

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART I**

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

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst  
County of Ocean  
Lakehurst, New Jersey 08733

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Lakehurst, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Lakehurst, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statement of revenues - regulatory basis, statement of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## **Other Matters**

### **Report on Supplementary Information**

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, on our consideration of the Borough of Lakehurst's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Lakehurst's internal control over financial reporting and compliance.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #498

Toms River, New Jersey  
June 28, 2017

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

Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst  
County of Ocean  
Lakehurst, New Jersey 08733

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Borough of Lakehurst (herein referred to as "the Borough"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 28, 2017. Our report indicated that the Borough's financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

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

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #498

Toms River, New Jersey  
June 28, 2017

**BASIC FINANCIAL STATEMENTS**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND**

Sheet 1 of 2

**RESERVES - REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Cash	A-4	\$ 1,952,157.97	\$ 1,934,609.64
Cash - Change Fund		720.00	720.00
		<u>1,952,877.97</u>	<u>1,935,329.64</u>
Due From State of N.J. (P.L. 1971, C. 20)	A-7	<u>1,920.78</u>	<u>670.78</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	114,202.58	125,706.99
Tax Title Liens Receivable	A-6	47,258.57	43,685.32
Property Acquired for Taxes		50,000.00	50,000.00
Revenue Accounts Receivable	A-8	9,176.20	13,952.44
Interfunds:			
Animal Control Trust Fund	A-13		1,436.06
Other Trust Fund	A-13	7,671.73	
Payroll Fund	A-13	3,599.02	11,183.09
Water-Sewer Utility Operating Fund	A-13		45,641.28
		<u>231,908.10</u>	<u>291,605.18</u>
		<u>2,186,706.85</u>	<u>2,227,605.60</u>
Grant Fund:			
Interfund - Current Fund	A-13	11,492.65	142,680.35
Grants Receivable	A-15	463,434.75	236,234.67
		<u>474,927.40</u>	<u>378,915.02</u>
		<u>\$ 2,661,634.25</u>	<u>\$ 2,606,520.62</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND**

**Sheet 2 of 2**

**RESERVES - REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Liabilities:			
Appropriation Reserves	A-3	\$ 473,528.54	\$ 424,507.35
Reserve for Encumbrances	A-3,9	26,292.63	72,646.08
Due State - Marriage License Fees		120.00	125.00
Prepaid Taxes	A-4,5	32,674.38	29,602.56
Tax Overpayments		4,372.51	5,645.13
Reserve for:			
Master Plan Update			594.66
Revision and Codification of Ordinances		9,085.00	9,085.00
Land Sale Deposits			8,500.00
Revaluation			32,933.67
2012 Storm Damage			24.52
Accounts Payable			2,166.97
County Taxes Payable	A-10	7,661.34	3,359.47
Local District School Tax Payable	A-11	256,004.00	229,697.00
Interfunds:			
Animal Control Trust Fund	A-12	988.00	
Other Trust Fund	A-12		35,779.04
General Capital Fund	A-12	1,321.50	20,731.73
Water-Sewer Utility Operating Fund	A-12	101,766.18	
Grant Fund	A-13	11,492.65	142,680.35
		<u>925,306.73</u>	<u>1,018,078.53</u>
Reserve for Receivables and Other Assets		231,908.10	291,605.18
Fund Balance	A-1	<u>1,029,492.02</u>	<u>917,921.89</u>
		<u>2,186,706.85</u>	<u>2,227,605.60</u>
Grant Fund:			
Interfund - Water-Sewer Utility Operating Fund	A-14	175,350.00	76,562.30
Reserve for Encumbrances	A-16	18,177.63	20,561.81
Appropriated Reserves	A-16	278,648.33	279,358.23
Unappropriated Reserves	A-17	2,751.44	2,432.68
		<u>474,927.40</u>	<u>378,915.02</u>
		\$ <u>2,661,634.25</u>	\$ <u>2,606,520.62</u>

There was deferred school taxes on December 31, 2016 and 2015 of \$500,749.00 (Schedule A-11).

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**Exhibit A-1**

**CURRENT FUND**

**Sheet 1 of 2**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN**

**FUND BALANCE - REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized	A-2	\$ 726,000.00	\$ 725,000.00
Miscellaneous Revenue Anticipated	A-2	1,448,756.20	1,198,671.33
Receipts from Delinquent Taxes	A-5	125,224.19	106,157.29
Receipts from Current Taxes	A-2	4,218,034.74	4,118,085.92
Non-Budget Revenues	A-2	40,420.69	272,543.26
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	387,132.20	221,941.69
Cancel Old Outstanding Checks	A-4	1,665.64	
Cancel Accounts Payable	A	2,166.97	
Cancel Miscellaneous Reserves and Balances		42,052.85	
Interfunds Returned		46,989.68	
Adjustments to Other Funds:			
Cancel Old Outstanding Checks	A-12	1,750.45	
Cancel Miscellaneous Reserves and Balances	A-12	8,835.38	
Correct Prior Year Interfund Balance	A-12	3,599.02	
Statutory Excess - Animal Control Trust Fund	A-12	1,399.00	520.40
Grant Appropriated Reserves Cancelled	A-13	13,363.51	1,066.08
Total Income		<u>7,067,390.52</u>	<u>6,643,985.97</u>
<b><u>Expenditures</u></b>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		1,503,140.00	1,545,940.00
Other Expenses		1,429,000.00	1,446,000.00
Deferred Charges and Statutory Expenditures		353,960.00	331,007.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		224,000.00	92,000.00
Other Expenses		218,540.92	287,341.48
Capital Improvements		254,500.00	48,500.00
Municipal Debt Service		321,689.26	325,790.85
Deferred Charges			90.00
Transferred to Board of Education		6,323.00	8,480.00
	A-3	<u>4,311,153.18</u>	<u>4,085,149.33</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**Exhibit A-1**

**CURRENT FUND**

**Sheet 2 of 2**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN**

**FUND BALANCE - REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b><u>Ref.</u></b>	<b><u>Year 2016</u></b>	<b><u>Year 2015</u></b>
Refunds		\$	\$ 1,511.68
Prior Year Senior Citizen Deduction Disallowed			1,000.00
County Taxes	A-10	682,247.19	686,297.28
Correct Prior Year County Taxes Payable	A-10	13.51	
Local District School Tax	A-11	1,227,143.00	1,191,729.00
Prior Year Tax Appeals			230.15
Interfund Advances			21,522.65
Adjustments to Other Funds:			
Grant Receivables Cancelled	A-13	9,263.51	483.21
Total Expenditures		<u>6,229,820.39</u>	<u>5,987,923.30</u>
Statutory Excess to Fund Balance		837,570.13	656,062.67
Fund Balance January 1	A	<u>917,921.89</u>	<u>986,859.22</u>
		1,755,492.02	1,642,921.89
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>726,000.00</u>	<u>725,000.00</u>
Fund Balance December 31	A	<u>\$ 1,029,492.02</u>	<u>\$ 917,921.89</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-2

**STATEMENT OF REVENUES - REGULATORY BASIS**

Sheet 1 of 3

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 726,000.00	\$	\$ 726,000.00	\$
<b><u>Miscellaneous Revenues</u></b>					
Licenses					
Alcoholic Beverages	A-8	10,000.00		15,300.00	5,300.00
Other	A-8	6,000.00		10,309.00	4,309.00
Fees and Permits					
Other	A-8	70,000.00		108,268.02	38,268.02
Fines and Costs					
Municipal Court	A-8	160,000.00		160,191.45	191.45
Interest and Costs on Taxes	A-8	17,000.00		31,835.21	14,835.21
Interest on Investments and Deposits	A-8	500.00		2,800.19	2,300.19
State Aid:					
Consolidated Municipal Property Tax Relief Act	A-8	41,673.00		41,673.00	
Energy Receipts Tax	A-8	253,766.00		253,766.00	
Uniform Construction Code Fees	A-8	1,000.00		3,857.80	2,857.80
Lakehurst Elementary School - Police Service Contract	A-8	40,000.00		40,000.00	
Northeast Housing LLC - Borough of Lakehurst	A-8	160,000.00		160,000.00	
Northeast Housing LLC - Borough of Lakehurst	A-8	85,000.00		212,643.35	127,643.35
Uniform Fire Safety Act	A-8	3,450.00		3,571.26	121.26
Grants Offset with Appropriations:					
966 Grant	A-13		17,686.40	17,686.40	
Body Armor Grant	A-13		1,301.99	1,301.99	
Clean Communities Program	A-13		5,625.40	5,625.40	
Click It or Ticket Grant	A-13		5,000.00	5,000.00	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-2

Sheet 2 of 3

**STATEMENT OF REVENUES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Grants Offset with Appropriations (Continued):					
Drive Sober or Get Pulled Over	A-13	\$	\$ 5,000.00	\$ 5,000.00	\$
Drive Sober or Get Pulled Over - Holiday	A-13		5,000.00	5,000.00	
Hazardous Remediation Discharge	A-13		161,552.00	161,552.00	
Recycling Tonnage Grant	A-13		3,375.13	3,375.13	
NJ DOT - Poplar Street	A-13		200,000.00	200,000.00	
Total Miscellaneous Revenues	A-1	<u>848,389.00</u>	<u>404,540.92</u>	<u>1,448,756.20</u>	<u>195,826.28</u>
Receipts from Delinquent Taxes	A-1, 2	<u>90,000.00</u>		<u>125,224.19</u>	<u>35,224.19</u>
Subtotal General Revenues		1,664,389.00	404,540.92	2,299,980.39	231,050.47
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	<u>2,395,786.53</u>		<u>2,461,097.08</u>	<u>65,310.55</u>
Total General Revenues		<u>4,060,175.53</u>	<u>404,540.92</u>	<u>4,761,077.47</u>	<u>296,361.02</u>
Non-Budget Revenues	A-1, 2			40,420.69	40,420.69
	A-3	<u>\$ 4,060,175.53</u>	<u>\$ 404,540.92</u>	<u>\$ 4,801,498.16</u>	<u>\$ 336,781.71</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

**Sheet 3 of 3**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>Ref.</u></b>	
<b><u>Analysis of Realized Revenues</u></b>		
<b><u>Allocation of Current Tax Collections</u></b>		
Revenue from Collections	A-1,5	\$ 4,218,034.74
Allocated to School and County Taxes	A-10, 11	<u>1,909,390.19</u>
Balance or Support of Municipal Budget Appropriations		2,308,644.55
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>152,452.53</u>
Amount for Support of Municipal Budget Appropriations		<u><u>\$ 2,461,097.08</u></u>
 <b><u>Analysis of Non-Budget Revenues</u></b>		
Clerk		\$ 4,986.80
Police		14,399.35
Public Works		438.00
Refunds		20,153.92
Other Miscellaneous		<u>442.62</u>
	A-1,4	<u><u>\$ 40,420.69</u></u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 1 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriated		Budget After Modification	Expended		Unexpended Balance Cancelled
	Budget			Paid or Charged	Reserved	
<b><u>OPERATIONS WITHIN CAPS</u></b>						
<b><u>General Government</u></b>						
Administrative and Executive						
Salaries and Wages	\$ 100.00	\$ 100.00	\$	\$ 100.00	\$	
Other Expenses	4,900.00	7,400.00	7,092.49	307.51		
Mayor and Council						
Salaries and Wages	36,200.00	36,705.00	36,400.32	304.68		
Other Expenses	2,500.00	2,500.00	1,507.17	992.83		
Municipal Clerk						
Salaries and Wages	126,900.00	126,900.00	113,607.98	13,292.02		
Other Expenses	31,800.00	31,800.00	20,360.04	11,439.96		
Financial Administration						
Salaries and Wages	34,300.00	63,850.00	63,645.37	204.63		
Other Expenses	22,500.00	22,500.00	22,414.64	85.36		
Audit Services						
Other Expenses	40,000.00	30,000.00	12,715.00	17,285.00		
Collection of Taxes						
Salaries and Wages	75,400.00	40,805.00	34,501.72	6,303.28		
Other Expenses	9,500.00	9,500.00	3,590.59	5,909.41		
Assessment of Taxes						
Salaries and Wages	13,400.00	13,400.00	13,123.75	276.25		
Other Expenses	6,000.00	6,000.00	1,487.03	4,512.97		
Legal Services and Costs						
Salaries and Wages	32,000.00	32,000.00	31,923.32	76.68		
Other Expenses	35,000.00	7,200.00	2,643.40	4,556.60		
Engineering Services and Costs						
Other Expenses	8,000.00	8,000.00	3,296.30	4,703.70		
Historical Preservation						
Other Expenses	450.00	450.00		450.00		

