

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

**REPORT OF AUDIT
YEAR ENDED JUNE 30, 2011**

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BOROUGH OF HIGHLANDS

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, 2011

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, 2011 and 2010, 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, 2011. 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 audits 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 24.10% and 19.27% of the assets and liabilities as of June 30, 2011 and 2010, respectively, of the Borough's Trust Funds.

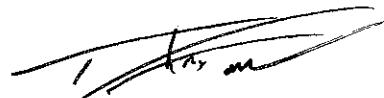
As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted 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, 2011 and 2010 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.

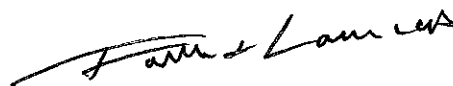
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough, as of June 30, 2011 and 2010, 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, 2011, 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 November 30, 2011 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 - regulatory basis. 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 - regulatory basis or to the financial statements - regulatory basis 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

November 30, 2011

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, 2011, and have issued our report thereon dated November 30, 2011 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

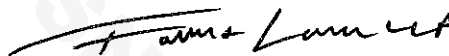
As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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

November 30, 2011

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

As of June 30,

ASSETS	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	A-4	\$ 1,352,294.16	\$ 1,659,563.38
Cash - Change Fund	A	445.00	445.00
		<u>1,352,739.16</u>	<u>1,660,008.38</u>
Due from State of New Jersey-Ch.20, P.L. 1971	A-9	<u>40,044.09</u>	<u>43,419.09</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	457,070.49	457,260.37
Tax Title Liens Receivable	A-6	32,141.73	29,041.04
Property Acquired for Taxes	A-7	215,100.00	215,100.00
Revenue Accounts Receivable	A-8	12,447.78	11,645.06
Interfund - Animal Control Trust Fund	A-10	1,190.00	
		<u>717,950.00</u>	<u>713,046.47</u>
		<u>2,110,733.25</u>	<u>2,416,473.94</u>
Deferred Charges:			
Special Emergency Authorizations (N.J.S. 40A:4-55)	A-11	290,000.00	
		<u>2,400,733.25</u>	<u>2,416,473.94</u>
Federal and State Grant Fund:			
Cash	A-4	82,932.01	105,266.62
Grants Receivable	A-27	29,465.86	36,966.00
		<u>112,397.87</u>	<u>142,232.62</u>
Total Assets		<u>\$ 2,513,131.12</u>	<u>\$ 2,558,706.56</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,

LIABILITIES, RESERVES AND FUND BALANCE	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Appropriation Reserves	A-3/A-12	\$ 289,708.28	\$ 283,241.23
Reserve for Encumbrances	A-13	148,669.34	200,957.64
Accounts Payable	A-14	83,310.82	55,181.86
Prepaid Taxes	A-16	27,549.11	40,771.56
Tax Overpayments	A-15	112,008.22	97,529.84
Regional High School Tax Payable	A-17	0.02	0.02
Business Improvement Tax Payable	A-20	555.00	555.00
Municipal Open Space Tax Payable	A-21		27,000.00
Due to State of New Jersey - Marriage License	A-22	250.00	
Due to State of New Jersey - DCA Training Fees	A-23	629.00	
Reserve for Revaluation	A-24	30,000.00	
Special Emergency Note Payable	A-26	290,000.00	
		<u>982,679.79</u>	<u>705,237.15</u>
Reserve for Receivables and Other Assets	A	717,950.00	713,046.47
Fund Balance	A-1	<u>700,103.46</u>	<u>998,190.32</u>
		<u>2,400,733.25</u>	<u>2,416,473.94</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-28	96,640.74	121,232.63
Unappropriated Reserves	A-29	5,897.25	3,252.29
Reserve for Encumbrances	A-30	8,738.00	16,625.82
Due to State of New Jersey	A-31	1,121.88	1,121.88
		<u>112,397.87</u>	<u>142,232.62</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,513,131.12</u>	<u>\$ 2,558,706.56</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.	2011	2010
Revenue and Other Income Realized:			
Fund Balance Utilized	A-2	\$ 953,000.00	\$ 1,240,000.00
Miscellaneous Revenue Anticipated	A-2	1,061,108.87	1,204,246.03
Receipts from Delinquent Taxes	A-2	457,469.85	464,949.76
Receipts from Current Taxes	A-2	14,606,946.80	14,735,722.33
Non-Budget Revenues	A-2	71,314.81	32,927.68
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-12	224,940.50	251,412.03
Canceled - Tax Overpayments	A-15	39,382.41	240.72
Canceled - Accounts Payable	A-14	12,749.60	5,340.08
Prior Year Interfunds Returned			4,210.92
DCA Training Fees Canceled			146.00
BID Tax Payable Canceled			2,619.03
Void Checks	A-4	1,285.20	
Grants Appropriated Canceled	A-28	2,822.96	529.88
		<u>17,431,021.00</u>	<u>17,942,344.46</u>
Total Revenue			
Expenditures:			
Budget Appropriations Within Caps:			
Operations:			
Salaries and Wages	A-3	2,832,534.56	3,031,048.80
Other Expenses	A-3	3,308,010.69	3,035,256.20
Deferred Charges and Statutory Expenditures	A-3	615,204.00	491,126.48
Budget Appropriations Excluded from Caps:			
Operations:			
Other Expenses	A-3	216,833.59	247,231.30
Capital Improvements	A-3	26,420.00	63,105.00
Municipal Debt Service	A-3	491,211.03	542,906.96
Deferred Charges			25,426.91
		<u>7,490,213.87</u>	<u>7,436,101.65</u>
County Taxes	A-18	2,230,339.30	2,130,583.69
Local District School Tax	A-19	3,046,514.00	3,093,267.00
Regional High School Tax	A-17	4,258,512.34	4,287,786.02
Business Improvement District Tax	A-20	10,000.00	555.00
Local Municipal Open Space Tax	A-21	27,123.18	41,000.00
Grants Receivable Canceled	A-27	1,965.17	178.75
Prior Year Senior Citizen Deduction Disallowed	A-9	250.00	
Interfunds Advanced	A-10	1,190.00	
		<u>17,066,107.86</u>	<u>16,989,472.11</u>
Total Expenditures			

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>2011</u>	<u>2010</u>
Excess in Revenue		\$ 364,913.14	\$ 952,872.35
Add:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Year:			
Special Emergency Authorizations	A-11	<u>290,000.00</u>	<u> </u>
Statutory Excess to Fund Balance		654,913.14	952,872.35
Fund Balance, July 1	A	<u>998,190.32</u>	<u>1,285,317.97</u>
		1,653,103.46	2,238,190.32
Decreased by:			
Utilized as Anticipated Revenue	A-1/A-2	<u>953,000.00</u>	<u>1,240,000.00</u>
Fund Balance June 30	A	<u>\$ 700,103.46</u>	<u>\$ 998,190.32</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, 2011

	Ref.	Budget	Anticipated	Realized	Excess or (Deficit)
		\$	Special N.J.S.A. 40A:4-87	\$	
Fund Balance Anticipated	A-1	\$ 953,000.00		\$ 953,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	20,000.00		19,188.20	\$(811.80)
Other	A-8	31,000.00		32,288.00	1,288.00
Fees and Permits	A-8	85,500.00		72,721.02	(12,778.98)
Fines and Costs:					
Municipal Court	A-8	129,000.00		123,191.35	(5,808.65)
Interest and Costs on Taxes	A-8	97,000.00		102,278.63	5,278.63
Interest on Investments and Deposits	A-8	30,000.00		31,369.18	1,369.18
Cable T.V. Franchise Fees	A-8	22,000.00		23,900.70	1,900.70
Consolidated Municipal Property Tax Relief Aid	A-8	44,248.00		44,248.00	
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	A-8	310,311.00		310,311.00	
Uniform Construction Code Fees	A-8	41,000.00		38,815.00	(2,185.00)
Recycling Tonnage Grant	A-27	3,869.28		3,869.28	
Drunk Driving Enforcement Fund	A-27	4,084.37		4,084.37	
Alcohol Education and Rehabilitation Fund	A-27	1,960.65		1,960.65	
Municipal Alliance on Alcoholism and Drug Abuse	A-27	27,281.00		27,281.00	
Summer Food Program - PY	A-27	1,291.64		1,291.64	
Summer Food Program	A-27	10,275.64		10,275.64	
Body Armor Grant	A-27	1,603.86		1,603.86	
Clean Communities Program	A-27		\$ 10,036.40	10,036.40	

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, 2011

		<u>Anticipated</u>			
	<u>Ref.</u>	<u>Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Smart Growth Planning Grant - ANJEC	A-27	\$ 2,333.00		2,333.00	
Sustainable Jersey Small Grants Program	A-27	1,000.00		1,000.00	
County of Monmouth Recycling Grant	A-27	13,000.00		13,000.00	
Highlands Business Partnership Contribution	A-8	2,500.00		2,500.00	
Capital Surplus	A-8	68,000.00		68,000.00	
Employee Health Insurance Contributions	A-8	20,000.00		21,519.87	\$ 1,519.87
Lease of Borough Property	A-8	46,463.00		52,796.45	6,333.45
Housing Authority - PILOT	A-8	20,000.00		22,723.00	2,723.00
Police Off Duty Administrative Fees	A-8	4,280.00		13,712.50	9,432.50
FEMA Reimbursement	A-8	2,728.50		4,810.13	2,081.63
Total Miscellaneous Revenues	A-1	<u>\$ 1,040,729.94</u>	<u>\$ 10,036.40</u>	<u>1,061,108.87</u>	<u>10,342.53</u>
Receipts from Delinquent Taxes	A-1/A-2	435,000.00		457,469.85	22,469.85
		2,428,729.94	10,036.40	2,471,578.72	32,812.38
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	5,670,945.57		5,681,766.39	10,820.82
		8,099,675.51	10,036.40	8,153,345.11	43,633.20
Non-Budget Revenues	A-1/A-2			71,314.81	71,314.81
Total	Ref.	<u>\$ 8,099,675.51</u>	<u>\$ 10,036.40</u>	<u>\$ 8,224,659.92</u>	<u>\$ 114,948.01</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, 2011

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	A-1/A-5	\$ 14,606,946.80
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Allocated to School, County, Business Improvement District and Municipal Open Space Taxes	A-5	<u>9,534,475.48</u>
----------------------------------------------------------------------------------------------	-----	---------------------

Balance for Support of Municipal Budget Appropriations		5,072,471.32
-----------------------------------------------------------	--	--------------

Add:		
Reserve for Uncollected Taxes	A-3	<u>609,295.07</u>

Amount for Support of Municipal Budget Appropriations	A-2	\$ <u>5,681,766.39</u>
----------------------------------------------------------	-----	------------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-5	\$ <u>457,469.85</u>
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	A-2	\$ <u>457,469.85</u>
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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, 2011

Analysis of Non-Budget Revenues:

Motor Vehicle Inspection Fees		\$	1,332.00
Sale of Scrap			1,350.00
State of NJ - Senior Citizen Administration Fee			1,125.00
Prior Year Reimbursements			3,295.09
Tax Penalties			4,282.50
Copies			580.74
Fire Safety - LEA Rebate			8,576.42
Statutory Dog Excess Reserve			2,114.30
Insurance Reimbursements			2,500.00
LOSAP Surrenders			1,215.66
N.J. Housing Inspections			138.00
N.J. Hepatitis Fund			835.00
Pilot - 50 Miller Street			339.00
FEMA Reimbursement			43,039.16
Other Miscellaneous Revenue			<u>591.94</u>
	A-2	\$	<u>71,314.81</u>

Cash Receipts	A-4	\$	69,200.51
Interfund - Animal Control Trust Fund	A-10		<u>2,114.30</u>
		\$	<u>71,314.81</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, 2011

	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	\$ 91,320.00	\$	\$ 91,320.00	\$ 88,810.08	\$	2,509.92	
Other Expenses	4,800.00		4,800.00	3,538.10		1,261.90	
<u>Central Services</u>							
Salaries and Wages	25,275.00		25,275.00	24,354.12		4,454.44	\$ 920.88
Other Expenses	35,555.00		35,555.00	28,100.56			3,000.00
<u>Borough Council</u>							
Salaries and Wages	10,875.00		10,875.00	10,250.00			625.00
Other Expenses	20,425.00		20,425.00	13,325.22		2,899.78	4,200.00
<u>Borough Clerk</u>							
Salaries and Wages	65,680.00		65,680.00	60,457.45		2,222.55	3,000.00
Other Expenses	28,171.00		28,171.00	27,927.01		243.99	
<u>Financial Administration</u>							
Salaries and Wages	112,760.00		112,760.00	112,430.57		329.43	
Other Expenses	20,885.00		20,885.00	10,727.07		4,157.93	6,000.00
Audit Services	34,000.00		34,000.00	31,900.00		2,100.00	
<u>Collection of Taxes</u>							
Salaries and Wages	64,878.00		64,878.00	51,864.17		2,013.83	11,000.00
Other Expenses	10,150.00		10,150.00	8,078.35		2,071.65	
<u>Assessment of Taxes</u>							
Salaries and Wages	24,780.00		24,780.00	23,998.08		781.92	
Other Expenses	11,700.00		11,700.00	2,981.91		2,718.09	6,000.00
Revaluation			180,000.00	180,000.00			

