

VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

DECEMBER 31, 2016

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

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VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

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VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

PART I

AUDITOR'S REPORT ON THE VILLAGE'S FINANCIAL STATEMENTS,

FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Village Commissioners
Village of Loch Arbour
County of Monmouth
Loch Arbour, New Jersey 07711

Report on the Financial Statements

We have audited the accompanying consolidated financial statements - regulatory basis of the various funds and account groups of the Village of Loch Arbour (the "Village"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related consolidated statement of revenues - regulatory basis and consolidated statement of expenditures - regulatory basis of the various funds for the year ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the consolidated 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 Village'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 consolidated financial statements.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statements of the variances between these 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 U.S. Generally Accepted Accounting Principles

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 Village, County of Monmouth, State of New Jersey, as of December 31, 2016 and 2015 or the results of its operations and changes in fund balance for the years then ended.

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

Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, the changes in financial position, or where applicable, its cash flows for the years then ended. Further, the Village has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic consolidated financial statements.

However, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Village, as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the consolidated statements of revenues – regulatory basis and consolidated statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2016 on the basis of accounting described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2017 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements of the Village taken as a whole. The accompanying supplementary schedules and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. 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 taken as a whole, on the basis of accounting described in Note 1.

Robert A. Hulsart and Company

Robert A. Hulsart
Certified Public Accountant
Registered Municipal Accountant
R.M.A. Number 158

June 12, 2017

BALANCE SHEET - CURRENT FUNDREGULATORY BASISDECEMBER 31

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund</u>			
Cash	A-4	\$ 1,005,409.87	1,034,562.84
Veterans & Senior Citizens	A-6	1,091.00	1,091.00
Petty Cash		50.00	50.00
		<u>1,006,550.87</u>	<u>1,035,703.84</u>
Accounts Receivable:			
Current Taxes	A-5	54,745.51	83,026.12
Interfund Capital	C	140,405.66	43,309.82
Total Receivables		<u>195,151.17</u>	<u>126,335.94</u>
Deferred Charges:			
Emergency NJS 40A;4-53	A-3		78,316.36
		<u>-</u>	<u>78,316.36</u>
Total Current Assets		<u>1,201,702.04</u>	<u>1,240,356.14</u>
<u>Federal & State Grants</u>			
Cash	A-4	11,822.08	11,329.15
Grants Receivable	A-11	1,510.00	1,510.00
Total Federal & State Grants		<u>13,332.08</u>	<u>12,839.15</u>
Total Assets		<u>\$ 1,215,034.12</u>	<u>1,253,195.29</u>

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**BALANCE SHEET - CURRENT FUND****Exhibit A
Sheet 2 of 2****REGULATORY BASIS****DECEMBER 31**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Current Fund</u>			
Liabilities:			
Accounts Payable		\$ 37,485.18	37,485.18
Appropriation Reserves	A-3	67,832.01	34,648.99
Encumbrances	A-3	77,734.44	9,440.83
Interfund - Trust Open Space	B	30,840.00	23,130.00
Payroll Withholdings	A-4	2,914.57	2,929.57
Prepaid Taxes	A-4	36,830.15	3,111.59
Prepaid Snack Bar Lease	A-4	50.00	50.00
Various Reserves	A-4	3,129.81	4,835.77
School Taxes	A-10	165,385.43	79,723.87
Added Taxes Due County	A-9	903.16	1,240.85
Reserve to Pay Bonds & Notes	A-3	330,800.00	
Emergency Notes	A-4		330,800.00
FEMA Reserve	A-1		223,490.89
Reserve for Insurance	A,A-1	16,378.32	90,019.81
		<u>770,283.07</u>	<u>840,907.35</u>
Reserve for Receivables		195,151.17	126,335.94
Fund Balance	A-1	236,267.80	273,112.85
Total Current Fund		<u>1,201,702.04</u>	<u>1,240,356.14</u>
<u>Federal & State Grants</u>			
Reserve for Appropriated Grants	A-12	12,839.15	12,612.35
Reserve for Unappropriated Grants	A-13	492.93	226.80
Total Federal and State Grants		<u>13,332.08</u>	<u>12,839.15</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,215,034.12</u>	<u>1,253,195.29</u>

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**STATEMENT OF OPERATIONS AND CHANGE****IN FUND BALANCE - CURRENT FUND**

