

BOROUGH OF LAKEHURST
AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2017

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, 2017**

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Borough of Lakehurst as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statements of revenues - regulatory basis, and statements of expenditures - regulatory basis for the year ended December 31, 2017 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 Borough'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, the financial statements are prepared by the Borough of Lakehurst on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough, as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough, as of December 31, 2017 and 2016, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statements of revenues - regulatory basis, statements of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2017 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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough’s basic financial statements. The supplemental 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 are not a required part of the basic financial statements.

The supplemental schedules presented for the various funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

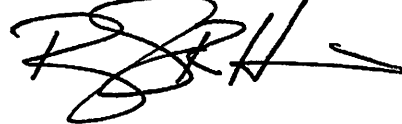
financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2018 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a long horizontal stroke extending to the right.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
RMA No. 498

Toms River, New Jersey
June 26, 2018

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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

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, as of and for the year ended December 31, 2017, 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 26, 2018. Our report indicated that the Borough's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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

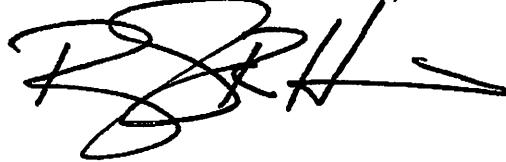
As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

A handwritten signature in black ink, appearing to read 'R. Haines', written over the printed name of Rodney R. Haines.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
RMA No. 498

Toms River, New Jersey
June 26, 2018

BASIC FINANCIAL STATEMENTS

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BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES AND

Sheet 1 of 2

RESERVES - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 1,705,045.70	\$ 1,952,157.97
Cash - Change Fund		820.00	720.00
		<u>1,705,865.70</u>	<u>1,952,877.97</u>
Due From State of N.J. (P.L. 1971, C. 20)	A-7	<u>2,170.78</u>	<u>1,920.78</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	127,882.56	114,202.58
Tax Title Liens Receivable	A-6	50,770.29	47,258.57
Property Acquired for Taxes		50,000.00	50,000.00
Revenue Accounts Receivable	A-8	5,822.56	9,716.20
Interfunds:			
Other Trust Fund	A-13		7,671.73
Payroll Fund	A-13		3,599.02
		<u>234,475.41</u>	<u>232,448.10</u>
		<u>1,942,511.89</u>	<u>2,187,246.85</u>
Grant Fund:			
Interfund - Current Fund	A-13	15,383.39	11,492.65
Grants Receivable	A-15	436,439.09	463,434.75
		<u>451,822.48</u>	<u>474,927.40</u>
		<u>\$ 2,394,334.37</u>	<u>\$ 2,662,174.25</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A

STATEMENTS OF ASSETS, LIABILITIES AND

Sheet 2 of 2

RESERVES - REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Liabilities:			
Appropriation Reserves	A-3,9	\$ 308,748.84	\$ 473,528.54
Reserve for Encumbrances	A-3,9	36,057.35	26,292.63
Due State - Marriage License Fees		100.00	120.00
Prepaid Taxes	A-4,5	64,213.45	32,674.38
Tax Overpayments		611.69	4,372.51
Reserve for:			
Revision and Codification of Ordinances		9,085.00	9,085.00
Accounts Payable	A-9	5,800.00	
County Taxes Payable	A-10	1,490.26	7,661.34
Local District School Tax Payable	A-11	273,392.00	256,004.00
Interfunds:			
Animal Control Trust Fund	A-12		988.00
General Capital Fund	A-12		1,321.50
Water-Sewer Utility Operating Fund	A-12		101,766.18
Grant Fund	A-13	15,383.39	11,492.65
		<u>714,881.98</u>	<u>925,306.73</u>
Reserve for Receivables and Other Assets		234,475.41	232,448.10
Fund Balance	A-1	993,154.50	1,029,492.02
		<u>1,942,511.89</u>	<u>2,187,246.85</u>
Grant Fund:			
Interfund - Water-Sewer Utility Operating Fund	A-14		175,350.00
Reserve for Encumbrances	A-16		18,177.63
Appropriated Reserves	A-16	448,648.99	278,648.33
Unappropriated Reserves	A-17	3,173.49	2,751.44
		<u>451,822.48</u>	<u>474,927.40</u>
		<u>\$ 2,394,334.37</u>	<u>\$ 2,662,174.25</u>

There was deferred school taxes on December 31, 2017 and 2016 of \$500,749.00 (Schedule A-12).

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND CHANGE IN

Sheet 1 of 2

FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 720,000.00	\$ 726,000.00
Miscellaneous Revenue Anticipated	A-2	1,199,548.81	1,448,756.20
Receipts from Delinquent Taxes	A-5	114,202.56	125,224.19
Receipts from Current Taxes	A-2	4,243,350.25	4,218,034.74
Non-Budget Revenues	A-2	79,534.44	40,420.69
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	400,287.54	387,132.20
Cancel Old Outstanding Checks			1,665.64
Cancel Accounts Payable			2,166.97
Cancel Miscellaneous Reserves and Balances			42,052.85
Interfunds Returned		11,270.75	46,989.68
Adjustments to Other Funds:			
Cancel Old Outstanding Checks			1,750.45
Cancel Miscellaneous Reserves and Balances			8,835.38
Correct Prior Year Interfund Balance			3,599.02
Statutory Excess - Animal Control Trust Fund	A-4	2,113.40	1,399.00
Grant Appropriated Reserves Cancelled			13,363.51
Total Income		<u>6,770,307.75</u>	<u>7,067,390.52</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		1,436,845.00	1,503,140.00
Other Expenses		1,451,550.00	1,429,000.00
Deferred Charges and Statutory Expenditures		345,351.57	353,960.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		225,840.00	224,000.00
Other Expenses		39,112.02	218,540.92
Capital Improvements		345,000.00	254,500.00
Municipal Debt Service		317,334.25	321,689.26
Transferred to Board of Education		8,355.00	6,323.00
	A-3	<u>4,169,387.84</u>	<u>4,311,153.18</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENTS OF OPERATIONS AND CHANGE IN

Sheet 2 of 2

FUND BALANCE - REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
Adjust Balance due to State		\$ 10.00	\$
County Taxes	A-10	666,864.43	682,247.19
Correct Prior Year County Taxes Payable			13.51
Local District School Tax	A-11	1,250,383.00	1,227,143.00
Adjustments to Other Funds:			
Grant Receivables Cancelled			9,263.51
Total Expenditures		<u>6,086,645.27</u>	<u>6,229,820.39</u>
Statutory Excess to Fund Balance		683,662.48	837,570.13
Fund Balance January 1	A	<u>1,029,492.02</u>	<u>917,921.89</u>
		1,713,154.50	1,755,492.02
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>720,000.00</u>	<u>726,000.00</u>
Fund Balance December 31	A	<u>\$ 993,154.50</u>	<u>\$ 1,029,492.02</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-2

Sheet 1 of 3

	<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	\$ 720,000.00	\$	\$ 720,000.00	\$
<u>Miscellaneous Revenues</u>					
Licenses					
Alcoholic Beverages	A-8	10,000.00		15,300.00	5,300.00
Other	A-8	6,000.00		12,121.00	6,121.00
Fees and Permits					
Other	A-8	70,000.00		102,179.14	32,179.14
Fines and Costs					
Municipal Court	A-8	160,000.00		136,921.86	(23,078.14)
Interest and Costs on Taxes	A-8	17,000.00		27,357.05	10,357.05
Interest on Investments and Deposits	A-8	600.00		7,276.34	6,676.34
State Aid:					
Consolidated Municipal Property Tax Relief Act	A-8	40,099.00		40,099.00	
Energy Receipts Tax	A-8	255,340.00		255,340.00	
Uniform Construction Code Fees	A-8	1,000.00		3,048.50	2,048.50
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		164,870.15	79,870.15
Uniform Fire Safety Act	A-8	3,450.00		4,923.75	1,473.75
Grants Offset with Appropriations:					
966 Grant	A-13		8,678.00	8,678.00	
Body Armor Grant	A-13		1,303.45	1,303.45	
Clean Communities Program	A-13		4,779.13	4,779.13	
Cops in Shops	A-13		1,600.00	1,600.00	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-2

Sheet 2 of 3

	<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 - Holiday	A-13	\$	\$ 5,500.00	\$ 5,500.00	\$
Recycling Tonnage Grant	A-13	2,751.44		2,751.44	
You Text You Drive You Lose	A-13		5,500.00	5,500.00	
NJ DOT - Pine Street	A-13		200,000.00	200,000.00	
Total Miscellaneous Revenues	A-1	<u>851,240.44</u>	<u>227,360.58</u>	<u>1,199,548.81</u>	<u>120,947.79</u>
14 Receipts from Delinquent Taxes	A-1, 2	<u>80,000.00</u>		<u>114,202.56</u>	<u>34,202.56</u>
Subtotal General Revenues		1,651,240.44	227,360.58	2,033,751.37	155,150.35
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	<u>2,447,375.72</u>		<u>2,481,725.97</u>	<u>34,350.25</u>
Total General Revenues		<u>4,098,616.16</u>	<u>227,360.58</u>	<u>4,515,477.34</u>	<u>189,500.60</u>
Non-Budget Revenues	A-1, 2			<u>79,534.44</u>	<u>79,534.44</u>
	A-3	<u>\$ 4,098,616.16</u>	<u>\$ 227,360.58</u>	<u>\$ 4,595,011.78</u>	<u>\$ 269,035.04</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, 2017

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
<u>Allocation of Current Tax Collections</u>		
Revenue from Collections	A-1,5	\$ 4,243,350.25
Allocated to School and County Taxes	A-10, 11	<u>1,917,247.43</u>
Balance or Support of Municipal Budget Appropriations		<u>2,326,102.82</u>
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>155,623.15</u>
Amount for Support of Municipal Budget Appropriations		<u>\$ 2,481,725.97</u>
 <u>Analysis of Non-Budget Revenues</u>		
DMV Inspection Fines		\$ 7,150.00
Miscellaneous Reimbursements		23,806.07
Municipal Clerk		5,460.55
Other		7,481.78
Police Department		4,429.65
Public Works		429.00
Sale of Municipal Assets		22,985.85
Water Tower Lease		<u>7,791.54</u>
	A-1,4	<u>\$ 79,534.44</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-3