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, 2011

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
Legal Services and Costs						
Other Expenses	\$ 226,560.00	\$ 226,560.00	\$ 132,987.01	\$	\$ 8,572.99	\$ 85,000.00
Engineering Services and Costs						
Other Expenses	110,000.00	110,000.00	72,845.43		12,154.57	25,000.00
<u>Code Enforcement</u>						
Code Enforcement Officer						
Salaries and Wages	49,200.00	49,200.00	40,599.72		2,100.28	6,500.00
Other Expenses	15,835.00	15,835.00	2,960.09		1,374.91	11,500.00
Other Expenses - Substandard Housing	20,000.00	20,000.00	13,631.75		4,068.25	2,300.00
<u>Municipal Land Use Law (N.J.S.A.55D-1)</u>						
Planning Board						
Salaries and Wages	6,000.00	6,000.00	5,500.08			499.92
Other Expenses	26,097.00	26,097.00	16,193.92		2,903.08	7,000.00
Zoning Board of Adjustment						
Salaries and Wages	6,000.00	6,000.00	5,500.08			499.92
Other Expenses	27,447.00	27,447.00	16,950.16		2,996.84	7,500.00
Affordable Housing						
Salaries and Wages	1.00	1.00				1.00
Other Expenses	1.00	1.00				1.00
<u>Insurance</u>						
General Liability	96,000.00	96,000.00	95,404.94		595.06	
Workers Compensation	157,000.00	157,000.00	154,163.38		408.31	2,428.31
Employee Group Insurance	1,119,000.00	1,098,000.00	1,058,898.78		6,101.22	33,000.00
Unemployment Insurance	30,000.00	30,000.00	30,000.00			

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, 2011

	Budget	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<u>Public Safety Functions</u>							
Fire	\$ 67,400.00	\$ 67,400.00	\$ 67,400.00	\$ 66,867.28	\$ 532.72		
Other Expenses							
Police							
Salaries and Wages	1,589,000.00	1,589,000.00	1,589,000.00	1,574,038.91	6,961.09	\$ 8,000.00	
Other Expenses	61,643.00	61,643.00	61,643.00	61,233.64	409.36		
Dispatch							
Salaries and Wages	160,510.00	160,510.00	160,510.00	145,724.81	4,785.19	10,000.00	
Other Expenses	1,500.00	1,500.00	1,500.00	364.07	1,135.93		
Municipal Court							
Salaries and Wages	84,015.00	84,015.00	84,015.00	75,354.08	1,660.92	7,000.00	
Other Expenses	12,723.00	12,723.00	12,723.00	9,687.92	1,535.08	1,500.00	
First Aid Contribution	28,000.00	28,000.00	28,000.00	20,880.76	7,119.24		
Emergency Management Services							
Salaries and Wages	3,900.00	3,900.00	3,900.00	3,649.92	250.08		
Other Expenses	17,850.00	17,850.00	19,850.00	19,503.34	346.66		
Public Defender							
Salaries and Wages	5,230.00	5,230.00	5,230.00	51,659.75	730.00	4,500.00	
Fire Hydrant Fees	58,000.00	58,000.00	58,000.00		6,340.25		
Uniform Fire Safety Act							
Salaries and Wages	30,070.00	30,070.00	30,070.00	28,753.44	316.56	1,000.00	
Other Expenses	6,330.00	6,330.00	6,330.00	3,344.38	2,985.62		
Municipal Prosecutor							
Salaries and Wages	18,026.00	18,026.00	18,026.00	15,246.00	780.00	2,000.00	
<u>Public Works Functions</u>							
Road Repair and Maintenance							
Salaries and Wages	80,780.00	80,780.00	80,780.00	77,254.30	2,025.70	1,500.00	
Other Expenses	33,100.00	33,100.00	33,100.00	28,945.70	4,154.30		

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, 2011

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
Snow Removal						
Salaries and Wages	\$ 25,000.00	\$ 25,000.00	\$ 18,926.28	\$	0.32	\$ 6,073.72
Other Expenses	68,850.00	68,850.00	68,849.68	\$		
Sanitation						
Salaries and Wages	202,330.00	202,330.00	197,842.25		1,487.75	3,000.00
Other Expenses	6,000.00	6,000.00	4,239.94		1,760.06	
Other Expenses - Contractual Services	104,000.00	104,000.00	100,400.29		3,599.71	
Mechanical Garage						
Salaries and Wages	27,090.00	27,090.00	27,058.96		31.04	
Other Expenses	29,000.00	29,000.00	28,886.45		113.55	
Public Buildings and Grounds						
Salaries and Wages	1.00	1.00				1.00
Other Expenses	99,510.00	99,510.00	77,056.28		8,453.72	14,000.00
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	10,159.50		15,640.50	
Health and Human Services						
Services of Monmouth County Regional Health Commission Contract (R.S. 40:13)	50,300.00	50,300.00	50,083.00			217.00
Environmental Commission						
Other Expenses	1,000.00	1,000.00			500.00	500.00
Dog Control						
Other Expenses	8,000.00	10,000.00	9,792.12		207.88	
Community - School Substance Abuse Program	6,000.00	6,000.00	917.00		5,083.00	
N.J. Public Employees Occupational Safety and Health Act						
Other Expenses	4,500.00	4,500.00	1,443.00		3,057.00	

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, 2011

	Budget	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<u>Park and Recreation Functions</u>							
<u>Beachfront Maintenance</u>							
Salaries and Wages	\$ 13,200.00	\$ 13,200.00	\$ 13,200.00	\$ 11,156.50	\$ 1,043.50	\$ 1,043.50	\$ 1,000.00
Other Expenses	12,950.00	12,950.00	12,950.00	10,673.34	2,276.66		
<u>Parks and Playgrounds</u>							
Other Expenses	12,450.00	12,450.00	12,450.00	6,540.79	3,409.21		2,500.00
<u>Celebration of Public Events, Anniversary or Holiday</u>							
Other Expenses	3,000.00	3,000.00	3,000.00	1,650.14	1,349.86		
<u>Community Center</u>							
Salaries and Wages	162,435.00	162,435.00	162,435.00	144,393.37	7,041.63		11,000.00
Other Expenses	23,225.00	23,225.00	23,225.00	18,638.59	4,586.41		
<u>Education Functions</u>							
<u>Expenses of Participation in Free County Library</u>							
Salaries and Wages	1.00	1.00	1.00				1.00
Other Expenses	1.00	1.00	1.00				1.00
<u>Uniform Construction Code - Appropriation Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u>							
<u>Construction Code Official</u>							
Salaries and Wages	53,600.00	53,600.00	53,600.00	51,156.05	1,143.95		1,300.00
Other Expenses	4,250.00	4,250.00	4,250.00	671.34	1,578.66		2,000.00

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, 2011

	Appropriated	Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
Unclassified:						
Accumulated Sick Leave	\$ 6,100.00	\$ 116,100.00	\$ 116,100.00			
Utility Expenses and Bulk Purchases						
Electricity	77,100.00	77,100.00	61,192.72	\$ 15,907.28		
Street Lighting	64,200.00	64,200.00	52,338.26	11,861.74		
Telephone	37,000.00	37,000.00	33,524.07	3,475.93		
Water	8,000.00	8,000.00	6,482.40	1,517.60		
Natural Gas	20,000.00	20,000.00	15,796.53	4,203.47		
Telecommunication Costs	24,000.00	24,000.00	19,632.14	4,367.86		
Gasoline and Diesel Fuel	60,000.00	65,000.00	59,373.75	5,626.25		
Landfill/Solid Waste Disposal Costs						
Monmouth County Reclamation Center	208,000.00	208,000.00	180,490.37	27,509.63		
Other Expenses	6,156,365.00	6,434,365.00	5,892,351.44	248,193.81		\$ 293,819.75
Total Operations Within CAPS	<u>2,911,957.00</u>	<u>2,911,957.00</u>	<u>2,794,319.22</u>	<u>38,215.34</u>		<u>79,422.44</u>
Detail:	<u>3,244,408.00</u>	<u>3,522,408.00</u>	<u>3,098,032.22</u>	<u>209,978.47</u>		<u>214,397.31</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, 2011

	Budget	Appropriated Budget After Modification	Paid or Charged	Expended	Reserved	Unexpended Balance Canceled
<u>Deferred Charges and Statutory Expenditures Within CAPS</u>						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	\$ 146,022.00	\$ 146,022.00	\$ 146,022.00			
Social Security System (O.A.S.I.)	134,865.00	134,865.00	124,543.18	\$	5,321.82	\$ 5,000.00
Police and Firemen's System of N.J.	335,817.00	335,817.00	335,817.00			
Defined Contribution Retirement Program	3,500.00	3,500.00	75.94		3,424.06	
Total Deferred Charges and Statutory Expenditures Within CAPS	620,204.00	620,204.00	606,458.12		8,745.88	5,000.00
Total Appropriations Within CAPS	<u>6,776,569.00</u>	<u>7,054,569.00</u>	<u>6,498,809.56</u>		<u>256,939.69</u>	<u>298,819.75</u>
<u>Operations Excluded from CAPS</u>						
Length of Service Awards Program	45,000.00	45,000.00	27,600.00		17,400.00	
9-1-1	13,700.00	13,700.00	13,519.75			180.25
Stormwater Management	24,000.00	24,000.00	18,400.00		5,600.00	
Recycling Tax (N.J.S.A. 13:1E-96.5):						
Other Expenses	9,500.00	9,500.00	7,516.62		1,983.38	
Atlantic Highlands - Maintenance of Motor Vehicles	31,000.00	43,000.00	35,214.79		7,785.21	

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, 2011

	Appropriated	Budget After	Paid or	Expended	Unexpended
	Budget	Modification	Charged	Reserved	Balance
					Canceled
Public and Private Programs Offset by Revenues					
Summer Food Service for Children - PY	\$ 1,291.64	\$ 1,291.64	\$ 1,291.64		
Summer Food Service for Children	10,275.64	10,275.64	10,275.64		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	27,281.00	27,281.00	27,281.00		
Municipal Share	3,411.00	3,411.00	3,411.00		
Drunk Driving Enforcement Fund	4,084.37	4,084.37	4,084.37		
Clean Communities Grant		10,036.40	10,036.40		
Body Armor Grant	1,603.86	1,603.86	1,603.86		
Matching Funds for Grants	1,000.00	1,000.00			\$ 1,000.00
Municipal Court Alcohol Education and					
Rehabilitation Fund	1,960.65	1,960.65	1,960.65		
Recycling Tonnage Grant	3,869.28	3,869.28	3,869.28		
County of Monmouth Recycling Grant	13,000.00	13,000.00	13,000.00		
Sustainable Jersey Small Grants Program	1,000.00	1,000.00	1,000.00		
Smart Growth Planning Grant:					
State Share (ANJEC)	2,333.00	2,333.00	2,333.00		
Municipal Share	1,667.00	1,667.00	1,667.00		
Total Operations - Excluded from CAPS	<u>195,977.44</u>	<u>218,013.84</u>	<u>184,065.00</u>	<u>\$ 32,768.59</u>	<u>1,180.25</u>
Detail:					
Other Expenses	<u>195,977.44</u>	<u>218,013.84</u>	<u>184,065.00</u>	<u>32,768.59</u>	<u>1,180.25</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, 2011

	Appropriated	Budget After Modification	Paid or Charged	Expended	Unexpended Balance Canceled
	Budget		Reserved		
Capital Improvements Excluded from CAPS					
Capital Improvement Fund	\$ 26,420.00	\$ 26,420.00	\$ 26,420.00		
Total Capital Improvements - Excluded from CAPS	26,420.00	26,420.00	26,420.00		
Municipal Debt Service Excluded from CAPS					
Payment of Bond Principal	206,000.00	206,000.00	206,000.00		
Interest on Bonds	167,575.00	167,575.00	167,527.06		\$ 47.94
Interest on Notes	14,685.00	14,685.00	14,670.86		14.14
Capital Lease Obligations Approved Prior to 7/1/2007					
Principal	95,404.00	95,404.00	95,403.69		0.31
Interest	7,750.00	7,750.00	7,609.42		140.58
Total Municipal Debt Service Excluded from CAPS	491,414.00	491,414.00	491,211.03		202.97
Total General Appropriations Excluded from CAPS	713,811.44	735,847.84	701,696.03	\$ 32,768.59	1,383.22
Subtotal General Appropriations	7,490,380.44	7,790,416.84	7,200,505.59	289,708.28	300,202.97
Reserve for Uncollected Taxes	609,295.07	609,295.07	609,295.07		
Total General Appropriations	\$ 8,099,675.51	\$ 8,399,711.91	\$ 7,809,800.66	\$ 289,708.28	\$ 300,202.97

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, 2011

	Ref.	Budget After Modification
Budget	A-2	\$ 8,099,675.51
Added by N.J.S. 40A:4-87	A-2	10,036.40
Added by N.J.S. 40A:4-55	A-11	<u>290,000.00</u>
	A-3	<u>\$ 8,399,711.91</u>
		Paid or Charged
Disbursements	A-4	\$ 6,790,022.41
Reserve for Encumbrances	A-13	148,669.34
Reserve for Revaluation	A-24	180,000.00
Appropriated Reserves for Federal and State Grants	A-28	81,813.84
Reserve for Uncollected Taxes	A-2	<u>609,295.07</u>
	A-3	<u>\$ 7,809,800.66</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,

ASSETS	Ref.	2011	2010
Animal Control Trust Fund:			
Cash	B-1	\$ 11,479.22	\$ 7,379.85
Change Fund		40.00	40.00
		<u>11,519.22</u>	<u>7,419.85</u>
Trust Other Fund:			
Cash	B-1	<u>470,911.61</u>	<u>525,987.78</u>
		470,911.61	525,987.78
Open Space Trust Fund:			
Cash	B-1	68,428.29	14,026.91
Interfund - Current Fund	B-1		27,000.00
		<u>68,428.29</u>	<u>41,026.91</u>
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Investments	B-7	<u>174,915.74</u>	<u>137,163.46</u>
		<u>\$ 725,774.86</u>	<u>\$ 711,598.00</u>
LIABILITIES AND RESERVES			
Animal Control Trust Fund:			
Reserve for Animal Control Expenditures	B-2	\$ 10,317.22	\$ 7,419.85
Due to State of New Jersey	B-3	12.00	
Interfund - Current Fund	B-4	1,190.00	
		<u>11,519.22</u>	<u>7,419.85</u>
Trust Other Fund:			
Various Reserves	B-5	<u>470,911.61</u>	<u>525,987.78</u>
		470,911.61	525,987.78
Open Space Trust Fund:			
Reserve for Open Space	B-6	<u>68,428.29</u>	<u>41,026.91</u>
		68,428.29	41,026.91
Length of Service Award Program Fund ("LOSAP") - Unaudited:			
Reserve for Length of Service Award Program	B-8	<u>174,915.74</u>	<u>137,163.46</u>
		<u>\$ 725,774.86</u>	<u>\$ 711,598.00</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,