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 2 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b><u>Land Use Administration</u></b>					
Municipal Land Use Law (N.J.S. 40:55D-1)					
Land Use Board					
Salaries and Wages	\$ 4,600.00	\$ 4,600.00	\$ 4,599.95	\$ .05	\$
Other Expenses	450.00	450.00	100.00	350.00	
<b><u>Code Enforcement and Administration</u></b>					
Code Enforcement					
Salaries and Wages	7,950.00	8,090.00	8,082.61	7.39	
Other Expenses	500.00	500.00	30.00	470.00	
County Rebate					
Salaries and Wages	2,950.00	2,950.00	2,949.98	.02	
<b><u>Insurance</u></b>					
General Liability	60,500.00	60,500.00	59,084.78	1,415.22	
Workers Compensation	71,000.00	71,000.00	64,683.77	6,316.23	
Employee Group Health	543,200.00	543,200.00	502,934.35	40,265.65	
Health Benefits Waiver	10,000.00	10,000.00	314.70	9,685.30	
<b><u>Public Safety Functions</u></b>					
Police					
Salaries and Wages	787,000.00	787,000.00	702,552.82	84,447.18	
Other Expenses	56,000.00	98,550.00	53,470.52	45,079.48	
Emergency Management					
Salaries and Wages	6,100.00	6,100.00	4,834.40	1,265.60	
Other Expenses	1,500.00	1,500.00	180.16	1,319.84	
Emergency Medical Services					
Other Expenses	20,000.00	20,000.00	20,000.00		
Uniform Safety Act					
Salaries and Wages	8,240.00	8,240.00	7,192.38	1,047.62	
Other Expenses	500.00	500.00		500.00	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 3 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Court					
Salaries and Wages	\$ 100,000.00	\$ 100,000.00	\$ 76,014.82	\$ 23,985.18	\$
Other Expenses	12,000.00	12,000.00	7,733.27	4,266.73	
Fire					
Other Expenses	36,000.00	36,000.00	36,000.00		
Municipal Prosecutor					
Salaries and Wages	15,500.00	15,500.00	15,412.54	87.46	
Other Expenses	100.00	100.00		100.00	
Public Defender					
Other Expenses	100.00	100.00		100.00	
<b><u>Public Works Functions</u></b>					
Road Repairs and Maintenance					
Salaries and Wages	45,000.00	45,000.00	40,412.49	4,587.51	
Other Expenses	18,400.00	18,400.00	14,460.51	3,939.49	
Garbage and Trash Removal					
Salaries and Wages	110,000.00	110,000.00	90,307.32	19,692.68	
Other Expenses	8,000.00	8,000.00	5,347.64	2,652.36	
Recycling					
Salaries and Wages	4,000.00	4,000.00		4,000.00	
Other Expenses	5,500.00	5,500.00	1,836.98	3,663.02	
Public Buildings, Grounds and Lakes					
Salaries and Wages	74,000.00	78,400.00	78,322.14	77.86	
Other Expenses	40,000.00	40,000.00	34,632.62	5,367.38	
Snow Removal					
Other Expenses	100.00	10,100.00	10,100.00		
Vehicle Maintenance					
Other Expenses	78,000.00	60,450.00	49,292.97	11,157.03	

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 4 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>			<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>		<u>Paid or Charged</u>	<u>Reserved</u>	
<b><u>Health and Human Services</u></b>						
Animal Control						
Other Expenses	\$ 8,000.00	\$ 8,000.00	\$ 3,023.00	\$ 4,977.00	\$	
<b><u>Park and Recreation Functions</u></b>						
Youth and Recreation						
Salaries and Wages	9,500.00	9,500.00	8,155.50	1,344.50		
Other Expenses	2,500.00	2,500.00	919.27	1,580.73		
<b><u>Other Common Operating Functions</u></b>						
Celebration of Public Events						
Other Expenses	8,000.00	8,000.00	971.86	7,028.14		
<b><u>Utility Expenses and Bulk Purchases</u></b>						
Landfill Disposal Cost - Other Expenses						
Gasoline	100,000.00	100,000.00	80,000.00	20,000.00		
Electricity	45,000.00	45,000.00	22,756.18	22,243.82		
Telephone	40,000.00	40,000.00	35,068.25	4,931.75		
Natural Gas	40,000.00	45,300.00	43,492.12	1,807.88		
Street Lighting	30,000.00	25,000.00	16,812.38	8,187.62		
Telecommunications	28,000.00	28,000.00	20,913.97	7,086.03		
Deferred Sick Time	5,000.00	5,000.00	4,806.00	194.00		
Total Operations within Caps	10,000.00	10,000.00	10,000.00			
	<u>2,932,140.00</u>	<u>2,932,140.00</u>	<u>2,506,111.37</u>	<u>426,028.63</u>		
Detail:						
Salaries and Wages	1,503,140.00	1,503,140.00	1,342,039.41	161,100.59		
Other Expenses	<u>1,429,000.00</u>	<u>1,429,000.00</u>	<u>1,164,071.96</u>	<u>264,928.04</u>		
<b><u>STATUTORY EXPENDITURES WITHIN CAPS</u></b>						
Contribution to:						
Public Employees' Retirement System of New Jersey	76,213.00	76,213.00	76,213.00			
Police and Firemen's Retirement System of New Jersey	134,247.00	134,247.00	134,247.00			
Social Security System	125,000.00	125,000.00	100,589.24	24,410.76		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 5 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Unemployment Compensation Insurance	\$ 18,000.00	\$ 18,000.00	\$ 410.89	\$ 17,589.11	\$
Defined Contribution Retirement Program	500.00	500.00		500.00	
Total Statutory Expenditures within Caps	353,960.00	353,960.00	311,460.13	42,499.87	
Total Appropriations within Caps	3,286,100.00	3,286,100.00	2,817,571.50	468,528.50	
<b><u>OPERATIONS EXCLUDED FROM CAPS</u></b>					
Recycling Fees	5,000.00	5,000.00		5,000.00	
Shared Service Agreements:					
Lakehurst Elementary School - Police	40,000.00	40,000.00	39,999.98	.02	
Service Contract					
Borough of Bay Head					
Chief Financial Officer	75,000.00	75,000.00	75,000.00		
Tax Collector	17,000.00	17,000.00	17,000.00		
Additional Appropriations Offset by Revenues:					
Northeast Housing LLC - Lakehurst					
Police					
Salaries and Wages	65,000.00	65,000.00	64,999.98	.02	
Other Expenses	1,000.00	1,000.00	1,000.00		
Administration					
Salaries and Wages	27,000.00	27,000.00	27,000.00		
Other Expenses	8,000.00	8,000.00	8,000.00		
<b><u>Public and Private Programs Offset by Revenues</u></b>					
966 Grant		17,686.40	17,686.40		
Body Armor Grant		1,301.99	1,301.99		
Clean Communities Program		5,625.40	5,625.40		
Click It or Ticket Grant		5,000.00	5,000.00		
Drive Sober or Get Pulled Over		5,000.00	5,000.00		
Drive Sober or Get Pulled Over - Holiday		5,000.00	5,000.00		

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

Sheet 6 of 7

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>				<u>Reserved</u>		
Hazardous Remediation Discharge	\$	\$	161,552.00	\$	161,552.00	\$	\$
Recycling Tonnage Grant			3,375.13		3,375.13		
Total Operations excluded from Caps			442,540.92		437,540.88		5,000.04
Detail:							
Salaries and Wages			224,000.00		223,999.96		.04
Other Expenses			14,000.00		213,540.92		5,000.00
<b><u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u></b>							
Capital Improvement Fund		54,500.00	54,500.00		54,500.00		
NJ DOT - Poplar Street			200,000.00		200,000.00		
Total Capital Improvements excluded from Caps		54,500.00	254,500.00		254,500.00		
<b><u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u></b>							
Payment of Bond Principal		200,800.00	200,800.00		200,800.00		
Interest on Bonds		122,000.00	122,000.00		120,889.26		1,110.74
Total Municipal Debt Service excluded from Caps		322,800.00	322,800.00		321,689.26		1,110.74
Transferred to Board of Education for Use of Local Schools		6,323.00	6,323.00		6,323.00		
Total General Appropriations excluded from Caps		621,623.00	1,026,163.92		1,020,053.14		5,000.04
Subtotal General Appropriations Reserve for Uncollected Taxes		3,907,723.00	4,312,263.92		3,837,624.64		473,528.54
		152,452.53	152,452.53		152,452.53		
Total General Appropriations	\$	4,060,175.53	4,464,716.45	\$	3,990,077.17	\$	473,528.54
	<u>Ref.</u>	A-2	A-1			A	A-1

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-3**

**SCHEDULE OF EXPENDITURES - REGULATORY BASIS**

**Sheet 7 of 7**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>Ref.</u></b>	<b><u>Appropriated Budget After Modification</u></b>
Budget	A-2	\$ 4,060,175.53
Special Emergency Appropriation	A-1,9	<u>404,540.92</u>
		<u>\$ 4,464,716.45</u>
		<b><u>Expended Paid or Charged</u></b>
	<b><u>Ref.</u></b>	
Reserve for Uncollected Taxes	A-2	\$ 152,452.53
Disbursements	A-4	3,406,791.09
Reserve for Encumbrances	A	26,292.63
Grant Fund	A-13	<u>404,540.92</u>
		<u>\$ 3,990,077.17</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**Exhibit B**

**TRUST FUNDS**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
<b><u>Animal Control Trust Fund</u></b>			
Cash	B-1	\$ 2,875.60	\$ 5,433.46
Interfund - Current Fund	B-4	988.00	
		<u>3,863.60</u>	<u>5,433.46</u>
<b><u>Other Trust Fund</u></b>			
Cash	B-1	434,797.74	394,420.70
Interfund - Current Fund	B-5		35,779.04
Community Development Block Grant Receivable	B-7	4,760.00	
		<u>439,557.74</u>	<u>430,199.74</u>
		\$ <u>443,421.34</u>	\$ <u>435,633.20</u>
<b><u>Liabilities and Reserves</u></b>			
<b><u>Animal Control Trust Fund</u></b>			
Due to State Department of Health	B-2	\$ 4.20	\$
Reserve for Animal Control Trust Fund Expenditures	B-3	3,859.40	3,997.40
Interfund - Current Fund	B-4		1,436.06
		<u>3,863.60</u>	<u>5,433.46</u>
<b><u>Other Trust Fund</u></b>			
Interfund - Current Fund	B-5	7,671.73	
Reserve for:			
Miscellaneous Trust Accounts	B-6	427,126.01	430,199.74
Community Development Block Grant	B-8	4,760.00	
		<u>439,557.74</u>	<u>430,199.74</u>
		\$ <u>443,421.34</u>	\$ <u>435,633.20</u>

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

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
Cash	C-1	\$ 497,033.20	\$ 541,083.56
Grants Receivable	C-5		1,821.50
Deferred Charges to Future Taxation:			
Funded	C-3	4,020,168.00	4,220,968.00
Unfunded	C-4		125,664.48
Interfunds - Current Fund	C-5	<u>1,321.50</u>	<u>20,731.73</u>
		<u>\$ 4,518,522.70</u>	<u>\$ 4,910,269.27</u>
<b><u>Liabilities and Reserves</u></b>			
Reserve for Payment of Bonds	C-5	\$	\$ 500.00
Capital Improvement Fund	C-6	139,704.66	97,704.66
Improvement Authorizations:			
Funded	C-7	358,650.04	465,432.13
Unfunded	C-7		125,664.48
General Serial Bonds Payable	C-8	<u>4,020,168.00</u>	<u>4,220,968.00</u>
		<u>\$ 4,518,522.70</u>	<u>\$ 4,910,269.27</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 of \$-0- and \$125,664.48 respectively.

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

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES**    **Sheet 1 of 2**

**AND FUND BALANCE -REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
<b><u>Operating Fund</u></b>			
Cash	D-4	\$ 337,576.50	\$ 553,747.74
Change Fund		100.00	100.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	25,866.71	24,975.15
Utility Liens		4,277.79	4,277.79
Interfunds:			
Current Fund	D-10	101,766.18	
Grant Fund	D-10	175,350.00	76,562.30
Total Operating Fund		<u>644,937.18</u>	<u>659,662.98</u>
<b><u>Capital Fund</u></b>			
Fixed Capital	D-7	4,648,294.63	3,474,041.08
Fixed Capital Authorized and Uncompleted	D-8	136,463.56	980,611.34
Interfund - Water-Sewer Utility Operating Fund	D-10	244,052.10	224,052.10
Total Water-Sewer Utility Capital Fund		<u>5,028,810.29</u>	<u>4,678,704.52</u>
Total Assets		<u>\$ 5,673,747.47</u>	<u>\$ 5,338,367.50</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY FUND**

**Exhibit D**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES**    **Sheet 2 of 2**

**AND FUND BALANCE -REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
<b><u>Operating Fund</u></b>			
Liabilities:			
Reserve for Encumbrances	D-3	\$ 14,884.00	\$ 12,490.14
Appropriation Reserves	D-3	65,899.59	80,706.72
Prepaid Consumer Accounts	D-4	7,748.64	5,375.21
Accounts Payable	D-9		3,340.00
Interfunds:			
Current Fund	D-10		45,641.28
Water-Sewer Utility Capital Fund	D-10	244,052.10	224,052.10
Accrued Interest Payable	D-11	5,286.55	5,774.05
		<u>337,870.88</u>	<u>377,379.50</u>
Reserve for Receivables		30,144.50	29,252.94
Fund Balance	D-1	276,921.80	253,030.54
Total Operating Fund		<u>644,937.18</u>	<u>659,662.98</u>
<b><u>Capital Fund</u></b>			
Liabilities:			
Improvement Authorizations:			
Funded	D-12	\$ 136,463.56	\$ 61,463.56
Unfunded	D-12		19,089.95
Capital Improvement Fund	D-13	107,588.54	162,588.54
Reserve for Amortization	D-14	2,961,584.63	2,458,696.42
Reserve for Deferred Amortization	D-15	136,463.56	195,910.05
USDA Loan Payable	D-16	866,878.00	891,924.00
Serial Bonds Payable	D-17	819,832.00	889,032.00
Total Water-Sewer Utility Capital Fund		<u>5,028,810.29</u>	<u>4,678,704.52</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,673,747.47</u>	<u>\$ 5,338,367.50</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 of \$-0- and \$19,089.95 respectively.