Sheet 1 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS WITHIN CAPS</u>					
<u>General Government</u>					
Administrative and Executive					
Salaries and Wages	\$ 100.00	\$ 100.00	\$	\$ 100.00	\$
Other Expenses	7,000.00	4,500.00	3,933.86	566.14	
Mayor and Council					
Salaries and Wages	38,500.00	38,900.00	38,786.24	113.76	
Other Expenses	2,500.00	2,500.00	1,509.13	990.87	
Municipal Clerk					
Salaries and Wages	115,000.00	121,600.00	121,233.33	366.67	
Other Expenses	25,000.00	30,000.00	29,340.87	659.13	
Financial Administration					
Salaries and Wages	43,000.00	43,000.00	42,894.02	105.98	
Other Expenses	32,500.00	28,500.00	27,412.02	1,087.98	
Audit Services					
Other Expenses	40,000.00	40,000.00		40,000.00	
Collection of Taxes					
Salaries and Wages	37,000.00	37,300.00	37,178.90	121.10	
Other Expenses	6,500.00	6,500.00	6,422.29	77.71	
Assessment of Taxes					
Salaries and Wages	13,500.00	13,500.00	12,875.00	625.00	
Other Expenses	6,000.00	6,000.00	3,982.76	2,017.24	
Legal Services and Costs					
Salaries and Wages	33,000.00	33,000.00	32,881.16	118.84	
Other Expenses	20,000.00	4,000.00	526.60	3,473.40	
Engineering Services and Costs					
Other Expenses	8,000.00	28,000.00	15,507.25	12,492.75	
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, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Land Use Administration</u>					
Municipal Land Use Law (N.J.S. 40:55D-1)					
Land Use Board					
Salaries and Wages	\$ 5,500.00	\$ 5,500.00	\$ 5,321.42	\$ 178.58	\$
Other Expenses	500.00	500.00		500.00	
<u>Code Enforcement and Administration</u>					
Code Enforcement					
Salaries and Wages	8,600.00	11,700.00	8,296.61	3,403.39	
Other Expenses	500.00	500.00		500.00	
County Rebate					
Salaries and Wages	3,400.00	3,400.00	3,342.81	57.19	
<u>Insurance</u>					
General Liability	60,500.00	60,500.00	59,151.04	1,348.96	
Workers Compensation	67,000.00	67,000.00	67,000.00		
Employee Group Health	550,000.00	550,000.00	549,480.39	519.61	
Health Benefits Waiver	10,000.00	10,000.00	8,333.32	1,666.68	
<u>Public Safety Functions</u>					
Police					
Salaries and Wages:					
Officers	675,000.00	659,000.00	595,715.35	63,284.65	
Clerical	69,000.00	69,000.00	69,000.00		
Crossing Guards	26,000.00	26,000.00	26,000.00		
Other Expenses	56,000.00	56,000.00	55,871.25	128.75	
Emergency Management					
Salaries and Wages	6,500.00	6,500.00	6,496.88	3.12	
Other Expenses	1,500.00	1,500.00	367.67	1,132.33	
Emergency Medical Services					
Other Expenses	20,000.00	20,000.00	20,000.00		

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 3 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<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>	
Uniform Safety Act					
Salaries and Wages	\$ 7,500.00	\$ 7,500.00	\$ 7,408.18	\$ 91.82	\$
Other Expenses	500.00	500.00		500.00	
Municipal Court					
Salaries and Wages	80,000.00	80,000.00	78,217.59	1,782.41	
Other Expenses	11,000.00	11,000.00	9,975.06	1,024.94	
Fire					
Other Expenses	36,000.00	36,000.00	35,999.06	.94	
Municipal Prosecutor					
Salaries and Wages	16,000.00	16,000.00	15,874.82	125.18	
Other Expenses	100.00	100.00		100.00	
Public Defender					
Other Expenses	100.00	100.00		100.00	
<u>Public Works Functions</u>					
Road Repairs and Maintenance					
Salaries and Wages	42,000.00	42,000.00	38,656.48	3,343.52	
Other Expenses	18,000.00	18,000.00	17,546.12	453.88	
Garbage and Trash Removal					
Salaries and Wages	97,000.00	97,000.00	80,610.92	16,389.08	
Other Expenses	8,000.00	8,000.00	3,831.43	4,168.57	
Recycling					
Other Expenses	5,000.00	5,000.00	4,827.24	172.76	
Public Buildings, Grounds and Lakes					
Salaries and Wages	82,000.00	82,000.00	80,434.24	1,565.76	
Other Expenses	45,000.00	47,400.00	44,574.91	2,825.09	
Snow Removal					
Other Expenses	20,000.00	20,000.00	20,000.00		
Vehicle Maintenance					
Other Expenses	75,000.00	75,000.00	59,258.39	15,741.61	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-3

Sheet 4 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Health and Human Services</u>					
Animal Control					
Other Expenses	\$ 8,000.00	\$ 8,000.00	\$ 4,841.20	\$ 3,158.80	\$
<u>Park and Recreation Functions</u>					
Youth and Recreation					
Salaries and Wages	9,000.00	9,200.00	9,166.70	33.30	
Other Expenses	2,000.00	2,000.00	1,185.12	814.88	
<u>Other Common Operating Functions</u>					
Celebration of Public Events					
Other Expenses	6,000.00	6,000.00	2,134.82	3,865.18	
<u>Utility Expenses and Bulk Purchases</u>					
Landfill Disposal Cost - Other Expenses	100,000.00	100,000.00	85,000.00	15,000.00	
Gasoline	40,000.00	40,000.00	30,527.29	9,472.71	
Electricity	40,000.00	40,000.00	31,420.77	8,579.23	
Telephone	55,000.00	55,000.00	53,894.16	1,105.84	
Natural Gas	25,000.00	25,000.00	23,898.34	1,101.66	
Street Lighting	28,000.00	28,000.00	22,177.56	5,822.44	
Deferred Sick Time	10,000.00	10,000.00	10,000.00		
Salary and Wage Adjustment	34,645.00	34,645.00		34,645.00	
Total Operations within Caps	<u>2,888,895.00</u>	<u>2,888,395.00</u>	<u>2,620,320.57</u>	<u>268,074.43</u>	
Detail:					
Salaries and Wages	1,442,245.00	1,436,845.00	1,310,390.65	126,454.35	
Other Expenses	<u>1,446,650.00</u>	<u>1,451,550.00</u>	<u>1,309,929.92</u>	<u>141,620.08</u>	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Public Employees' Retirement System of New Jersey	84,425.57	84,925.57	84,868.38	57.19	
Police and Firemen's Retirement System of New Jersey	116,926.00	116,926.00	116,926.00		
Social Security System	125,000.00	125,000.00	108,932.12	16,067.88	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Exhibit A-3

Sheet 5 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Unemployment Compensation Insurance	\$ 18,000.00	\$ 18,000.00	\$ 2,950.74	\$ 15,049.26	\$
Defined Contribution Retirement Program	500.00	500.00		500.00	
Total Statutory Expenditures within Caps	<u>344,851.57</u>	<u>345,351.57</u>	<u>313,677.24</u>	<u>31,674.33</u>	
Total Appropriations within Caps	<u>3,233,746.57</u>	<u>3,233,746.57</u>	<u>2,933,997.81</u>	<u>299,748.76</u>	
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Shared Service Agreements:					
Lakehurst Elementary School - Police					
Service Contract	40,000.00	40,000.00	39,999.96	.04	
Borough of Bay Head					
Chief Financial Officer	76,500.00	76,500.00	76,500.00		
Tax Collector	17,340.00	17,340.00	17,340.00		
Additional Appropriations Offset by Revenues:					
Northeast Housing LLC - Lakehurst					
Police					
Salaries and Wages	65,000.00	65,000.00	65,000.00		
Other Expenses	1,000.00	1,000.00		1,000.00	
Administration					
Salaries and Wages	27,000.00	27,000.00	26,999.96	.04	
Other Expenses	8,000.00	8,000.00		8,000.00	
<u>Public and Private Programs Offset by Revenues</u>					
966 Grant		8,678.00	8,678.00		
Body Armor Grant		1,303.45	1,303.45		
Clean Communities Program		4,779.13	4,779.13		
Cops in Shops		1,600.00	1,600.00		
Drive Sober or Get Pulled Over - Holiday		5,500.00	5,500.00		

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 6 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
Recycling Tonnage Grant	\$ 2,751.44	\$ 2,751.44	\$ 2,751.44	\$	\$
You Text You Drive You Lose		5,500.00	5,500.00		
Total Operations excluded from Caps	<u>237,591.44</u>	<u>264,952.02</u>	<u>255,951.94</u>	<u>9,000.08</u>	
Detail:					
Salaries and Wages	225,840.00	225,840.00	225,839.92	.08	
Other Expenses	<u>11,751.44</u>	<u>39,112.02</u>	<u>30,112.02</u>	<u>9,000.00</u>	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	145,000.00	145,000.00	145,000.00		
NJ DOT - Pine Street		200,000.00	200,000.00		
Total Capital Improvements excluded from Caps	<u>145,000.00</u>	<u>345,000.00</u>	<u>345,000.00</u>		
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Principal	200,800.00	200,800.00	200,800.00		
Interest on Bonds	117,500.00	117,500.00	116,534.25		965.75
Total Municipal Debt Service excluded from Caps	<u>318,300.00</u>	<u>318,300.00</u>	<u>317,334.25</u>		<u>965.75</u>
Transferred to Board of Education for Use of					
Local Schools	8,355.00	8,355.00	8,355.00		
Total General Appropriations excluded from Caps	<u>709,246.44</u>	<u>936,607.02</u>	<u>926,641.19</u>	<u>9,000.08</u>	<u>965.75</u>
Subtotal General Appropriations	3,942,993.01	4,170,353.59	3,860,639.00	308,748.84	965.75
Reserve for Uncollected Taxes	<u>155,623.15</u>	<u>155,623.15</u>	<u>155,623.15</u>		
Total General Appropriations	<u>\$ 4,098,616.16</u>	<u>\$ 4,325,976.74</u>	<u>\$ 4,016,262.15</u>	<u>\$ 308,748.84</u>	<u>\$ 965.75</u>
<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