ASSETS	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	C-2	\$ 840,886.32	\$ 1,450,325.36
N.J. Department of Transportation Grants Receivable	C-6	1,687,676.87	259,500.00
Community Development Block Grant Receivable	C-7	223,603.00	185,200.00
Monmouth County Open Space Grant Receivable	C-8		58,000.00
Deferred Charges to Future Taxation:			
Funded	C-4	4,190,000.00	3,636,000.00
Unfunded	C-5	<u>1,476,310.00</u>	<u>2,644,844.00</u>
		<u>\$ 8,418,476.19</u>	<u>\$ 8,233,869.36</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 4,190,000.00	\$ 3,636,000.00
Bond Anticipation Notes	C-11	1,018,775.00	1,693,950.00
Improvement Authorizations:			
Funded	C-12	1,712,799.36	342,276.47
Unfunded	C-12	1,057,272.05	1,883,165.05
Reserve for Encumbrances	C-13	252,892.98	500,204.46
Interfund - Water Operating Fund	C-13	5,086.95	
Accounts Payable	C-16	3,597.75	2,315.25
Capital Improvement Fund	C-14	55,310.05	79,027.05
Miscellaneous Reserves	C-15	57,378.54	95,181.51
Fund Balance	C-1	<u>65,363.51</u>	<u>1,749.57</u>
		<u>\$ 8,418,476.19</u>	<u>\$ 8,233,869.36</u>

There were bonds and notes authorized but not issued on June 30, 2011 of \$457,535.00
(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, 2010	C	\$	1,749.57
Inreased by:			
Funded Improvement Authorizations Canceled	C-12	\$	106,527.84
Premium on Sale of Bonds	C-2		25,036.10
Premium on Sale of Notes	C-2		<u>50.00</u>
			<u>131,613.94</u>
			133,363.51
Decreased by:			
Anticipated as Revenue in Current Fund Budget	C-2		<u>68,000.00</u>
Balance, June 30, 2011	C	\$	<u><u>65,363.51</u></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,

ASSETS	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Operating Fund</u>			
Cash	D-5	\$ 339,914.57	\$ 327,189.58
Change Fund		100.00	100.00
Interfund - General Capital Fund	D-5	<u>5,086.95</u>	<u> </u>
		<u>345,101.52</u>	<u>327,289.58</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	<u>238,776.68</u>	<u>173,081.08</u>
Total Operating Fund		<u>583,878.20</u>	<u>500,370.66</u>
<u>Capital Fund</u>			
Cash	D-5	16,234.44	11,378.41
Fixed Capital	D-13	1,349,459.48	741,522.31
Fixed Capital Authorized and Uncompleted	D-14	<u> </u>	<u>750,000.00</u>
Total Capital Fund		<u>1,365,693.92</u>	<u>1,502,900.72</u>
Total Assets		<u>\$ 1,949,572.12</u>	<u>\$ 2,003,271.38</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,

LIABILITIES, RESERVES AND FUND BALANCE	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Operating Fund</u>			
Appropriation Reserves	D-4/D-8	\$ 35,669.34	\$ 25,618.77
Reserve for Encumbrances	D-9	32,099.50	40,256.30
Customer Overpayments	D-10	8,253.80	9,004.95
Accrued Interest on Bonds and Notes	D-11	2,993.87	1,248.60
Accounts Payable	D-12	<u>51,601.37</u>	<u>51,097.30</u>
		130,617.88	127,225.92
Reserve for Receivables and Other Assets	D	238,776.68	173,081.08
Fund Balance	D-1	<u>214,483.64</u>	<u>200,063.66</u>
Total Operating Fund		<u>583,878.20</u>	<u>500,370.66</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	1,038,459.48	741,522.31
Deferred Reserve for Amortization	D-18		287,000.00
Bond Anticipation Notes Payable	D-19		130,000.00
Serial Bonds Payable	D-20	311,000.00	188,000.00
Improvement Authorizations:			
Unfunded	D-21		149,206.05
Fund Balance	D-2	<u>9,384.44</u>	<u>322.36</u>
Total Capital Fund		<u>1,365,693.92</u>	<u>1,502,900.72</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,949,572.12</u>	<u>\$ 2,003,271.38</u>

There were no bonds and notes authorized but not issued on June 30, 2011
(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,

	Ref.	2011	2010
Revenue and Other Income Realized:			
Fund Balance Utilized	D-3	\$ 200,060.00	\$ 465,770.00
Sewer Rents	D-3	1,496,547.79	1,211,097.66
Reserve for Accrued Interest on Bonds			
Other Credits to Income:			
Non-Budget Revenues	D-3	26,604.37	27,329.86
Unexpended Balance of Appropriation Reserves	D-8	23,804.78	35,676.07
Accounts Payable Canceled		<u> </u>	<u>20,413.35</u>
Total Revenue		<u>1,747,016.94</u>	<u>1,760,286.94</u>
Expenditures:			
Operating	D-4	1,484,165.00	1,504,720.00
Capital Improvements			
Debt Service	D-4	18,830.96	18,173.36
Deferred Charges and Statutory Expenditures	D-4	<u>29,541.00</u>	<u>36,415.00</u>
Total Expenditures		<u>1,532,536.96</u>	<u>1,559,308.36</u>
Statutory Excess to Fund Balance		214,479.98	200,978.58
Fund Balance July 1	D	<u>200,063.66</u>	<u>464,855.08</u>
		414,543.64	665,833.66
Decreased by:			
Utilization as Anticipated Revenue	D-1/D-3	<u>200,060.00</u>	<u>465,770.00</u>
Fund Balance June 30	D	<u>\$ 214,483.64</u>	<u>\$ 200,063.66</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, 2010	D	\$ 322.36
Increased by:		
Premium on Sale of Bonds	D-5	<u>9,062.08</u>
Balance, June 30, 2011	D	<u>\$ 9,384.44</u>

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, 2011

	Appropriated	Expended	Unexpended
	Budget	Paid or Charged	Balance Canceled
	Budget	Budget After Modification	Reserved
Operating:			
Salaries and Wages	\$ 152,690.00	\$ 145,351.97	\$ 2,338.03
Other Expenses	1,302,139.00	1,212,435.57	29,703.43
Group Insurance	54,000.00	41,700.24	2,082.76
Workers Compensation Insurance	40,000.00	30,393.13	500.87
Other Insurances	40,000.00	19,158.97	500.03
Debt Service:			
Payment of Bond Principal	7,000.00	7,000.00	
Interest on Bonds	15,200.00	11,169.19	4,030.81
Interest on Notes	8,035.00	661.77	7,373.23
Deferred Charges:			
Deferred Charge to Future Revenue:			
Ordinance 06-06 Rehabilitation of Sanitary Sewer System	10,000.00		10,000.00
Statutory Expenditures:			
Contribution to:			
Public Employees Retirement System	16,992.00	16,656.00	336.00
Social Security System (O.A.S.I.)	11,685.00	11,140.78	544.22
Unemployment Compensation Insurance	1,200.00	1,200.00	
	<u>\$ 1,658,941.00</u>	<u>\$ 1,496,867.62</u>	<u>\$ 126,404.04</u>
	Ref.	D-1	D/D-1
	D-3	D-3	
Analysis of Paid or Charged:			
Cash Disbursements		\$ 1,452,937.16	
Accrued Interest on Bonds and Notes		11,830.96	
Reserve for Encumbrances		<u>32,099.50</u>	
		<u>\$ 1,496,867.62</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>2011</u>	<u>2010</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>2,649,689.47</u>	<u>2,422,794.47</u>
		<u>\$ 9,519,687.37</u>	<u>\$ 9,292,792.37</u>
Investments in General Fixed Assets		<u>\$ 9,519,687.37</u>	<u>\$ 9,292,792.37</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,

	Ref.	2011	2010
ASSETS			
Cash		\$ <u>8,754.12</u>	\$ <u>11,164.22</u>
LIABILITIES			
Payroll Liabilities		\$ <u>8,754.12</u>	\$ <u>11,164.22</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, 2011

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, 2011

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, 2011

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, 2011 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, 2011

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, 2011**

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, 2011**

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, 2011, the Borough's deposits had a carrying amount of \$3,192,419.74 and a bank balance of \$3,429,396.80. Of the bank balance \$336,688.94 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, 2011, the Borough's bank balance was not exposed to custodial credit risk.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

As of June 30, 2011, the Borough had the following investments:

	<u>Book Value</u>	<u>Fair Value</u>
LOSAP	\$174,915.74	\$174,915.74

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, 2011, the Borough of Highlands had authorized but not issued bonds and notes as follows:

General Capital Fund:	
Bonds and Notes	\$ 457,535.00
Water-Sewer Utility Capital Fund:	
Bonds and Notes	-

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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, 2011 the Borough's long-term debt is summarized as follows:

General Obligation Bonds

\$498,000.00 2003 Bonds due in annual installments ranging from \$53,000.00 to \$57,000.00 through December, 2013, interest rates ranging from 3.25% to 4.00%.	\$ 165,000.00
\$474,000.00 2006 Bonds due in annual installments ranging from \$46,000.00 to \$57,000.00 through December, 2016, interest rates ranging from 4.00% to 5.00%.	307,000.00
\$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%.	2,958,000.00
\$760,000.00 2011 Bonds due in annual installments ranging from \$65,000.00 to \$90,000.00 through January, 2021, interest rates ranging from 2.00% to 5.00%.	<u>760,000.00</u>
Total	<u>\$4,190,000.00</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 4 LONG-TERM DEBT (continued)

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% \$ 181,000.00

\$130,000.00 2011 Bonds due in annual installments ranging from \$10,000.00 to \$15,000.00 through January, 2021, interest rates ranging from 2.00% to 5.00% 130,000.00

Total \$ 311,000.00

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>	
2012	\$ 274,000.00	\$ 188,871.89	\$ 462,871.89
2013	284,000.00	179,505.01	463,505.01
2014	296,000.00	167,603.76	463,603.76
2015	247,000.00	155,963.76	402,963.76
2016	253,000.00	145,213.76	398,213.76
2017-2021	1,230,000.00	561,931.30	1,791,931.30
2022-2026	946,000.00	290,970.66	1,236,970.66
2027-2029	<u>660,000.00</u>	<u>49,500.00</u>	<u>709,500.00</u>
Total	<u>\$4,190,000.00</u>	<u>\$1,739,560.14</u>	<u>\$5,929,560.14</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 4 LONG-TERM DEBT (continued)

Water-Sewer Utility Capital Bonds (continued)

<u>Fiscal Year</u>	<u>Water-Sewer Utility Capital Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 17,000.00	\$ 13,733.45	\$ 30,733.45
2013	17,000.00	13,348.76	30,348.76
2014	17,000.00	12,698.76	29,698.76
2015	18,000.00	12,023.76	30,023.76
2016	23,000.00	11,373.76	34,373.76
2017-2021	121,000.00	41,525.05	162,525.05
2022-2026	57,000.00	17,891.92	74,891.92
2027-2029	<u>41,000.00</u>	<u>3,125.00</u>	<u>44,125.00</u>
Total	<u>\$311,000.00</u>	<u>\$125,720.46</u>	<u>\$436,720.46</u>

Changes in Long-Term Outstanding Debt

Transactions for the year ended June 30, 2011 are summarized as follows:

<u>General Capital Fund</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Serial Bonds	\$3,636,000.00	\$760,000.00	\$206,000.00	\$4,190,000.00
 <u>Water-Sewer Utility Capital Fund</u>				
Serial Bonds	<u>188,000.00</u>	<u>130,000.00</u>	<u>7,000.00</u>	<u>311,000.00</u>
Total	<u>\$3,824,000.00</u>	<u>\$890,000.00</u>	<u>\$213,000.00</u>	<u>\$4,501,000.00</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, 2011 was 0.72%. The Borough's remaining borrowing power is 2.78%.

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.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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.

On June 30, 2011, the Borough's outstanding bond anticipation notes were as follows:

<u>General Capital Fund</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Reconstruction of Highland Avenue	05-10-11	01-18-12	\$ 285,000.00	1.65%
Reconstruction of Bay Avenue	05-10-11	01-18-12	310,075.00	1.65%
Design & Permitting Various Drainage Projects	01-21-11	01-18-12	<u>423,700.00</u>	2.25%
Total			<u>\$1,018,775.00</u>	

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, 2011, the Borough's outstanding special emergency notes were as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Revaluation	05-10-11	01-18-12	\$180,000.00	1.65%
Accumulated Leave	05-10-11	01-18-12	<u>110,000.00</u>	1.65%
			<u>\$290,000.00</u>	

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 5 SHORT-TERM DEBT (continued)

Changes in Short-Term Debt

Transactions for the year ended June 30, 2011 are summarized as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<u>Current Fund</u>				
Special Emergency Notes	\$ -	\$290,000.00	\$ -	\$290,000.00
<u>General Capital Fund</u>				
Bond Anticipation Notes	1,693,950.00	595,075.00	1,270,250.00	1,018,775.00
<u>Water-Sewer Utility Capital Fund</u>				
Bond Anticipation Notes	<u>130,000.00</u>	<u>135,000.00</u>	<u>265,000.00</u>	<u>-</u>
Total	<u>\$ 1,823,950.00</u>	<u>\$ 885,075.00</u>	<u>\$ 1,400,250.00</u>	<u>\$ 1,308,775.00</u>

NOTE 6 CAPITAL LEASE PROGRAM

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

As of June 30, 2011, the Borough's capital lease obligations are as follows:

\$240,400.00 Series 2007 due in annual installments ranging from \$50,500.00 to \$52,500.00 through September 2012, coupon rate, ranging from 4.00% to 5.00%.	<u>\$103,000.00</u>
Total	<u>\$103,000.00</u>

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 103,000.00</u>	<u>\$ 4,947.50</u>	<u>\$107,947.50</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, 2011, the following deferred charges are shown on the balance sheets of the various funds:

<u>Current Fund:</u>	<u>Balance June 30, 2011</u>	<u>2012 Budget Appropriation</u>	<u>Balance to Succeeding Budget</u>
Special Emergency Authorization:			
Revaluation	\$180,000.00	\$36,000.00	\$144,000.00
Accumulated Leave	<u>110,000.00</u>	<u>22,000.00</u>	<u>88,000.00</u>
	<u>\$290,000.00</u>	<u>\$58,000.00</u>	<u>\$232,000.00</u>

The appropriations in the 2012 budget are as required by statute.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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>2011</u>	<u>2010</u>
Prepaid Taxes	\$27,549.11	\$40,771.56

NOTE 10 FIXED ASSETS AND FIXED CAPITAL

Changes in fixed assets and fixed capital for the year ended June 30, 2011 were as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</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>2,422,794.47</u>	<u>246,393.00</u>	<u>19,498.00</u>	<u>2,649,689.47</u>
	<u>\$9,292,792.37</u>	<u>\$246,393.00</u>	<u>\$ 19,498.00</u>	<u>\$9,519,687.37</u>
<u>Fixed Capital -</u>				
<u>Water/Sewer Utility</u>				
Water/Sewer System	\$ <u>741,522.31</u>	<u>\$607,937.17</u>	<u>\$ -</u>	<u>\$1,349,459.48</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 1st in each year and filed with the County Board of Taxation ("Board") by January 10th 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 20th with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector ("Collector") on or before June 3rd. 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 1st, May 1st, August 1st and November 1st. The N.J. Statutes allow a grace period of 10 days for each payment period

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 11 ASSESSMENT AND COLLECTION OF PROPERTY TAXES (continued)

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.