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-1**

**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**

**REGULATORY BASIS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<b><u>Revenue and Other Income Realized</u></b>			
Surplus Anticipated	D-2	\$ 222,692.00	\$ 238,829.08
Rents	D-2	907,104.71	931,519.46
Miscellaneous	D-2	134,114.10	9,711.13
Federal Emergency Management Grant	D-2	38,250.00	137,100.00
Utility Capital Fund - Fund Balance	D-2		70.92
Other Credits to Income:			
Cancel Accounts Payable and Reconciling Items	D	3,340.00	2,233.00
Cancel Old Outstanding Checks	D-4	642.00	
Unexpended Balance of Appropriation Reserves	D-9	71,965.69	39,499.06
Total Income		<u>1,378,108.50</u>	<u>1,358,962.65</u>
<b><u>Expenditures</u></b>			
Operating		885,560.00	841,297.95
Capital Improvements		58,250.00	165,000.00
Debt Service		143,115.24	139,268.40
Deferred Charges and Statutory Expenditures		44,600.00	83,220.05
	D-3	<u>1,131,525.24</u>	<u>1,228,786.40</u>
Prior Year Receipt Canceled	D-4		857.32
Total Expenditures		<u>1,131,525.24</u>	<u>1,229,643.72</u>
Excess in Revenue		246,583.26	129,318.93
Fund Balance January 1	D	253,030.54	362,540.69
		<u>499,613.80</u>	<u>491,859.62</u>
Decreased by:			
Utilized as Anticipated Revenue	D-2	<u>222,692.00</u>	<u>238,829.08</u>
Fund Balance December 31	D	<u>\$ 276,921.80</u>	<u>\$ 253,030.54</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Operating Surplus Anticipated	D-1	\$ 222,692.00	\$ 222,692.00	\$
Rents	D-1,6	870,000.00	907,104.71	37,104.71
Miscellaneous	D-1,4	3,000.00	134,114.10	131,114.10
Federal Emergency Management Grant	D-1,10		38,250.00	38,250.00
		<b><u>\$ 1,095,692.00</u></b>	<b><u>\$ 1,302,160.81</u></b>	<b><u>\$ 206,468.81</u></b>

**Ref.** D-3

**Analysis of Miscellaneous Revenue**

Interest Collected on Delinquent Rents		\$ 6,188.62
Water Tower Lease		126,536.92
Interest on Deposits		438.56
Other Miscellaneous		<u>950.00</u>
	D-2	<u>\$ 134,114.10</u>
Receipts	D-4	\$ 7,577.18
Interfund - Current Fund	D-10	<u>126,536.92</u>
	D-2	<u>\$ 134,114.10</u>

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

Exhibit D-3

**WATER-SEWER UTILITY OPERATING FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 285,000.00	\$ 285,000.00	\$ 266,677.59	\$ 18,322.41	\$
Other Expenses	260,000.00	260,000.00	236,421.97	23,578.03	
Audit and Professional	30,000.00	30,000.00	8,600.00	21,400.00	
Ocean County Utility Authority	310,560.00	310,560.00	310,560.00		
Capital Improvements:					
Capital Improvement Fund	20,000.00	20,000.00	20,000.00		
Federal Emergency Management Grant					
Federal Share		38,250.00	38,250.00		
Debt Service:					
Payment of Bond Principal	69,200.00	69,200.00	69,200.00		
Interest on Bonds	22,500.00	22,500.00	20,083.24		2,416.76
USDA Loan Principal	25,046.00	25,046.00	25,046.00		
USDA Loan Interest	28,786.00	28,786.00	28,786.00		
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	21,000.00	21,000.00	20,400.85	599.15	
Public Employee's Retirement System	21,600.00	21,600.00	21,600.00		
Unemployment Compensation Insurance	2,000.00	2,000.00		2,000.00	
	<u>\$ 1,095,692.00</u>	<u>\$ 1,133,942.00</u>	<u>\$ 1,065,625.65</u>	<u>\$ 65,899.59</u>	<u>\$ 2,416.76</u>
	<u>Ref.</u>	<u>D-2</u>	<u>D-1</u>	<u>D</u>	<u>D-1</u>
Reserve for Encumbrances					
Cash Disbursements			\$ 14,884.00		
Interfunds			918,851.67		
Accrued Interest on Bonds, Notes and Loans			83,020.74		
			<u>48,869.24</u>		
			<u>\$ 1,065,625.65</u>		

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

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**PAYROLL FUND**

**Exhibit E**

**COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES**

**REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>		
Cash	\$ <u>15,041.82</u>	\$ <u>74,621.62</u>
<b><u>Liabilities</u></b>		
Interfund - Current Fund	\$ 3,599.02	\$ 11,183.09
Payroll Deductions Payable	<u>11,442.80</u>	<u>63,438.53</u>
	<u>\$ 15,041.82</u>	<u>\$ 74,621.62</u>

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

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**COMPARATIVE STATEMENT OF GENERAL FIXES ASSETS**

**Exhibit F**

**REGULATORY BASIS**

**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
General Fixed Assets:		
Land	\$ 1,714,100.00	\$ 1,714,100.00
Buildings	5,058,337.68	5,058,337.68
Vehicles	1,134,636.96	1,377,704.96
Equipment	<u>234,881.55</u>	<u>321,016.36</u>
	<u>\$ 8,141,956.19</u>	<u>\$ 8,471,159.00</u>
<b><u>Liabilities</u></b>		
Investment in General Fixed Assets	<u>\$ 8,141,956.19</u>	<u>\$ 8,471,159.00</u>

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

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

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

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

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

**A. Reporting Entity**

The financial statements of the Borough of Lakehurst, County of Ocean, New Jersey (the “Borough”), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Boards of Education, first aid organization or volunteer fire companies which are subject to separate audits.

The Governmental Accounting Standards Board (“GASB”) Statement 14, as amended by GASB Statements No. 39 and 61, established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements.

**B. Descriptions of Funds**

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles (“GAAP”):

**Current Fund** - revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

**Animal Control Trust Fund** - dog and cat license revenues and expenditures.

**Trust Other Fund** - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

**General Capital Fund** - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Descriptions of Funds (Continued)**

**Water-Sewer Utility Operating Fund** - revenues and expenditures necessary to operate a municipally-owned water-sewer supply system from user fees.

**Water-Sewer Utility Capital Fund** - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of water-sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

**Payroll Fund** - receipt and disbursement for payroll costs and payroll taxes.

**General Fixed Assets Account Group** - used to account for fixed assets used in general government operations.

**C. Basis of Accounting**

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

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

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

**Grant Revenues** - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

**Expenditures** - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**Encumbrances** - contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

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

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

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2016 is set forth in Note 4.

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

**Sale of Municipal Assets** - Cash proceeds from the sale of Borough owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

**Interfunds** - Advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. The status of interfunds is set forth in Note 14.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

**General Fixed Assets** - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system. Fixed assets acquired prior 1992 are based on an inspection and appraisal prepared by an independent firm. All general fixed assets acquired after 1992 are recorded at cost.

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

GAAP does not require utilization of a general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

Expenditures for construction in progress are required to be recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

**Utility Fixed Assets** - Accounting for utility fund “fixed capital” remains unchanged.

Property and equipment purchased by the Water-Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Water-Sewer Utility Fund are not depreciated. Principal payments for Water-Sewer Utility debt are recorded as expenditures in the Water-Sewer Utility Statement of Operations.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**Utility Fixed Assets (Continued)**

During 2016 and 2015 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u>	<u>Expended from</u>		<u>Less:</u>	<u>Cancelled or</u>	<u>Balance</u>
	<u>Jan. 1, 2016</u>	<u>Current or</u>	<u>Utility</u>	<u>Disposals</u>	<u>Transferred</u>	<u>Dec. 31, 2016</u>
		<u>Capital</u>	<u>Fund</u>			
		<u>Fund</u>				
General Fixed Assets Account Group:						
Land	\$ 1,714,100					\$ 1,714,100
Buildings	5,058,338					5,058,338
Vehicles	1,377,705	72,932			(316,000)	1,134,637
Equipment	321,016	6,886			(93,021)	234,881
	<u>8,471,159</u>	<u>79,818</u>			<u>(409,021)</u>	<u>8,141,956</u>
Water-Sewer Utility Fund:						
Fixed Capital	3,474,041		385,691	111,495	900,058	4,648,295
Fixed Capital Authorized and Uncompleted	980,611		75,000		(919,147)	136,464
	<u>4,454,652</u>		<u>460,691</u>	<u>111,495</u>	<u>(19,089)</u>	<u>4,784,759</u>
	\$ <u>12,925,811</u>	\$ <u>79,818</u>	\$ <u>460,691</u>	\$ <u>111,495</u>	\$ <u>(428,110)</u>	\$ <u>12,926,715</u>

	<u>Balance</u>	<u>Expended from</u>		<u>Balance</u>
	<u>Jan. 1, 2015</u>	<u>Current or</u>	<u>Capital Fund</u>	<u>Dec. 31, 2015</u>
		<u>Fund</u>		
General Fixed Assets Account Group:				
Land	\$ 1,714,100			\$ 1,714,100
Buildings	5,058,338			5,058,338
Machinery and Equipment	1,669,781		28,940	1,698,721
	<u>8,442,219</u>		<u>28,940</u>	<u>8,471,159</u>
Water-Sewer Utility Fund:				
Fixed Capital	3,474,041			3,474,041
Fixed Capital Authorized and Uncompleted	980,611			980,611
	<u>4,454,652</u>			<u>4,454,652</u>
	\$ <u>12,896,871</u>	\$ <u>28,940</u>		\$ <u>12,925,811</u>

**D. Financial Statements**

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

**F. Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements** - For the year ended December 31, 2016, the Borough implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Borough is required to measure certain investments at fair value for financial reporting purposes. In addition, the Borough is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Borough's financial statements.

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

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued Accounting Pronouncements

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

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

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

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

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

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Borough's financial statements.

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

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

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

**NOTE 2. CASH AND CASH EQUIVALENTS**

**A. Deposits**

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**A. Deposits (Continued)**

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

At year-end the carrying amount of the Borough's deposits was \$3,262,130 and the bank balance amount was \$3,277,801. Of this amount \$250,000 was covered by federal depository insurance, a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$2,992,001 and \$35,800 was in the State of New Jersey's Cash Management Fund.

**B. Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**B. Investments (Continued)**

- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
  
- b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.
  
- c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At year end, carrying value of the Borough's investments and the investment balance amount was \$35,800.

**C. Cash Management Plan**

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

**D. Cash Management Plan (Continued)**

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

**D. Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
GUDPA	2,992,001	3,163,910
Uninsured	<u>35,800</u>	<u>35,620</u>
	\$ <u>3,277,801</u>	\$ <u>3,449,530</u>

**Custodial Credit Risk - Deposits**

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

State law limits investments as noted above.

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

**NOTE 3. DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

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.

**A. Long-Term Debt**

On December 31, 2016, the Borough had long-term debt as follows:

**General Capital Fund**

2.25% to 2.50% General Obligation Bonds Issued February 21, 2013, installment maturities to March 1, 2026	\$ 970,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>3,050,168</u>
	\$ <u>4,020,168</u>

**Water-Sewer Utility Capital Fund**

3.25% U.S.D.A. Water-Sewer Loan Issued December 23, 1999, installment maturities to December 23, 2039	\$ 866,878
2.25% to 2.50% General Obligation Bonds Issued February 21, 2013, installment maturities to March 1, 2026	710,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>109,832</u>
	\$ <u>1,686,710</u>

The General Capital Fund loans mature semi-annually in variable amounts to the year 2040. The Water-Sewer Utility Capital Fund loans mature serially in variable amounts to the year 2039. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

	<u>General Capital Fund</u>		<u>Utility Capital Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 200,800	\$ 116,534	\$ 95,066	\$ 47,117
2018	210,625	112,249	96,089	44,723
2019	215,450	107,812	97,139	42,298
2020	220,450	103,222	98,043	39,840
2021	201,150	98,418	103,312	37,256
2022-2026	1,113,300	424,534	564,142	144,559
2027-2031	545,225	295,612	210,394	89,103
2032-2036	786,475	183,359	252,487	51,689
2037-2040	<u>526,693</u>	<u>84,270</u>	<u>170,038</u>	<u>11,897</u>
Total	\$ <u>4,020,168</u>	\$ <u>1,526,010</u>	\$ <u>1,686,710</u>	\$ <u>508,482</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

**B. Short-term Debt**

On December 31, 2016, the Borough had no outstanding bond anticipation notes.