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 7

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	<u>Appropriated Budget After Modification</u>
Budget	A-2	\$ 4,098,616.16
Ch. 159 Amendment per N.J.S.A. 40A:4-87	A-1,9	<u>227,360.58</u>
		<u>\$ 4,325,976.74</u>
		<u>Expended Paid or Charged</u>
Reserve for Uncollected Taxes	A-2	\$ 155,623.15
Disbursements	A-4	3,594,032.45
Reserve for Encumbrances	A	36,057.35
Interfunds:		
Water-Sewer Utility Operating Fund	A-12	437.18
Grant Fund	A-13	<u>230,112.02</u>
		<u>\$ 4,016,262.15</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

TRUST FUNDS

Exhibit B

STATEMENTS OF ASSETS, LIABILITIES AND RESERVES

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ 2,829.00	\$ 2,875.60
Interfund - Current Fund	B-4		988.00
		<u>2,829.00</u>	<u>3,863.60</u>
<u>Other Trust Fund</u>			
Cash	B-1	411,999.24	434,797.74
Community Development Block Grant Receivable	B-7		4,760.00
		<u>411,999.24</u>	<u>439,557.74</u>
		<u>\$ 414,828.24</u>	<u>\$ 443,421.34</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Due to State Department of Health	B-2	\$	\$ 4.20
Reserve for Animal Control Trust Fund Expenditures	B-3	2,829.00	3,859.40
		<u>2,829.00</u>	<u>3,863.60</u>
<u>Other Trust Fund</u>			
Interfund - Current Fund	B-5		7,671.73
Reserve for:			
Miscellaneous Trust Accounts	B-6	411,999.24	427,126.01
Community Development Block Grant	B-7		4,760.00
		<u>411,999.24</u>	<u>439,557.74</u>
		<u>\$ 414,828.24</u>	<u>\$ 443,421.34</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C

STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash	C-1	\$ 527,756.58	\$ 497,033.20
Deferred Charges to Future Taxation:			
Funded	C-3	3,819,368.00	4,020,168.00
Interfunds - Current Fund	C-4		1,321.50
		<u>\$ 4,347,124.58</u>	<u>\$ 4,518,522.70</u>
<u>Liabilities and Reserves</u>			
Capital Improvement Fund	C-5	\$ 242,704.66	\$ 139,704.66
Improvement Authorizations:			
Funded	C-6	212,918.94	358,650.04
Reserve for Encumbrances	C-6	72,132.98	
General Serial Bonds Payable	C-7	<u>3,819,368.00</u>	<u>4,020,168.00</u>
		<u>\$ 4,347,124.58</u>	<u>\$ 4,518,522.70</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 of \$-0-.

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

STATEMENTS OF ASSETS, LIABILITIES, RESERVES

Sheet 1 of 2

AND FUND BALANCE -REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
<u>Operating Fund</u>			
Cash	D-4	\$ 621,849.86	\$ 337,576.50
Change Fund		100.00	100.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	34,657.32	25,866.71
Utility Liens	D	4,277.79	4,277.79
Interfunds:			
Current Fund	D-10		101,766.18
Grant Fund	D-10		175,350.00
Total Operating Fund		<u>660,884.97</u>	<u>644,937.18</u>
<u>Capital Fund</u>			
Fixed Capital	D-7	4,693,207.32	4,648,294.63
Fixed Capital Authorized and Uncompleted	D-8	1,324,550.87	136,463.56
Interfund - Water-Sewer Utility Operating Fund	D-10	172,126.20	244,052.10
Total Water-Sewer Utility Capital Fund		<u>6,189,884.39</u>	<u>5,028,810.29</u>
Total Assets		<u>\$ 6,850,769.36</u>	<u>\$ 5,673,747.47</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Operating Fund</u>			
Liabilities:			
Reserve for Encumbrances	D-3	\$ 7,669.00	\$ 14,884.00
Appropriation Reserves	D-3	159,580.98	65,899.59
Prepaid Consumer Accounts	D-4	8,416.22	7,748.64
Interfunds:			
Water-Sewer Utility Capital Fund	D-10	172,126.20	244,052.10
Accrued Interest Payable	D-11	5,489.08	5,286.55
		<u>353,281.48</u>	<u>337,870.88</u>
Reserve for Receivables		38,935.11	30,144.50
Fund Balance	D-1	268,668.38	276,921.80
Total Operating Fund		<u>660,884.97</u>	<u>644,937.18</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

STATEMENTS OF ASSETS, LIABILITIES, RESERVES

Sheet 2 of 2

AND FUND BALANCE -REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Capital Fund</u>			
Liabilities:			
Improvement Authorizations:			
Funded	D-12	\$ 74,880.21	\$ 136,463.56
Unfunded	D-12	1,151,494.82	
Reserve for Encumbrances	D-12	40,662.63	
Capital Improvement Fund	D-13	105,088.54	107,588.54
Reserve for Amortization	D-14	3,056,651.57	2,961,584.63
Reserve for Deferred Amortization	D-15	169,463.56	136,463.56
USDA Loan Payable	D-16	841,011.06	866,878.00
Serial Bonds Payable	D-17	750,632.00	819,832.00
Total Water-Sewer Utility Capital Fund		<u>6,189,884.39</u>	<u>5,028,810.29</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,850,769.36</u>	<u>\$ 5,673,747.47</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 of \$1,200,000.00 and \$-0- respectively (Exhibit D-18).

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

STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE

REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Ref.</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated	D-2	\$ 240,000.00	\$ 222,692.00
Rents	D-2	936,725.24	907,104.71
Miscellaneous	D-2	133,253.78	134,114.10
Federal Emergency Management Grant			38,250.00
Other Credits to Income:			
Cancel Accounts Payable and Reconciling Items			3,340.00
Cancel Old Outstanding Checks			642.00
Unexpended Balance of Appropriation Reserves	D-9	51,620.84	71,965.69
Total Income		<u>1,361,599.86</u>	<u>1,378,108.50</u>
<u>Expenditures</u>			
Operating		875,560.00	885,560.00
Capital Improvements		57,000.00	58,250.00
Debt Service		142,385.28	143,115.24
Deferred Charges and Statutory Expenditures		54,908.00	44,600.00
	D-3	<u>1,129,853.28</u>	<u>1,131,525.24</u>
Excess in Revenue		231,746.58	246,583.26
Fund Balance January 1	D	276,921.80	253,030.54
		<u>508,668.38</u>	<u>499,613.80</u>
Decreased by:			
Utilized as Anticipated Revenue	D-2	<u>240,000.00</u>	<u>222,692.00</u>
Fund Balance December 31	D	<u>\$ 268,668.38</u>	<u>\$ 276,921.80</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

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Surplus Anticipated	D-1	\$ 240,000.00	\$ 240,000.00	\$
Rents	D-1,6	880,000.00	936,725.24	56,725.24
Miscellaneous	D-1,4	<u>10,000.00</u>	<u>133,253.78</u>	<u>123,253.78</u>
		<u>\$ 1,130,000.00</u>	<u>\$ 1,309,979.02</u>	<u>\$ 179,979.02</u>

Ref. D-3

Analysis of Miscellaneous Revenue

Interest Collected on Delinquent Rents		\$ 3,077.77
Water Tower Lease		127,609.20
Interest on Deposits		906.18
Other Miscellaneous		<u>1,660.63</u>
	D-2	<u>\$ 133,253.78</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-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	<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	\$ 275,000.00	\$ 275,000.00	\$ 272,935.58	\$ 2,064.42	\$
Other Expenses	260,000.00	260,000.00	179,857.81	80,142.19	
Audit and Professional	30,000.00	30,000.00		30,000.00	
Ocean County Utility Authority	310,560.00	310,560.00	266,014.05	44,545.95	
Capital Improvements:					
Capital Improvement Fund	57,000.00	57,000.00	57,000.00		
Debt Service:					
Payment of Bond Principal	69,200.00	69,200.00	69,200.00		
Interest on Bonds	19,500.00	19,500.00	19,353.28		146.72
USDA Loan Principal	25,866.00	25,866.00	25,866.00		
USDA Loan Interest	27,966.00	27,966.00	27,966.00		
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Public Employee's Retirement System	31,200.00	31,200.00	31,200.00		
Social Security System (O.A.S.I.)	22,000.00	22,000.00	20,879.58	1,120.42	
Unemployment Compensation Insurance	1,708.00	1,708.00		1,708.00	
	<u>\$ 1,130,000.00</u>	<u>\$ 1,130,000.00</u>	<u>\$ 970,272.30</u>	<u>\$ 159,580.98</u>	<u>\$ 146.72</u>
	<u>Ref.</u>	D-2	D-1	D	D-1
Reserve for Encumbrances	D		\$ 7,669.00		
Cash Disbursements	D-4		769,933.27		
Interfunds	D-10		145,350.75		
Accrued Interest on Bonds, Notes and Loans	D-11		47,319.28		
			<u>\$ 970,272.30</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 G

STATEMENTS OF ASSETS AND LIABILITIES

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ <u>11,795.26</u>	\$ <u>15,041.82</u>
<u>Liabilities</u>		
Interfund - Current Fund	\$	\$ 3,599.02
Payroll Deductions Payable	<u>11,795.26</u>	<u>11,442.80</u>
	\$ <u>11,795.26</u>	\$ <u>15,041.82</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

STATEMENTS OF GENERAL FIXED ASSETS

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
General Fixed Assets:		
Land	\$ 1,714,100.00	\$ 1,714,100.00
Buildings	5,058,337.68	5,058,337.68
Vehicles	1,133,145.56	1,134,636.96
Equipment	<u>278,071.39</u>	<u>234,881.55</u>
	<u>\$ 8,183,654.63</u>	<u>\$ 8,141,956.19</u>
<u>Liabilities</u>		
Investment in General Fixed Assets	<u>\$ 8,183,654.63</u>	<u>\$ 8,141,956.19</u>

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

**BOROUGH OF LAKEHURST
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017

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.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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, 2017 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, 2017

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, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Utility Fixed Assets (Continued)

During 2017 and 2016 the following changes occurred in the fixed assets of the Borough:

	Balance Jan. 1, 2017	Expended from			Cancelled or Transferred	Balance Dec. 31, 2017
		Current or Capital Fund	Utility Fund	Less: Disposals		
General Fixed Assets Account Group:						
Land	\$ 1,714,100	\$	\$	\$	\$	\$ 1,714,100
Buildings	5,058,338					5,058,338
Vehicles	1,134,637	123,555		125,046		1,133,146
Equipment	234,881	43,190				278,071
	<u>8,141,956</u>	<u>166,745</u>		<u>125,046</u>		<u>8,183,655</u>
Water-Sewer Utility Fund:						
Fixed Capital	4,648,295				44,912	4,693,207
Fixed Capital Authorized and Uncompleted	136,464		1,233,000		(44,913)	1324,551
	<u>4,784,759</u>		<u>1,233,000</u>		<u>(1)</u>	<u>6,017,758</u>
	<u>\$ 12,926,715</u>	<u>\$ 166,745</u>	<u>\$ 1,233,000</u>	<u>\$ 125,046</u>	<u>\$ (1)</u>	<u>\$ 14,201,413</u>

	Balance Jan. 1, 2016	Expended from			Cancelled or Transferred	Balance Dec. 31, 2016
		Current or Capital Fund	Utility Fund	Less: Disposals		
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>79,88</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>\$ 24,688</u>	<u>\$ 460,691</u>	<u>\$ 111,495</u>	<u>\$ (428,110)</u>	<u>\$ 12,926,715</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, 2017

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

The following GASB Statements became effective for the year ended December 31, 2017:

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, 2018. The adoption of this Statement had no impact on the Borough's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. The adoption of this Statement had no 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*. The adoption of this Statement had no impact on 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. The adoption of this Statement had no impact on the Borough's financial statements.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Impact of Recently Issued Accounting Principles (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. 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 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, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. This statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Borough's financial statements.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the Borough's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This statement will be effective for the year ended December 31, 2020. Management does not expect this Statement to have a material 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.

