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

CURRENT FUND  
SCHEDULE OF INTERFUND - FEDERAL AND STATE GRANT FUND

	<u>Ref.</u>		
<b>Increased by:</b>			
2010 Budget Appropriations	A-26	\$ 120,054.78	
Grants Receivable Canceled	A-25	<u>178.75</u>	
			\$ 120,233.53
<b>Decreased by:</b>			
Cash Disbursements	A-4	6,643.87	
Grants Appropriated Canceled	A-26	529.88	
2010 Anticipated Revenue	A-2/A-25	<u>113,059.78</u>	
			<u>\$ 120,233.53</u>



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

FEDERAL AND STATE GRANT FUND  
 SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance June 30, 2009	2010 Anticipated Revenue	Cash Received	Transferred From Unappropriated Reserves	Canceled	Balance June 30, 2010
Municipal Alliance on Alcoholism and Drug Abuse	\$ 20,780.98	\$ 27,281.00	\$ 20,780.98		\$	\$ 27,281.00
Summer Food Program - 2008		1,100.45		1,100.45		
Summer Food Program		9,951.39	9,772.64		178.75	
Drunk Driving Enforcement Fund		10,351.80	5,662.44	4,689.36		
Recycling Tonnage Grant		4,243.88	4,243.88			
Clean Communities Program		9,880.99	9,880.99			
Alcohol Education and Rehabilitation Fund		1,067.42		1,067.42		
Police Communications Repeater		38,356.00	38,356.00			
Bayshore DWI Saturation Grant		6,400.00	300.00			6,100.00
Body Armor Grant		841.85	841.85			
Bulletproof Vest Partnership Grant		3,585.00				3,585.00
	<u>\$ 20,780.98</u>	<u>\$ 113,059.78</u>	<u>\$ 89,838.78</u>	<u>\$ 6,857.23</u>	<u>\$ 178.75</u>	<u>\$ 36,966.00</u>
<u>Ref.</u>	A	A-2/A-24	A-4	A-27	A-1/A-24	A

**BOROUGH OF HIGHLANDS**  
 COUNTY OF MONMOUTH, NEW JERSEY  
 FEDERAL AND STATE GRANT FUND  
 SCHEDULE OF APPROPRIATED RESERVES

Grant	Balance June 30, 2009	Transfer from 2010 Budget Appropriation	Prior Year Reserve for Encumbrances	Paid	Reserve for Encumbrances	Canceled	Balance June 30, 2010
Drunk Driving Enforcement Fund	\$ 25,752.80	\$ 10,351.80	\$ 9,221.84	\$ 18,048.63			\$ 27,277.81
Alcohol Education Rehabilitation Fund	6,127.73	1,067.42		2,100.00			5,095.15
Recycling Tonnage Grant	22,419.72	4,243.88		8,580.00			18,083.60
Summer Food Program		11,051.84		10,869.21		\$ 182.63	
Police Communications Repeater		38,356.00		23,560.00	\$ 14,796.00		
Monmouth Municipal Joint Insurance Safety Incentive Program	326.50			326.50			
Municipal Alliance on Alcoholism and Drug Abuse - 2008	347.25					347.25	
Municipal Alliance on Alcoholism and Drug Abuse - 2009	20,780.98			20,780.98			
Municipal Alliance on Alcoholism and Drug Abuse - 2010		30,691.00		9,410.00			21,281.00
Summer Food Program							
N.J.D.O.T. Speed Monitoring Sign							
National Recreation & Park Association Take Me Fishing	1,000.00			991.00			9.00
Body Armor Grant	3,004.84	841.85		3,250.00			596.69
Clean Communities Program	8,134.28	9,880.99		8,004.46	129.82		9,880.99
Comcast Cable Technology Grant	20,500.00						20,500.00
Stormwater Management	7,996.93						7,996.93
Bayshore DWI Saturation Grant		6,400.00		621.04			5,778.96
Bulletproof Vest Partnership Grant		7,170.00		2,437.50			4,732.50
Assistance to Firefighters			1,700.00		1,700.00		
	\$ 116,391.03	\$ 120,054.78	\$ 10,921.84	\$ 108,979.32	\$ 16,625.82	\$ 529.88	\$ 121,232.63

Ref. A A-3/A-24 A-28 A-4 A-28 A-28 A-1/A-24 A

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

FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Funding</u> <u>Received</u>	<u>Realized</u> <u>as Revenue</u>	<u>Balance</u> <u>June 30, 2010</u>
Drunk Driving Enforcement Fund	\$ 4,689.36		\$ 4,689.36	
Alcohol Education Rehabilitation Fund	1,067.42	\$ 1,960.65	1,067.42	\$ 1,960.65
Recycling Tonnage Grant				
Body Armor Grant				
Summer Food Program	<u>1,100.45</u>	<u>1,291.64</u>	<u>1,100.45</u>	<u>1,291.64</u>
	<u>\$ 6,857.23</u>	<u>\$ 3,252.29</u>	<u>\$ 6,857.23</u>	<u>\$ 3,252.29</u>
	A	A-4	A-25	A

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

FEDERAL AND STATE GRANT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2009	A	\$ 10,921.84
Increased by:		
Appropriated Reserves Charged	A-26	<u>16,625.82</u>
		27,547.66
Decreased by:		
Applied to Appropriated Reserves	A-26	<u>10,921.84</u>
Balance, June 30, 2010	A	\$ <u><u>16,625.82</u></u>

Exhibit A-29

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Balance, June 30, 2009 and 2010	A	\$ <u><u>1,121.88</u></u>