**C. Bonds and Notes Authorized but not Issued**

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

	<u>2016</u>	<u>2015</u>
General Capital Fund	\$ -0-	\$ 125,664
Water-Sewer Utility Capital Fund	-0-	19,090

**D. Borrowing Power**

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2016 was 2.509%. The Borough's remaining borrower power is .991%

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

**E. Summary of Debt Activity**

During 2016 and 2015 the following changes occurred in the outstanding debt of the Borough:

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 3. DEBT (CONTINUED)**

	<b><u>Balance</u></b> <b><u>Jan. 1, 2016</u></b>	<b><u>Retired</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2016</u></b>	<b><u>Due</u></b> <b><u>within</u></b> <b><u>One Year</u></b>
General Debt:				
Serial Bonds	\$ 4,220,968	\$ 200,800	\$ 4,020,168	\$ 200,800
Water Utility Fund Debt:				
Serial Bonds	889,032	69,200	819,832	69,200
U.S.D.A. Loan Payable	891,924	25,046	866,878	25,866
Other:				
Compensated Absences	<u>106,754</u>	<u>81,754</u>	<u>25,000</u>	
	\$ <u><u>6,108,678</u></u>	\$ <u><u>376,800</u></u>	\$ <u><u>5,731,878</u></u>	

	<b><u>Balance</u></b> <b><u>Jan. 1, 2015</u></b>	<b><u>Retired</u></b>	<b><u>Balance</u></b> <b><u>Dec. 31, 2015</u></b>	<b><u>Due</u></b> <b><u>within</u></b> <b><u>One Year</u></b>
General Debt:				
Serial Bonds	\$ 4,421,768	\$ 200,800	\$ 4,220,968	\$ 200,800
Water Utility Fund Debt:				
Serial Bonds	953,232	64,200	889,032	69,200
U.S.D.A. Loan Payable	916,175	24,251	891,924	25,046
Other:				
Compensated Absences	<u>106,754</u>	<u>          </u>	<u>106,754</u>	
	\$ <u><u>6,397,929</u></u>	\$ <u><u>289,251</u></u>	\$ <u><u>6,108,678</u></u>	

**NOTE 4. ACCRUED SICK AND VACATION BENEFITS**

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$25,000 and \$106,754 at December 31, 2016 and 2015, respectively. In accordance with New Jersey accounting principles this amount is not reported as an expenditure or liability in the accompanying financial statements.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 5. FUND BALANCES APPROPRIATED**

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

	<u>2016</u>	<u>2015</u>
Current Fund	\$ 720,000	\$ 726,000
Water-Sewer Utility Operating Fund	240,000	222,692

**NOTE 6. TAXES AND WATER-SEWER CHARGES COLLECTED IN ADVANCE**

Taxes and water-sewer charges collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance December 31</u>	
	<u>2016</u>	<u>2015</u>
Prepaid Taxes	\$ 32,674	\$ 29,603
Prepaid Water-Sewer Charges	7,749	5,375

**NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES**

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local 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 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statute 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 9. PENSION OBLIGATIONS**

The pension information presented in this notes is based upon the latest information provided by the State of New Jersey, Division of Pensions and Benefits.

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

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Plan Description (Continued)**

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

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

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2013 and will be adjusted by the rate of return on the actuarial value of assts.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Plan Description (Continued)**

**Components of Net Pension Liability** - At December 31, 2016, the Borough reported a liability of \$3,813,150 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .01287%, which was an increase of .00149% from its proportion measured as of June 30, 2015.

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	1,386,371	510,878
Deferred Inflows of Resources	190,164	282,346
Net Pension Liability	3,813,150	2,553,943
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.01287%	0.01138%

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 70,913	\$ -
Changes of Assumptions	789,881	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	145,399	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>380,178</u>	<u>190,164</u>
	<u>\$ 1,386,371</u>	<u>\$ 190,164</u>

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

<b>Year Ending</b>		
<b><u>Dec 31,</u></b>		<b><u>PERS</u></b>
2017	\$	260,113
2018		260,114
2019		296,087
2020		250,249
2021		<u>129,644</u>
	\$	<u>1,196,207</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources (Continued)**

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

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

	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 4,672,571	\$ 3,813,150	\$ 3,103,624

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

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

The following represent membership tiers for PFRS:

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Contributions** - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Municipality contributions to PFRS amounted to \$134,247 for 2016.

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

**Net Pension Liability and Pension Expense** - At December 31, 2016, the Borough's proportionate share of the PFRS net pension liability is valued to be \$2,739,451. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .01434%, which was a decrease of .00218% from its proportion measured as of June 30, 2015.

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	940,316	985,270
Deferred Inflows of Resources	268,132	282,346
Net Pension Liability	2,739,451	2,553,943
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.01434%	0.01652%

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 17,958
Changes of Assumptions	379,436	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	191,948	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>368,932</u>	<u>250,174</u>
	<u>\$ 940,316</u>	<u>\$ 268,132</u>

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

<b>Year Ending</b>		
<b><u>Dec 31,</u></b>		<b><u>PFRS</u></b>
2017	\$	199,953
2018		199,955
2019		243,697
2020		97,015
2021		<u>(68,436)</u>
	\$	<u>672,184</u>



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

**Special Funding Situation** – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Special Funding Situation (Continued)**

considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State's proportionate share of the net pension liability attributable to the Municipality is \$230,046 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Municipality was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2016 was .01434%, which was a decrease of .00218% from its proportion measured as of June 30, 2015, which is the same proportion as the Borough's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 2,739,451
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>230,046</u>
Total Net Pension Liability	<u><u>\$ 2,969,497</u></u>

For the year ended December 31, 2016, the Borough's total allocated pension expense was \$29,382.

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Actuarial Assumptions (continued)**

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

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

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

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

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

**Discount Rate (Continued)**

employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 3,828,948	\$ 2,969,497	\$ 2,268,666

**C. Defined Contribution Retirement Program (DCRP)**

The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by *N.J.S.A.43:15C-1* et. seq.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 9. PENSION OBLIGATIONS (CONTINUED)**

**C. Defined Contribution Retirement Program (DCRP) (Continued)**

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Borough's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

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

**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On February 6, 2003, the Borough authorized participation in the SHBP’s post-retirement benefit program through Resolution Number 03-054. The Borough adopted the provisions of Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

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

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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

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

The Borough contributions to SHBP for the years ended December 31, 2016, 2015 and 2014 were \$133,581, \$118,206 and \$137,954, respectively, which equaled the required contributions for each year. There were approximately 8 retired participants eligible at December 31, 2016 and 7 retired participants eligible at December 31, 2015 and 2014.

**NOTE 11. SCHOOL TAXES**

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

In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy. In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

	<b><u>Local District School Tax</u></b>	
	<b><u>Balance</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2016</u></b>	<b><u>Dec. 31, 2015</u></b>
Balance of Tax	\$ 756,753	\$ 730,446
Deferred	<u>500,749</u>	<u>500,749</u>
Tax Payable	\$ <u>256,004</u>	\$ <u>229,697</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 12. RISK MANAGEMENT**

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

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

**NOTE 13. CONTINGENT LIABILITIES**

**State and Federal Financial Assistance**

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2016, the Borough estimates that no material liabilities will result from such audits.

**Pending Litigation**

There are actions which have been instituted against the Borough which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

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

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



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

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

**NOTE 14. INTERFUND RECEIVABLES AND PAYABLES**

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

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
Current Fund	\$ 11,271	\$ 115,568
Grant Fund	11,493	175,350
Animal Control Trust Fund	988	
Other Trust Fund		7,672
General Capital Fund	1,322	
Water-Sewer Utility Operating Fund	277,115	244,052
Water-Sewer Utility Capital Fund	244,052	
Payroll Fund	<u>                    </u>	<u>3,599</u>
	<b><u>\$ 546,241</u></b>	<b><u>\$ 546,241</u></b>

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

The summary of interfund transfers follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
Current Fund	\$ 402,356.00	\$ 418,946.00
Grant Fund	432,522.00	244,896.00
Animal Control Trust Fund		3,823.00
Other Trust Fund	40,069.00	8,526.00
General Capital Fund	20,372.00	
Water-Sewer Utility Operating	44,771.00	270,966.00
Water-Sewer Capital	38,250.00	20,000.00
Payroll		11,183.00
	<u>\$ 978,340.00</u>	<u>\$ 978,340.00</u>

The purpose of interfunds transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2016**

**NOTE 15. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 consisted of intergovernmental grants, taxes and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Borough's individual major and fiduciary funds, in the aggregate, are as follows:

	<b><u>Current Fund</u></b>	<b><u>Grant Fund</u></b>	<b><u>Utility Operating Fund</u></b>	<b><u>Total (Memo Only)</u></b>
Federal and State Aid	\$ 161,461	\$ 463,435	\$	\$ 463,435
Taxes	161,461			161,461
Utility Rents			30,145	30,145
Other	<u>9,716</u>	<u></u>	<u></u>	<u>9,716</u>
	<u>\$ 171,177</u>	<u>\$ 463,435</u>	<u>\$ 30,145</u>	<u>\$ 664,757</u>

**SUPPLEMENTARY EXHIBITS**

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**CURRENT FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-4**

**SCHEDULE OF CASH - TREASURER**

Balance December 31, 2015		\$ 1,934,609.64
Increased by Receipts:		
Taxes Receivable	\$ 4,295,133.75	
Prepaid Taxes	32,674.38	
Petty Cash	300.00	
Tax Overpayments	3,763.96	
State of New Jersey (Ch. 20, P.L. 1971)	16,000.00	
State of New Jersey Various Fees	450.00	
Revenue Accounts Receivable	1,044,215.28	
Miscellaneous Revenue Not Anticipated	40,420.69	
Cancel Old Outstanding Checks	1,665.64	
Interfunds:		
Other Funds	195,709.95	
Grant Fund	<u>206,646.09</u>	
		<u>5,836,979.74</u>
		<u>7,771,589.38</u>
Decreased by Disbursements:		
Budget Appropriations	3,406,791.09	
Appropriation Reserves	110,021.23	
Petty Cash	300.00	
County Taxes Payable	677,958.83	
Local District School Tax	1,200,836.00	
Accounts Payable	360.00	
Tax Refunds	3,763.96	
State of New Jersey Various Fees	455.00	
Interfunds:		
Other Funds	85,211.51	
Grant Fund	<u>333,733.79</u>	
		<u>5,819,431.41</u>
Balance December 31, 2016		\$ <u><u>1,952,157.97</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-5

**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance		2016 Levy	Collections		Due from State	Transferred to Tax Title Liens	Cancelled	Balance Dec. 31, 2016
	Dec. 31, 2015	2016 Levy		2015	2016				
2014	\$ 479.69	\$ 479.69	\$	\$	\$	\$	\$ 479.69	\$	
2015	125,227.30	125,227.30		125,224.19			3.11		
	125,706.99	125,706.99		125,224.19			482.80		
2016		4,347,275.76	29,602.56	4,171,182.18	17,250.00	3,492.25	11,546.19	114,202.58	
	\$ 125,706.99	\$ 4,347,275.76	\$ 29,602.56	\$ 4,296,406.37	\$ 17,250.00	\$ 3,492.25	\$ 12,028.99	\$ 114,202.58	

Tax Levy \$ 4,346,498.57  
 Year-end Penalty 777.19

Receipts \$ 4,347,275.76

Overpayments Applied

\$ 4,295,133.75  
 1,272.62

\$ 4,296,406.37

**Analysis of 2016 Property Tax Yield and Tax Levy**

Tax Yield:	
General Purpose Tax	\$ 4,297,942.75
Added and Omitted Taxes	48,555.82
General Purpose Tax	\$ 4,346,498.57

Tax Levy:	
Local District School Tax	\$ 1,227,143.00
County Taxes:	
County Tax	\$ 571,440.30
County Library Tax	61,530.38
County Health Tax	22,188.19
County Open Space Preservation	19,426.98
Due County for Added and Omitted Taxes	7,661.34
Total County Taxes	682,247.19
Local Tax for Municipal Purposes Levied	2,395,786.53
Add: Additional Tax Levied	41,321.85
	\$ 4,346,498.57