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:

	<u>Local District School Tax</u> <u>Balance June 30,</u>		<u>Regional High School Tax</u> <u>Balance June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Balance of Tax	\$1,523,257.00	\$1,546,633.50	\$2,129,256.19	\$2,143,893.03
Deferred	<u>1,523,257.00</u>	<u>1,546,633.50</u>	<u>2,129,256.17</u>	<u>2,143,893.01</u>
Taxes Payable	\$ <u> -</u>	\$ <u> -</u>	\$ <u> .02</u>	\$ <u> .02</u>

NOTE 13 FUND BALANCES APPROPRIATED

Fund balances at June 30, 2011 which were appropriated and included as anticipated revenue in the 2012 municipal budget, as introduced, for the year ending June 30, 2012 were as follows:

Current Fund:	
Fund Balance	\$ 651,000.00
Water-Sewer Utility Fund:	
Fund Balance	214,000.00

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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.

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>
2009	\$113,855.00	\$232,861.00
2010	135,631.00	264,249.00
2011	162,678.00	335,817.00

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. Prior to February 2011, the Borough administered a single-employer defined benefit healthcare plan. The plan provided postemployment healthcare benefits through the Borough's group health insurance plan. Effective February 2011, the Borough joined the New Jersey State Health Benefits Program.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS (continued)

Plan Description

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2011, the Borough authorized participation in the SHBP's post-employment benefit program through resolution number 10-212. To receive lifetime health benefits paid for by the Borough, an employee must meet the following criteria (unless otherwise expressly provided by Collective Bargaining Agreements, personal service contract, or by law):

1. The employee has twenty-five (25) years or more of service credit in a state or locally administered retirement system and a period of service of at least twenty-five (25) years with the Borough of Highlands at the time of retirement; or
2. The employee is sixty-five (65) years or older with twenty-five (25) years or more of service credit in a state or locally administered retirement system and a period of service of at least fifteen (15) years with the Borough at the time of retirement; or
3. The employee is sixty-five (65) years or older with at least twenty (20) years of service with the Borough; and
4. The employee was eligible for employee medical coverage during the last five years of their employment with the Borough; and
5. The employee retires from an employment position with the Borough of Highlands under a Service Retirement as defined by the Public Employee's Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS") or under the express terms of any Collective Bargaining Agreement or personal services agreement.

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

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 15 POST EMPLOYMENT RETIREMENT BENEFITS (continued)

Funding Policy

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

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough currently contributes on a pay-as-you-go basis based upon monthly invoices from the State of New Jersey Division of Pensions. Employees are not required to contribute. Contributions to the plan and the number of former employees eligible for and participating in the post employment health care benefits program with the SHBP for the period February 2011 to June 30, 2011 was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Number of Employees</u>
2011	\$ 128,527.65	16

All contributions were equal to the required contributions.

Prior to February 2011, the Borough administered a single employer defined benefit healthcare plan. Contributions to the prior plan for the period July 2010 to February 2011 was \$251,975.79 for 18 retired employees.

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.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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.

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.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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

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

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

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

NOTE 18 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current Fund	Animal Control Trust Fund	\$1,190.00
Water/Sewer Operating Fund	General Capital Fund	<u>5,086.95</u>
		<u>\$6,276.95</u>

All balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) revenues/receipts are collected, and (3) payments between funds are made.

NOTE 19 INTERFUND TRANSFERS

<u>Transfers In:</u>	<u>Transfers Out:</u>	<u>Total</u>
Animal Control Fund	Current Fund	\$ 1,190.00
Open Space Trust Fund	Current Fund	27,000.00
General Capital Fund	Water/Sewer Operating Fund	5,086.95

BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

NOTE 19 INTERFUND TRANSFERS (continued)

The transfers were made to move funds as follows:

- a) The Animal Control Trust Fund transfer is the amount of statutory excess which is required to be turned over to the Current Fund. Revenues/receipts are collected in the current year and then turned over to the Current Fund in the subsequent year.
- b) The transfer between the Open Space Trust Fund and the Current Fund represents the return of the prior year interfund.
- c) The transfer between the General Capital Fund and the Water/Sewer Operating Fund is the result of a reclassification of expenditures for which the funds were not transferred by year end.

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 2011, 2010, and 2009.

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 \$1,111,092 at June 30, 2011. 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, 2011 was \$33,930.83.

**BOROUGH OF HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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, 2011 and 2010 totaled \$ 89,315.22 and \$112,226.25, respectively.

C. Litigation

The Borough is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, Borough Officials, based upon the opinion of the Borough's Counsel, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material adverse effect on the Borough's financial position 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.

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, 2011, the Borough estimates that no material liabilities will result from such audits.

NOTE 22 SUBSEQUENT EVENTS

During fiscal year 2012 the Borough adopted the following bond ordinance:

<u>Description</u>	<u>Total Appropriation</u>	<u>Debt Authorization</u>
Acquisition of Computers and Software	\$ 68,000.00	\$ 64,600.00

During fiscal year 2012 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, 2010	A	\$ 1,659,563.38	\$ 105,266.62
Increased by Receipts:			
State of New Jersey (Ch. 20, P.L. 1971)	A-9	\$ 56,250.00	
Taxes Receivable	A-5	14,945,995.77	
Revenue Accounts Receivable	A-8	984,373.03	
Federal and State Grants Receivable	A-27		\$ 79,018.52
Unappropriated Grant Reserves	A-29		5,897.25
Interfund - Federal and State Grant Fund	A-25		4,220.21
Interfund - Animal Control Trust Fund	A-10	924.30	
NJ DCA Training Fees	A-23	2,290.00	
Marriage License Fees	A-22	925.00	
Void Checks	A-1	1,285.20	
Non-Budget Revenues	A-2	69,200.51	
Tax Overpayments	A-15	106,874.07	
Prepaid Taxes	A-16	27,549.11	
Special Emergency Notes Payable	A-26	290,000.00	
		<u>16,485,666.99</u>	<u>89,135.98</u>
		18,145,230.37	194,402.60
Decreased by Disbursements:			
2011 Budget Appropriations	A-3	6,790,022.41	
2010 Appropriation Reserves	A-12	215,589.81	
County Taxes Payable	A-18	2,230,339.30	
Regional High School Tax	A-17	4,258,512.34	
Local District School Tax	A-19	3,046,514.00	
Business Improvement District Tax	A-20	10,000.00	
Federal/State Grant Appropriations	A-28		111,470.59
Accounts Payable	A-14	2,790.00	
Tax Overpayments Refunded	A-15	28,488.96	
Marriage License Fees	A-22	675.00	
NJ DCA Training Fees	A-23	1,661.00	
Reserve for Revaluation	A-24	150,000.00	
Municipal Open Space Tax Payable	A-21	54,123.18	
Interfund - Federal and State Grant Fund	A-25	4,220.21	
		<u>16,792,936.21</u>	<u>111,470.59</u>
Balance, June 30, 2011	A	<u>\$ 1,352,294.16</u>	<u>\$ 82,932.01</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, 2010	2011 Levy	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, 2011
			2010	2011					
FY 2010	\$ 457,260.37		\$ 454,581.40	\$ (250.00)	\$ 2,888.45	\$ 40.52			
	457,260.37		454,581.40	(250.00)	2,888.45	40.52			
FY 2011	\$ 457,260.37	\$ 15,222,965.87	\$ 40,771.56	\$ 14,491,414.37	\$ 53,125.00	\$ 21,635.87	\$ 3,100.69	\$ 155,847.89	\$ 457,070.49
	\$ 457,260.37	\$ 15,222,965.87	\$ 40,771.56	\$ 14,945,995.77	\$ 52,875.00	\$ 24,524.32	\$ 3,100.69	\$ 155,888.41	\$ 457,070.49

Ref. A A-5 A-2/A-16 A-2/A-4 A-2/A-9 A-2/A-15 A-6 A

Analysis of FY 2011 Property Tax Levy

Tax Yield:								
General Purpose Tax					\$ 15,195,405.72			
Special District Tax					10,000.00			
Added Taxes					17,560.15			
						\$ 15,222,965.87		
Tax Levy:								
Regional High School Tax	A-5							
Local District School Tax	A-17				\$ 4,243,875.50			
County Taxes:	A-19				3,023,137.50			
County Tax	A-18		\$ 1,994,071.35					
County Open Space Tax	A-18		121,242.97					
County Library Tax	A-18		112,532.63					
Due County for Added and Omitted Taxes	A-18		2,492.35					
Total County Taxes				2,230,339.30				
Business Improvement District Tax	A-20			10,000.00				
Local Municipal Open Space Tax	A-21			27,123.18				
Local Tax for Municipal Purposes	A-2		5,670,945.57					
Add: Additional Tax Levied			17,544.82					
				5,688,490.39				
	A-5					\$ 15,222,965.87		

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 29,041.04
Increased by:		
Transfer from Taxes Receivable	A-5	<u>3,100.69</u>
Balance, June 30, 2011	A	<u>\$ 32,141.73</u>

Exhibit A-7

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance, June 30, 2010 and 2011	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, 2010	Accrued in 2011	Collected	Balance June 30, 2011
Licenses:					
Alcoholic Beverages	A-2	\$ 19,188.20	\$ 19,188.20	19,188.20	
Other	A-2		32,288.00	32,288.00	
Fees and Permits	A-2		72,721.02	72,721.02	
Municipal Court:					
Fines and Costs	A-2	\$ 11,645.06	123,994.07	123,191.35	\$ 12,447.78
Interest and Costs on Taxes	A-2		102,278.63	102,278.63	
Interest on Investments and Deposits	A-2		31,369.18	31,369.18	
Cable T.V. Franchise Fees	A-2		23,900.70	23,900.70	
Consolidated Municipal Property Tax Relief Aid	A-2		44,248.00	44,248.00	
Energy Receipts Tax (P.L. 1997, Ch 162 & 167)	A-2		310,311.00	310,311.00	
Uniform Construction Code Fees	A-2		38,815.00	38,815.00	
Highlands Business Partnership Contribution	A-2		2,500.00	2,500.00	
Capital Surplus	A-2		68,000.00	68,000.00	
Employee Health Insurance Contributions	A-2		21,519.87	21,519.87	
Lease of Borough Property	A-2		52,796.45	52,796.45	
Housing Authority - PILOT	A-2		22,723.00	22,723.00	
Police Off Duty Administrative Fees	A-2		13,712.50	13,712.50	
FEMA Reimbursement	A-2		4,810.13	4,810.13	
		\$ 11,645.06	\$ 985,175.75	\$ 984,373.03	\$ 12,447.78
	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, 2010	A	\$ 43,419.09
Increased by:		
Deductions per Tax Duplicate:		
Senior Citizens		\$ 18,625.00
Veterans		37,000.00
Senior Citizen Deductions Allowed by Collector -		
FY 2011 Taxes		500.00
Veteran's Deductions Allowed - FY 2011 Taxes		500.00
		<u>56,625.00</u>
Senior Citizen Deductions Disallowed by Collector -		
FY 2011 Taxes		3,500.00
Senior Citizen Deductions Disallowed - FY 2010 Taxes	A-1	250.00
	A-5	<u>52,875.00</u>
		96,294.09
Decreased by:		
Received from State of New Jersey	A-4	<u>56,250.00</u>
Balance, June 30, 2011	A	<u>\$ 40,044.09</u>

Exhibit A-10

SCHEDULE INTERFUND - ANIMAL CONTROL TRUST FUND

	<u>Ref.</u>	
Increased by:		
Statutory Dog Excess	A-2	\$ <u>2,114.30</u>
		2,114.30
Decreased by:		
Cash Receipts	A-4	<u>924.30</u>
Balance, June 30, 2011	A/A-1	<u>\$ 1,190.00</u>

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 CURRENT FUND
 SCHEDULE OF DEFERRED CHARGES
 SPECIAL EMERGENCY AUTHORIZATIONS

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Added in 2011</u>	<u>Balance June 30, 2011</u>
10-06-10	Revaluation	\$ 180,000.00	\$ 36,000.00	\$ 180,000.00	\$ 180,000.00
02-02-11	Accumulated Sick Leave	110,000.00	22,000.00	110,000.00	110,000.00
				<u>\$ 290,000.00</u>	<u>\$ 290,000.00</u>
			<u>Ref.</u>	A-1/A-3	A