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

TRUST FUND  
 SCHEDULE OF CASH

	Ref.	Animal Control Trust Fund	Trust Other Fund	Open Space Trust Fund
Balance, June 30, 2009	B	\$ 9,011.58	\$ 492,387.16	
Increased by Receipts:				
Reserve for Animal Control Trust Fund Expenditures	B-2	\$ 5,364.52		
Due to State of New Jersey	B-3	616.20		
Various Reserves	B-5	\$ 553,004.22		
Open Space Tax Levy	B-6			\$ 14,000.00
Interest Earned	B-6	5,980.72	553,004.22	26.91
		<u>14,992.30</u>	<u>1,045,391.38</u>	<u>\$ 14,026.91</u>
Decreased by Disbursements:				
Due to State of New Jersey	B-3	616.20		
Animal Control Trust Fund Expenditures	B-2	2,785.33		
Interfund - Current Fund	B	4,210.92		
Various Reserves	B-5		519,403.60	
		<u>7,612.45</u>	<u>519,403.60</u>	
Balance, June 30, 2010	B	\$ <u>7,379.85</u>	\$ <u>525,987.78</u>	\$ <u>14,026.91</u>

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

ANIMAL CONTROL TRUST FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance, June 30, 2009	B	\$ 4,840.66
Increased by:		
Dog License Fees Collected		\$ 5,224.80
Miscellaneous Receipts		29.00
Interest Earned		<u>110.72</u>
	B-1	<u>5,364.52</u>
		10,205.18
Decreased by:		
Expenditures Under R.S. 4:19-15.11		1,200.00
Statutory Excess Due Current Fund		<u>1,585.33</u>
	B-1	<u>2,785.33</u>
Balance, June 30, 2010	B	\$ <u>7,419.85</u>

## License and Penalty Fees Collected:

<u>Year</u>	<u>Amount</u>
2008	\$ 2,467.15
2009	<u>4,952.70</u>
	<u>\$ 7,419.85</u>

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

ANIMAL CONTROL TRUST FUND  
SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Increased by:		
Receipts	B-1	\$ <u>616.20</u>
		616.20
Decreased by:		
Disbursed	B-1	\$ <u><u>616.20</u></u>

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

TRUST OTHER FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>		
Balance, June 30, 2009	B	\$	83.50
Decreased by:			
Transfer to Various Reserves	B-5	\$	<u>83.50</u>

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

TRUST OTHER FUND  
SCHEDULE OF VARIOUS RESERVES

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>June 30, 2010</u>
Street Opening Permits	\$ 7,500.00			\$ 7,500.00
Escrows	36,461.71	\$ 50,619.09	\$ 51,220.69	35,860.11
Third Party Lien Redemptions	1,081.33	256,202.42	207,774.00	49,509.75
Tax Sale Premiums	67,900.00	63,700.00	24,200.00	107,400.00
Parking Offense Adjudication Act (Per N.J.S.A 40A:4-39)	233.88	117.00	287.88	63.00
Public Defender	1,269.83	1,607.00		2,876.83
Recycling	770.77	8,288.95	8,145.60	914.12
Deposits - Baymens Association	5,000.00			5,000.00
Pelekanous Engineer Fees	1,817.72			1,817.72
Legal Escrow	500.00			500.00
Police Off Duty	5,991.00	93,984.00	94,584.00	5,391.00
Uniform Fire Penalties	16,763.88	225.00	5,023.55	11,965.33
Fire Penalties (Fire Department)	2,379.76		1,410.20	969.56
Recreation	402.00	1,855.00	2,050.00	207.00
Library	5,938.00	1,096.00		7,034.00
Unemployment	124,242.16	27,701.44	39,717.35	112,226.25
Engineering Inspection Fees	54,574.49	515.29	1,957.60	53,132.18
Performance Bonds	123,703.89	15,421.48	51,033.60	88,091.77
Maintenance Bonds	1,445.66		271.26	1,174.40
Accumulated Leave	5,660.67	31,730.00	31,727.87	5,662.80
Police Explorers	4,271.18			4,271.18
Sale of Property	22,350.00			22,350.00
Law Enforcement	2,045.73	25.05		2,070.78
	<u>\$ 492,303.66</u>	<u>\$ 553,087.72</u>	<u>\$ 519,403.60</u>	<u>\$ 525,987.78</u>

	<u>Ref.</u>	B	B-1	B
Detail:				
Reserve for Encumbrances	B-4		\$ 83.50	
Cash Receipts	B-1		<u>553,004.22</u>	
			<u>\$ 553,087.72</u>	

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

OPEN SPACE TRUST FUND  
SCHEDULE OF RESERVE FOR OPEN SPACE

	Ref.		
Increased by:			
Cash Receipts	B-1	\$ 14,000.00	
Interfund - Current Fund	B	27,000.00	
Interest Earned	B-1	<u>26.91</u>	
			\$ <u>41,026.91</u>
Balance, December 31, 2010	B		\$ <u><u>41,026.91</u></u>

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

LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")  
SCHEDULE OF INVESTMENTS

	<u>Ref.</u>	
Balance, June 30, 2009	B	\$ 101,365.00
Increased by:		
Borough Contributions	B-8	\$ 31,050.00
Interest Earned	B-8	3,429.84
Increase in Value of Investments	B-8	<u>1,318.62</u>
		<u>35,798.46</u>
Balance, June 30, 2010	B	<u>\$ 137,163.46</u>

LENGTH OF SERVICE AWARD PROGRAM FUND ("LOSAP")  
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD PROGRAM

	<u>Ref.</u>	
Balance, June 30, 2009	B	\$ 101,365.00
Increased by:		
Borough Contributions	B-7	\$ 31,050.00
Interest Earned	B-7	3,429.84
Increase in Value of Investments	B-7	<u>1,318.62</u>
		<u>35,798.46</u>
Balance, June 30, 2010	B	<u>\$ 137,163.46</u>