Exhibit A-1

REGULATORY BASIS**DECEMBER 31**

	<u>Ref.</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance	A-2	\$ 216,000.00	215,896.00
Miscellaneous Revenue Anticipated	A-2	841,198.97	836,401.62
Receipts From Delinquent Taxes	A-2	82,522.09	45,179.23
Receipts from Current Taxes	A-2	3,136,672.96	2,979,130.35
Non-Budget Revenue	A-2	39,415.59	43,023.43
Tax Title Liens	A-4		33,569.57
Other Credits to Income:			
Appropriations	A-3	135.53	27.78
Cancel Accounts Payable		420.00	
Cancel Reserves		542.85	
Interfund Liquidated	A-4	17,921.56	71,696.59
Unexpended Balance of Appropriation Reserves	A-8	31,305.63	26,580.13
		<u>4,366,135.18</u>	<u>4,251,504.70</u>
<u>Expenditures</u>			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	189,883.80	168,007.00
Other Expenses	A-3	749,561.00	716,652.30
Deferred Charges	A-3	95,555.36	451,161.64
Capital Improvements	A-3	42,800.00	25,000.00
Debt Service	A-3	417,848.21	88,786.00
County Taxes	A-9	438,498.39	466,128.63
Open Space Tax	A-5	7,710.00	7,710.00
Local District School Tax	A-10	2,148,418.00	2,028,038.00
Interfund Advance	A	96,705.47	43,309.82
Total Expenditures		<u>4,186,980.23</u>	<u>3,994,793.39</u>
Excess in Revenue		179,154.95	256,711.31
Fund Balance January 1	A	<u>273,112.85</u>	<u>232,297.54</u>
		452,267.80	489,008.85
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>216,000.00</u>	<u>215,896.00</u>
Fund Balance December 31	A	<u>\$ 236,267.80</u>	<u>273,112.85</u>

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

CURRENT FUND

Exhibit A-2

Sheet 1 of 2

STATEMENT OF REVENUES - DECEMBER 31, 2016REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>Miscellaneous Revenue</u>				
Surplus Anticipated	A-1	\$ 216,000.00	216,000.00	-
Licenses:				
Alcoholic Beverages	A-7	2,800.00	3,150.00	350.00
Fines and Costs:				
Municipal Court	A-7	30,000.00	33,214.17	3,214.17
Interest and Costs and Taxes	A-4	7,400.00	28,001.64	20,601.64
Energy Receipts Taxes	A-7	37,346.00	37,346.00	-
Alcohol Education & Rehabilitation	A-12	176.80	176.80	-
Village Beach Club	A-7	210,000.00	280,344.00	70,344.00
DMV Fines		50.00	50.00	-
Capital Fund Insurance		145,405.66	145,405.66	-
Reserve For Insurance	A-7	90,019.81	90,019.81	-
FEMA	A-7	223,490.89	223,490.89	-
Total Miscellaneous Revenue	A-1	746,689.16	841,198.97	94,509.81
Receipts from Delinquent Taxes	A-1	75,000.00	82,522.09	7,522.09
Subtotal		1,037,689.16	1,139,721.06	102,031.90
Amount to be Raised by Taxes for				
Support of Municipal Budget	A-2	586,747.90	670,835.26	84,087.36
Budget Totals	A-1	\$ 1,624,437.06	1,810,556.32	186,119.26
Non-Budget Revenue			39,415.59	
			<u>\$ 1,849,971.91</u>	

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**CURRENT FUND****STATEMENT OF REVENUES - DECEMBER 31, 2016****Exhibit A-2
Sheet 2 of 2****REGULATORY BASIS****Analysis of Realized Revenue**

Allocation of Current Tax Collections:

Current Tax Collections	A-5	\$ 3,136,672.96
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>128,788.69</u>
		3,265,461.65
Allocated to School, Open Space and County Taxes	A-5	<u>2,594,626.39</u>
Amount For Support of Municipal Budget	A-2	<u><u>\$ 670,835.26</u></u>

Non-Budget Revenue**Miscellaneous Revenue Not Anticipated**

Interest Income		\$ 1,541.85
Zoning & Planning Board		5,260.00
Registrar		110.00
Mercantile License		255.00
Parking Meters		20,979.79
Street Opening Permits		50.00
Franchise Fees		5,054.89
Certificates of Occupancy		2,185.00
Other		<u>3,979.06</u>
	A-4	<u><u>\$ 39,415.59</u></u>