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 \$3,294,703 and the bank balance amount was \$3,369,636. Of this amount \$250,000 was covered by federal depository insurance, a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$2,671,810, \$36,104 was in the State of New Jersey's Cash Management Fund and \$411,722 was uninsured.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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
- (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.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- 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 \$36,104.

C. Cash Management Plan

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

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

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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>2017</u>	<u>2016</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
GUDPA	2,671,810	2,992,001
Uninsured	<u>447,826</u>	<u>35,800</u>
	\$ <u>3,369,636</u>	\$ <u>3,277,801</u>

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

NOTE 3. DEBT

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt

On December 31, 2017, 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	\$ 885,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>2,934,368</u>
	\$ <u>3,819,368</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	\$ 841,011
2.25% to 2.50% General Obligation Bonds Issued February 21, 2013, installment maturities to March 1, 2026	645,000
2.00% to 4.00% General Obligation Refunding Bonds Issued May 15, 2013, installment maturities to December 1, 2040	<u>105,632</u>
	\$ <u>1,591,643</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</u>		<u>Utility Capital</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 210,625	\$ 112,249	\$ 96,089	\$ 44,723
2019	215,450	107,812	97,139	42,298
2020	220,450	103,221	98,043	39,840
2021	201,150	98,418	103,312	37,256
2022	210,800	93,786	104,591	34,661
2023-2027	902,500	396,411	495,257	130,373
2028-2032	545,225	278,544	216,640	82,238
2033-2037	786,475	155,832	259,825	43,353
2038-2040	<u>526,693</u>	<u>63,203</u>	<u>120,747</u>	<u>6,623</u>
Total	\$ <u>3,819,368</u>	\$ <u>1,409,476</u>	\$ <u>1,591,643</u>	\$ <u>461,365</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

B. Short-term Debt

On December 31, 2017, 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>2017</u>	<u>2016</u>
General Capital Fund	\$ -0-	\$ -0-
Water-Sewer Utility Capital Fund	1,200,000	-0-

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, 2017 was 2.416%. The Borough's remaining borrower power is 1.084%

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 2017 and 2016 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due</u> <u>within</u> <u>One Year</u>
General Debt:				
Serial Bonds	\$ 4,020,168	\$ 200,800	\$ 3,819,368	\$ 210,625
Water Utility Fund Debt:				
Serial Bonds	819,832	69,200	750,632	69,375
U.S.D.A. Loan Payable	866,878	25,867	841,011	26,714
Other:				
Compensated Absences	25,000		25,000	
	<u>\$ 5,731,878</u>	<u>\$ 295,867</u>	<u>\$ 5,436,011</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity (Continued)

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due</u> <u>within</u> <u>One Year</u>
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>\$ 6,108,678</u>	<u>\$ 376,800</u>	<u>\$ 5,731,878</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 at December 31, 2017 and 2016. In accordance with New Jersey accounting principles this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

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

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 700,000	\$ 720,000
Water-Sewer Utility Operating Fund	230,000	240,000

BOROUGH OF LAKEHURST - COUNTY OF OCEAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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:

	Balance December 31	
	2017	2016
Prepaid Taxes	\$ 64,213	\$ 32,674
Prepaid Water-Sewer Charges	8,416	7,749

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.

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.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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/annrpts.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.

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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, 2017

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 2017 and 2016, 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 contributions to PERS amounted to \$116,068 for 2017.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

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

Plan Description (Continued)

Components of Net Pension Liability - At December 31, 2017, the Borough's proportionate share of the PERS net pension liability is valued to be \$2,808,003. The net pension liability was measured as of June 30, 2017. 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 June 30, 2016, to the measurement date of June 30, 2017. 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, 2017. The Borough's proportion measured as of June 30, 2017, was .01206%, which was a decrease of .00081% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Actuarial Valuation Date	July 1, 2017	July 1, 2016
Deferred Outflows of Resources	938,160	\$ 1,386,371
Deferred Inflows of Resources	847,433	190,164
Net Pension Liability	2,808,003	3,813,150
Borough's Portion of the Plan's Total Net Pension Liability	0.01206%	0.01287%

For the year ended December 31, 2017, the Borough had an allocated pension expense of \$219,287.

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2017, 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, 2017

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	\$ 66,119	\$
Changes of assumptions	565,716	563,642
Net difference between projected and actual earnings on pension plan investments	19,121	
Changes in proportion	<u>287,204</u>	<u>283,791</u>
	<u>\$ 938,160</u>	<u>\$ 847,433</u>

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

<u>Year Ending December 31</u>	<u>PERS</u>
2018	\$ 79,258
2019	115,232
2020	69,394
2021	(100,351)
2022	<u>(72,806)</u>
	<u>\$ 90,727</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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		
e		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

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

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 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, 2016 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, 2017

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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>Decrease</u> <u>(4.00%)</u>	<u>Discount</u> <u>(5.00%)</u>	<u>Increase</u> <u>(6.00%)</u>
Township's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Township	\$ 3,483,518	\$ 2,808,003	\$ 2,245,215

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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/annrpts.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:

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

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, 2017

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 2017, 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 \$116,926 for 2017.

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

Net Pension Liability and Pension Expense - At December 31, 2017, the Borough's proportionate share of the PFRS net pension liability is valued to be \$1,886,859. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. 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, 2017. The Borough's proportion measured as of June 30, 2017, was .01222%, which was a decrease of .00212% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Actuarial Valuation Date	July 1, 2017	July 1, 2016
Deferred Outflows of Resources	\$ 541,400	\$ 940,316
Deferred Inflows of Resources	780,817	268,132
Net Pension Liability	1,886,859	2,739,451
Borough's Portion of the Plan's Total		
Net Pension Liability	0.01222%	0.01434%

For the year ended December 31, 2017, the Borough had an allocated pension expense of \$167,179.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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, 2017, 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	\$ 12,241	\$ 11,074
Changes of assumptions	232,671	309,012
Net difference between projected and actual earnings on pension plan investments	36,006	
Changes in proportion	<u>260,482</u>	<u>460,731</u>
	\$ <u>541,400</u>	\$ <u>780,817</u>

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

<u>Year Ending December 31</u>	<u>PFRS</u>
2018	\$ 47,776
2019	91,518
2020	(55,164)
2021	(251,315)
2022	<u>(72,232)</u>
	\$ <u>(239,417)</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

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
June 30, 2017	5.59	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments:		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Municipality is \$211,344 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. 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 June 30, 2016, to the measurement date of June 30, 2017. 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, 2017 was .01222%, which was a decrease of .00212% from its proportion measured as of June 30, 2016, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 1,886,859
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>211,344</u>
	\$ <u>2,098,203</u>

For the year ended December 31, 2017, the Township's total allocated pension expense was \$193,031.

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, 2017

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

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

Actuarial Assumptions (continued)

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 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, 2016 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, 2017

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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

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

Discount Rate - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	<u>Decrease</u> <u>(5.14%)</u>	<u>Discount</u> <u>(6.14%)</u>	<u>Increase</u> <u>(7.14%)</u>
Township's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Township	\$ 2,486,092	\$ 1,886,859	\$ 1,394,521

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, 2017

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.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017, 2016 and 2015 were \$164,205, \$133,581 and \$118,206, respectively, which equaled the required contributions for each year. There were approximately 8 retired participants eligible at December 31, 2017 and 2016 and 7 retired participants eligible at December 31, 2015.

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.

	<u>Local District School Tax</u>	
	<u>Balance</u>	<u>Balance</u>
	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Balance of Tax	\$ 774,141	\$ 756,753
Deferred	<u>500,749</u>	<u>500,749</u>
Tax Payable	\$ <u>273,392</u>	\$ <u>256,004</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$	\$ 15,383
Grant Fund	15,383	
Water-Sewer Utility Operating Fund		172,126
Water-Sewer Utility Capital Fund	<u>172,126</u>	<u> </u>
	<u>\$ 187,509</u>	<u>\$ 187,509</u>

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

NOTE 15. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 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:

	<u>Current Fund</u>	<u>Grant Fund</u>	<u>Utility Operating Fund</u>	<u>Total (Memo Only)</u>
Federal and State Aid	\$	\$ 436,439	\$	\$ 436,439
Taxes	178,653			178,653
Utility Rents			38,935	38,935
Other	<u>5,823</u>	<u> </u>	<u> </u>	<u>5,823</u>
	<u>\$ 184,476</u>	<u>\$ 436,439</u>	<u>\$ 38,935</u>	<u>\$ 659,850</u>