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

GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>		
Balance, June 30, 2009	C		\$ 1,120,305.52
Increased by Receipts:			
N.J. Department of Transportation Grants Receivable	C-6	\$ 202,500.00	
Bond Anticipation Notes	C-11	868,650.00	
Due from Monmouth County Improvement Authority	C-9	83,009.10	
Budget Appropriations:			
Capital Improvement Fund	C-14	63,105.00	
Deferred Charges to Future Taxation - Unfunded	C-5	25,426.91	
Miscellaneous Reserves	C-15	<u>1,079.76</u>	
			<u>1,243,770.77</u>
			2,364,076.29
Decreased by Disbursements:			
Due from Monmouth County Improvement Authority	C-9	83,009.10	
Capital Fund Balance	C-1	27,000.00	
Reserve for Encumbrances	C-13	<u>803,741.83</u>	
			<u>913,750.93</u>
Balance, June 30, 2010	C		<u>\$ 1,450,325.36</u>

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

**GENERAL CAPITAL FUND**  
**ANALYSIS OF GENERAL CAPITAL CASH**

	<u>Balance</u> <u>June 30, 2010</u>
Capital Improvement Fund	\$ 79,027.05
Capital Fund Balance	1,749.57
N.J. Department of Transportation Grants Receivable	(259,500.00)
Community Development Block Grant Receivable	(185,200.00)
Monmouth County Open Space Grant Receivable	(58,000.00)
Accounts Payable	2,315.25
Reserve for Encumbrances	500,204.46
Miscellaneous Reserves	95,181.51

Improvement Authorizations:

<u>Ordinance</u> <u>Number</u>	<u>Improvement Description</u>	
94-18	Rehabilitation of Low - Mod Income Housing - RCA Middletown	31,260.00
98-11/02-22/04-10	Construction of Firehouse - Emergency Management Facility	48,603.06
03-13	2003 Road Program	311.97
07-04	Various Improvements to Community Center and Parks	12,178.05
08-02/09-01	Various Improvements at Pump Stations and Community Center	375,426.31
08-05	Improvements to Shore Drive	265,668.32
08-11	Various Road Improvements	122,136.22
08-12	Acquisition of Open Space	17,600.00
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue	87,174.73
09-05	Demolition of Wastewater Treatment Plant	32,424.72
09-27	Improvements to Waterwitch Avenue	263,028.76
09-28	Design and Permitting of Various Projects	18,735.38
		<u>\$ 1,450,325.36</u>

Ref.

C

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

GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 3,838,000.00
Decreased by:		
Budget Appropriation to Pay Bonds	C-10	<u>202,000.00</u>
Balance, June 30, 2010	C	<u>\$ 3,636,000.00</u>



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

GENERAL CAPITAL FUND  
 SCHEDULE OF N.J. DEPARTMENT OF TRANSPORTATION GRANTS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 374,846.67
Increased by:		
Grant Award - Waterwitch Avenue	C-12	192,000.00
		<u>566,846.67</u>
Decreased by:		
Cash Receipts	C-2	\$ 202,500.00
Canceled	C-12	<u>104,846.67</u>
		<u>307,346.67</u>
Balance, June 30, 2010	C	<u>\$ 259,500.00</u>

## Detail:

<u>Ordinance Number</u>	<u>Description</u>	
08-05	Improvements to Shore Drive	\$ 52,500.00
09-03	Improvements to Valley Avenue	15,000.00
09-27	Improvements to Waterwitch Avenue	<u>192,000.00</u>
		<u>\$ 259,500.00</u>

Exhibit C-7

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2009 and 2010	C	<u>\$ 185,200.00</u>
Detail:		
<u>Ordinance Number</u>	<u>Description</u>	
08-02	Various Improvements at Certain Pump Stations and Community Center	<u>\$ 185,200.00</u>



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

GENERAL CAPITAL FUND  
 SCHEDULE OF MONMOUTH COUNTY OPEN SPACE GRANT RECEIVABLE

	<u>Ref.</u>	
Balance June 30, 2009 and 2010	C	\$ <u>58,000.00</u>

Detail:

<u>Ordinance Number</u>	<u>Description</u>	
07-04	Various Road Improvements	\$ <u>58,000.00</u>

Exhibit C-9

SCHEDULE OF DUE FROM MONMOUTH COUNTY IMPROVEMENT AUTHORITY

	<u>Ref.</u>	
Increased by:		
Cash Disbursed	C-2	\$ 83,009.10
Decreased by:		
Cash Receipts	C-2	\$ <u>83,009.10</u>

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

GENERAL CAPITAL FUND  
 SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding June 30, 2010</u>	<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Paid by Budget Appropriation</u>	<u>Balance June 30, 2010</u>
General Improvements	12-18-03	\$ 498,000.00	\$ 52,000.00	3.50%			
			53,000.00	3.25%			
			55,000.00	3.55%			
			57,000.00	4.00%	\$ 267,000.00	\$ 50,000.00	\$ 217,000.00
General Improvements	12-05-06	474,000.00	44,000.00	4.00%			
			46,000.00	4.00%			
			48,000.00	4.00%			
			50,000.00	4.00%			
			52,000.00	5.00%			
			54,000.00	5.00%			
			57,000.00	5.00%	393,000.00	42,000.00	351,000.00
General Improvements	12-04-08	3,178,000.00	110,000.00	4.00%			
			116,000.00	5.00%			
			119,000.00	5.00%			
			125,000.00	5.00%			
			129,000.00	5.00%			
			138,000.00	4.00%			
			143,000.00	4.00%			
			150,000.00	5.25%			
			156,000.00	4.50%			
			166,000.00	4.50%			
			169,000.00	5.00%			
			179,000.00	5.25%			
			189,000.00	5.00%			
		201,000.00	5.125%				
		208,000.00	5.125%				
		220,000.00	5.00%				
					3,178,000.00	110,000.00	3,068,000.00
					\$ 3,838,000.00	\$ 202,000.00	\$ 3,636,000.00

Ref.