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-6**

**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2015		\$ 43,685.32
Increased by:		
Transfers from Taxes Receivable	\$ 3,492.25	
Prior Year Costs Omitted from Liens	<u>81.00</u>	
		<u>3,573.25</u>
Balance December 31, 2016		\$ <u><u>47,258.57</u></u>

**SCHEDULE OF DUE FROM/TO STATE OF NEW JERSEY**

**PER CHAPTER 20, P.L. 1971**

**Exhibit A-7**

Balance December 31, 2015 - (Due From)		\$ (670.78)
Increased by:		
2016 Senior Citizens and Veterans Deductions per Tax Duplicate		<u>17,250.00</u>
		17,920.78
Decreased by:		
Receipts		<u>16,000.00</u>
Balance December 31, 2016 - (Due From)		\$ <u><u>(1,920.78)</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-8**

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Accrued in 2016</u></b>	<b><u>Collections</u></b>	<b><u>Balance Dec. 31, 2016</u></b>
Licenses:				
Alcoholic Beverages	\$	\$ 15,300.00	\$ 15,300.00	\$
Other		10,309.00	10,309.00	
Fees and Permits:				
Other		108,268.02	108,268.02	
Fines and Costs:				
Municipal Court	13,952.44	155,415.21	160,191.45	9,176.20
Interest and Costs on Taxes		31,835.21	31,835.21	
Interest on Investments and Deposits		2,800.19	2,800.19	
State Aid:				
Consolidated Municipal Property Tax Relief Act		41,673.00	41,673.00	
Energy Receipts Tax		253,766.00	253,766.00	
Uniform Construction Code Fees		3,857.80	3,857.80	
Lakehurst Elementary School - Police Service Contract		40,000.00	40,000.00	
Northeast Housing LLC - Borough of Lakehurst		160,000.00	160,000.00	
Northeast Housing LLC - Borough of Lakehurst		212,643.35	212,643.35	
Uniform Fire Safety Act		3,571.26	3,571.26	
	<b><u>\$ 13,952.44</u></b>	<b><u>\$ 1,039,439.04</u></b>	<b><u>\$ 1,044,215.28</u></b>	<b><u>\$ 9,176.20</u></b>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 1 of 4

**OPERATIONS WITHIN CAPS**

	<b><u>Balance</u></b>	<b><u>Reserve for</u></b>	<b><u>Balance</u></b>	<b><u>Paid or</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2015</u></b>	<b><u>Encumbrances</u></b>	<b><u>After</u></b>	<b><u>Charged</u></b>	<b><u>Lapsed</u></b>
			<b><u>Transfers</u></b>		
Administrative and Executive					
Salaries and Wages	\$ 100.00	\$	\$ 100.00		\$ 100.00
Other Expenses	1,496.00		1,496.00		1,496.00
Mayor and Council					
Salaries and Wages	1,174.82		1,174.82		1,174.82
Other Expenses	1,662.15		1,662.15		1,662.15
Municipal Clerk					
Salaries and Wages	3,129.07		3,129.07		3,129.07
Other Expenses	265.18	908.09	1,173.27	1,003.09	170.18
Financial Administration					
Salaries and Wages	4,742.98		4,742.98		4,742.98
Other Expenses	5,303.04	792.59	6,095.63	3,887.87	2,207.76
Audit Services					
Other Expenses	27,800.00		27,800.00	15,000.00	12,800.00
Collection of Taxes					
Salaries and Wages	2,471.83		2,471.83		2,471.83
Other Expenses	1,865.67	253.06	2,118.73	271.06	1,847.67
Assessment of Taxes					
Salaries and Wages	42.50		42.50		42.50
Other Expenses	4,814.95	364.05	5,179.00	364.05	4,814.95
Legal Services and Costs					
Salaries and Wages	931.04		931.04		931.04
Other Expenses	17,856.14		17,856.14	1,414.06	16,442.08
Engineering Services and Costs					
Other Expenses	7,320.00		7,320.00	1,085.00	6,235.00
Historical Preservation					
Other Expenses	450.00		450.00		450.00

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 2 of 4

	<u>Balance</u>	<u>Reserve for</u>	<u>Balance</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Dec. 31, 2015</u>	<u>Encumbrances</u>	<u>After</u>	<u>Charged</u>	<u>Lapsed</u>
			<u>Transfers</u>		
Municipal Land Use Law (N.J.S. 40:55D-1)					
Salaries and Wages	\$ 107.00	\$	\$ 107.00	\$	\$ 107.00
Other Expenses	23.60		23.60		23.60
Code Enforcement Officer					
Salaries and Wages	2.96		2.96		2.96
Other Expenses	364.79		364.79		364.79
County Rebate					
Salaries and Wages	52.00		52.00		52.00
Insurance					
Workers' Compensation	10,834.01		10,834.01		10,834.01
Employee Group Health	90.48		90.48		90.48
Health Benefits Waiver	2,685.30		2,685.30		2,685.30
Police					
Salaries and Wages	88,235.18		88,235.18		88,235.18
Other Expenses	126.54	9,962.75	10,089.29	9,868.13	221.16
Emergency Management Services					
Salaries and Wages	12.64		12.64		12.64
Other Expenses	1,319.84		1,319.84		1,319.84
Uniform Safety Act					
Salaries and Wages	1,086.65		1,086.65		1,086.65
Other Expenses	308.55		308.55		308.55
Municipal Court					
Salaries and Wages	17,885.29		17,885.29		17,885.29
Other Expenses	5,334.88	936.70	6,271.58	936.70	5,334.88
Fire					
Other Expenses	2,200.00		2,200.00		2,200.00
Municipal Prosecutor					
Salaries and Wages	.08		.08		.08
Other Expenses	100.00		100.00		100.00

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 3 of 4

	<u>Balance</u>	<u>Reserve for</u>	<u>Balance</u>	<u>Paid or</u>	<u>Balance</u>
	<u>Dec. 31, 2015</u>	<u>Encumbrances</u>	<u>After</u>	<u>Charged</u>	<u>Lapsed</u>
	\$	\$	\$	\$	\$
Public Defender	100.00		100.00		100.00
Other Expenses					
Road Repairs and Maintenance					
Salaries and Wages	8,462.20		8,462.20		8,462.20
Other Expenses	6,901.74	7,857.64	14,759.38	7,391.00	7,368.38
Garbage and Trash Removal					
Salaries and Wages	20,228.47		20,228.47		20,228.47
Other Expenses	2,898.64	1,075.00	3,973.64	1,474.00	2,499.64
Recycling					
Salaries and Wages	1,234.77		1,234.77		1,234.77
Other Expenses	4,820.00	680.00	5,500.00	680.00	4,820.00
Public Buildings, Grounds and Lakes					
Salaries and Wages	1,821.47		1,821.47		1,821.47
Other Expenses	3,778.00	4,435.48	8,213.48	4,602.97	3,610.51
Snow Removal					
Other Expenses	100.00		100.00		100.00
Vehicle Maintenance					
Other Expenses	8,176.81	3,140.38	11,317.19	3,063.74	8,253.45
Animal Control					
Other Expenses	4,609.90	425.00	5,034.90	809.00	4,225.90
Youth and Recreation					
Salaries and Wages	4,803.51		4,803.51		4,803.51
Other Expenses	1,132.11	53.97	1,186.08	53.97	1,132.11
Celebration of Public Events					
Other Expenses	3,384.37	47.99	3,432.36	136.24	3,296.12
Utilities:					
Gasoline	30,669.14		30,669.14	3,243.78	27,425.36
Electricity	3,699.96		3,699.96	600.00	3,099.96
Telephone	2,123.72		2,123.72	525.98	1,597.74
Natural Gas	9,689.67		9,689.67	1,897.21	7,792.46

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF APPROPRIATION RESERVES**

Sheet 4 of 4

	<b><u>Balance</u></b>	<b><u>Reserve for</u></b>	<b><u>Balance</u></b>	<b><u>Paid or</u></b>	<b><u>Balance</u></b>
	<b><u>Dec. 31, 2015</u></b>	<b><u>Encumbrances</u></b>	<b><u>After</u></b>	<b><u>Charged</u></b>	<b><u>Lapsed</u></b>
			<b><u>Transfers</u></b>		
Utilities (Continued):					
Street Lighting	\$ 6,692.55	\$	\$ 6,692.55		\$ 6,692.55
Telecommunications	59.51		59.51		59.51
Landfill Disposal Cost - Other Expenses	30,000.00		30,000.00		30,000.00
Deferred Sick Time	10,000.00		10,000.00	10,000.00	
Social Security System	12,423.01		12,423.01		12,423.01
Unemployment Compensation Insurance	16,982.19		16,982.19		16,982.19
Defined Contribution Retirement Program	500.00		500.00		500.00
Total Appropriations within Caps	<u>407,486.90</u>	<u>30,932.70</u>	<u>438,419.60</u>	<u>68,307.85</u>	<u>370,111.75</u>
<b><u>OPERATIONS EXCLUDED FROM CAPS</u></b>					
Recycling Fees	174.65		174.65		174.65
Northeast Housing LLC - Borough of Lakehurst					
Police					
Other Expenses	1,000.00		1,000.00		1,000.00
Administration					
Salaries and Wages	9,923.08		9,923.08		9,923.08
Other Expenses	5,760.00		5,760.00		5,760.00
<b><u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u></b>					
Four Wheel Drive Police Vehicle	72.72	34,303.38	34,376.10	34,303.38	72.72
Acquisition of Computer Equipment	90.00	7,410.00	7,500.00	7,410.00	90.00
Total Appropriations excluded from Caps	<u>17,020.45</u>	<u>41,713.38</u>	<u>58,733.83</u>	<u>41,713.38</u>	<u>17,020.45</u>
	\$ 424,507.35	\$ 72,646.08	\$ 497,153.43	\$ 110,021.23	\$ 387,132.20

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-10**

**SCHEDULE OF COUNTY TAXES PAYABLE**

Balance December 31, 2015		\$	3,359.47
Increased by:			
County Tax	\$ 571,440.30		
County Library Tax	61,530.38		
County Health Tax	22,188.19		
County Open Space Tax	19,426.98		
Added and Omitted Taxes	7,661.34		
Correct Prior Year Balance	<u>13.51</u>		
			<u>682,260.70</u>
			<u>685,620.17</u>
Decreased by:			
Payments			<u>677,958.83</u>
Balance December 31, 2016		\$	<u><u>7,661.34</u></u>

**SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

**Exhibit A-11**

Balance December 31, 2015:			
School Tax Payable	\$ 229,697.00		
School Tax Deferred	<u>500,749.00</u>		
		\$	730,446.00
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>1,227,143.00</u>
			<u>1,957,589.00</u>
Decreased by:			
Payments			<u>1,200,836.00</u>
Balance December 31, 2016:			
School Tax Payable	256,004.00		
School Tax Deferred	<u>500,749.00</u>		
		\$	<u><u>756,753.00</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF INTERFUNDS - OTHER FUNDS

	<u>Total (Memo Only)</u>	<u>Animal Control Trust</u>	<u>Other Trust Fund</u>	<u>General Capital Fund</u>	<u>Water-Sewer Operating Fund</u>	<u>Payroll Fund</u>
Balance December 31, 2015 - Due To/(From)	\$ (2,109.66)	\$ (1,436.06)	\$ 35,779.04	\$ 20,371.73	\$ (45,641.28)	\$ (11,183.09)
Increased by						
Receipts	195,709.95	3,823.06	8,525.60		172,178.20	11,183.09
Total Increases and Balances	<u>193,600.29</u>	<u>2,387.00</u>	<u>44,304.64</u>	<u>20,371.73</u>	<u>126,536.92</u>	
Decreased by:						
Disbursements	85,211.51		40,069.04	20,371.73	24,770.74	
Cancel Old Outstanding Checks	1,750.45		1,750.45			
Cancel Miscellaneous Reserves and Balances	8,835.38		10,156.88	(1,321.50)		
Correct Prior Year Interfund Balance	3,599.02					3,599.02
Statutory Excess in Animal Control Trust	1,399.00	1,399.00				
Total Decreases	<u>100,795.36</u>	<u>1,399.00</u>	<u>51,976.37</u>	<u>19,050.23</u>	<u>24,770.74</u>	<u>3,599.02</u>
Balance December 31, 2016 - Due To/(From)	\$ <u>92,804.93</u>	\$ <u>988.00</u>	\$ <u>(7,671.73)</u>	\$ <u>1,321.50</u>	\$ <u>101,766.18</u>	\$ <u>(3,599.02)</u>