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES

	Balance <u>June 30, 2010</u>	Reserve for <u>Encumbrances</u>	Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<u>Operations Within CAPS</u>					
General Government:					
Borough Administrator	\$ 1,077.03	\$	1,077.03		\$ 1,077.03
Other Expenses	490.64	\$ 991.74	1,482.38	1,281.40	200.98
Central Services	2,410.81	518.50	2,929.31	437.50	2,491.81
Other Expenses	2,490.03	4,549.70	7,039.73	5,598.86	1,440.87
Borough Council	491.92		491.92		491.92
Other Expenses	2,659.25	3,105.63	5,764.88	2,567.59	3,197.29
Borough Clerk	2,100.00	31,900.00	34,000.00	33,900.00	100.00
Other Expenses	368.68		368.68		368.68
Financial Administration	626.63		626.63		626.63
Salaries and Wages	701.90		701.90		701.90
Other Expenses	1,234.52		1,234.52	604.32	630.20
Collection of Taxes	4,382.97	46,401.95	48,784.92	23,350.19	25,434.73
Salaries and Wages	10,106.52	19,047.75	29,154.27	8,526.89	20,627.38
Other Expenses	776.39		776.39		776.39
Legal Services and Costs	1,626.81	1,269.21	2,896.02	1,290.20	1,605.82
Engineering Services and Costs	2,000.00		2,000.00		2,000.00
Other Expenses					
Code Enforcement Officer					
Salaries and Wages					
Other Expenses					
Other Expenses - Substandard Housing					

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES

	Balance June 30, 2010	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Municipal Land Use Law (N.J.S.A. 40A:55D-1):					
Planning Board					
Other Expenses	\$ 3,728.39	\$ 4,136.25	\$ 7,864.64	\$ 3,436.86	\$ 4,427.78
Zoning Board of Adjustment					
Other Expenses	1,909.41	1,944.00	3,853.41	998.62	2,854.79
Insurance:					
General Liability	27.58		27.58		27.58
Workers Compensation	41.80		41.80		41.80
Employee Group Insurance	4,013.69		4,013.69		4,013.69
Public Safety:					
Fire					
Other Expenses	877.69	19,488.99	22,366.68	20,360.01	2,006.67
Police					
Salaries and Wages	10,629.17		8,629.17	2,854.74	5,774.43
Other Expenses	6,576.02	13,641.75	22,217.77	16,641.09	5,576.68
Dispatch					
Salaries and Wages	3,748.50		3,748.50	640.62	3,107.88
Other Expenses	500.00		500.00		500.00
Municipal Court					
Salaries and Wages	753.56		753.56		753.56
Other Expenses	1,490.05		1,490.05	434.97	1,055.08
First Aid Organization Contribution	10,391.89	1,522.00	11,913.89	931.75	10,982.14
Emergency Management Services					
Salaries and Wages	835.08		835.08		835.08
Other Expenses	13.37	5,130.53	5,143.90	4,693.98	449.92
Fire Hydrant Fees	5,897.58		5,897.58	4,600.22	1,297.36
Uniform Fire Safety Act					
Salaries and Wages	105.00		105.00		105.00
Other Expenses	429.18	590.36	1,019.54	166.24	853.30

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES

	Balance June 30, 2010	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Municipal Prosecutor	\$ 66.00	\$	66.00		66.00
Salaries and Wages	2,292.28		2,292.28	216.00	2,076.28
Streets and Roads:	4,780.45	7,458.00	12,238.45	7,813.05	4,425.40
Road Repairs and Maintenance					
Salaries and Wages	2,312.79		2,312.79		2,312.79
Other Expenses	2,534.93		2,534.93		2,534.93
Mechanical Garage	1,688.06		1,688.06	314.16	1,373.90
Salaries and Wages	12,156.94	4,050.35	16,207.29	4,387.96	11,819.33
Other Expenses	9,668.20	17,011.81	26,680.01	16,286.77	10,393.24
Public Buildings and Grounds					
Other Expenses	250.00		250.00		250.00
Shade Tree Commission	15,181.89		15,181.89	15,181.89	
Other Expenses	250.00		250.00		250.00
Condominium Services	1,939.00	839.00	2,778.00	1,934.50	843.50
Other Expenses	1,630.00	280.00	1,910.00	222.00	1,688.00
Environmental Commission	5,082.00		5,082.00	4,328.00	754.00
Other Expenses	3,292.00		3,292.00	280.25	3,011.75
Dog Control	948.31	2,854.69	3,803.00	2,009.69	1,793.31
Other Expenses	3,857.93	3,017.13	6,875.06	3,017.13	3,857.93
N.J. Public Employees Occupational Safety and Health Act:					
Other Expenses					
Community - School Substance Abuse Program					
Beachfront Maintenance					
Salaries and Wages					
Other Expenses					
Parks and Playgrounds					
Other Expenses					

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES

	Balance June 30, 2010	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Celebration of Public Events, Anniversary and Holiday Other Expenses	\$ 2,896.34	\$ 103.66	\$ 3,000.00	\$ 103.66	\$ 2,896.34
Community Center					
Salaries and Wages	4,056.35		4,056.35	2,798.88	1,257.47
Other Expenses	3,347.58	7,552.26	10,899.84	7,733.21	3,166.63
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
Other Expenses	1,607.90	178.00	1,785.90	188.00	1,597.90
Utility Expense and Bulk Purchases					
Electricity	10,380.33		10,380.33	2,031.37	8,348.96
Street Lighting	6,458.88		6,458.88	4,837.68	1,621.20
Telephone	4,653.30		4,653.30	3,056.11	1,597.19
Water	1,333.65		1,333.65	571.64	762.01
Natural Gas	3,851.18		3,851.18	264.46	3,586.72
Telecommunication Costs	3,029.77	1,419.63	4,449.40	658.29	3,791.11
Gasoline and Diesel Fuel	6,330.40		6,330.40	1,961.23	4,369.17
Monmouth County Reclamation Center					
Other Expenses	38,236.23		38,236.23	18,133.89	20,102.34
Deferred Charges and Statutory Expenditures:					
Social Security System (O.A.S.I.)	2,414.10		2,414.10		2,414.10
Defined Contribution Retirement Program	3,462.50		3,462.50		3,462.50

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES

Operations - Excluded from CAPS

	Balance June 30, 2010	Reserve for Encumbrances	Balance After Transfers	Paid or Charged	Balance Lapsed
Length of Service Awards Program	\$ 19,700.00	\$	\$ 19,700.00	\$ 14,950.00	\$ 4,750.00
9-1-1	13,700.00		13,700.00	11,912.56	1,787.44
Stormwater Management	2,300.00	\$ 1,954.75	4,254.75		4,254.75
Recycling Tax (N.J.S.A. 13:1E-96.5):					
Other Expenses	<u>2,039.88</u>		<u>2,039.88</u>	<u>749.94</u>	<u>1,289.94</u>
	\$ 283,241.23	\$ 200,957.64	\$ 484,198.87	\$ 259,258.37	\$ 224,940.50

A

A-13

Ref.

A-1

Detail:

Cash Disbursements	\$ 215,589.81
Accounts Payable	<u>43,668.56</u>
	<u>\$ 259,258.37</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 200,957.64
Increased by:		
Current Appropriations Charged	A-3	<u>148,669.34</u>
		349,626.98
Decreased by:		
Applied to Appropriation Reserves	A-12	<u>200,957.64</u>
Balance, June 30, 2011	A	<u>\$ 148,669.34</u>

SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 55,181.86
Increased by:		
Transfer from Appropriation Reserves	A-12	<u>43,668.56</u>
		98,850.42
Decreased by:		
Cash Disbursed	A-4	\$ 2,790.00
Canceled	A-1	<u>12,749.60</u>
		<u>15,539.60</u>
Balance, June 30, 2011	A	<u>\$ 83,310.82</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 97,529.84
Increased by:		
Cash Receipts	A-4	106,874.07
		<u>204,403.91</u>
Decreased by:		
Refunded	A-4	\$ 28,488.96
Applied to Taxes Receivable	A-5	24,524.32
Canceled	A-1	<u>39,382.41</u>
		<u>92,395.69</u>
Balance, June 30, 2011	A	\$ <u><u>112,008.22</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 SCHEDULE OF PREPAID TAXES

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 40,771.56
Increased by:		
Collections, FY 2012 Taxes	A-4	<u>27,549.11</u>
		68,320.67
Decreased by:		
Applied to Taxes Receivable	A-5	<u>40,771.56</u>
Balance, June 30, 2011	A	\$ <u>27,549.11</u>

Exhibit A-17

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>		
Balance, June 30, 2010:			
School Tax Payable	A	\$ 0.02	
School Tax Deferred		<u>2,143,893.01</u>	
			\$ 2,143,893.03
Increased by:			
Levy - School Year July 1, 2010 to June 30, 2011	A-5		<u>4,243,875.50</u>
			6,387,768.53
Decreased by:			
Payments	A-4		<u>4,258,512.34</u>
Balance, June 30, 2011:			
School Tax Payable	A	0.02	
School Tax Deferred		<u>2,129,256.17</u>	
			\$ <u>2,129,256.19</u>
 <u>FY 2011 Liability for Regional High School Tax</u>			
Tax Paid	A-4		\$ 4,258,512.34
Taxes Payable June 30, 2011	A		<u>0.02</u>
			4,258,512.36
Less Taxes Payable June 30, 2010	A		<u>0.02</u>
Amount Charged to 2011 Operations	A-1		\$ <u>4,258,512.34</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	\$ 1,994,071.35
County Library Tax	A-5	112,532.63
County Open Space Tax	A-5	121,242.97
Due County for Added and Omitted Taxes	A-5	<u>2,492.35</u>
	A-1	\$ 2,230,339.30
Decreased by:		
Payments	A-4	<u>\$ 2,230,339.30</u>

Exhibit A-19

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010:		
School Tax Deferred		\$ <u>1,546,633.50</u>
		\$ 1,546,633.50
Increased by:		
Levy - School Year July 1, 2010 to June 30, 2011	A-5	<u>3,023,137.50</u>
		4,569,771.00
Decreased by:		
Payments	A-1/A-4	<u>3,046,514.00</u>
Balance, June 30, 2011:		
School Tax Deferred		<u>1,523,257.00</u>
		<u>\$ 1,523,257.00</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 SCHEDULE OF BUSINESS IMPROVEMENT TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 555.00
Increased by:		
Business Improvement Tax	A-1/A-5	10,000.00
		<u>10,555.00</u>
Decreased by:		
Cash Disbursed	A-4	<u>10,000.00</u>
Balance, June 30, 2011	A	\$ <u>555.00</u>

SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 27,000.00
Increased by:		
Municipal Open Space Tax Levy	A-1/A-5	27,123.18
		<u>54,123.18</u>
Decreased by:		
Cash Disbursed	A-4	<u>\$ 54,123.18</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>	
Increased by:		
Receipts	A-4	\$ <u>925.00</u>
		925.00
Decreased by:		
Disbursements	A-4	<u>675.00</u>
Balance, June 30, 2011	A	<u>\$ 250.00</u>

Exhibit A-23

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

	<u>Ref.</u>	
Increased by:		
Receipts	A-4	\$ <u>2,290.00</u>
		2,290.00
Decreased by:		
Disbursements	A-4	<u>1,661.00</u>
Balance, June 30, 2011	A	<u>\$ 629.00</u>

Exhibit A-24

SCHEDULE OF RESERVE FOR REVALUATION

	<u>Ref.</u>	
Increased by:		
Transfer from Budget Appropriations	A-3	\$ <u>180,000.00</u>
		180,000.00
Decreased by:		
Cash Disbursed	A-4	<u>150,000.00</u>
Balance, June 30, 2011	A	<u>\$ 30,000.00</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
SCHEDULE OF INTERFUND - FEDERAL AND STATE GRANT FUND

	Ref.		
Increased by:			
2011 Budget Appropriations	A-28	\$ 81,813.84	
Grants Receivable Canceled	A-27	<u>1,965.17</u>	
			\$ 83,779.01
Decreased by:			
Cash Disbursements	A-4	4,220.21	
Grants Appropriated Canceled	A-28	2,822.96	
2011 Anticipated Revenue	A-2/A-27	<u>76,735.84</u>	
			\$ <u>83,779.01</u>

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND
 SCHEDULE OF SPECIAL EMERGENCY NOTES PAYABLE

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Cash Receipts</u>	<u>Balance June 30, 2011</u>
10-06-10	Revaluation	\$ 180,000.00	05-10-11	01-18-12	1.65%	\$ 180,000.00	\$ 180,000.00
02-02-11	Accumulated Sick Leave	110,000.00	05-10-11	01-18-12	1.65%	110,000.00	110,000.00
						<u>\$ 290,000.00</u>	<u>\$ 290,000.00</u>
					<u>Ref.</u>	<u>A-4</u>	<u>A</u>

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

FEDERAL AND STATE GRANT FUND
 SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance <u>June 30, 2010</u>	2011 Anticipated Revenue	Cash Received	Transferred From Unappropriated Reserves	Canceled	Balance <u>June 30, 2011</u>
Municipal Alliance on Alcoholism and Drug Abuse	\$ 27,281.00	\$ 27,281.00	\$ 33,929.14			\$ 20,632.86
Summer Food Program		10,275.64	10,275.64			
Summer Food Program - PY		1,291.64		\$ 1,291.64		
Drunk Driving Enforcement Fund		4,084.37	4,084.37			
Recycling Tonnage Grant		3,869.28	3,869.28			
Clean Communities Program		10,036.40	10,036.40			
Alcohol Education and Rehabilitation Fund		1,960.65		1,960.65		
Smart Growth Planning Grant - ANJEC		2,333.00				2,333.00
Bayshore DWI Saturation Grant	6,100.00		4,876.08		\$ 1,223.92	
Body Armor Grant		1,603.86	1,603.86			
Bulletproof Vest Partnership Grant	3,585.00		2,843.75		741.25	
Sustainable Jersey Small Grants Program		1,000.00	1,000.00			
County of Monmouth Recycling Grant		13,000.00	6,500.00			6,500.00
	<u>\$ 36,966.00</u>	<u>\$ 76,735.84</u>	<u>\$ 79,018.52</u>	<u>\$ 3,252.29</u>	<u>\$ 1,965.17</u>	<u>\$ 29,465.86</u>