C

C-4

C

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

GENERAL CAPITAL FUND  
 SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2009	Issued for Cash	Balance June 30, 2010
08-02/09-01	Various Improvements at Certain Pump Stations and Community Center	01-27-09	01-21-10	01-20-11	0.85%	\$ 313,300.00	\$	313,300.00
08-05	Improvements to Shore Drive	01-27-09	01-21-10	01-20-11	0.85%	256,000.00		256,000.00
08-11	Various Road Improvements	01-27-09	01-21-10	01-20-11	0.85%	256,000.00		256,000.00
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue	01-21-10	01-21-10	01-20-11	0.85%		\$ 123,500.00	123,500.00
09-05	Demolition of Wastewater Treatment Plant	01-21-10	01-21-10	01-20-11	0.85%		218,950.00	218,950.00
09-27	Improvements to Waterwitch Avenue	01-21-10	01-21-10	01-20-11	0.85%		102,500.00	102,500.00
09-28	Design and Permitting for Various Projects	01-21-10	01-21-10	01-20-11	0.85%		423,700.00	423,700.00
						<u>\$ 825,300.00</u>	<u>\$ 868,650.00</u>	<u>\$ 1,693,950.00</u>
						C	C-2	C

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

**GENERAL CAPITAL FUND**  
**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Date	Amount	Balance June 30, 2009		Increased by		Decreased by		Balance June 30, 2010	
				Funded	Unfunded	2010 Authorizations	Canceled Encumbrances	Paid or Charged	Authorizations Canceled	Funded	Unfunded
94-18	Rehabilitation of Low - Mod Income Housing - RCA - Middletown	09-14-94	\$ 925,000.00	\$ 31,260.00							\$ 31,260.00
98-11/02-22/04-10	Construction of Firehouse - Emergency Management Facility	12-16-98/ 11-06-02 08-18-04	1,375,000.00	56,945.31	\$ 235.00	\$ 1,498.00	\$ 10,075.25				48,603.06
03-13	2003 Road Program	10-01-03	225,000.00	311.97	65,250.00						311.97
05-20	Improvements to Community Center	10-05-05	840,000.00		93,144.00						93,144.00
07-04	Various Improvements to Community Center and Playground	03-21-07	245,000.00	12,178.05	32,500.00						12,178.05
07-21	Reconstruction of Washington Ave. Phase II	09-19-07	180,000.00	93,954.76	30,400.00			\$ 124,354.76			
08-02/09-01	Various Improvements at Certain Pump Stations and Community Ctr.	04-16-08	515,000.00	111,683.59	313,300.00			49,557.28			62,126.31
08-05	Improvements to Shore Drive	05-21-08	480,000.00		249,340.90	17,606.18		1,278.76			9,668.32
08-11	Various Road Improvements	10-15-08	280,000.00		105,017.42	17,207.57		88.77			122,136.22
08-12	Acquisition of Open Space	12-03-08	800,000.00	40,000.00	760,000.00			22,400.00			17,600.00
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue	03-18-09 09-16-09	86,500.00 113,500.00		72,000.00	\$ 113,500.00		98,325.27			87,174.73
09-05	Demolition of Wastewater Treatment Plant	03-18-09	235,000.00		218,943.25			186,518.53			32,424.72
09-27	Improvements to Waterwitch Avenue	12-02-09	300,000.00		300,000.00			36,971.24			160,528.76
09-28	Design and Permitting for Various Projects	12-02-09			446,000.00			427,264.62			18,735.38
				\$ 346,333.68	\$ 1,940,130.57	\$ 859,500.00	\$ 36,311.75	\$ 832,479.72	\$ 124,354.76	\$ 342,276.47	\$ 1,883,165.05
	Deferred Charges to Future Taxation Unfunded	Ref.									
	New Jersey Department of Transportation Grants Receivable	C-5		\$ 577,700.00				\$ 19,508.09			
	Reserve for New Jersey Department of Transportation Grant Receivable	C-6		192,000.00				104,846.67			
	Capital Improvement Fund	C-16		60,000.00							
		C-14		29,800.00							
				\$ 859,500.00				\$ 124,354.76			

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

GENERAL CAPITAL FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 507,778.32
Increased by:		
Charged to Improvement Authorizations	C-12	<u>832,479.72</u>
		1,340,258.04
Decreased by:		
Canceled	C-12	\$ 36,311.75
Cash Disbursed	C-2	<u>803,741.83</u>
		<u>840,053.58</u>
Balance, June 30, 2010	C	<u>\$ 500,204.46</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 45,722.05
Increased by:		
SFY 2010 Budget Appropriation	C-2	<u>63,105.00</u>
		108,827.05
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-12	<u>29,800.00</u>
Balance, June 30, 2010	C	<u>\$ 79,027.05</u>

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

**GENERAL CAPITAL FUND**  
**SCHEDULE OF MISCELLANEOUS RESERVES**

<u>Description</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Increased</u>	<u>Balance</u> <u>June 30, 2010</u>
Reserve for RCA Interest - Middletown	\$ 41,040.75	\$ 1,079.76	\$ 42,120.51
Reserve for Parking Improvements	450.00		450.00
Reserve for Sidewalk Fund	13,911.00		13,911.00
Reserve for Prospect Avenue Paving	<u>38,700.00</u>		<u>38,700.00</u>
	<u>\$ 94,101.75</u>	<u>\$ 1,079.76</u>	<u>\$ 95,181.51</u>
<u>Ref.</u>	C	C-2	C

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

GENERAL CAPITAL FUND  
SCHEDULE OF RESERVE FOR N.J. DEPARTMENT OF TRANSPORTATION  
GRANTS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2009	C	\$ 60,000.00
Decreased by:		
Utilized to Fund Improvement Authorization	C-12	\$ <u>60,000.00</u>