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-13**

**SCHEDULE OF INTERFUND**

**FEDERAL AND STATE GRANT FUND**

Balance December 31, 2015 - Due From		\$ 142,680.35
Increased by:		
Receipts:		
Grant Accounts Receivable Deposits	\$ 206,327.33	
Unappropriated Funds Received	318.76	
Grants Receivable Cancelled	9,263.51	
Transferred from 2016 Budget Appropriations	<u>404,540.92</u>	
		<u>620,450.52</u>
		<u>763,130.87</u>
Decreased by:		
Grant Fund Disbursements	333,733.79	
Appropriated Reserves Cancelled	13,363.51	
Transferred from 2016 Anticipated Revenue	<u>404,540.92</u>	
		<u>751,638.22</u>
Balance December 31, 2016 - Due From		\$ <u><u>11,492.65</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-14**

**SCHEDULE OF INTERFUND - WATER-SEWER OPERATING FUND**

**FEDERAL AND STATE GRANT FUND**

Balance December 31, 2015 - Due To		\$ (76,562.30)
Increased by:		
Transferred from 2016 Budget Appropriations		<u>38,250.00</u>
		(38,312.30)
Decreased by:		
Grant Fund Disbursements	\$ 98,787.70	
Transferred from 2016 Anticipated Revenue	<u>38,250.00</u>	
		<u>137,037.70</u>
Balance December 31, 2016 - Due To		\$ <u><u>(175,350.00)</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-15

**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

**FEDERAL AND STATE GRANT FUND**

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>2016</u> <u>Budget</u> <u>Revenue</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
2016 Grant Awards:					
966 Grant	\$	\$ 17,686.40		\$	\$ 17,686.40
Body Armor Fund		1,301.99	1,301.99		
Clean Communities Program		5,625.40	5,625.40		
Click It or Ticket		5,000.00	5,000.00		
Drive Sober or Get Pulled Over		5,000.00	5,000.00		
Drive Sober or Get Pulled Over - Holiday Grant		5,000.00			5,000.00
Federal Emergency Management Grant		38,250.00			38,250.00
Recycling Tonnage Grant		3,375.13	3,375.13		
Hazardous Remediation Discharge		161,552.00	161,552.00		
NJ DOT - Poplar Street		200,000.00			200,000.00
2015 Grant Awards:					
Drive Sober or Get Pulled Over	5,000.00		5,000.00		
Federal Emergency Management Grant	137,100.00				137,100.00
Homeland Security	24,100.00		19,472.81	4,627.19	
NJ DOT - Lake Street	65,398.35				65,398.35
2014 Grant Awards:					
Municipal Alliance	236.32			236.32	
2013 Grant Awards:					
Drive Sober or Get Pulled Over	<u>4,400.00</u>			<u>4,400.00</u>	
	\$ <u>236,234.67</u>	\$ <u>442,790.92</u>	\$ <u>206,327.33</u>	\$ <u>9,263.51</u>	\$ <u>463,434.75</u>
Interfunds:					
Current Fund	\$ 404,540.92				
Water-Sewer Utility Operating Fund	<u>38,250.00</u>				
	\$ <u>442,790.92</u>				

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

Exhibit A-16

CURRENT FUND

SCHEDULE OF APPROPRIATED RESERVES

FEDERAL AND STATE GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2015</u>	<u>Transfer from 2016 Budget Appropriation</u>	<u>Reserve for Encumbrances</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2016</u>
2016 Grant Awards:						
966 Grant	\$	17,686.40	\$	17,586.13		100.27
Body Armor Fund		1,301.99				1,301.99
Clean Communities Program		5,625.40		1,409.38		4,216.02
Click It or Ticket		5,000.00		5,000.00		
Drive Sober or Get Pulled Over		5,000.00		5,000.00		
Drive Sober or Get Pulled Over - Holiday Grant		5,000.00		500.00		4,500.00
Federal Emergency Management Grant		38,250.00		38,250.00		
Recycling Tonnage Grant		3,375.13				3,375.13
Hazardous Remediation Discharge		161,552.00		139,288.78		22,263.22
NJ DOT - Poplar Street		200,000.00		921.00		199,079.00
2015 Grant Awards:						
Alcohol Education and Rehabilitation	58.93					58.93
Drive Sober or Get Pulled Over	3,000.00				3,000.00	
Drive Sober or Get Pulled Over	5,000.00				5,000.00	
Drive Sober or Get Pulled Over	5,000.00			4,500.00		
Federal Emergency Management Grant:						
Grantor Share	53,637.70			53,637.70		
Grantee Share	6,900.00			6,900.00		
Homeland Security	4,627.19		19,472.81	19,472.81	4,627.19	1,488.32
NJ DOT - Lake Street	153,349.84			151,861.52		
2014 Grant Awards:						
Municipal Alliance	236.32				236.32	
Other Grants:						
Body Armor Fund	5,615.66		1,089.00	1,089.00		5,615.66
Clean Communities	5,282.80			5,282.80		
Drunk Driving Enforcement Fund	15,100.18					15,100.18
Recycling Tonnage Grant	21,549.61					21,549.61
	<u>\$ 279,358.23</u>	<u>\$ 442,790.92</u>	<u>\$ 20,561.81</u>	<u>\$ 450,699.12</u>	<u>\$ 13,363.51</u>	<u>\$ 278,648.33</u>
Interfunds:						
Current Fund	\$	404,540.92				
Water-Sewer Utility Operating Fund		38,250.00				
		<u>\$ 442,790.92</u>				
Reserve for Encumbrances	\$			18,177.63		
Interfunds:						
Current Fund				333,733.79		
Interfund - Water-Sewer Utility Operating Fund				98,787.70		
				<u>\$ 450,699.12</u>		

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-17

**SCHEDULE OF UNAPPROPRIATED RESERVES**

**FEDERAL AND STATE GRANT FUND**

<b><u>Grant</u></b>	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Received</u></b>	<b><u>Balance Dec. 31, 2016</u></b>
Recycling Tonnage Grant	\$ <u>2,432.68</u>	\$ <u>318.76</u>	\$ <u>2,751.44</u>

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**TRUST FUND**

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BOROUGH OF LAKEHURST - COUNTY OF OCEAN

TRUST FUNDS

Exhibit B-1

SCHEDULE OF CASH - TREASURER

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>
Balance December 31, 2015	\$ 5,433.46	\$ 394,420.70
Increased by Receipts:		
Due State of New Jersey	\$ 294.60	
Dog Licenses and Other Fees	1,422.00	
Interest Earned	5.84	
Interfunds		42,199.28
Miscellaneous Reserves		112,853.30
Community Development Block Grant		<u>28,812.90</u>
	<u>1,722.44</u>	<u>183,865.48</u>
	7,155.90	578,286.18
Decreased by Disbursements:		
Due State of New Jersey	290.40	
Animal Control Trust Fund Expenditures	161.00	
Interfunds	3,828.90	5,183.39
Miscellaneous Reserves		109,492.15
Community Development Block Grant		<u>28,812.90</u>
	<u>4,280.30</u>	<u>143,488.44</u>
Balance December 31, 2016	<u>\$ 2,875.60</u>	<u>\$ 434,797.74</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**ANIMAL CONTROL TRUST FUND**

**Exhibit B-2**

**SCHEDULE OF DUE STATE OF NEW JERSEY**

Balance December 31, 2015	\$	
Increased by:		
Fees Collected		<u>294.60</u>
		294.60
Decreased by:		
Disbursements		<u>290.40</u>
Balance December 31, 2016	\$	<u><u>4.20</u></u>

**SCHEDULE OF RESERVE FOR ANIMAL CONTROL**

**TRUST FUND EXPENDITURES**

**Exhibit B-3**

Balance December 31, 2015	\$	3,997.40
Increased by:		
Animal Control License Fees Collected		<u>1,422.00</u>
		5,419.40
Decreased by:		
Expenditures Under R.S. 4:19-15.11	\$	161.00
Statutory Excess Due to Current Fund		<u>1,399.00</u>
		<u>1,560.00</u>
Balance December 31, 2016	\$	<u><u>3,859.40</u></u>

**License Fees Collected**

<u>Year</u>	<u>Amount</u>
2014	\$ 2,452.40
2015	<u>1,407.00</u>
	<u><u>\$ 3,859.40</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**ANIMAL CONTROL TRUST FUND**

**Exhibit B-4**

**SCHEDULE OF INTERFUND - CURRENT FUND**

Balance December 31, 2015 - Due To		\$ 1,436.06
Increased by:		
Statutory Excess Due to Current Fund	\$ 1,399.00	
Interest Earned on Deposits	<u>5.84</u>	
		<u>1,404.84</u>
		2,840.90
Decreased by:		
Disbursements		<u>3,828.90</u>
Balance December 31, 2016 - Due From		\$ <u><u>(988.00)</u></u>

**OTHER TRUST FUND**

**SCHEDULE OF INTERFUND - CURRENT FUND**

**Exhibit B-5**

Balance December 31, 2015 - Due From		\$ 35,779.04
Increased by:		
Miscellaneous Reserves Deposited in Current Fund	\$ 3,723.13	
Disbursements:		
Cancel Old Bank Account Balance	1.13	
Interfund Liquidation	<u>5,182.26</u>	
		<u>8,906.52</u>
		44,685.56
Decreased by:		
Receipts:		
Cancel Old Outstanding Checks	1,750.45	
Interfund Liquidation	40,069.04	
Interest Earned on Deposits	379.79	
Cancel Miscellaneous Reserves	<u>10,158.01</u>	
		<u>52,357.29</u>
Balance December 31, 2016 - Due To		\$ <u><u>(7,671.73)</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**OTHER TRUST FUND**

Exhibit B-6

**SCHEDULE OF MISCELLANEOUS RESERVES**

	<b>Balance Dec. 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Cancelled</b>	<b>Balance Dec. 31, 2016</b>
Accumulated Sick Leave	\$ 36,441.96	\$ 20,000.00			\$ 56,441.96
Board of Recreation Commissioners	17,884.19	4,460.20	10,851.02		11,493.37
Escrow Accounts and Performance Bonds	272,356.65	7,690.00	15,677.00	3,052.02	261,317.63
Municipal Alliance Program	280.55				280.55
Parking Offense Adjudication Act	688.73	4.00			692.73
Police Forfeiture Funds	9,558.13	7.06	2,119.70		7,445.49
Police Off Duty	4,865.77	4,100.00	1,859.78	7,105.99	
Premium on Tax Sale	40,500.00		9,400.00		31,100.00
Public Defender	25,559.42	5,908.00	5,277.48		26,189.94
Snow Removal	11,708.47	10,100.00			21,808.47
Third Party Tax Title Lien Redemption		64,307.17	64,307.17		
Unemployment	5,643.95				5,643.95
Uniform Fire Safety Act - Penalty Monies	4,162.92				4,162.92
World Trade Center Fund	549.00				549.00
	<u>\$ 430,199.74</u>	<u>\$ 116,576.43</u>	<u>\$ 109,492.15</u>	<u>\$ 10,158.01</u>	<u>\$ 427,126.01</u>
Receipts					
Disbursements		\$ 112,853.30	\$ 109,492.15		
Interfund - Current Fund		<u>3,723.13</u>			
		<u>\$ 116,576.43</u>	<u>\$ 109,492.15</u>		

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**OTHER TRUST FUND**

**Exhibit B-7**

**SCHEDULE OF COMMUNITY DEVELOPMENT**

**BLOCK GRANT FUNDS RECEIVABLE**

Balance December 31, 2015		\$	
Increased by:			
Awards:			
2013 Grant Balance	\$	572.90	
2015 Grant Award		<u>33,000.00</u>	
			<u>33,572.90</u>
Decreased by:			
Receipts			<u>28,812.90</u>
Balance December 31, 2016		\$	<u><u>4,760.00</u></u>

**SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT APPROPRIATIONS**

**Exhibit B-8**

Balance December 31, 2015		\$	
Increased by:			
Awards:			
2013 Grant Balance	\$	572.90	
2015 Grant Award		<u>33,000.00</u>	
			<u>33,572.90</u>
Decreased by:			
Disbursements			<u>28,812.90</u>
Balance December 31, 2016		\$	<u><u>4,760.00</u></u>

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**GENERAL CAPITAL FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-1**

**SCHEDULE OF CASH**

Balance December 31, 2015		\$ 541,083.56
Increased by Receipts:		
Interfund - Current Fund	\$ 21,317.24	
Capital Improvement Fund	<u>54,500.00</u>	
		<u>75,817.24</u>
		616,900.80
Decreased by Disbursements:		
Interfund - Current Fund	585.51	
Improvement Authorizations	<u>119,282.09</u>	
		<u>119,867.60</u>
Balance December 31, 2016		\$ <u><u>497,033.20</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-2