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

CURRENT FUND

STATEMENT OF EXPENDITURES - DECEMBER 31, 2016

REGULATORY BASIS

	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
<u>General Government</u>					
Administrative and Executive					
Salaries and Wages	\$ 31,000.00	31,000.00	26,234.11	4,765.89	
Other Expenses	70,000.00	62,800.00	42,232.93	20,567.07	
Other Expenses - Legal Advertising	3,500.00	3,500.00	1,455.59	2,044.41	
Other Expenses-Elections	8,000.00	8,000.00	5,569.65	2,430.35	
Financial Administration					
Salaries and Wages	25,000.00	25,000.00	24,888.63	111.37	
Other Expenses	45,000.00	50,000.00	48,432.62	1,567.38	
Audit Services	13,500.00	13,500.00	13,500.00	-	
Assessment of Taxes					
Salaries and Wages	3,507.00	3,507.00	3,007.02	499.98	
Other Expenses	3,200.00	3,400.00	3,366.28	33.72	
County of Monmouth - Revaluation	1,000.00	1,000.00		1,000.00	
Collection of Taxes					
Salaries and Wages	6,000.00	6,000.00	3,782.50	2,217.50	
Other Expenses	25,000.00	25,000.00	24,654.51	345.49	
Legal Services and Costs					
Other Expenses	119,200.00	119,200.00	117,829.59	1,370.41	
Engineering Services and Costs					
Other Expenses	15,000.00	15,000.00	8,422.50	6,577.50	
Municipal Land Use Law (N.J.S.A. 40A:55D-1)					
Planning Board					
Salaries and Wages	2,000.00	2,000.00		2,000.00	
Other Expenses	7,500.00	7,500.00	7,196.48	303.52	
Insurance					
Unemployment	200.00	200.00		200.00	
General Liability & Surety Bonds	9,000.00	9,000.00	7,848.82	1,151.18	
Workers Compensation	6,000.00	6,000.00	5,574.00	426.00	

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - DECEMBER 31, 2016

REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Public Safety</u>					
Police					
Contractual	153,841.00	153,841.00	153,841.00	-	
Office of Emergency Management					
Other Expenses	500.00	500.00	230.92	269.08	
Fire					
Contractual	9,000.00	9,000.00	8,960.00	40.00	
Hydrants	6,000.00	6,000.00	5,953.20	46.80	
<u>Public Works</u>					
Street and Roads Maintenance					
Other Expenses	11,000.00	11,000.00	8,723.02	2,276.98	
Other Public Works (Meters)					
Salaries and Wages	2,200.00	2,200.00	2,158.00	42.00	
Other Expenses	2,000.00	2,000.00	1,554.83	445.17	
Buildings and Grounds Maintenance					
Other Expenses	15,000.00	15,000.00	13,087.74	1,912.26	
<u>Health and Human Services</u>					
Health Priorities Act Services					
Contractual P.L. 1985 Ch.329	2,850.00	3,050.00	3,034.00	16.00	
Animal Control Services					
Other Expenses	720.00	720.00	343.00	377.00	
<u>Parks and Recreation</u>					
Beach and Boardwalk					
Salaries and Wages	115,000.00	115,000.00	113,768.41	1,231.59	
Other Expenses	35,000.00	36,800.00	36,506.76	293.24	

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit A-3
Sheet 3 of 5

CURRENT FUND

STATEMENT OF EXPENDITURES - DECEMBER 31, 2016

REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Other</u>					
Zoning Official					
Salaries and Wages	3,000.00	3,000.00	2,948.00	52.00	
Other Expenses	500.00	500.00	106.91	393.09	
Sewer System					
Salaries and Wages	2,000.00	2,000.00	1,753.00	247.00	
Other Expenses	3,500.00	3,500.00		3,500.00	
Deal Lake Commission - Other Expenses	3,750.00	3,750.00	3,750.00	-	
<u>Utility</u>					
Street Lighting	6,000.00	6,000.00	4,594.84	1,405.16	
Total Operations Within Caps	765,468.00	765,468.00	705,308.86	60,159.14	-
<u>Statutory Expenditures</u>					
Contribution to:					
Public Employees Retirement System	3,739.00	3,739.00	3,739.00	-	
Social Security System (O.A.S.I.)	13,500.00	13,500.00	13,434.57	65.43	
Total Deferred Charges and Statutory Expenditures -					
Municipal Within Caps	17,239.00	17,239.00	17,173.57	65.43	-
Total General Appropriations for Municipal					
Purpose Within Caps	782,707.00	782,707.00	722,482.43	60,224.57	-
<u>Operations - Excluded from Caps</u>					
Sewer Fees - Ocean Township Sewer Authority	47,500.00	47,500.00	45,154.61	2,345.39	
Total Other Operations Excluded From Caps	47,500.00	47,500.00	45,154.61	2,345.39	-