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

**GENERAL CAPITAL FUND**  
**SCHEDULE OF BONDS AND NOTES AUTHORIZED**  
**BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance June 30, 2009	2010 Authorizations	Funded by Budget Appropriation	Bond Anticipation Notes Issued	Canceled	Balance June 30, 2010
03-13	2003 Road Program	\$ 65,250.00					\$ 65,250.00
05-20	Improvements to Community Center	93,144.00					93,144.00
98-11-02-22 04-10	Construction of Firehouse - Emergency Management Facility	235.00		\$ 235.00			
07-04	Improvements to Community Center and Playground	32,500.00					32,500.00
07-21	Reconstruction of Washington Ave. Phase II	30,400.00		10,891.91		\$ 19,508.09	
08-12	Acquisition of Open Space	760,000.00					760,000.00
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue	82,000.00	\$ 51,500.00	10,000.00	\$ 123,500.00		
09-05	Demolition of Wastewater Treatment Plant	223,250.00		4,300.00	218,950.00		
09-27	Improvements to Waterwitch Avenue		102,500.00		102,500.00		
09-28	Design and Permitting for Various Projects		423,700.00		423,700.00		
		<u>\$ 1,286,779.00</u>	<u>\$ 577,700.00</u>	<u>\$ 25,426.91</u>	<u>\$ 868,650.00</u>	<u>\$ 19,508.09</u>	<u>\$ 950,894.00</u>
	Ref.		C-12	C-5	C-11	C-12	(Footnote C)



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

WATER - SEWER UTILITY FUND  
 SCHEDULE OF CASH

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance, June 30, 2009	D	\$ 604,880.71	\$ 11,378.41
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$ 1,211,097.66	
Non-Budget Revenues	D-3	27,329.86	
Customer Overpayments	D-10	4,117.85	
Accounts Payable	D-12	<u>49.65</u>	
		1,242,595.02	
		<u>1,847,475.73</u>	<u>11,378.41</u>
Decreased by Disbursements:			
2010 Appropriations	D-4	1,482,259.93	
2009 Appropriation Reserves	D-8	25,638.60	
Customer Overpayments	D-10	558.75	
Accrued Interest on Bonds and Notes	D-11	<u>11,828.87</u>	
		1,520,286.15	
Balance, June 30, 2010	D	<u>\$ 327,189.58</u>	<u>\$ 11,378.41</u>

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

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

	Balance <u>June 30, 2010</u>
Capital Improvement Fund	\$ 6,750.00
Down Payments on Capital Improvements	100.00
Fund Balance	322.36
Improvement Authorizations:	
Ordinance 06-06/07-15: Rehabilitation of Sanitary Sewer System	<u>4,206.05</u>
	<u>\$ 11,378.41</u>
<u>Ref.</u>	D

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

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2009	D	\$ 142,676.64
Increased by:		
Sewer Rents Levied		<u>1,241,502.10</u>
		1,384,178.74
Decreased by:		
Collections	D-3/D-5	<u>1,211,097.66</u>
Balance, June 30, 2010	D	<u>\$ 173,081.08</u>

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

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> <u>June 30, 2009</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 3,682.96	\$ 3,682.96	\$ 526.92	\$ 3,156.04
Other Expenses	55,573.46	55,573.46	25,111.68	30,461.78
Group Insurance for Employees	347.54	347.54		347.54
Worker's Compensation	462.12	462.12		462.12
Other Insurance Premiums	47.47	47.47		47.47
Statutory Expenditures:				
Social Security	<u>1,201.12</u>	<u>1,201.12</u>		<u>1,201.12</u>
	<u>\$ 61,314.67</u>	<u>\$ 61,314.67</u>	<u>\$ 25,638.60</u>	<u>\$ 35,676.07</u>
	<u>Ref.</u>		D-5	D-1
Appropriation Reserves	D	\$ 36,051.48		
Reserve for Encumbrances	D-9	<u>25,263.19</u>		
	D-8	<u>\$ 61,314.67</u>		

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

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2009	D	\$ 25,263.19
Increased by:		
Transferred from Budget Appropriations	D-4	<u>40,256.30</u>
		65,519.49
Decreased by:		
Transferred to Appropriation Reserves	D-8	<u>25,263.19</u>
Balance, June 30, 2010	D	\$ <u>40,256.30</u>

Exhibit D-10

SCHEDULE OF CUSTOMER OVERPAYMENTS

	<u>Ref.</u>	
Balance, June 30, 2009	D	\$ 5,445.85
Increased by:		
Cash Receipts	D-5	<u>4,117.85</u>
		9,563.70
Decreased by:		
Cash Disbursements	D-5	<u>558.75</u>
Balance, June 30, 2010	D	\$ <u>9,004.95</u>

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

WATER UTILITY OPERATING FUND  
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES

	<u>Ref.</u>	
Balance, June 30, 2009	D	\$ 1,904.11
Increased by:		
Budget Appropriations	D-4	<u>11,173.36</u> 13,077.47
Decreased by:		
Interest Paid	D-5	<u>11,828.87</u>
Balance, June 30, 2010	D	\$ <u><u>1,248.60</u></u>

Analysis of Accrued Interest June 30, 2010

	<u>Principal Outstanding June 30, 2010</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Serial Bonds:						
\$ 188,000.00	Various	06-01-10	06-30-10	30 Days	\$ 755.94	
Bond Anticipation Notes:						
130,000.00	.85%	01-21-10	06-30-10	161 Days	<u>492.66</u>	
					\$ <u><u>1,248.60</u></u>	

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

WATER - SEWER UTILITY OPERATING FUND  
SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2009	D	\$ 71,461.00
Increased by:		
Cash Receipts	D-5	<u>49.65</u>
		71,510.65
Decreased by:		
Canceled to Operations	D-1	<u>20,413.35</u>
Balance, June 30, 2010	D	<u>\$ 51,097.30</u>