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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, 2016		\$ 1,952,157.97
Increased by Receipts:		
Taxes Receivable	\$ 4,308,878.43	
Prepaid Taxes	60,452.63	
Petty Cash	300.00	
Tax Overpayments	2,642.83	
State of New Jersey (Ch. 20, P.L. 1971)	15,750.00	
State of New Jersey Various Fees	425.00	
Revenue Accounts Receivable	969,436.79	
Miscellaneous Revenue Not Anticipated	79,534.44	
Statutory Excess in Animal Control Trust	2,113.40	
Interfunds:		
Other Funds	251,016.49	
Grant Fund	82,179.73	
		<u>5,772,729.74</u>
		<u>7,724,887.71</u>
Decreased by Disbursements:		
Budget Appropriations	3,594,032.45	
Appropriation Reserves	93,733.63	
Petty Cash	300.00	
Change Fund	100.00	
County Taxes Payable	673,035.51	
Local District School Tax	1,232,995.00	
Tax Refunds	2,642.83	
State of New Jersey Various Fees	455.00	
Interfunds:		
Other Funds	344,258.60	
Grant Fund	78,288.99	
		<u>6,019,842.01</u>
Balance December 31, 2017		<u>\$ 1,705,045.70</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-5

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>Year</u>	<u>Balance</u>	<u>2017 Levy</u>	<u>Collections</u>		<u>Due from State</u>	<u>Transferred to Tax Title Liens</u>	<u>Cancelled</u>	<u>Balance</u>
	<u>Dec. 31, 2016</u>		<u>2016</u>	<u>2017</u>				<u>Dec. 31, 2017</u>
2016	\$ 114,202.58	\$	\$	\$ 114,202.56	\$	\$	\$.02	\$
	<u>114,202.58</u>			<u>114,202.56</u>			<u>.02</u>	
2017		4,374,744.53	32,674.38	4,194,675.87	16,000.00	3,511.72		127,882.56
	<u>\$ 114,202.58</u>	<u>\$ 4,374,744.53</u>	<u>\$ 32,674.38</u>	<u>\$ 4,308,878.43</u>	<u>\$ 16,000.00</u>	<u>\$ 3,511.72</u>	<u>\$.02</u>	<u>\$ 127,882.56</u>
Tax Levy		\$ 4,372,944.78						
Year-end Penalty		<u>1,799.75</u>						
		<u>\$ 4,374,744.53</u>						

Analysis of 2017 Property Tax Yield and Tax Levy

Tax Yield:

General Purpose Tax		\$ 4,363,312.68	
Added and Omitted Taxes		<u>9,632.10</u>	
General Purpose Tax			\$ <u>4,372,944.78</u>

Tax Levy:

Local District School Tax		\$ 1,250,383.00	
County Taxes:			
County Tax	\$ 563,480.21		
County Library Tax	60,697.21		
County Health Tax	21,994.87		
County Open Space Preservation	19,201.88		
Due County for Added and Omitted Taxes	<u>1,490.26</u>		
Total County Taxes		666,864.43	
Local Tax for Municipal Purposes Levied		2,447,375.72	
Add: Additional Tax Levied		<u>8,321.63</u>	
			\$ <u>4,372,944.78</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2016	\$ 47,258.57
Increased by:	
Transfers from Taxes Receivable	<u>3,511.72</u>
Balance December 31, 2017	<u>\$ 50,770.29</u>

SCHEDULE OF DUE FROM/TO STATE OF NEW JERSEY

PER CHAPTER 20, P.L. 1971

Exhibit A-7

Balance December 31, 2016 - (Due From)	\$ (1,920.78)
Increased by:	
2017 Senior Citizens and Veterans	
Deductions per Tax Duplicate	\$ 15,750.00
Current Year Deductions Allowed (Net)	<u>250.00</u>
	<u>16,000.00</u>
	17,920.78
Decreased by:	
Receipts	<u>15,750.00</u>
Balance December 31, 2017 - (Due From)	<u>\$ (2,170.78)</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-8

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2016</u>	<u>Accrued in 2017</u>	<u>Collections</u>	<u>Balance Dec. 31, 2017</u>
Licenses:				
Alcoholic Beverages	\$	\$ 15,300.00	\$ 15,300.00	\$
Other		12,121.00	12,121.00	
Fees and Permits:				
Other		102,179.14	102,179.14	
Fines and Costs:				
Municipal Court	9,716.20	133,028.22	136,921.86	5,822.56
Interest and Costs on Taxes		27,357.05	27,357.05	
Interest on Investments and Deposits		7,276.34	7,276.34	
State Aid:				
Consolidated Municipal Property Tax Relief Act		40,099.00	40,099.00	
Energy Receipts Tax		255,340.00	255,340.00	
Uniform Construction Code Fees		3,048.50	3,048.50	
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		164,870.15	164,870.15	
Uniform Fire Safety Act		4,923.75	4,923.75	
	<u>\$ 9,716.20</u>	<u>\$ 965,543.15</u>	<u>\$ 969,436.79</u>	<u>\$ 5,822.56</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 4

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<u>OPERATIONS WITHIN CAPS</u>					
Administrative and Executive					
Salaries and Wages	\$ 100.00	\$	\$ 100.00	\$	\$ 100.00
Other Expenses	307.51	3,393.34	3,700.85	3,393.34	307.51
Mayor and Council					
Salaries and Wages	304.68		304.68		304.68
Other Expenses	992.83	85.00	1,077.83	85.00	992.83
Municipal Clerk					
Salaries and Wages	13,292.02		13,292.02		13,292.02
Other Expenses	11,439.96	1,345.63	12,785.59	7,145.63	5,639.96
Financial Administration					
Salaries and Wages	204.63		204.63		204.63
Other Expenses	85.36		85.36		85.36
Audit Services					
Other Expenses	17,285.00		17,285.00	17,115.00	170.00
Collection of Taxes					
Salaries and Wages	6,303.28		6,303.28		6,303.28
Other Expenses	5,909.41		5,909.41		5,909.41
Assessment of Taxes					
Salaries and Wages	276.25		276.25		276.25
Other Expenses	4,512.97	363.15	4,876.12	363.15	4,512.97
Legal Services and Costs					
Salaries and Wages	76.68		76.68		76.68
Other Expenses	4,556.60	258.40	4,815.00	258.40	4,556.60
Engineering Services and Costs					
Other Expenses	4,703.70		4,703.70	3,101.75	1,601.95
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>Dec. 31, 2016</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Municipal Land Use Law (N.J.S. 40:55D-1)					
Salaries and Wages	\$.05	\$	\$.05	\$	\$.05
Other Expenses	350.00		350.00		350.00
Code Enforcement Officer					
Salaries and Wages	7.39		7.39		7.39
Other Expenses	470.00		470.00		470.00
County Rebate					
Salaries and Wages	.02		.02		.02
Insurance					
General Liability	1,415.22		1,415.22		1,415.22
Workers' Compensation	6,316.23		6,316.23		6,316.23
Employee Group Health	40,265.65		40,265.65		40,265.65
Health Benefits Waiver	9,685.30		9,685.30		9,685.30
Police					
Salaries and Wages	84,447.18		84,447.18		84,447.18
Other Expenses	45,079.48	5,042.62	50,122.10	48,099.83	2,022.27
Emergency Management Services					
Salaries and Wages	1,265.60		1,265.60		1,265.60
Other Expenses	1,319.84		1,319.84		1,319.84
Uniform Safety Act					
Salaries and Wages	1,047.62		1,047.62		1,047.62
Other Expenses	500.00		500.00		500.00
Municipal Court					
Salaries and Wages	23,985.18		23,985.18		23,985.18
Other Expenses	4,266.73	470.21	4,736.94	395.21	4,341.73
Fire					
Other Expenses		390.32	390.32		390.32
Municipal Prosecutor					
Salaries and Wages	87.46		87.46		87.46
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>Dec. 31, 2016</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Public Defender					
Other Expenses	\$ 100.00	\$	\$ 100.00	\$	\$ 100.00
Road Repairs and Maintenance					
Salaries and Wages	4,587.51		4,587.51		4,587.51
Other Expenses	3,939.49	280.00	4,219.49	268.80	3,950.69
Garbage and Trash Removal					
Salaries and Wages	19,692.68		19,692.68		19,692.68
Other Expenses	2,652.36	163.53	2,815.89	163.53	2,652.36
Recycling					
Salaries and Wages	4,000.00		4,000.00		4,000.00
Other Expenses	3,663.02		3,663.02		3,663.02
Public Buildings, Grounds and Lakes					
Salaries and Wages	77.86		77.86		77.86
Other Expenses	5,367.38	4,918.13	10,285.51	4,823.13	5,462.38
Vehicle Maintenance					
Other Expenses	11,157.03	9,582.30	20,739.33	12,021.24	8,718.09
Animal Control					
Other Expenses	4,977.00		4,977.00		4,977.00
Youth and Recreation					
Salaries and Wages	1,344.50		1,344.50		1,344.50
Other Expenses	1,580.73		1,580.73		1,580.73
Celebration of Public Events					
Other Expenses	7,028.14		7,028.14		7,028.14
Utilities:					
Gasoline	22,243.82		22,243.82	1,668.92	20,574.90
Electricity	4,931.75		4,931.75	630.70	4,301.05
Telephone	1,807.88		1,807.88		1,807.88
Natural Gas	8,187.62		8,187.62		8,187.62

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 4

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Utilities (Continued):					
Street Lighting	\$ 7,086.03	\$	\$ 7,086.03	\$	\$ 7,086.03
Telecommunications	194.00		194.00		194.00
Landfill Disposal Cost - Other Expenses	20,000.00		20,000.00		20,000.00
Social Security System	24,410.76		24,410.76		24,410.76
Unemployment Compensation Insurance	17,589.11		17,589.11		17,589.11
Defined Contribution Retirement Program	500.00		500.00		500.00
Total Appropriations within Caps	<u>468,528.50</u>	<u>26,292.63</u>	<u>494,821.13</u>	<u>99,533.63</u>	<u>395,287.50</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Recycling Fees	5,000.00		5,000.00		5,000.00
Shared Service Agreement					
Lakehurst Elementary School					
Police					
Salaries and Wages	.02		.02		.02
Northeast Housing LLC - Borough of Lakehurst					
Police					
Salaries and Wages	.02		.02		.02
Total Appropriations excluded from Caps	<u>5,000.04</u>		<u>5,000.04</u>		<u>5,000.04</u>
	<u>\$ 473,528.54</u>	<u>\$ 26,292.63</u>	<u>\$ 499,821.17</u>	<u>\$ 99,533.63</u>	<u>\$ 400,287.54</u>
Disbursements				\$ 93,733.63	
Accounts Payable				<u>5,800.00</u>	
				<u>\$ 99,533.63</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-10