Ref. A A-2/A-25 A-4 A-29 A-1/A-27 A

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

FEDERAL AND STATE GRANT FUND
 SCHEDULE OF APPROPRIATED RESERVES

Grant	Balance June 30, 2010	Transfer from 2011 Budget Appropriation	Prior Year Reserve for Encumbrances	Paid	Reserve for Encumbrances	Canceled	Balance June 30, 2011
Drunk Driving Enforcement Fund	\$ 27,277.81	\$ 4,084.37		\$ 16,092.21			\$ 15,269.97
Alcohol Education Rehabilitation Fund	5,095.15	1,960.65		5,000.00			2,055.80
Recycling Tonnage Grant	18,083.60	3,869.28		6,621.40			15,331.48
Summer Food Program		1,291.64		1,291.64			
Police Communications Repeater			\$ 14,796.00	14,796.00			
Municipal Alliance on Alcoholism and Drug Abuse - 2010	21,281.00			21,281.00			
Municipal Alliance on Alcoholism and Drug Abuse - 2011		30,692.00		10,059.14			20,632.86
Summer Food Program		10,275.64		10,159.10		\$ 116.54	
National Recreation & Park Association Take Me Fishing	9.00			9.00			
Body Armor Grant	596.69	1,603.86		(3,250.00)	\$ 2,275.00		3,175.55
Clean Communities Program	9,880.99	10,036.40	129.82	5,129.82	4,763.00		10,154.39
Comcast Cable Technology Grant	20,500.00						20,500.00
Stormwater Management	7,996.93						7,996.93
Bayshore DWI Saturation Grant	5,778.96					1,223.92	
Bulletproof Vest Partnership Grant	4,732.50					1,482.50	
County of Monmouth Recycling Grant		13,000.00		4,555.04			23.10
Sustainable Jersey Small Grants Program		1,000.00		3,250.00			1,000.00
Smart Growth Planning Grant - ANJEC		4,000.00		12,976.90			500.66
Assistance to Firefighters			1,700.00	3,499.34	1,700.00		
	\$ 121,232.63	\$ 81,813.84	\$ 16,625.82	\$ 111,470.59	\$ 8,738.00	\$ 2,822.96	\$ 96,640.74

Ref. A

A-3/A-25

A-30

A-4

A-30

A-1/A-25

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, 2010</u>	<u>Funding</u> <u>Received</u>	<u>Realized</u> <u>as Revenue</u>	<u>Balance</u> <u>June 30, 2011</u>
Alcohol Education Rehabilitation Fund	\$ 1,960.65	\$ 4,314.78	\$ 1,960.65	\$ 4,314.78
Summer Food Program	<u>1,291.64</u>	<u>1,582.47</u>	<u>1,291.64</u>	<u>1,582.47</u>
	<u>\$ 3,252.29</u>	<u>\$ 5,897.25</u>	<u>\$ 3,252.29</u>	<u>\$ 5,897.25</u>
	A	A-4	A-27	A

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BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2010	A	\$ 16,625.82
Increased by:		
Appropriated Reserves Charged	A-28	<u>8,738.00</u>
		25,363.82
Decreased by:		
Applied to Appropriated Reserves	A-28	<u>16,625.82</u>
Balance, June 30, 2011	A	\$ <u>8,738.00</u>

Exhibit A-31

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Balance, June 30, 2010 and 2011	A	\$ <u>1,121.88</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, 2010	B	\$ 7,379.85	\$ 525,987.78	\$ 14,026.91
Increased by Receipts:				
Reserve for Animal Control				
Trust Fund Expenditures	B-2	6,331.67		
Due to State of New Jersey	B-3	730.20		
Various Reserves	B-5	\$ 560,095.50		
Interfund - Current Fund	B			\$ 27,000.00
Open Space Tax Levy	B-6			27,123.18
Interest Earned	B-6	<u>7,061.87</u>	<u>560,095.50</u>	<u>278.20</u>
		14,441.72	1,086,083.28	54,401.38
				<u>68,428.29</u>
Decreased by Disbursements:				
Due to State of New Jersey	B-3	718.20		
Animal Control Trust Fund				
Expenditures	B-2	1,320.00		
Interfund - Current Fund	B-4	924.30		
Various Reserves	B-5		615,171.67	
		<u>2,962.50</u>	<u>615,171.67</u>	<u>0.00</u>
Balance, June 30, 2011	B	\$ <u>11,479.22</u>	\$ <u>470,911.61</u>	\$ <u>68,428.29</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, 2010	B	\$ 7,419.85
Increased by:		
Dog License Fees Collected		\$ 6,232.80
Interest Earned		<u>98.87</u>
	B-1	<u>6,331.67</u>
		13,751.52
Decreased by:		
Expenditures Under R.S. 4:19-15.11	B-1	1,320.00
Statutory Excess Due Current Fund	B-4	<u>2,114.30</u>
		<u>3,434.30</u>
Balance, June 30, 2011	B	\$ <u>10,317.22</u>

License and Penalty Fees Collected:

<u>Year</u>	<u>Amount</u>
2009	\$ 4,952.70
2010	<u>5,364.52</u>
	<u>\$ 10,317.22</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	\$ 730.20
		<u>730.20</u>
Decreased by:		
Disbursed	B-1	<u>718.20</u>
Balance, June 30, 2011	B	\$ <u><u>12.00</u></u>

Exhibit B-4

SCHEDULE OF DUE TO CURRENT FUND

	<u>Ref.</u>	
Increased by:		
Statutory Excess	B-2	\$ 2,114.30
		<u>2,114.30</u>
Decreased by:		
Disbursed	B-1	<u>924.30</u>
Balance, June 30, 2011	B	\$ <u><u>1,190.00</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

TRUST OTHER FUND
SCHEDULE OF VARIOUS RESERVES

	Balance June 30, 2010	Increased	Decreased	Balance June 30, 2011
Street Opening Permits	\$ 7,500.00	\$ 500.00		\$ 8,000.00
Escrows	35,860.11	26,701.16	\$ 23,370.47	39,190.80
Third Party Lien Redemptions	49,509.75	205,880.60	254,766.44	623.91
Tax Sale Premiums	107,400.00	60,600.00	44,900.00	123,100.00
Parking Offense Adjudication Act (Per N.J.S.A 40A:4-39)	63.00	66.00		129.00
Public Defender	2,876.83	3,206.50	3,767.66	2,315.67
Recycling	914.12	9,648.15	10,200.00	362.27
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	5,391.00	86,775.00	86,470.00	5,696.00
Uniform Fire Penalties	11,965.33	1,575.00	9,038.27	4,502.06
Fire Penalties (Fire Department)	969.56		280.92	688.64
Recreation	207.00	684.00	780.00	111.00
Library	7,034.00		150.68	6,883.32
Unemployment	112,226.25	45,435.60	68,346.63	89,315.22
Engineering Inspection Fees	53,132.18	411.28	5,092.69	48,450.77
Performance Bonds	88,091.77	129.75	18,326.34	69,895.18
Maintenance Bonds	1,174.40		1,174.40	
Accumulated Leave	5,662.80	116,100.00	87,831.97	33,930.83
Police Explorers	4,271.18		675.20	3,595.98
Sale of Property	22,350.00			22,350.00
Law Enforcement	2,070.78	2,382.46		4,453.24
	<u>\$ 525,987.78</u>	<u>\$ 560,095.50</u>	<u>\$ 615,171.67</u>	<u>\$ 470,911.61</u>

Ref.

B

B-1

B-1

B

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

OPEN SPACE TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE

	Ref.		
Balance, June 30, 2010	B	\$	41,026.91
Increased by:			
Cash Receipts	B-1	\$	27,123.18
Interest Earned	B-1		<u>278.20</u>
			<u>27,401.38</u>
Balance, June 30, 2011	B	\$	<u><u>68,428.29</u></u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

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

	<u>Ref.</u>	
Balance, June 30, 2010	B	\$ 137,163.46
Increased by:		
Borough Contributions	B-8	\$ 29,900.00
Interest Earned	B-8	4,196.16
Increase in Value of Investments	B-8	<u>4,871.78</u>
		<u>38,967.94</u>
		176,131.40
Decreased by:		
Distributions	B-8	<u>1,215.66</u>
Balance, June 30, 2011	B	<u>\$ 174,915.74</u>

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

	<u>Ref.</u>	
Balance, June 30, 2010	B	\$ 137,163.46
Increased by:		
Borough Contributions	B-7	\$ 29,900.00
Interest Earned	B-7	4,196.16
Increase in Value of Investments	B-7	<u>4,871.78</u>
		<u>38,967.94</u>
		176,131.40
Decreased by:		
Distributions	B-7	<u>1,215.66</u>
Balance, June 30, 2011	B	<u>\$ 174,915.74</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
 SCHEDULE OF CASH

	<u>Ref.</u>		
Balance, June 30, 2010	C		\$ 1,450,325.36
Increased by Receipts:			
N.J. Department of Transportation Grants Receivable	C-6	\$ 114,417.73	
Premium on Sale of Bonds - Fund Balance	C-1	25,036.10	
Premium on Sale of Notes	C-1	50.00	
Premium on Sale of Bonds	C-5	43,000.00	
Serial Bonds	C-10	760,000.00	
Bond Anticipation Notes	C-11	595,075.00	
Community Development Block Grant	C-7	38,435.86	
Monmouth County Open Space Grant	C-8	58,000.00	
Due from Monmouth County Improvement Authority	C-9	41,084.00	
Budget Appropriations:			
Capital Improvement Fund	C-14	26,420.00	
Miscellaneous Reserves	C-15	897.03	
		<u>1,702,415.72</u>	
			3,152,741.08
Decreased by Disbursements:			
Due from Monmouth County Improvement Authority	C-9	41,084.00	
Capital Fund Balance	C-1	68,000.00	
Bond Anticipation Notes	C-11	1,270,250.00	
Reserve for Encumbrances	C-13	932,520.76	
		<u>2,311,854.76</u>	
Balance, June 30, 2011	C		\$ <u>840,886.32</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
ANALYSIS OF GENERAL CAPITAL CASH

	<u>Balance</u> <u>June 30, 2011</u>
Capital Improvement Fund	\$ 55,310.05
Capital Fund Balance	65,363.51
N.J. Department of Transportation Grants Receivable	(1,687,676.87)
Community Development Block Grant Receivable	(223,603.00)
Interfund - Water Operating Fund	5,086.95
Accounts Payable	3,597.75
Reserve for Encumbrances	252,892.98
Miscellaneous Reserves	57,378.54

Improvement Authorizations:

<u>Ordinance</u> <u>Number</u>	<u>Improvement Description</u>	
94-18	Rehabilitation of Low - Mod Income Housing - RCA Middletown	47,136.00
98-11/02-22/04-10	Construction of Firehouse - Emergency Management Facility	3,592.00
03-13	2003 Road Program	311.97
08-02/09-01	Various Improvements at Pump Stations and Community Center	57,495.79
09-27	Improvements to Waterwitch Avenue	58,267.46
09-28	Design and Permitting of Various Projects	4,662.05
10-14/11-06	Reconstruction of Highland Avenue	1,312,829.14
11-07	Reconstruction of Bay Avenue	672,600.00
11-12	Various Road Improvements	155,642.00
		<u>\$ 840,886.32</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, 2010	C	\$ 3,636,000.00
Increased by:		
Serial Bonds Issued	C-5	<u>760,000.00</u>
		4,396,000.00
Decreased by:		
Budget Appropriation to Pay Bonds	C-10	<u>206,000.00</u>
Balance, June 30, 2011	C	<u>\$ 4,190,000.00</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

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

Ordinance Number	Improvement Description	Balance June 30, 2010	2011 Authorizations	Authorizations Cancelled	Premium on Sale of Bonds	Transferred to Deferred Taxation Funded	Balance June 30, 2011	Analysis of Balance, June 30, 2011 Bond Anticipation Notes	Unexpended Improvement Authorizations
03-13	2003 Road Program	\$ 65,250.00					\$ 65,250.00		\$ 65,250.00
05-20	Improvements to Community Center	93,144.00		\$ 93,144.00					
07-04	Various Improvements to Community Center Park and Playground	32,500.00		32,500.00					
08-02/09-01	Various Improvements at Certain Pump Stations and Community Center	313,300.00			\$ 43,000.00	238,000.00	32,300.00		32,300.00
08-05	Improvements to Shore Drive	256,000.00		208,000.00		48,000.00			
08-11	Various Road Improvements	256,000.00		114,000.00		142,000.00			
08-12	Acquisition of Open Space	760,000.00		760,000.00					
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue	123,500.00		91,500.00		32,000.00			
09-05	Demolition of Wastewater Treatment Plant	218,950.00		18,950.00		200,000.00			
09-27	Improvements to Waterwitch Avenue	102,500.00				100,000.00	2,500.00		2,500.00
09-28	Design and Permitting for Various Projects	423,700.00					423,700.00	\$ 423,700.00	
10-14/11-16	Reconstruction of Highland Avenue		\$ 285,000.00				285,000.00	285,000.00	
11-7	Reconstruction of Bay Avenue		310,075.00				310,075.00	310,075.00	
11-12	Various Road Improvements		357,485.00				357,485.00		357,485.00
		<u>\$ 2,644,844.00</u>	<u>\$ 952,560.00</u>	<u>\$ 1,318,094.00</u>	<u>\$ 43,000.00</u>	<u>\$ 760,000.00</u>	<u>\$ 1,476,310.00</u>	<u>\$ 1,018,775.00</u>	<u>\$ 457,535.00</u>
Ref.		C	C-12	C-12	C-2	C-4	C	C-11	
							Ref.		
							C-12		\$ 1,057,272.05

Improvement Authorizations Unfunded

Less: Unexpended Proceeds of Bond Anticipation Notes:

Ordinance	4,662.05
09-28	285,000.00
10-14/11-16	310,075.00
11-07	599,737.05
	<u>457,535.00</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, 2010	C	\$ 259,500.00
Increased by:		
Grant Awards	C-12	1,594,000.00
		<u>1,853,500.00</u>
Decreased by:		
Cash Receipts	C-2	\$ 114,417.73
Canceled	C-12	<u>51,405.40</u>
		<u>165,823.13</u>
Balance, June 30, 2011	C	<u>\$ 1,687,676.87</u>

Detail:

<u>Ordinance Number</u>	<u>Description</u>	
09-27	Improvements to Waterwitch Avenue	\$ 93,676.87
11-06	Improvements to Highland Avenue	1,184,000.00
11-07	Bay Avenue Reconstruction	250,000.00
11-12	Improvements to Woodland Street	<u>160,000.00</u>
		<u>\$ 1,687,676.87</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2010	C	\$ 185,200.00
Increased by:		
Grant Award	C-12	183,603.00
		<u>368,803.00</u>
Decreased by:		
Cash Receipts	C-2	\$ 38,435.86
Canceled	C-12	<u>106,764.14</u>
		<u>145,200.00</u>
Balance, June 30, 2011	C	<u>\$ 223,603.00</u>

Detail:

<u>Ordinance Number</u>	<u>Description</u>	
08-02	Various Improvements at Certain Pump Stations and Community Center	\$ 40,000.00
11-07	Reconstruction of Bay Avenue Phase II	<u>183,603.00</u>
		<u>\$ 223,603.00</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, 2010	C	\$	58,000.00
Decreased by:			
Cash Receipts	C-2	\$	<u>58,000.00</u>

SCHEDULE OF DUE FROM MONMOUTH COUNTY IMPROVEMENT AUTHORITY

	<u>Ref.</u>		
Increased by:			
Cash Disbursed	C-2	\$	41,084.00
Decreased by:			
Cash Receipts	C-2	\$	<u>41,084.00</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2011	Interest Rate	Balance June 30, 2010	Serial Bonds Issued	Paid by Budget Appropriation	Balance June 30, 2011
General Improvements	12-18-03	\$ 498,000.00	\$ 53,000.00	3.25%	\$ 217,000.00		\$ 52,000.00	\$ 165,000.00
			55,000.00	3.55%				
			57,000.00	4.00%				
General Improvements	12-05-06	474,000.00	46,000.00	4.00%	351,000.00		44,000.00	307,000.00
			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%				
General Improvements	12-04-08	3,178,000.00	110,000.00	4.00%	3,068,000.00		110,000.00	2,958,000.00
			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%					

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, 2010	Issued for Cash	Paid by Serial Bonds	Paid By Capital Cash	Balance June 30, 2011
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	\$	281,000.00	\$ 32,300.00	
08-05	Improvements to Shore Drive	01-27-09	01-21-10	01-20-11	0.85%	256,000.00		48,000.00	208,000.00	
08-11	Various Road Improvements	01-27-09	01-21-10	01-20-11	0.85%	256,000.00		142,000.00	114,000.00	
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		32,000.00	91,500.00	
09-05	Demolition of Wastewater Treatment Plant	01-21-10	01-21-10	01-20-11	0.85%	218,950.00		200,000.00	18,950.00	
09-27	Improvements to Waterwitch Avenue	01-21-10	01-21-10	01-20-11	0.85%	102,500.00		100,000.00	2,500.00	
09-28	Design and Permitting for Various Projects	01-21-10	01-19-11	01-18-12	2.25%	423,700.00			\$	423,700.00
10-14/11-16	Reconstruction of Highland Avenue	05-10-11	05-10-11	01-18-12	1.65%	\$	285,000.00			285,000.00
11-07	Reconstruction of Bay Avenue	05-10-11	05-10-11	01-18-12	1.65%		310,075.00			310,075.00
						\$ 1,693,950.00	\$ 595,075.00	\$ 803,000.00	\$ 467,250.00	\$ 1,018,775.00
						C	C-2	C-2	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, 2010		Increased by		Decreased by		Balance June 30, 2011	
				Funded	Unfunded	2011 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	\$ 65,250.00	\$ 15,876.00	\$	\$	\$	\$ 47,136.00	\$ 65,250.00
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	48,603.06		10,411.72	\$ 408.00	\$ 55,014.78		3,592.00	
03-13	2003 Road Program	10-01-03	225,000.00	311.97	\$ 65,250.00					311.97	\$ 65,250.00
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				44,678.05		
08-02/09-01	Various Improvements at Certain Pump Stations and Community Ctr.	04-16-08	515,000.00	62,126.31	313,300.00			178,866.38	106,764.14	57,495.79	32,300.00
08-05	Improvements to Shore Drive	05-21-08	480,000.00	9,668.32	256,000.00			1,679.02	263,989.30		
08-11	Various Road Improvements	10-15-08	280,000.00		122,136.22		1,291.50	4,967.10	118,460.62		
08-12	Acquisition of Open Space	12-03-08	800,000.00	17,600.00	760,000.00				777,600.00		
09-03/ 09-19	Rehabilitation of Storm Sewer on Valley Avenue	03-18-09 09-16-09	86,500.00 113,500.00		87,174.73			10,178.90	1,119.35	96,234.28	
09-05	Demolition of Wastewater Treatment Plant	03-18-09	235,000.00		32,424.72			1,528.25	7,046.76	26,906.21	
09-27	Improvements to Waterwvich Avenue	12-02-09	300,000.00	160,528.76	102,500.00		62.75	202,324.05		58,267.46	2,500.00
09-28	Design and Permitting for Various Projects	12-02-09	446,000.00		18,735.38			55,773.33			4,662.05
10-14/11-06	Reconstruction of Highland Avenue	08-18-10	1,484,000.00		\$ 1,484,000.00			171,170.86		1,027,829.14	285,000.00
11-07	Reconstruction of Bay Avenue	03-16-11	760,000.00		760,000.00			87,400.00		362,523.00	310,075.00
11-12	Various Road Improvements	05-04-11	575,000.00		575,000.00			61,873.00		153,642.00	337,485.00
				<u>\$ 342,276.47</u>	<u>\$ 1,883,165.05</u>	<u>\$ 2,819,000.00</u>	<u>\$ 81,049.12</u>	<u>\$ 772,627.85</u>	<u>\$ 1,582,791.38</u>	<u>\$ 1,712,299.36</u>	<u>\$ 1,057,272.05</u>
		Ref.		C	C	C	C-13	C-13	C	C	C
	Deferred Charges to Future Taxation Unfunded	C-5	\$		\$ 952,560.00				\$ 1,318,094.00		
	New Jersey Department of Transportation Grants Receivable	C-6			1,594,000.00				51,405.40		
	Community Development Block Grants Receivable	C-7			183,603.00				106,764.14		
	Contributions - Reserve for Prospect Avenue Paving	C-15			38,700.00						
	Capital Improvement Fund	C-14			50,137.00						
	Capital Fund Balance	C-1							106,527.84		
					<u>\$ 2,819,000.00</u>				<u>\$ 1,582,791.38</u>		

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
 SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, June 30, 2010	C	\$ 500,204.46
Increased by:		
Charged to Improvement Authorizations	C-12	<u>772,627.85</u>
		1,272,832.31
Decreased by:		
Canceled	C-12	\$ 81,049.12
Accounts Payable	C-16	1,282.50
Interfund - Water Operating Fund	C	5,086.95
Cash Disbursed	C-2	<u>932,520.76</u>
		<u>1,019,939.33</u>
Balance, June 30, 2011	C	<u>\$ 252,892.98</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, June 30, 2010	C	\$ 79,027.05
Increased by:		
SFY 2011 Budget Appropriation	C-2	<u>26,420.00</u>
		105,447.05
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-12	<u>50,137.00</u>
Balance, June 30, 2011	C	<u>\$ 55,310.05</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, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>June 30, 2011</u>
Reserve for RCA Interest - Middletown	\$ 42,120.51	\$ 897.03		\$ 43,017.54
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>\$ 95,181.51</u>	<u>\$ 897.03</u>	<u>\$ 38,700.00</u>	<u>\$ 57,378.54</u>
<u>Ref.</u>	C	C-2	C-12	C

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010	C	\$ 2,315.25
Increased by:		
Reserve for Encumbrances	C-13	<u>1,282.50</u>
Balance, June 30, 2011	C	\$ <u><u>3,597.75</u></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, 2010	2011 Authorizations	Bond Anticipation Notes Not Extended	Premium on Sale of Bonds	Serial Bonds Issued	Bond Anticipation Notes Issued	Canceled	Balance June 30, 2011
03-13	2003 Road Program	\$ 65,250.00							\$ 65,250.00
05-20	Improvements to Community Center	93,144.00						93,144.00	
07-04	Improvements to Community Center and Playground	32,500.00						32,500.00	
08-02/09-01	Various Improvements at Pump Stations and Community Center		\$ 313,300.00		\$ 43,000.00	\$ 238,000.00			\$ 32,300.00
08-05	Improvements to Shore Drive		256,000.00			48,000.00		208,000.00	
08-11	Various Road Improvements		256,000.00			142,000.00		114,000.00	
08-12	Acquisition of Open Space	760,000.00						760,000.00	
09-03/09-19	Rehabilitation of Storm Sewer on Valley Avenue		123,500.00			32,000.00		91,500.00	
09-05	Demolition of Wastewater Treatment Plant		218,950.00			200,000.00		18,950.00	
09-27	Improvements to Waterwitch Avenue		102,500.00			100,000.00			2,500.00
10-14/11-06	Reconstruction of Highland Avenue		\$ 285,000.00				\$ 285,000.00		
11-07	Reconstruction of Bay Avenue		310,075.00				310,075.00		
11-12	Various Road Improvements		357,485.00						357,485.00
		\$ 950,894.00	\$ 952,550.00	\$ 1,270,250.00	\$ 43,000.00	\$ 760,000.00	\$ 595,075.00	\$ 1,318,094.00	\$ 457,535.00
			C-12	C-11	C-5	C-10	C-11	C-12	(Footnote C)

Ref.

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, 2010	D	\$ 327,189.58	\$ 11,378.41
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$ 1,496,547.79	
Non-Budget Revenues	D-3	26,604.37	
Customer Overpayments	D-10	2,202.00	
Accounts Payable	D-12	504.07	
Bond Anticipation Notes	D-19		\$ 135,000.00
Serial Bonds Payable	D-20		130,000.00
Reserve for Amortization	D-17		2,937.17
Premium on Sale of Bonds	D-2		9,062.08
		<u>1,525,858.23</u>	<u>276,999.25</u>
		1,853,047.81	288,377.66
Decreased by Disbursements:			
2011 Appropriations	D-4	1,452,937.16	
2010 Appropriation Reserves	D-8	42,070.29	
Customer Overpayments	D-10	2,953.15	
Interfund - General Capital Fund	D	5,086.95	
Accrued Interest on Bonds and Notes	D-11	10,085.69	
Bond Anticipation Notes	D-19		265,000.00
Improvement Authorizations	D-21		7,143.22
		<u>1,513,133.24</u>	<u>272,143.22</u>
Balance, June 30, 2011	D	\$ 339,914.57	\$ 16,234.44

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

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

	Balance <u>June 30, 2011</u>
Capital Improvement Fund	\$ 6,750.00
Down Payments on Capital Improvements	100.00
Fund Balance	<u>9,384.44</u>
	<u>\$ 16,234.44</u>
<u>Ref.</u>	D

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BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance, June 30, 2010	D	\$ 173,081.08
Increased by:		
Sewer Rents Levied		<u>1,562,243.39</u>
		1,735,324.47
Decreased by:		
Collections	D-3/D-5	<u>1,496,547.79</u>
Balance, June 30, 2011	D	\$ <u>238,776.68</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> <u>June 30, 2010</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	\$ 3,861.38	\$ 3,861.38		\$ 3,861.38
Other Expenses	58,948.63	58,948.63	\$ 42,070.29	16,878.34
Group Insurance for Employees	1,685.20	1,685.20		1,685.20
Worker's Compensation	499.88	499.88		499.88
Other Insurance Premiums	771.14	771.14		771.14
Statutory Expenditures:				
Social Security	108.84	108.84		108.84
	<u>\$ 65,875.07</u>	<u>\$ 65,875.07</u>	<u>\$ 42,070.29</u>	<u>\$ 23,804.78</u>
	<u>Ref.</u>		D-5	D-1
Appropriation Reserves	D	\$ 25,618.77		
Reserve for Encumbrances	D-9	<u>40,256.30</u>		
	D-8	<u>\$ 65,875.07</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, 2010	D	\$ 40,256.30
Increased by:		
Transferred from Budget Appropriations	D-4	<u>32,099.50</u>
		72,355.80
Decreased by:		
Transferred to Appropriation Reserves	D-8	<u>40,256.30</u>
Balance, June 30, 2011	D	<u>\$ 32,099.50</u>

Exhibit D-10

SCHEDULE OF CUSTOMER OVERPAYMENTS

	<u>Ref.</u>	
Balance, June 30, 2010	D	\$ 9,004.95
Increased by:		
Cash Receipts	D-5	<u>2,202.00</u>
		11,206.95
Decreased by:		
Cash Disbursements	D-5	<u>2,953.15</u>
Balance, June 30, 2011	D	<u>\$ 8,253.80</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, 2010	D	\$ 1,248.60
Increased by:		
Budget Appropriations	D-4	<u>11,830.96</u>
		13,079.56
Decreased by:		
Interest Paid	D-5	<u>10,085.69</u>
Balance, June 30, 2011	D	\$ <u>2,993.87</u>

Analysis of Accrued Interest June 30, 2011

	<u>Principal Outstanding June 30, 2011</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Serial Bonds:						
	\$ 181,000.00	Various	06-01-11	06-30-11	30 Days	\$ 732.61
	130,000.00	Various	01-24-11	06-30-11	158 Days	<u>2,261.26</u>
						\$ <u>2,993.87</u>