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

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance, June 30, 2009 and 2010	D	\$ <u>741,522.31</u>
Springs and Wells		\$ 40,716.85
Distribution Mains and Accessories		153,471.61
General Equipment		62,579.40
Sewerage Treatment Plant and Lines		278,088.19
Reconstruction of Sewer Lift Station		75,000.00
Construction of Back Wash		116,666.26
Repair to Pumping Station		<u>15,000.00</u>
		\$ <u>741,522.31</u>



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

WATER - SEWER UTILITY CAPITAL FUND  
 SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Date	<u>Ordinance</u> Amount	Balance June 30, 2009 and June 30, 2010
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	06-07-06/ 08-15-07	\$ 650,000.00 100,000.00	\$ 750,000.00
				<u>\$ 750,000.00</u>
		<u>Ref.</u>		D

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

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, June 30 2009, and 2010	D	\$ <u>6,750.00</u>

SCHEDULE OF RESERVE FOR DOWN PAYMENTS ON CAPITAL IMPROVEMENTS

	<u>Ref.</u>	
Balance, June 30 2009, and 2010	D	\$ <u>100.00</u>

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance, June 30 2009, and 2010	D	\$ <u>741,522.31</u>

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

WATER - SEWER UTILITY CAPITAL FUND  
 SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

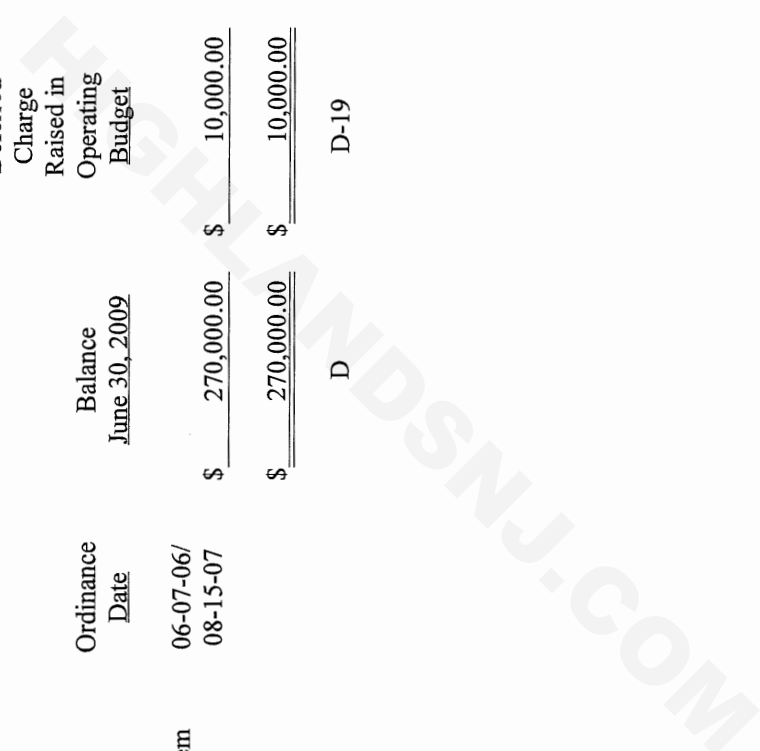
Ordinance Number	Improvement Description	Ordinance Date	Balance June 30, 2009	Deferred Charge Raised in Operating Budget	Serial Bonds Paid from Operating Budget	Balance June 30, 2010
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	06-07-06/ 08-15-07	\$ 270,000.00	\$ 10,000.00	\$ 7,000.00	\$ 287,000.00
			\$ 270,000.00	\$ 10,000.00	\$ 7,000.00	\$ 287,000.00

D

D-19

D-20

D



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

WATER - SEWER UTILITY CAPITAL FUND  
 SCHEDULE OF WATER - SEWER UTILITY BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2009	Decreased	Balance June 30, 2010
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	11-08-07	01-21-10	01-20-11	.85%	\$ 140,000.00	\$ 10,000.00	\$ 130,000.00
					Ref.	\$ 140,000.00	\$ 10,000.00	\$ 130,000.00
							D-18	D

**BOROUGH OF HIGHLANDS**

COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND  
 SCHEDULE OF WATER - SEWER UTILITY SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010	Interest Rate	Balance June 30, 2009	Paid by		
						Budget	Appropriation	
					Balance June 30, 2010			
Rehabilitation of Sanitary Sewer System	12-01-08	\$ 195,000.00	\$ 7,000.00	4.000%				
	12-01-11		7,000.00	4.000%				
	12-01-12		7,000.00	5.000%				
	12-01-13		7,000.00	5.000%				
	12-01-14		8,000.00	5.000%				
	12-01-15		8,000.00	5.000%				
	12-01-16		8,000.00	4.000%				
	12-01-17		9,000.00	4.000%				
	12-01-18		9,000.00	5.250%				
	12-01-19		10,000.00	4.500%				
	12-01-20		10,000.00	4.500%				
	12-01-21		10,000.00	5.000%				
	12-01-22		11,000.00	5.250%				
	12-01-23		11,000.00	5.000%				
	12-01-24		12,000.00	5.125%				
	12-01-25		13,000.00	5.125%				
	12-01-26		13,000.00	5.000%				
	12-01-27		14,000.00	5.000%				
	12-01-28			14,000.00	5.000%			
						\$ 195,000.00	\$ 7,000.00	\$ 188,000.00
					\$ 195,000.00	\$ 7,000.00	\$ 188,000.00	

Ref. D D-18 D

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

WATER - SEWER UTILITY CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Number</u>	<u>Ordinance</u> <u>Improvement Description</u>	<u>Ordinance</u> <u>Date</u>	<u>Amount</u>	Balance June 30, 2009 and June 30, 2010 <u>Unfunded</u>
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	06-07-06/ 08-15-07	\$ 650,000.00 100,000.00	\$ <u>149,206.05</u>
				\$ <u>149,206.05</u>
			<u>Ref.</u>	D