SCHEDULE OF COUNTY TAXES PAYABLE

Balance December 31, 2016		\$ 7,661.34
Increased by:		
County Tax	\$ 563,480.21	
County Library Tax	60,697.21	
County Health Tax	21,994.87	
County Open Space Tax	19,201.88	
Added and Omitted Taxes	<u>1,490.26</u>	
		<u>666,864.43</u>
		<u>674,525.77</u>
Decreased by:		
Payments		<u>673,035.51</u>
Balance December 31, 2017		<u>\$ 1,490.26</u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Exhibit A-11

Balance December 31, 2016:			
School Tax Payable	\$ 256,004.00		
School Tax Deferred	<u>500,749.00</u>		
		\$ 756,753.00	
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>1,250,383.00</u>
			<u>2,007,136.00</u>
Decreased by:			
Payments			<u>1,232,995.00</u>
Balance December 31, 2017:			
School Tax Payable	273,392.00		
School Tax Deferred	<u>500,749.00</u>		
		\$ 774,141.00	

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, 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>
Increased by						
Budget Appropriations	437.18				437.18	
Receipts	<u>251,016.49</u>	<u> </u>	<u>119,656.44</u>	<u> </u>	<u>127,761.03</u>	<u>3,599.02</u>
Total Increases	<u>251,453.67</u>	<u> </u>	<u>119,656.44</u>	<u> </u>	<u>128,198.21</u>	<u>3,599.02</u>
Total Increases and Balances	<u>344,258.60</u>	<u>988.00</u>	<u>111,984.71</u>	<u>1,321.50</u>	<u>229,964.39</u>	<u> </u>
Decreased by:						
Disbursements	\$ <u><u>344,258.60</u></u>	\$ <u><u>988.00</u></u>	\$ <u><u>111,984.71</u></u>	\$ <u><u>1,321.50</u></u>	\$ <u><u>229,964.39</u></u>	\$ <u><u> </u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF INTERFUND

FEDERAL AND STATE GRANT FUND

Balance December 31, 2016 - Due From		\$	11,492.65
Increased by:			
Receipts:			
Grant Accounts Receivable Deposits	\$	79,006.24	
Unappropriated Funds Received		3,173.49	
Transferred from 2017 Budget Appropriations		<u>230,112.02</u>	
			<u>312,291.75</u>
			<u>323,784.40</u>
Decreased by:			
Grant Fund Disbursements		78,288.99	
Transferred from 2017 Anticipated Revenue		<u>230,112.02</u>	
			<u>308,401.01</u>
Balance December 31, 2017 - Due From		\$	<u><u>15,383.39</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, 2016 - Due To	\$ (175,350.00)
Increased by:	
Receipts:	
Grant Accounts Receivable Deposits	\$ <u>175,350.00</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 Dec. 31, 2016</u>	<u>2017 Budget Revenue</u>	<u>Received</u>	<u>Balance Dec. 31, 2017</u>
2017 Grant Awards:				
966 Grant	\$	\$ 8,678.00	\$	\$ 8,678.00
Body Armor Fund		1,303.45	1,303.45	
Clean Communities Program		4,779.13	4,779.13	
Cops in Shops		1,600.00	1,600.00	
Drive Sober or Get Pulled Over - Holiday Grant		5,500.00		5,500.00
NJ DOT Pine Street Sidewalks and Curbs		200,000.00		200,000.00
Recycling Tonnage Grant		2,751.44	2,751.44	
Utext Udrive Upay		5,500.00	5,500.00	
2016 Grant Awards:				
966 Grant	17,686.40		17,578.13	108.27
Drive Sober or Get Pulled Over - Holiday Grant	5,000.00		5,000.00	
Federal Emergency Management Grant	38,250.00		38,250.00	
NJ DOT - Poplar Street	200,000.00			200,000.00
2015 Grant Awards:				
Federal Emergency Management Grant	137,100.00		137,100.00	
NJ DOT - Lake Street	65,398.35		43,245.53	22,152.82
	<u>\$ 463,434.75</u>	<u>\$ 230,112.02</u>	<u>\$ 257,107.68</u>	<u>\$ 436,439.09</u>
Interfunds:				
Current Fund			\$ 79,006.24	
Water-Sewer Operating Fund			175,350.00	
Unappropriated Reserves Realized			<u>2,751.44</u>	
			<u>\$ 257,107.68</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

SCHEDULE OF APPROPRIATED RESERVES

FEDERAL AND STATE GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2016</u>	<u>Transfer from 2017 Budget Appropriation</u>	<u>Reserve for Encumbrances</u>	<u>Expended</u>	<u>Balance Dec. 31, 2017</u>
2017 Grant Awards:					
966 Grant	\$	\$ 8,678.00	\$	\$	\$ 8,678.00
Body Armor Fund		1,303.45			1,303.45
Clean Communities Program		4,779.13		2,001.67	2,777.46
Cops in Shops		1,600.00		1,600.00	
Drive Sober or Get Pulled Over - Holiday Grant		5,500.00		550.00	4,950.00
NJ DOT Pine Street Sidewalks and Curbs		200,000.00		18,017.06	181,982.94
Recycling Tonnage Grant		2,751.44			2,751.44
Utext Udrive Upay		5,500.00		5,500.00	
2016 Grant Awards:					
966 Grant	100.27		17,586.13	17,578.13	108.27
Body Armor Fund	1,301.99				1,301.99
Clean Communities Program	4,216.02			2,879.21	1,336.81
Drive Sober or Get Pulled Over - Holiday Grant	4,500.00			4,500.00	
Recycling Tonnage Grant	3,375.13				3,375.13
Hazardous Remediation Discharge	22,263.22			22,203.21	60.01
NJ DOT - Poplar Street	199,079.00				199,079.00
2015 Grant Awards:					
Alcohol Education and Rehabilitation	58.93				58.93
NJ DOT - Lake Street	1,488.32				1,488.32
Other Grants:					
Body Armor Fund	5,615.66			2,042.28	3,573.38
Clean Communities			591.50	591.50	
Drunk Driving Enforcement Fund	15,100.18			825.93	14,274.25
Recycling Tonnage Grant	21,549.61				21,549.61
	<u>\$ 278,648.33</u>	<u>\$ 230,112.02</u>	<u>\$ 18,177.63</u>	<u>\$ 78,288.99</u>	<u>\$ 448,648.99</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-17

SCHEDULE OF UNAPPROPRIATED RESERVES

FEDERAL AND STATE GRANT FUND

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Received</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Recycling <u>Grant</u> Tonnage Grant	\$ <u>2,751.44</u>	\$ <u>3,173.49</u>	\$ <u>2,751.44</u>	\$ <u>3,173.49</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, 2016	\$ 2,875.60		\$ 434,797.74
Increased by Receipts:			
Due State of New Jersey	\$ 291.60	\$	
Dog Licenses and Other Fees	1,252.00		
Interest Earned	9.91		
Interfunds	988.00		94,690.38
Miscellaneous Reserves			118,095.86
Community Development Block Grant			4,760.00
	<u>2,541.51</u>		<u>217,546.24</u>
	5,417.11		652,343.98
Decreased by Disbursements:			
Due State of New Jersey	295.80		
Animal Control Trust Fund Expenditures	169.00		
Interfunds	2,123.31		11,773.49
Miscellaneous Reserves			223,811.25
Community Development Block Grant			4,760.00
	<u>2,588.11</u>		<u>240,344.74</u>
Balance December 31, 2017	<u>\$ 2,829.00</u>		<u>\$ 411,999.24</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

ANIMAL CONTROL TRUST FUND

Exhibit B-2

SCHEDULE OF DUE STATE OF NEW JERSEY

Balance December 31, 2016	\$	4.20
Increased by:		
Fees Collected		<u>291.60</u>
		295.80
Decreased by:		
Disbursements	\$	<u>295.80</u>

SCHEDULE OF RESERVE FOR ANIMAL CONTROL

TRUST FUND EXPENDITURES

Exhibit B-3

Balance December 31, 2016	\$	3,859.40
Increased by:		
Animal Control License Fees Collected		<u>1,252.00</u>
		5,111.40
Decreased by:		
Expenditures Under R.S. 4:19-15.11	\$	169.00
Statutory Excess Due to Current Fund		<u>2,113.40</u>
		<u>2,282.40</u>
Balance December 31, 2017	\$	<u>2,829.00</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 1,407.00
2016	<u>1,422.00</u>
	\$ <u>2,829.00</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

ANIMAL CONTROL TRUST FUND

Exhibit B-4

SCHEDULE OF INTERFUND - CURRENT FUND

Balance December 31, 2016 - Due From		\$ (988.00)
Increased by:		
Statutory Excess Due to Current Fund	\$ 2,113.40	
Receipts:		
Interfund Liquidation	988.00	
Interest Earned on Deposits	<u>9.91</u>	
		<u>3,111.31</u>
		<u>2,123.31</u>
Decreased by:		
Disbursements		<u>\$ 2,123.31</u>

OTHER TRUST FUND

SCHEDULE OF INTERFUND - CURRENT FUND

Exhibit B-5

Balance December 31, 2016 - Due To		\$ (7,671.73)
Increased by:		
Miscellaneous Reserves Deposited in Current Fund	\$ 90,588.62	
Disbursements:		
Cancel Old Bank Account Balance	.50	
Interfund Liquidation	<u>11,772.99</u>	
		<u>102,362.11</u>
		<u>94,690.38</u>
Decreased by:		
Receipts:		
Interfund Liquidation	93,770.28	
Interest Earned on Deposits	<u>920.10</u>	
		<u>\$ 94,690.38</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-6

SCHEDULE OF MISCELLANEOUS RESERVES

	Balance				Balance
	Dec. 31, 2016	Increases	Decreases	Transfers	Dec. 31, 2017
Accumulated Sick Leave	\$ 56,441.96	\$ 10,000.00	\$	\$	\$ 66,441.96
Board of Recreation Commissioners	11,493.37	5,452.12	9,984.40		6,961.09
Escrow Accounts and Performance Bonds	261,317.63	58,265.00	82,721.59		236,861.04
Municipal Alliance Program	280.55				280.55
Parking Offense Adjudication Act	692.73	5.00			697.73
Police Forfeiture Funds	7,445.49	1,868.81	3,410.20		5,904.10
Police Off Duty		1,000.00	629.76		370.24
Premium on Tax Sale	31,100.00		9,600.00	(21,500.00)	
Public Defender	26,189.94	3,290.50	5,376.68		24,103.76
Storm Recovery	21,808.47	20,000.00			41,808.47
Third Party Tax Title Lien Redemption		108,803.05	112,088.62	21,500.00	18,214.43
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>\$ 427,126.01</u>	<u>\$ 208,684.48</u>	<u>\$ 223,811.25</u>	<u>\$</u>	<u>\$ 411,999.24</u>
Receipts		\$ 118,095.86	\$		
Disbursements			223,811.25		
Interfund - Current Fund		<u>90,588.62</u>			
		<u>\$ 208,684.48</u>	<u>\$ 223,811.25</u>		