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCOUNTS PAYABLE

	<u>Ref.</u>	
Balance, June 30, 2010	D	\$ 51,097.30
Increased by:		
Cash Receipts	D-5	<u>504.07</u>
Balance, June 30, 2011	D	<u>\$ 51,601.37</u>

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BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance, June 30, 2010	D	\$ 741,522.31
Increased by:		
Transfer from Fixed Capital Authorized and Uncompleted	D-14	<u>607,937.17</u>
Balance, June 30, 2011	D	<u>\$ 1,349,459.48</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		15,000.00
Ordinance 07-15 Rehabilitation of Sanitary Sewer System		<u>607,937.17</u>
		 <u>\$ 1,349,459.48</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	Ordinance Amount	Balance June 30, 2010	Transfer To Fixed Capital	Canceled
06-06/07-15	Rehabilitation of Sanitary Sewer System	06-07-06/ 08-15-07	\$ 650,000.00 100,000.00	\$ 750,000.00	\$ 607,937.17	\$ 142,062.83
				\$ 750,000.00	\$ 607,937.17	\$ 142,062.83
		Ref.	D		D-13	D-21

BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

WATER - SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, June 30 2010, and 2011	D	\$ <u>6,750.00</u>

Exhibit D-16

SCHEDULE OF RESERVE FOR DOWN PAYMENTS ON CAPITAL IMPROVEMENTS

	<u>Ref.</u>	
Balance, June 30 2010, and 2011	D	\$ <u>100.00</u>

Exhibit D-17

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>		
Balance, June 30, 2010	D		\$ 741,522.31
Increased by:			
Transfer from Reserve for Deferred Amortization	D-18	\$ 294,000.00	
Premium on Bond Sale Utilized to Fund Projects	D-5	<u>2,937.17</u>	
			<u>296,937.17</u>
Balance, June 30, 2011	D		\$ <u>1,038,459.48</u>

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 WATER - SEWER UTILITY CAPITAL FUND
 SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance Date</u>	<u>Balance June 30, 2010</u>	<u>Serial Bonds Paid from Operating Budget</u>	<u>Transfer to Reserve for Amortization</u>
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	06-07-06/ 08-15-07	\$ 287,000.00	\$ 7,000.00	\$ 294,000.00
			\$ 287,000.00	\$ 7,000.00	\$ 294,000.00

D

D-20

D-17

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

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

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance June 30, 2010</u>	<u>Increased</u>	<u>Decreased</u>
06-06/ 07-15	Rehabilitation of Sanitary Sewer System	\$ 130,000.00	\$ 135,000.00	\$ 265,000.00
		<u>\$ 130,000.00</u>	<u>\$ 135,000.00</u>	<u>\$ 265,000.00</u>
	<u>Ref.</u>	D	D-5	D-5

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		Interest Rate	Balance June 30, 2010	Issued	Paid by Budget Appropriation	Balance June 30, 2011	
			Outstanding June 30, 2011	Balance June 30, 2011						
Rehabilitation of Sanitary Sewer System	12-01-08	\$ 195,000.00	\$ 7,000.00	4.000%						
	12-01-11		7,000.00	5.000%						
	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%						
				\$ 188,000.00					\$ 7,000.00	\$ 181,000.00

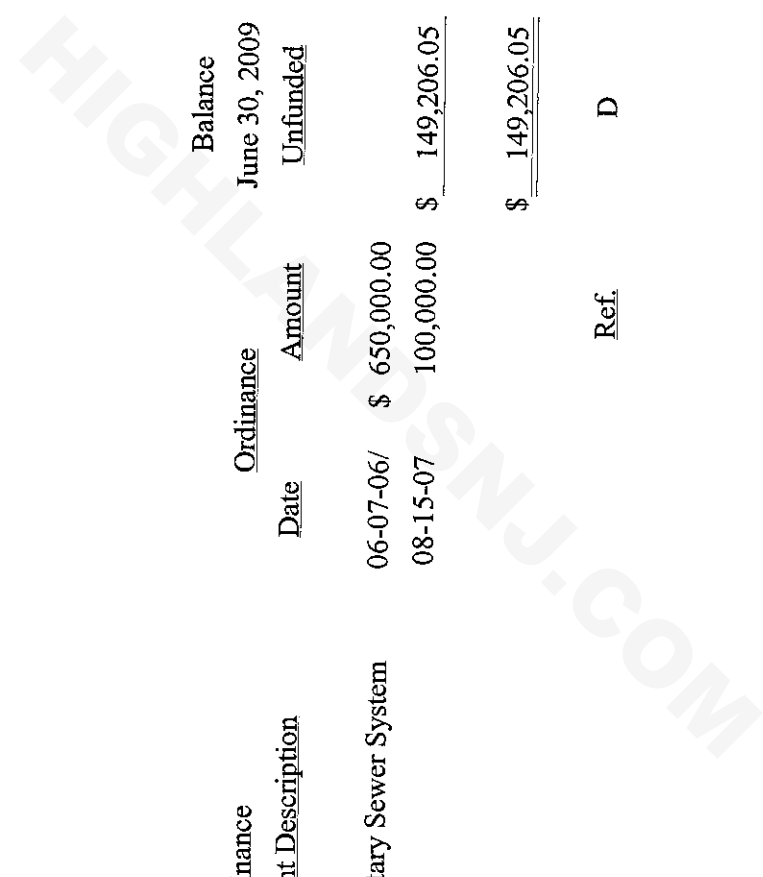
BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH, NEW JERSEY

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2010	Issued	Paid by Budget Appropriation	Balance June 30, 2011
			Outstanding June 30, 2011	June 30, 2011					
Rehabilitation of Sanitary Sewer System	01-24-11	\$ 130,000.00	01-15-12	\$ 10,000.00	2.00%				
			01-15-13	10,000.00	3.00%				
			01-15-14	10,000.00	3.00%				
			01-15-15	10,000.00	2.50%				
			01-15-16	15,000.00	2.75%				
			01-15-17	15,000.00	5.00%				
			01-15-18	15,000.00	5.00%				
			01-15-19	15,000.00	5.00%				
			01-15-20	15,000.00	5.00%				
			01-15-21	15,000.00	5.00%		\$ 130,000.00	\$ 130,000.00	\$ 130,000.00
						\$ 188,000.00	\$ 130,000.00	\$ 7,000.00	\$ 311,000.00

Ref. D D-5 D-18 D

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY
 WATER - SEWER UTILITY CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS



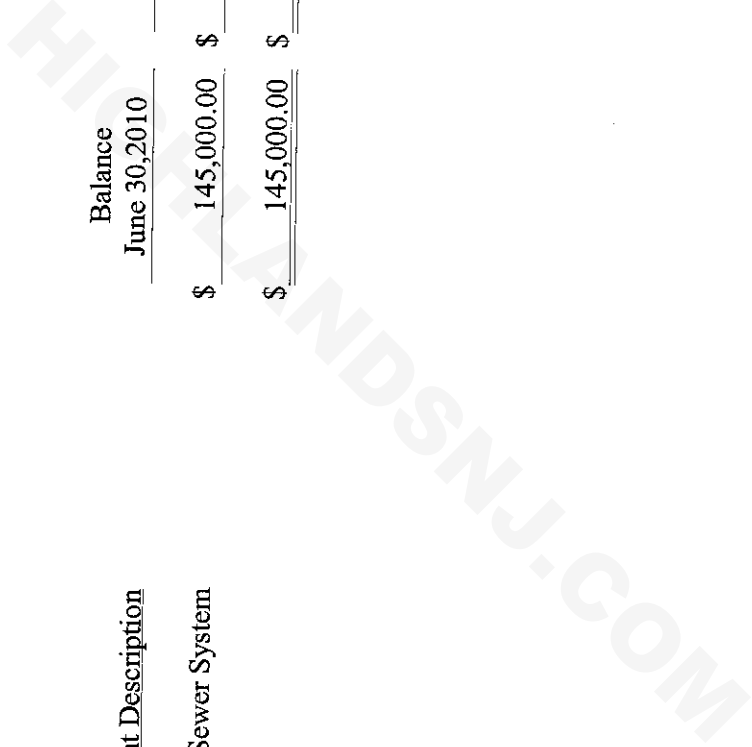
<u>Number</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance</u> Amount	<u>Balance</u> June 30, 2009		<u>Decreased by:</u>
				<u>Unfunded</u>	<u>Unfunded</u>	
06-06/	Rehabilitation of Sanitary Sewer System	06-07-06/	\$ 650,000.00			
07-15		08-15-07	100,000.00	\$ 149,206.05	\$ 7,143.22	\$ 142,062.83
				<u>\$ 149,206.05</u>	<u>\$ 7,143.22</u>	<u>\$ 142,062.83</u>

Ref. D D-5 D-14

BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

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

Ordinance Number	Improvement Description	Balance		
		June 30, 2010	Issued	Cancelled
06-06/07-15	Rehabilitation of Sanitary Sewer System	\$ 145,000.00	\$ 5,000.00	\$ 140,000.00
		\$ 145,000.00	\$ 5,000.00	\$ 140,000.00



BOROUGH OF HIGHLANDS
 COUNTY OF MONMOUTH, NEW JERSEY

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</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>2,422,794.47</u>	<u>\$ 246,393.00</u>	<u>\$ 19,498.00</u>	<u>2,649,689.47</u>
	<u>\$ 9,292,792.37</u>	<u>\$ 246,393.00</u>	<u>\$ 19,498.00</u>	<u>\$ 9,519,687.37</u>

Ref.

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BOROUGH OF HIGHLANDS
COUNTY OF MONMOUTH
SUPPLEMENTARY DATA
FOR THE YEAR ENDED JUNE 30, 2011

HIGHLANDSNJ.COM

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

Tax Rate	<u>2011</u> \$2.436*	<u>2010</u> \$2.823	<u>2009</u> \$2.802
Apportionment of Tax Rate			
Municipal	.916	1.068	1.052
County	.337	.403	.387
Local School	.500	.562	.569
Regional High School	.678	.785	.789
Municipal Open Space	.005	.005	.005
Assessed Valuation			
2011	\$607,765,927.00*		
2010		\$542,463,736.00	
2009			\$543,554,533.00

* Revaluation

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>
2011	\$15,222,965.87	\$14,606,946.80	95.95%
2010	15,274,674.69	14,735,722.33	96.47%
2009	15,233,056.50	14,745,583.61	96.79%

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>
2011	\$32,141.73	\$457,070.49	\$489,212.22	3.21%
2010	29,041.04	457,260.37	486,301.41	3.18%
2009	25,952.76	468,505.21	494,457.97	3.25%

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>
2011	\$215,100.00
2010	215,100.00
2009	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>
2011	\$1,562,243.39	\$173,081.08	\$1,496,547.79
2010	1,241,502.10	142,676.64	1,211,097.66
2009	1,172,690.82	105,781.29	1,135,795.47

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>		
2011	\$ 700,103.46	\$ 651,000.00*
2010	998,190.32	953,000.00
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
<u>Water-Sewer Utility Fund</u>		
2011	\$214,483.64	\$ 214,000.00*
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

* Introduced budget.

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

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$5,208,775.00	\$5,329,950.00	\$4,663,300.00
Water-Sewer Utility:			
Bonds and Notes	<u>311,000.00</u>	<u>318,000.00</u>	<u>335,000.00</u>
Total Issued	<u>5,519,775.00</u>	<u>5,647,950.00</u>	<u>4,998,300.00</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	457,535.00	950,894.00	1,286,779.00
Water-Sewer Utility			
Bonds and Notes	<u>-</u>	<u>145,000.00</u>	<u>145,000.00</u>
Total Authorized but Not Issued	<u>457,535.00</u>	<u>1,095,894.00</u>	<u>1,431,779.00</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$5,977,310.00</u>	<u>\$6,743,844.00</u>	<u>\$6,430,079.00</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 0.72%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional High School	\$4,113,156.53	\$4,113,156.53	\$ -
Local School District	31,925.68	31,925.68	-
General Debt	5,666,310.00	-	5,666,310.00
Water-Sewer Utility	<u>311,000.00</u>	<u>311,000.00</u>	<u>-</u>
	<u>\$10,122,392.21</u>	<u>\$4,456,082.21</u>	<u>\$5,666,310.00</u>

Net Debt \$5,666,310.00 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended
\$786,430,008.00 equals 0.72%

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

3 1/2% of Equalized Valuation Basis	\$27,525,050.28
Net Debt	<u>5,660,310.00</u>
Remaining Borrowing Power	<u>\$21,864,740.28</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		\$1,723,212.16
Deductions:		
Operating and Maintenance Cost	\$1,513,706.00	
Debt Service	<u>18,830.96</u>	
		<u>1,532,536.96</u>
Excess in Revenues		<u>\$ 190,675.20</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:

<u>Name</u>	<u>Position</u>
Frank Nolan	Mayor
Richard O'Neil	Council President
Kevin Connelly	Council Member
Chris Francy	Council Member
Rebecca Kane	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, 2011

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:

- Purchase of Generator
- Waterwich Avenue Resurfacing
- Website Design
- Sanitation

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:

- a) 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 30th, 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 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 2011 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, 2011, 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 25, 2011 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 30th of the last three (3) years.

<u>Year</u>	<u>Number of Liens</u>
2011	5
2010	5
2009	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, 2011 and consisted of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>	<u>Number Returned</u>
Dates of Payments of Taxes	25	8
Delinquent Taxes	23	3
Dates of Payment of Sewer Utility Charges	25	8
Delinquent Sewer Utility Charges	34	6

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, 2011.

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 2011 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.

Sewer Utility

Comment: The Borough code does not address billing dates or due dates for sewer billings nor does it address interest rates and grace periods for late payment of sewer bills.

Recommendation: That the Borough amend the Borough code to establish billing dates, due dates, interest rates and grace periods for sewer billings and collections.

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, 2011.

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:

11-1. That the Borough amend the Borough code to establish billing dates, due dates, interest rates and grace periods for sewer billings and collections.

Of the above recommendations, none are similar to those reported in the 2010 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

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