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

WATER - SEWER UTILITY CAPITAL FUND  
 SCHEDULE OF BONDS AND NOTES AUTHORIZED  
 BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance June 30, 2009 and June 30, 2010
06-06/07-15	Rehabilitation of Sanitary Sewer System	\$ <u>145,000.00</u>
		\$ <u>145,000.00</u>
		<u>Ref.</u> (Footnote D)

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

GENERAL FIXED ASSET ACCOUNT GROUP  
SCHEDULE OF INVESTMENTS IN GENERAL FIXED ASSETS

	Balance <u>June 30, 2009</u>	<u>Additions</u>	Balance <u>June 30, 2010</u>
General Fixed Assets:			
Land	\$ 1,097,800.00		\$ 1,097,800.00
Buildings and Improvements	5,772,197.90		5,772,197.90
Machinery and Equipment	<u>2,328,290.37</u>	\$ <u>94,504.10</u>	<u>2,422,794.47</u>
	<u>\$ 9,198,288.27</u>	<u>\$ 94,504.10</u>	<u>\$ 9,292,792.37</u>
<u>Ref.</u>	E		E

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**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH**  
**SUPPLEMENTARY DATA**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION (Excludes Business Improvement District)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	<u>\$2.823</u>	<u>\$2.802</u>	<u>\$2.703</u>
Apportionment of Tax Rate			
Municipal	1.068	1.052	.974
County	.403	.387	.379
Local School	.562	.569	.594
Regional High School	.785	.789	.756
Municipal Open Space	.005	.005	-
Assessed Valuation			
2010	\$542,463,736.00		
2009		\$543,554,533.00	
2008			\$542,093,646.00

**COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2010	\$15,274,674.69	\$14,735,722.33	96.47%
2009	15,233,056.50	14,745,583.61	96.79%
2008	14,577,341.26	14,068,224.70	96.50%

**DELINQUENT TAXES AND TAX TITLE LIENS**

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

<u>Year Ended June 30</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	\$29,041.04	\$457,260.37	\$486,301.41	3.18%
2009	25,952.76	468,505.21	494,457.97	3.25%
2008	22,890.68	473,468.27	496,358.95	3.41%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on June 30, on the basis of the last assessed valuation of such properties in the year of acquisition, is summarized as follows:

<u>Year</u>	<u>Amount</u>
2010	\$215,100.00
2009	215,100.00
2008	215,100.00

**COMPARISON OF WATER-SEWER UTILITY RENTS LEVIED**

<u>Year</u>	<u>Levy</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
2010	\$1,241,502.10	\$ 142,676.64	\$1,211,097.66
2009	1,172,690.82	105,781.29	1,135,795.47
2008	1,171,972.40	105,949.97	1,171,737.34

**COMPARATIVE SCHEDULE OF FUND BALANCES**

<u>Year</u>	<u>Balance June 30</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u>		
2010	\$ 998,190.32	\$ 980,000.00*
2009	1,285,317.97	1,240,000.00
2008	1,402,430.84	1,278,000.00
2007	1,653,861.58	1,278,000.00
2006	1,488,553.83	1,278,000.00
<u>Water-Sewer Utility Fund</u>		
2010	\$200,063.66	\$ 200,060.00*
2009	464,855.08	465,770.00
2008	641,593.09	503,136.00
2007	598,044.97	400,000.00
2006	717,854.80	413,000.00

\* Introduced budget.

**SUMMARY OF MUNICIPAL DEBT (Excluding  
Current and Operating Debt and Type 1 School Debt)**

	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$5,329,950.00	\$4,663,300.00	\$4,459,863.00
Water-Sewer Utility:			
Bonds and Notes	<u>318,000.00</u>	<u>335,000.00</u>	<u>500,000.00</u>
Total Issued	5,647,950.00	4,998,300.00	4,959,863.00
Less:			
Reserve for Debt Service	<u>-</u>	<u>-</u>	<u>15,187.34</u>
	<u>-</u>	<u>-</u>	<u>15,187.34</u>
Net Debt Issued	<u>5,647,950.00</u>	<u>4,998,300.00</u>	<u>4,944,675.66</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	950,894.00	1,286,779.00	634,694.00
Water-Sewer Utility			
Bonds and Notes	<u>145,000.00</u>	<u>145,000.00</u>	<u>-</u>
Total Authorized but Not Issued	<u>1,095,894.00</u>	<u>1,431,779.00</u>	<u>634,694.00</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$6,743,844.00</u>	<u>\$6,430,079.00</u>	<u>\$5,579,369.66</u>

**SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT**

The summarization statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 0.78%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School	\$4,253,746.23	\$4,253,746.23	\$ -
Local School District	42,362.39	42,362.39	-
General Debt	6,280,844.00	-	6,280,844.00
Water-Sewer Utility	<u>463,000.00</u>	<u>463,000.00</u>	<u>-</u>
	<u>\$11,039,952.62</u>	<u>\$4,759,108.62</u>	<u>\$6,280,844.00</u>

Net Debt \$6,280,844.00 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended  
\$807,705,663.00 equals 0.78%

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

3 1/2% of Equalized Valuation Basis	\$28,269,698.21
Net Debt	<u>6,280,844.00</u>
Remaining Borrowing Power	<u>\$21,988,854.21</u>

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

Cash Receipts from Fees, Rents or Other Charges for the Year		\$1,704,197.52
Deductions:		
Operating and Maintenance Cost	\$1,541,135.00	
Debt Service	<u>18,173.36</u>	
		<u>1,559,308.36</u>
Excess in Revenues		<u>\$ 144,889.16</u>

The annual debt statement as filed by the Chief Financial Officer is correct.