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-7

SCHEDULE OF COMMUNITY DEVELOPMENT

BLOCK GRANT FUNDS RECEIVABLE

Balance December 31, 2016	\$ 4,760.00
Decreased by:	
Receipts	\$ <u>4,760.00</u>

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANT APPROPRIATIONS

Exhibit B-8

Balance December 31, 2016	\$ 4,760.00
Decreased by:	
Disbursements	\$ <u>4,760.00</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, 2016		\$ 497,033.20
Increased by Receipts:		
Interfund - Current Fund	\$ 3,552.15	
Capital Improvement Fund	<u>145,000.00</u>	
		<u>148,552.15</u>
		645,585.35
Decreased by Disbursements:		
Interfund - Current Fund	2,230.65	
Improvement Authorizations	<u>115,598.12</u>	
		<u>117,828.77</u>
Balance December 31, 2017		\$ <u><u>527,756.58</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-2

ANALYSIS OF CASH

	Balance <u>Dec. 31, 2016</u>	Receipts		Disbursements		Transfers		Balance <u>Dec. 31, 2017</u>
		Miscellaneous		Improvement Authorizations	Miscellaneous	From	To	
Capital Improvement Fund	\$ 139,704.66	\$ 145,000.00				\$ 42,000.00		\$ 242,704.66
Reserve for Encumbrances							72,132.98	72,132.98
Interfund - Current Fund	(1,321.50)	3,552.15		2,230.65				
Improvement Authorizations:								
<u>Ordinance</u>								
<u>Number</u>								
		<u>Improvement Description</u>						
2008-09,		Improvements to Lake Horicon Dam and Other						
2017-05		Recreation Area Improvements	168,130.48	2,924.00		40,000.00		125,206.48
2012-08		Various Improvements	63,797.88					63,797.88
2016-05a		Acquisition of Police Vehicle and Equipment	12,118.50	11,026.80				1,091.70
2016-05b		Acquisition of Public Works Vehicle and Equipment	108,000.00	77,595.00		25,630.00		4,775.00
2016-05c		Improvements to Municipal Building	2,203.18					2,203.18
2016-09		Construction of Impound Yard	4,400.00	2,982.32				1,417.68
2017-03a		Landfill Remediation		9,680.00			20,000.00	10,320.00
2017-03b		Municipal Building Improvements		11,390.00		8,610.00	20,000.00	
2017-06		Acquisition of Police Vehicle				37,892.98	42,000.00	4,107.02
	\$	<u>497,033.20</u>	\$	<u>148,552.15</u>	\$	<u>115,598.12</u>	\$	<u>2,230.65</u>
						<u>154,132.98</u>	<u>154,132.98</u>	<u>527,756.58</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-3

SCHEDULE OF DEFERRED CHARGES TO FUTURE

TAXATION - FUNDED

Balance December 31, 2016	\$ 4,020,168.00
Decreased by:	
2017 Budget Appropriations:	
Serial Bonds Payable	<u>200,800.00</u>
Balance December 31, 2017	<u>\$ 3,819,368.00</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF INTERFUND - CURRENT FUND

Balance December 31, 2016 - Due From	\$ 1,321.50
Increased by:	
Disbursements	<u>2,230.65</u>
	3,552.15
Decreased by:	
Receipts:	
Interest Earned on Deposits	<u>\$ 3,552.15</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Exhibit C-5

Balance December 31, 2016	\$ 139,704.66
Increased by:	
Budget Appropriation	<u>145,000.00</u>
	284,704.66
Decreased by:	
Appropriated to Finance Improvement	<u>42,000.00</u>
Balance December 31, 2017	<u>\$ 242,704.66</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2016 Funded	2017 Authorizations		Paid or Charged	Balance Dec. 31, 2017 Funded
		Date	Amount		Capital Improvement Fund	Reappropriated		
2008-09,	Improvements to Lake Horicon and Other							
2017-05	Recreation Area Improvements	7/17/2008	300,000.00	168,130.48		(40,000.00)	2,924.00	125,206.48
2012-08	Various Improvements	9/06/2012	400,000.00	63,797.88				63,797.88
2016-05a	Acquisition of Police Vehicle and Equipment	6/02/2016	40,000.00	12,118.50			11,026.80	1,091.70
2016-05b	Acquisition of Public Works Vehicle and Equipment	6/02/2016	108,000.00	108,000.00			103,225.00	4,775.00
2016-05c	Improvements to Municipal Building	6/02/2016	6,963.18	2,203.18				2,203.18
2016-09	Construction of Impound Yard	9/15/2016	12,500.00	4,400.00			2,982.32	1,417.68
2017-03a	Landfill Remediation	4/20/2017	20,000.00			20,000.00	9,680.00	10,320.00
2017-03b	Municipal Building Improvements	4/20/2014	20,000.00			20,000.00	20,000.00	
2017-06	Acquisition of Police Vehicle	8/17/2017	42,000.00		42,000.00		37,892.98	4,107.02
				<u>\$ 358,650.04</u>	<u>\$ 42,000.00</u>	<u>\$</u>	<u>\$ 187,731.10</u>	<u>\$ 212,918.94</u>
	Reserve for Encumbrances						\$ 72,132.98	
	Disbursements						<u>115,598.12</u>	
							<u>\$ 187,731.10</u>	

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, 2016		\$ 337,576.50
Increased by Receipts:		
Miscellaneous Anticipated Revenue	\$ 133,253.78	
Consumer Accounts Receivable	928,976.60	
Prepaid Consumer Accounts	8,416.22	
Consumer Accounts Overpayments	575.66	
Interfunds	<u>189,354.44</u>	
		<u>1,260,576.70</u>
		1,598,153.20
Decreased by Disbursements:		
Budget Appropriations	769,933.27	
Appropriation Reserves	29,162.75	
Accrued Interest Payable	47,116.75	
Interfunds	129,514.91	
Refund of Overpayments	<u>575.66</u>	
		<u>976,303.34</u>
Balance December 31, 2017		\$ <u><u>621,849.86</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-5

ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH

	Balance	Transfers		Balance
	Dec. 31, 2016	From	To	Dec. 31, 2017
Capital Improvement Fund	\$ 107,588.54	\$ 59,500.00	\$ 57,000.00	\$ 105,088.54
Interfund - Water-Sewer Utility Operating Fund	(244,052.10)	57,000.00	128,925.90	(172,126.20)
Reserve for Encumbrances			40,662.63	40,662.63
Fund Balance				
Ordinance				
<u>Number</u>				
2016-06	61,463.56	57,432.85		4,030.71
2016-10	75,000.00	4,150.50		70,849.50
2017-04		48,505.18		(48,505.18)
2017-07		33,000.00	33,000.00	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ <u> </u>	\$ <u>259,588.53</u>	\$ <u>259,588.53</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, 2016		\$ 25,866.71
Increased by:		
Consumer Accounts Receivable		<u>945,515.85</u>
		971,382.56
Decreased by:		
Collections	\$ 928,976.60	
Prepayments Applied	<u>7,748.64</u>	
		<u>936,725.24</u>
Balance December 31, 2017		<u>\$ 34,657.32</u>

WATER-SEWER UTILITY CAPITAL FUND

SCHEDULE OF FIXED CAPITAL

Exhibit D-7

	Balance
	<u>Dec. 31, 2017</u>
Water-Sewer System	\$ 3,429,889.60
Water Tower	832,714.31
Land	132,500.00
Building	23,200.00
Vehicles	139,756.69
Equipment	<u>135,146.72</u>
	<u>\$ 4,693,207.32</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Improvement Description	Ordinance		Balance
		Date	Amount	Dec. 31, 2017
2016-06	Various Water-Sewer Improvements	6/02/2016	\$ 61,463.56	\$ 16,550.87
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00	75,000.00
2017-04	Water Main Improvements	6/01/2017	1,200,000.00	1,200,000.00
2017-07	Acquisition of a Utility Truck	8/17/2017	33,000.00	33,000.00
				<u>\$ 1,324,550.87</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-9

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Reserve for</u> <u>Encumbrances</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:					
Salaries and Wages	\$ 18,322.41	\$	\$ 18,322.41	\$	\$ 18,322.41
Other Expenses	23,578.03	14,884.00	38,462.03	16,662.75	21,799.28
Audit and Professional	21,400.00		21,400.00	12,500.00	8,900.00
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	599.15		599.15		599.15
Unemployment Compensation Insurance (N.J.S.A. 43:21-3)	2,000.00		2,000.00		2,000.00
	<u>\$ 65,899.59</u>	<u>\$ 14,884.00</u>	<u>\$ 80,783.59</u>	<u>\$ 29,162.75</u>	<u>\$ 51,620.84</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-10

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Current Fund	Grant Fund	Water-Sewer Capital Fund
Balance December 31, 2016 - Due To/(From)	\$ <u>(33,064.08)</u>	\$ <u>(101,766.18)</u>	\$ <u>(175,350.00)</u>	\$ <u>244,052.10</u>
Increased by:				
Receipts	189,354.44	14,004.44	175,350.00	
Budget Appropriations	<u>145,350.75</u>	<u>88,350.75</u>		57,000.00
Total Increases	<u>334,705.19</u>	<u>102,355.19</u>	<u>175,350.00</u>	<u>57,000.00</u>
Total Increases and Balances	<u>301,641.11</u>	<u>589.01</u>		<u>301,052.10</u>
Decreased by:				
Disbursements	<u>129,514.91</u>	<u>589.01</u>		128,925.90
Total Decreases	<u>129,514.91</u>	<u>589.01</u>		<u>128,925.90</u>
Balance December 31, 2017 - Due To/Due (From)	\$ <u><u>172,126.20</u></u>	\$ <u><u> </u></u>	\$ <u><u> </u></u>	\$ <u><u>172,126.20</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-11