**ANALYSIS OF CASH**

	<b>Balance Dec. 31, 2015</b>	<b>Receipts</b>		<b>Disbursements</b>		<b>Transfers</b>		<b>Balance Dec. 31, 2016</b>
		<b>Miscellaneous</b>	<b>Miscellaneous</b>	<b>Improvement Authorizations</b>	<b>Miscellaneous</b>	<b>From</b>	<b>To</b>	
Capital Improvement Fund	\$ 97,704.66	\$ 54,500.00	\$	\$	\$ 12,500.00	\$	\$ 1,821.50	\$ 139,704.66
Grants Receivable	(1,821.50)				500.00			
Reserve for Payment of Bonds	500.00							
Interfund - Current Fund	(20,731.73)	21,317.24		585.51	1,821.50		500.00	(1,321.50)
Improvement Authorizations:								
<b>Ordinance</b>								
<b>Number</b>								
1995-10					1,213.08			
2000-04					9,000.00			
2000-09					8,094.50			
2000-10								
					1,971.07			
2003-04					35,066.93			
2007-07					18,961.86			
2008-09						78,540.59		168,130.48
2009-02					246,671.07			
2012-08					71,275.32			
2013-03					63,797.88			63,797.88
2016-05a					9,380.42		40,000.00	12,118.50
2016-05b						27,881.50		
2016-05c							108,000.00	108,000.00
2016-09							6,963.18	2,203.18
							12,500.00	4,400.00
	\$ 541,083.56	\$ 75,817.24	\$	\$ 119,282.09	\$ 169,784.68	\$	\$ 169,784.68	\$ 497,033.20

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-3**

**SCHEDULE OF DEFERRED CHARGES TO FUTURE**

**TAXATION - FUNDED**

Balance December 31, 2015	\$ 4,220,968.00
Decreased by:	
2016 Budget Appropriations:	
Serial Bonds Payable	<u>200,800.00</u>
Balance December 31, 2016	<u>\$ 4,020,168.00</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**Exhibit C-4**

**GENERAL CAPITAL FUND**

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

<b>Ordinance Number</b>	<b>Improvement Description</b>	<b>Balance Dec. 31, 2015</b>	<b>Ordinances Cancelled</b>	<b>Balance Dec. 31, 2016</b>
1999-14	Acquisition of Diesel Exhaust Recovery and Cleaning System	\$ 19,356.00	\$ 19,356.00	\$
2000-04	Preliminary Expenses - New Municipal Building	23,583.48	23,583.48	
2000-09	Various Improvements	35,900.00	35,900.00	
2003-04	Various Improvements	46,025.00	46,025.00	
2009-02	Acquisition of New Garbage Truck	800.00	800.00	
		<u>\$ 125,664.48</u>	<u>\$ 125,664.48</u>	<u>\$</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-5**

**SCHEDULE OF INTERFUND - CURRENT FUND**

Balance December 31, 2015 - Due From		\$	20,731.73
Increased by:			
Cancel Grant Receivable	\$	1,821.50	
Disbursements		<u>585.51</u>	
			<u>2,407.01</u>
			23,138.74
Decreased by:			
Reserve for Debt Service Cancelled		500.00	
Receipts:			
Interest Earned on Deposits		585.51	
Prior Year Interfund Liquidated		<u>20,731.73</u>	
			<u>21,817.24</u>
Balance December 31, 2016 - Due From		\$	<u><u>1,321.50</u></u>

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

**Exhibit C-6**

Balance December 31, 2015		\$	97,704.66
Increased by:			
Budget Appropriation			<u>54,500.00</u>
			152,204.66
Decreased by:			
Appropriated to Finance Improvement			<u>12,500.00</u>
Balance December 31, 2016		\$	<u><u>139,704.66</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-7

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2015		2016 Authorizations Capital Improvement Fund	Reappropriated	Paid or Charged	Cancelled	Balance Dec. 31, 2016	
				Funded	Unfunded					Funded	Unfunded
1995-10	Various Improvements	9/21/1995	\$ 44,000.00	\$ 1,213.08	\$	\$	\$ (1,213.08)	\$	\$	\$	\$
1999-14	Acquisition of Diesel Exhaust Recovery and Cleaning System	8/19/1999	50,000.00		19,356.00			19,356.00			
2000-04	Preliminary Expenses - New Municipal Building	3/16/2000	50,000.00	9,000.00	23,583.48		(9,000.00)	23,583.48			
2000-09	Various Improvements	9/07/2000	122,760.00	8,094.50	35,900.00		(8,094.50)	35,900.00			
2000-10	Acquisition of Various Properties for New Municipal Building	10/05/2000	325,000.00	1,971.07			(1,971.07)				
2003-04	Various Improvements	4/02/2003	279,500.00	35,066.93	46,025.00		(35,066.93)	46,025.00			
2007-07	Construction of a Police Station	10/18/2007	1,500,000.00	18,961.86			(18,961.86)				
2008-09	Improvements to Lake Horicon Dam	7/17/2008	300,000.00	246,671.07				78,540.59			168,130.48
2009-02	Acquisition of New Garbage Truck	3/19/2009	262,500.00	71,275.32	800.00		(71,275.32)	800.00			63,797.88
2012-08	Various Improvements	9/06/2012	400,000.00	63,797.88							
2013-03	Refunding Bond Ordinance	4/18/2013	119,673.24	9,380.42			(9,380.42)				
2016-05a	Acquisition of Police Vehicle and Equipment	6/02/2016	40,000.00				40,000.00	27,881.50			12,118.50
2016-05b	Acquisition of Public Works Vehicle and Equipment	6/02/2016	108,000.00				108,000.00				108,000.00
2016-05c	Improvements to Municipal Building	6/02/2016	6,963.18				6,963.18	4,760.00			2,203.18
2016-09	Construction of Impound Yard	9/15/2016	12,500.00			12,500.00		8,100.00			4,400.00
			\$ 465,432.13	\$ 125,664.48	\$ 125,500.00	\$ 119,282.09	\$ 125,664.48	\$ 358,650.04			

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

Exhibit C-8

**SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2015	Paid By Budget Appropriation	Balance Dec. 31, 2016
			Outstanding	Dec. 31, 2016				
General Obligation Bonds	2/21/2013	\$ 1,225,000.00	3/01/2017	\$ 85,000.00	2.250%			
			3/01/2018-19	90,000.00	2.250%			
			3/01/2020-22	95,000.00	2.250%			
			3/01/2023	100,000.00	2.250%			
			3/01/2024	105,000.00	2.375%			
			3/01/2025	105,000.00	2.500%			
			3/01/2026	110,000.00	2.500%	\$ 1,055,000.00	\$ 85,000.00	\$ 970,000.00
General Obligation Refunding Bonds	5/15/2013	3,450,643.00	12/01/2017	115,800.00	2.000%			
			12/01/2018	120,625.00	2.000%			
			12/01/2019	125,450.00	2.000%			
			12/01/2020	125,450.00	2.125%			
			12/01/2021	106,150.00	2.350%			
			12/01/2022	115,800.00	2.500%			
			12/01/2023	115,800.00	2.625%			
			12/01/2026	366,700.00	3.000%			
			12/01/2028	260,550.00	3.000%			
			12/01/2030	284,675.00	3.250%			
			12/01/2033	458,375.00	3.500%			
			12/01/2035	328,100.00	3.500%			
			12/01/2040	526,693.00	4.000%			
						\$ 3,165,968.00	\$ 115,800.00	\$ 3,050,168.00
						\$ 4,220,968.00	\$ 200,800.00	\$ 4,020,168.00

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**WATER/SEWER UTILITY FUND**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-4**

**SCHEDULE OF WATER-SEWER UTILITY CASH - TREASURER**

Balance December 31, 2015		\$ 553,747.74
Increased by Receipts:		
Prepaid Consumer Accounts	\$ 7,748.64	
Miscellaneous Anticipated Revenue	7,577.18	
Consumer Accounts Receivable	901,729.50	
Cancel Old Outstanding Checks	<u>642.00</u>	
		<u>917,697.32</u>
		1,471,445.06
Decreased by Disbursements:		
Budget Appropriations	918,851.67	
Appropriation Reserves	21,231.17	
Accrued Interest Payable	49,356.74	
Interfunds	<u>144,428.98</u>	
		<u>1,133,868.56</u>
Balance December 31, 2016		\$ <u><u>337,576.50</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-5**

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

	<b>Balance Dec. 31, 2015</b>	<b>Transfers</b>		<b>Balance Dec. 31, 2016</b>
		<b>From</b>	<b>To</b>	
Capital Improvement Fund	\$ 162,588.54	\$ 75,000.00	\$ 20,000.00	\$ 107,588.54
Interfund - Water-Sewer Utility Operating Fund	(224,052.10)	20,000.00		(244,052.10)
<b>Ordinance</b>				
<b><u>Number</u></b>	<b><u>Improvement Description</u></b>			
2009-14	Improvements to Well No. 16	44,177.87		
2011-03	Water Tower Improvements	17,285.69		
2016-06	Various Water-Sewer Improvements		61,463.56	61,463.56
2016-10	Various Water-Sewer Improvements		75,000.00	75,000.00
		<u>\$ 156,463.56</u>	<u>\$ 156,463.56</u>	<u>\$</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-6**

**SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2015		\$ 24,975.15
Increased by:		
Consumer Accounts Receivable		<u>907,996.27</u>
		932,971.42
Decreased by:		
Collections	\$ 901,729.50	
Prepayments Applied	<u>5,375.21</u>	
		<u>907,104.71</u>
Balance December 31, 2016		<u><u>\$ 25,866.71</u></u>

**WATER-SEWER UTILITY CAPITAL FUND**

**SCHEDULE OF FIXED CAPITAL**

**Exhibit D-7**

	<b>Balance</b>
	<b><u>Dec. 31, 2016</u></b>
Water-Sewer System	\$ 3,429,889.60
Water Tower	832,714.31
Land	132,500.00
Building	23,200.00
Vehicles	103,611.00
Equipment	<u>126,379.72</u>
	<u><u>\$ 4,648,294.63</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-8**

**SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**

<b><u>Ordinance Number</u></b>	<b><u>Improvement Description</u></b>	<b><u>Ordinance</u></b>		<b><u>Balance</u></b>
		<b><u>Date</u></b>	<b><u>Amount</u></b>	<b><u>Dec. 31, 2016</u></b>
2016-06	Various Water-Sewer Improvements	6/02/2016	61,463.56	\$ 61,463.56
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00	<u>75,000.00</u>
				<u>\$ 136,463.56</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

Exhibit D-9

**WATER-SEWER UTILITY OPERATING FUND**

**SCHEDULE OF APPROPRIATION RESERVES**

	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Reserve for Encumbrances</u></b>	<b><u>Balance After Transfers</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Balance Lapsed</u></b>
Operating:					
Salaries and Wages	\$ 32,143.77		\$ 32,143.77		\$ 32,143.77
Other Expenses	30,411.65	12,490.14	42,901.79	11,231.17	31,670.62
Audit and Professional	13,245.00		13,245.00	10,000.00	3,245.00
Ocean County Utilities Authority	14.80		14.80		14.80
Capital Improvements:					
Capital Outlay	1,000.00		1,000.00		1,000.00
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	1,891.50		1,891.50		1,891.50
Unemployment Compensation Insurance (N.J.S.A. 43:21-3)	<u>2,000.00</u>		<u>2,000.00</u>		<u>2,000.00</u>
	<u>\$ 80,706.72</u>	<u>\$ 12,490.14</u>	<u>\$ 93,196.86</u>	<u>\$ 21,231.17</u>	<u>\$ 71,965.69</u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-10**

**SCHEDULE OF INTERFUNDS**

	<b>Total (Memo Only)</b>	<b>Current Fund</b>	<b>Grant Fund</b>	<b>Water-Sewer Capital Fund</b>
Balance December 31, 2015 - Due To/(From)	\$ 193,131.08	\$ 45,641.28	\$ (76,562.30)	\$ 224,052.10
Increased by:				
2016 Budget Appropriations	83,020.74	24,770.74	38,250.00	20,000.00
Total Increases and Balances	<u>276,151.82</u>	<u>70,412.02</u>	<u>(38,312.30)</u>	<u>244,052.10</u>
Decreased by:				
Disbursements	144,428.98	45,641.28	98,787.70	
2016 Anticipated Revenue	164,786.92	126,536.92	38,250.00	
Total Decreases	<u>309,215.90</u>	<u>172,178.20</u>	<u>137,037.70</u>	
Balance December 31, 2016 - Due To/Due (From)	\$ (33,064.08)	\$ (101,766.18)	\$ (175,350.00)	\$ 244,052.10



**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY OPERATING FUND**

**Exhibit D-11**

**SCHEDULE OF ACCRUED INTEREST PAYABLE**

Balance December 31, 2015	\$ 5,774.05
Increased by:	
Budget Appropriations	<u>48,869.24</u>
	54,643.29
Decreased by:	
Disbursements	<u>49,356.74</u>
Balance December 31, 2016	\$ <u><u>5,286.55</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-12**

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2015		2016 Authorizations	Authorizations Cancelled	Balance Dec. 31, 2016
				Funded	Unfunded			
2003-05	Various Water-Sewer Improvements	4/03/2003	\$ 135,000.00	\$	\$ 19,089.95	\$	19,089.95	\$
2009-14	Improvements to Well No. 16	9/17/2009	100,000.00	44,177.87		(44,177.87)		
2011-03	Water Tower Improvements	9/01/2011	850,000.00	17,285.69		(17,285.69)		
2016-06	Various Water-Sewer Improvements	6/02/2016	61,463.56			61,463.56		61,463.56
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00			75,000.00		75,000.00
				\$ 61,463.56	\$ 19,089.95	\$ 75,000.00	\$ 19,089.95	\$ 136,463.56