\*\*\*\*\*

**BOROUGH OF HIGHLANDS  
OFFICIALS IN OFFICE AND SURETY BONDS**

The following officials were in office during the period under review:

<b><u>Name</u></b>	<b><u>Position</u></b>
Anna Little	Mayor
Frank Nolan	Council President
Chris Francy	Council Member
Rebecca Kane	Council Member
Richard O'Neil	Council Member
Carolyn Cummins	Municipal Clerk
Patrick J. DeBlasio	Tax Collector
Stephen Pfeffer	Chief Financial Officer
Peter Locascio	Judge
Blanche Reed	Court Administrator

All employees are covered by a public employee dishonesty bond in the amount of \$50,000.00 by the Monmouth Joint Insurance Fund.

There is a blanket bond for secondary coverage with the Municipal Excess Liability Joint Insurance Fund in the amount of \$950,000.00 for public employees. This bond is subject to deductibles based upon other required coverage.

**BOROUGH OF HIGHLANDS**  
**COUNTY OF MONMOUTH**  
**PART II**  
**COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

## GENERAL COMMENTS

### Contracts and Agreements Required To Be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states “Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law”.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the Borough Counsel’s opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Plumbing Repair and Maintenance	Event Management
Electrical Repair and Maintenance	Gasoline and Diesel Fuel
Rehabilitation of Valley Avenue	Shore Drive Imhoff Tank Project
Drainage Pipe	Electrical Service Modifications

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

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

Our examination of expenditures did not reveal any individual payments in excess of the bid threshold “for the provision or performance of any goods or services” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of N.J.S. 40A:11-6.

### Purchases, Contracts or Agreements Not Required to be Advertised by N.J.S. 40A:11-6.1

N.J.S. 40A:11-6.1 states, “For all contracts that in the aggregate are less than the bid threshold but exceed 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L. 1971, c. 198 (C.40A:11-5), except for paragraph (a) of that subsection concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered.”



**GENERAL COMMENTS (continued)**

**Collection of Interest on Delinquent Tax, Assessments and Sewer Charges**

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes and assessments on or before the date when they would become delinquent.

The Governing Body adopted the following resolution authorizing interest to be charged on delinquent taxes, water-sewer rents, and assessments:

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Council of the Borough of Highlands, Monmouth County, New Jersey as follows:

- i. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date; and 18% per annum on any amount in excess of \$1,500.00 becoming delinquent after due date; and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond June 30<sup>th</sup>, an additional penalty of 6% shall be charged against the delinquency.
2. There will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph 2 of this resolution shall be charged interest from the due date as set forth in paragraph 1 of this resolution; and

It appears, from an examination of the Tax Collector and Water-Sewer Utility Collector's records, that interest was generally collected in accordance with the foregoing resolution and statutes.

**Delinquent Taxes, Tax Title Liens and Delinquent Sewer Rents**

The detail of all unpaid taxes for 2010 and prior years tax title liens and sewer rents is being properly carried in the Tax Collector's records. An abstract taken from these records as of June 30, 2010, covering all unpaid charges on that date, was verified with the accounting control figures shown in this report.

The last tax sale was held on May 17, 2010 and it was complete.

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

The following comparison is made of the number of tax title liens receivable on June 30<sup>th</sup> of the last three (3) years.

<u>Year</u>	<u>Number of Liens</u>
2010	5
2009	5
2008	5

## **GENERAL COMMENTS (continued)**

### **Delinquent Taxes, Tax Title Liens and Delinquent Sewer Rents (continued)**

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis. Certain liens have been in existence for greater than two years.

### **Verification of Delinquent Taxes and Other Charges**

Verification of delinquent charges and current payments was done for the period under audit in accordance with the regulations of the Division of Local Government Services, as of June 30, 2010 and consisted of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>	<u>Number Returned</u>
Dates of Payments of Taxes	25	6
Delinquent Taxes	24	5
Dates of Payment of Sewer Utility Charges	25	9
Delinquent Sewer Utility Charges	27	5

Through examination of those notices that were returned, and by alternative procedures for notices unreturned, no irregularities were noted.

## **OTHER COMMENTS**

### **Cash Balances**

The cash balances in all funds were verified by independent certifications obtained from the depositories as of June 30, 2010.

Cash counts were made at various dates in all departments of the Borough and bank balances were independently reconciled to the book records or to such schedules of receipts and disbursements provided for audit.

The change funds and petty cash funds were counted.

### **Revenues**

Receipts from licenses, fees, fines and costs, etc., for all departments, including the Municipal Court, were checked to the records maintained to the extent deemed necessary.

## OTHER COMMENTS (continued)

### Expenditures

The vouchers for all funds were examined to the extent deemed necessary to determine that they carry the properly executed certifications as required by statute.

### Payroll

An examination was made of the employees' compensation records for the year 2010 to determine that salaries were paid in conformity with the amounts of salaries and wages authorized by ordinance. Vouchers for overtime and part-time wages were checked.

**Comment:** With the exception of the Police Department the last salary ordinance approved by the Borough Council was in FY 2004. Since that time only percentage increases have been authorized.

**Recommendation:** That new salary ordinances be adopted by the Borough Council each time salary increases are authorized.

### Miscellaneous Comments

The confirmations, sent to the Local School Board of Education and Regional High School, verified the correct school taxes payable at June 30, 2010.

### Appreciation

I desire to express my appreciation for the cooperation received from the Borough Officials and Employees and the courtesies extended during the course of the audit.

RECOMMENDATIONS

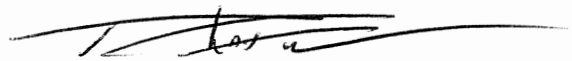
It is recommended:

10-1. That new salary ordinances be adopted by the Borough Council each time salary increases are authorized.

Of the above recommendations, number 10-01 is similar to those reported in the 2009 audit.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,



Thomas P. Fallon  
Registered Municipal Accountant # 465  
For the Firm  
FALLON & LARSEN LLP

HIGHLANDSNJ.COM