SCHEDULE OF ACCRUED INTEREST PAYABLE

Balance December 31, 2016	\$ 5,286.55
Increased by:	
Budget Appropriations	<u>47,319.28</u>
	52,605.83
Decreased by:	
Disbursements	<u>47,116.75</u>
Balance December 31, 2017	<u>\$ 5,489.08</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-12

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2016 Funded	2017 Authorizations		Paid or Charged	Balance Dec. 31, 2017	
		Date	Amount		Capital Improvement Fund	Deferred Charges to Revenue		Funded	Unfunded
2016-06	Various Water-Sewer Improvements	6/02/2016	\$ 61,463.56	\$ 61,463.56	\$	\$	\$ 57,432.85	\$ 4,030.71	\$
2016-10	Various Water-Sewer Improvements	9/15/2016	75,000.00	75,000.00			4,150.50	70,849.50	
2017-04	Water Main Improvements	6/01/2017	1,200,000.00			1,200,000.00	48,505.18		1,151,494.82
2017-07	Acquisition of a Utility Truck	8/17/2017	33,000.00		33,000.00		33,000.00		
				<u>\$ 136,463.56</u>	<u>\$ 33,000.00</u>	<u>\$ 1,200,000.00</u>	<u>\$ 143,088.53</u>	<u>\$ 74,880.21</u>	<u>\$ 1,151,494.82</u>
	Reserve for Encumbrances						\$ 40,662.63		
	Interfund - Water-Sewer Utility Operating Fund						<u>102,425.90</u>		
							<u>\$ 143,088.53</u>		

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-13

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2016		\$ 107,588.54
Increased by:		
2017 Budget Appropriation		<u>57,000.00</u>
		164,588.54
Decreased by:		
Appropriated to Finance Improvement Authorizations	\$ 33,000.00	
Preliminary Costs for Water Main Study	<u>26,500.00</u>	
		<u>59,500.00</u>
Balance December 31, 2017		<u><u>\$ 105,088.54</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION

Exhibit D-14

Balance December 31, 2016		\$ 2,961,584.63
Increased by:		
Paid by Operating Budget:		
USDA Loan	\$ 25,866.94	
Serial Bonds	<u>69,200.00</u>	
		<u>95,066.94</u>
Balance December 31, 2017		<u><u>\$ 3,056,651.57</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-15

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2016</u>	<u>Fixed Capital Authorized</u>	<u>Balance Dec. 31, 2017</u>
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
2017-07	Acquisition of a Utility Vehicle	8/17/2017		33,000.00	33,000.00
			<u>\$ 136,463.56</u>	<u>\$ 33,000.00</u>	<u>\$ 169,463.56</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-16

SCHEDULE OF USDA LOAN PAYABLE

Sheet 1 of 2

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Loan Maturities Outstanding Dec. 31, 2017</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Water-Sewer Improvements	12/23/1999	\$ 1,200,000.00	12/23/2018-39	See D-16 Sheet 2 of 2	3.25%	\$ <u>866,878.00</u>	\$ <u>25,866.94</u>	\$ <u>841,011.06</u>

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%

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
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	51,335	1,699
	<u>\$ 841,011</u>	<u>\$ 342,495</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-17

SCHEDULE OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2017</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
General Obligation Bonds	2/21/2013	\$ 895,000.00	3/01/2018-20	\$ 65,000.00	2.250%	\$ 710,000.00	\$ 65,000.00	\$ 645,000.00
			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%			
General Obligation Refunding Bonds	5/15/2013	124,357.00	12/01/2018	4,375.00	2.000%	109,832.00	4,200.00	105,632.00
			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%			
					<u>\$ 819,832.00</u>	<u>\$ 69,200.00</u>	<u>\$ 750,632.00</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-18

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>
2017-04	Water Main Improvements	\$ <u>1,200,000.00</u>

PAYROLL FUND

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BOROUGH OF LAKEHURST - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G-1

SCHEDULE OF CASH - TREASURER

Balance December 31, 2016		\$	15,041.82
Increased by:			
Deposits for Net Pay	\$	1,135,684.84	
Payroll Deductions		738,785.97	
Interfund - Current Fund		165.47	
		<u> </u>	1,874,636.28
			<u>1,889,678.10</u>
Decreased by:			
Net Pay		1,135,684.84	
Payroll Deductions Payable		738,433.51	
Interfund - Current Fund		3,764.49	
		<u> </u>	1,877,882.84
Balance December 31, 2017		\$	<u><u>11,795.26</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

PAYROLL FUND

Exhibit G-2

ANALYSIS OF CASH

	<u>Balance Dec. 31, 2016</u>	<u>Increased by Payroll Deductions</u>	<u>Decreased by Payments</u>	<u>Balance Dec. 31, 2017</u>
Federal and State Taxes	\$	\$ 519,700.77	\$ 519,700.77	\$
Garnishee				
Deferred Compensation and Insurance		26,823.22	26,556.76	266.46
Employee Share of Health Benefits		55,956.34	55,956.34	
Net Pay		1,135,684.84	1,135,684.84	
Police and Firemen's Retirement System	4,242.46	47,083.54	47,298.56	4,027.44
Public Employees' Retirement System	7,200.34	80,799.12	80,498.10	7,501.36
Union Dues		8,422.98	8,422.98	
	<u>11,442.80</u>	<u>1,874,470.81</u>	<u>1,874,118.35</u>	<u>11,795.26</u>
Other:				
Interfund - Current Fund	<u>3,599.02</u>	<u>165.47</u>	<u>3,764.49</u>	<u> </u>
	<u>\$ 15,041.82</u>	<u>\$ 1,874,636.28</u>	<u>\$ 1,877,882.84</u>	<u>\$ 11,795.26</u>

**BOROUGH OF LAKEHURST
COUNTY OF OCEAN**

PART II

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS -
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**BOROUGH OF LAKEHURST
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

None.

**BOROUGH OF LAKEHURST
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

FEDERAL AWARDS

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

STATE FINANCIAL ASSISTANCE

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

**BOROUGH OF LAKEHURST
COUNTY OF OCEAN**

PART III

**SUPPLEMENTARY DATA
FOR THE YEAR ENDED DECEMBER 31, 2017**

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COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

Tax Rate	<u>2017</u> \$ <u>3.067</u>	<u>2016</u> \$ <u>3.050</u>	<u>2015</u> \$ <u>3.011</u>
Apportionment of Tax Rate			
Municipal	1.720	1.700	1.675
County	.468	.480	.487
Local School	.879	.870	.849
Assessed Valuation			
2017	\$ 142,266,456		
2016		\$ 140,907,959	
2015			\$ 140,347,884

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>
2017	\$ 4,374,745	\$ 4,243,350	96.99%
2016	4,346,499	4,218,035	97.04%
2015	4,247,489	4,118,086	96.95%

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>
2017	\$ 50,770	\$ 127,883	\$ 178,653	4.08%
2016	47,259	114,203	161,462	3.71%
2015	43,685	125,707	169,392	3.99%

The last tax sale was held on December 19, 2017 and was complete.

The number of tax title liens receivable on December 31, 2017, 2016 and 2015 were 5, 5 and 6, respectively.

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>
2017	\$ 50,000
2016	50,000
2015	50,000

COMPARISON OF WATER-SEWER UTILITY RENTS

<u>Year</u>	<u>Rents</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
2017	\$ 945,516	\$ 25,867	\$ 936,725
2016	907,996	24,975	907,105
2015	911,457	45,013	931,494

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2017	\$ 993,155	\$ 700,000
2016	1,029,492	720,000
2015	917,922	726,000
2014	1,000,579	725,000
2013	1,025,383	725,000
<u>Water-Sewer Fund</u>		
2017	\$ 268,668	\$ 230,000
2016	276,922	240,000
2015	253,031	222,692
2014	362,541	238,829
2013	364,681	240,898

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 3,819,368	\$ 4,020,168	\$ 4,220,968
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>1,591,643</u>	<u>1,686,710</u>	<u>1,780,956</u>
	5,411,011	5,706,878	6,001,924
Less:			
Funds Temporarily Held to Pay Bonds:			
General Capital Fund			500
Net Debt Issued	<u>5,411,011</u>	<u>5,706,878</u>	<u>6,001,424</u>
 <u>Authorized but not Issued</u>			
General:			
Bonds, Notes and Loans			125,664
Water-Sewer Utility:			
Bonds, Notes and Loans	<u>1,200,000</u>	_____	<u>19,090</u>
Total Authorized but not Issued	<u>1,200,000</u>	_____	<u>144,754</u>
 Net Bonds and Notes Issued and Authorized but not Issued	 \$ <u>6,611,011</u>	 \$ <u>5,706,878</u>	 \$ <u>6,146,178</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 2.416%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 706,000	\$ 706,000	\$
Water-Sewer Utility Debt	2,791,643	2,791,643	
General Debt	<u>3,819,368</u>	_____	<u>3,819,368</u>
	 \$ <u>7,317,011</u>	 \$ <u>3,497,643</u>	 \$ <u>3,819,368</u>

Net Debt \$3,819,368 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$158,065,845 = 2.416%.

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

3.5% of Equalized Valuation Basis	\$ 5,532,305
Net Debt	<u>3,819,368</u>
Remaining Borrowing Power	\$ <u>1,712,937</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		\$ 1,309,979
Deductions:		
Operating and Maintenance Cost	\$ 930,468	
Debt Service	<u>142,385</u>	
		<u>1,072,853</u>
Excess in Revenues		\$ <u>237,126</u>

**BOROUGH OF LAKEHURST
COUNTY OF OCEAN**

PART IV

**LETTER OF COMMENTS AND RECOMMENDATIONS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2017:

<u>NAME</u>	<u>TITLE</u>
Harry Robbins	Mayor
Steven Oglesby	Council President
Robin Busch	Councilwoman
Stephen Childers	Councilman
James Davis	Councilman
Patricia Hodges	Councilwoman
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
Katie Lange	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.

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

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

In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year ended December 31, 2017.

GENERAL COMMENTS:

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

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

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$40,000 for the year ended December 31, 2017.

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 1, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

OTHER COMMENTS (FINDINGS):

None.

RECOMMENDATIONS:

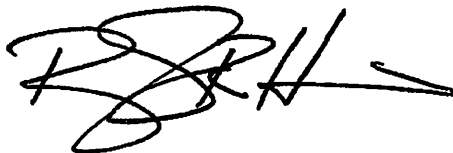
None.

Appreciation

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a stylized flourish at the end.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
RMA No. 498

Toms River, New Jersey
June 26, 2018