**Ref.**

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**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-13**

**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2015		\$ 162,588.54
Increased by:		
2016 Budget Appropriation		<u>20,000.00</u>
		182,588.54
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>75,000.00</u>
Balance December 31, 2016		<u><u>\$ 107,588.54</u></u>

**SCHEDULE OF RESERVE FOR AMORTIZATION**

**Exhibit D-14**

Balance December 31, 2015		\$ 2,458,696.42
Increased by:		
Paid by Operating Budget:		
USDA Loan	\$ 25,046.00	
Serial Bonds	69,200.00	
Assets Added per Fixed Asset Inventory	385,690.72	
Transferred from Deferred Reserve for Amortization	<u>134,446.49</u>	
		<u>614,383.21</u>
		3,073,079.63
Decreased by:		
Assets Deleted		<u>111,495.00</u>
Balance December 31, 2016		<u><u>\$ 2,961,584.63</u></u>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-15

**SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION**

<b><u>Ordinance Number</u></b>	<b><u>Improvement Description</u></b>	<b><u>Date of Ordinance</u></b>	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Fixed Capital Authorized</u></b>	<b><u>To Reserve for Amortization Fixed Capital</u></b>	<b><u>Balance Dec. 31, 2016</u></b>
2009-14	Improvements to Well No. 16	9/17/2009	\$ 24,232.00	\$	\$ 24,232.00	\$
2003-05	Various Water-Sewer Improvements	4/03/2003	20,910.05		20,910.05	
2011-03	Water Tower Improvements	9/01/2011	150,768.00		150,768.00	
2016-06	Various Water-Sewer Improvements	6/02/2016			(61,463.56)	61,463.56
2016-10	Various Water-Sewer Improvements	9/15/2016		75,000.00		75,000.00
			\$ 195,910.05	\$ 75,000.00	\$ 134,446.49	\$ 136,463.56

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

Exhibit D-16

**SCHEDULE OF USDA LOAN PAYABLE**

Sheet 1 of 2

<b><u>Purpose</u></b>	<b><u>Date of Issue</u></b>	<b><u>Amount of Original Issue</u></b>	<b><u>Loan Maturities</u></b>		<b><u>Interest Rate</u></b>	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Paid by Budget Appropriation</u></b>	<b><u>Balance Dec. 31, 2016</u></b>
			<b><u>Outstanding Date</u></b>	<b><u>Dec. 31, 2016 Amount</u></b>				
Water-Sewer Improvements	12/23/1999	\$ 1,200,000.00	12/23/2016-39	See D-15 Sheet 2 of 2	3.25%	\$ 891,924.00	\$ 25,046.00	\$ 866,878.00

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

**WATER-SEWER UTILITY CAPITAL FUND**

**Exhibit D-16**

**MATURITY SCHEDULE**

**Sheet 2 of 2**

**\$1,200,000 WATER-SEWER IMPROVEMENT LOAN**

**USDA - 3.25%**

<b><u>Due</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2017	\$ 25,866	\$ 27,966
2018	26,714	27,118
2019	27,589	26,243
2020	28,493	25,339
2021	29,462	24,370
2022	30,391	23,441
2023	31,386	22,446
2024	32,415	21,417
2025	33,677	20,155
2026	34,573	19,259
2027	35,706	18,126
2028	36,876	16,956
2029	38,084	15,748
2030	39,332	14,500
2031	40,621	13,211
2032	41,952	11,880
2033	43,326	10,506
2034	44,746	9,086
2035	46,212	7,620
2036	47,726	6,106
2037	49,290	4,542
2038	51,105	2,727
2039	51,336	1,699
	<b><u>\$ 866,878</u></b>	<b><u>\$ 370,461</u></b>

**BOROUGH OF LAKEHURST - COUNTY OF OCEAN**

Exhibit D-17

**WATER-SEWER UTILITY CAPITAL FUND**

**SCHEDULE OF GENERAL SERIAL BONDS**

<b><u>Purpose</u></b>	<b><u>Date of Issue</u></b>	<b><u>Original Issue</u></b>	<b><u>Maturities of Bonds</u></b>		<b><u>Interest Rate</u></b>	<b><u>Balance Dec. 31, 2015</u></b>	<b><u>Paid by Budget Appropriation</u></b>	<b><u>Balance Dec. 31, 2016</u></b>
			<b><u>Outstanding Date</u></b>	<b><u>Amount Dec. 31, 2016</u></b>				
General Obligation Bonds	2/21/2013	\$ 895,000.00	3/01/2017-20	\$ 65,000.00	2.250%			
			3/01/2021-22	70,000.00	2.250%			
			3/01/2023	75,000.00	2.250%			
			3/01/2024	75,000.00	2.375%			
			3/01/2025-26	80,000.00	2.500%	\$ 775,000.00	\$ 65,000.00	\$ 710,000.00
General Obligation Refunding Bonds	5/15/2013	124,357.00	12/01/2017	4,200.00	2.000%			
			12/01/2018	4,375.00	2.000%			
			12/01/2019	4,550.00	2.000%			
			12/01/2020	4,550.00	2.125%			
			12/01/2021	3,850.00	2.350%			
			12/01/2022	4,200.00	2.500%			
			12/01/2023	4,200.00	2.625%			
			12/01/2026	13,300.00	3.000%			
			12/01/2028	9,450.00	3.000%			
			12/01/2030	10,325.00	3.250%			
			12/01/2033	16,625.00	3.500%			
			12/01/2035	11,900.00	3.500%			
			12/01/2040	18,307.00	4.000%			
						114,032.00	4,200.00	109,832.00
						<u>\$ 889,032.00</u>	<u>\$ 69,200.00</u>	<u>\$ 819,832.00</u>

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**BOROUGH OF LAKEHURST**  
**COUNTY OF OCEAN**  
**PART II**  
**SUPPLEMENTARY DATA**  
**YEAR ENDED DECEMBER 31, 2016**

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**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

Tax Rate	<u>2016</u> \$ <u>3.050</u>	<u>2015</u> \$ <u>3.011</u>	<u>2014</u> \$ <u>2.899</u>
Apportionment of Tax Rate			
Municipal	1.700	1.675	1.605
County	.480	.487	.454
Local School	.870	.849	.840
Assessed Valuation			
2016	\$ 140,907,959		
2015		\$ 140,347,884	
2014			\$ 140,985,055

**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>
2016	\$ 4,346,499	\$ 4,218,035	97.04%
2015	4,247,489	4,118,086	96.95%
2014	4,094,211	3,980,518	97.22%

**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 December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2016	\$ 47,259	\$ 114,203	\$ 161,462	3.71%
2015	43,685	125,707	169,392	3.99%
2014	40,238	105,637	145,875	3.56%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on December 31, 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>
2016	\$ 50,000
2015	50,000
2014	50,000

**COMPARISON OF WATER-SEWER UTILITY RENTS**

<u>Year</u>	<u>Rents</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
2016	\$ 907,996	\$ 24,975	\$ 907,105
2015	911,457	45,013	931,494
2014	943,777	49,142	947,907

**COMPARATIVE SCHEDULE OF FUND BALANCES**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<b><u>Current Fund</u></b>		
2016	\$ 1,029,492	\$ 720,000
2015	917,922	726,000
2014	1,000,579	725,000
2013	1,025,383	725,000
2012	1,030,710	700,000
<b><u>Water-Sewer Fund</u></b>		
2016	\$ 276,922	\$ 240,000
2015	253,031	222,692
2014	362,541	238,829
2013	364,681	240,898
2012	272,457	150,000

**SUMMARY OF MUNICIPAL DEBT**

	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<b><u>Issued</u></b>			
General:			
Bonds, Notes and Loans	\$ 4,020,168	\$ 4,220,968	\$ 4,421,768
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>1,686,710</u>	<u>1,780,956</u>	<u>1,869,407</u>
	5,706,878	6,001,924	6,291,175
Less:			
Funds Temporarily Held to Pay Bonds:			
General Capital Fund	<u>                    </u>	<u>          500</u>	<u>          500</u>
Net Debt Issued	<u>5,706,878</u>	<u>6,001,424</u>	<u>6,290,675</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds, Notes and Loans		125,664	125,754
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>                    </u>	<u>          19,090</u>	<u>          54,810</u>
Total Authorized but not Issued	<u>                    </u>	<u>          144,754</u>	<u>          180,564</u>
Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>5,706,878</u>	\$ <u>6,146,178</u>	\$ <u>6,471,239</u>

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

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 2.509%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 781,000	\$ 781,000	\$
Water-Sewer Utility Debt	1,686,710	1,686,710	
General Debt	<u>4,020,168</u>	<u>                    </u>	<u>4,020,168</u>
	\$ <u>6,487,878</u>	\$ <u>2,467,710</u>	\$ <u>4,020,168</u>

Net Debt \$4,020,168 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$160,246,958 = 2.509%.

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

3.5% of Equalized Valuation Basis	\$ 5,608,644
Net Debt	<u>4,020,168</u>
Remaining Borrowing Power	\$ <u>1,588,476</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		\$ 1,302,161
Deductions:		
Operating and Maintenance Cost	\$ 930,160	
Debt Service	<u>143,115</u>	
		<u>1,073,275</u>
Excess in Revenues		\$ <u>228,886</u>

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**BOROUGH OF LAKEHURST  
COUNTY OF OCEAN**

**PART III**

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

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The Honorable Mayor and Members  
of the Borough Council  
Borough of Lakehurst  
County of Ocean  
Lakehurst, New Jersey 08733

We have audited the financial statements – statutory basis of the Borough of Lakehurst in the County of Ocean for the year ended December 31, 2016.

### **Scope of Audit**

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

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

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

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

### **GENERAL COMMENTS**

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

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

It is pointed out that the governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year.

Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

A test was conducted to determine that expenditures greater than \$6,000 for the period of January 1, 2016 to December 31, 2016, obtained solicitation of quotes. No exceptions were noted.

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

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

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

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

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

### **Contracts and Agreements Requiring Solicitation of Quotations**

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

### **Collection of Interest on Delinquent Taxes and Assessments**

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

The governing body on January 1, 2016 adopted the following resolutions (16-017 & 16-027) authorizing interest to be charged on delinquent taxes:

**"BE IT RESOLVED**, that in accordance with N.J.S. 54:4-67, as amended, the Tax Collector is hereby authorized and directed to charge eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500 becoming delinquent after the due date. Effective January 1, 2010 there will be a ten day grace period of quarterly tax payments made by cash, check or money order."

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

## **Delinquent Taxes and Tax Title Liens**

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

The last tax sale was held on December 29, 2016 and was complete.

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

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

<b>YEAR</b>	<b>NUMBER OF LIENS</b>
2016	6
2015	6
2014	7

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

## **Examination of Bills**

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

## **Municipal Court**

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

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

## **Deposit of Funds Paid to Local Unit**

*N.J.S.40A:5-15* States:

“All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall within 48 hours after the receipt thereof, either;

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or;
- b. be deposited to the credit of the local unit in its designated legal depository.”

### **Follow-Up of Prior Year Findings**

In accordance with Government Auditing Standards our procedures included a review of all prior year audit findings.

#### **Finding 2015-01:**

While testing tax and utility receipts, it was noted that nine out of fifty receipts were not deposited within forty-eight (48) hours.

**Status:** Procedures have been implemented to ascertain that deposits are made within forty-eight hours.

#### **Finding 2015-02:**

During our audit of the Borough's Finance Department, we noted the Annual Financial Statement was filed late.

**Status:** The Borough has hired a new CFO and the Annual Financial Statement for the year ended December 31, 2016 was filed timely.

## OFFICIALS IN OFFICE AND SURETY BONDS

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

<b>NAME</b>	<b>TITLE</b>
Harry Robbins	Mayor
Steven Oglesby	Council President
Robin Busch	Councilwoman
Stephen Childers	Councilman
James Davis	Councilman
Patricia Hodges	Councilman
Gary Lowe	Councilman
Sean Gertner	Attorney
Bernadette Dugan	Municipal Clerk
William E. Antonides, Jr.	Chief Financial Officer
John D. Antonides	Tax/Utility Collector & Search Official
Martin Lynch	Tax Assessor
Damian G. Murray	Magistrate
Patricia Megill (left December 9, 2016)	Court Administrator

There were Employee's Blanket Performance Bonds in the amount of \$50,000 for the Borough employees and court personnel carried by the Ocean County Joint Insurance Fund and \$950,000 carried by the Municipal Excess Liability Joint Insurance Fund.

**Acknowledgment**

We received the complete cooperation of all the Borough Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions or should you desire any assistance, please contact us.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**

Rodney Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #498

Toms River, New Jersey  
June 28, 2017