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

CURRENT FUND

STATEMENT OF EXPENDITURES - DECEMBER 31, 2016

REGULATORY BASIS

	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
<u>Interlocal Municipal Service Agreements</u>					
Borough of Deal - Refuse/Recycling	115,000.00	115,000.00	114,856.00	144.00	
Borough of Deal - Municipal Court	9,000.00	9,000.00	8,979.00	21.00	
Borough of Allenhurst - LOSAP	2,250.00	2,250.00	2,205.00	45.00	
Total Interlocal Municipal Service Agreements	126,250.00	126,250.00	126,040.00	210.00	-
<u>Public and Private Programs Offset by Revenues</u>					
Alcohol Education and Rehabilitation - Other Expenses	176.80	176.80	176.80	-	
DMV Inspection Fines - Other Expenses	50.00	50.00	50.00		
Total Public and Private Programs Offset by Revenue	226.80	226.80	226.80	-	-
Total Operations Excluded from Caps	173,976.80	173,976.80	171,421.41	2,555.39	-
<u>Capital Improvements Excluded From Caps</u>					
Capital Improvement Fund	30,800.00	30,800.00	30,800.00	-	
Ambulance & Lift Cot	7,000.00	7,000.00	3,968.20	3,031.80	
Beach Equipment	5,000.00	5,000.00	2,979.75	2,020.25	
Total Capital Improvements - Excluded From Caps	42,800.00	42,800.00	37,747.95	5,052.05	-
<u>Municipal Debt Service - Excluded From Caps</u>					
Payment of Bond Principal	30,000.00	30,000.00	30,000.00	-	125.02
Interest on Bonds	37,600.00	37,600.00	37,474.98		10.51
Interest on Notes	4,750.00	4,750.00	4,739.49		
Emergency Notes	330,800.00	330,800.00	330,800.00	-	
Interest on Emergency Notes	4,000.00	4,000.00	4,000.00	-	
Borough of Allenhurst Fire Truck Lease	10,698.21	10,698.21	10,698.21	-	
Total Municipal Debt Service - Excluded From Caps	417,848.21	417,848.21	417,712.68	-	135.53

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit A-3
Sheet 5 of 5

CURRENT FUND

STATEMENT OF EXPENDITURES - DECEMBER 31, 2016

REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Deferred Charges</u>					
Special Emergency(N.J.S. 40A:4-55)	78,316.36	78,316.36	78,316.36		
Total Deferred Charges Excluded From Caps	78,316.36	78,316.36	78,316.36		
Total General Appropriations Excluded From Caps	712,941.37	712,941.37	705,198.40	7,607.44	135.53
Subtotal General Appropriations	1,495,648.37	1,495,648.37	1,427,680.83	67,832.01	135.53
Reserve for Uncollected Taxes	128,788.69	128,788.69	128,788.69		
Total General Appropriations	\$ 1,624,437.06	1,624,437.06	1,556,469.52	67,832.01	135.53
<u>Analysis of Paid or Charged</u>	<u>Ref.</u>				
Grants	A-2-12		\$ 226.80		
Emergency	A		78,316.36		
Disbursed	A-4		1,271,403.23		
Encumbrances	A		77,734.44		
Reserve for Uncollected Taxes	A-3		128,788.69		
			\$ 1,556,469.52		

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**BALANCE SHEET - TRUST FUND****Exhibit B****REGULATORY BASIS****DECEMBER 31**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
<u>Dog License Fund</u>			
Cash	B-1	\$ 34.50	35.50
<u>Other Funds</u>			
Interfund - Current	A	30,840.00	23,130.00
Cash	B-1	86,363.14	248,691.64
		<u>117,203.14</u>	<u>271,821.64</u>
Total Assets		<u>\$ 117,237.64</u>	<u>271,857.14</u>
<u>Liabilities and Reserves</u>			
<u>Dog License Fund</u>			
Reserve for Dog Fund Expenditures	B-2	\$ 34.50	35.50
		<u>34.50</u>	<u>35.50</u>
<u>Other Funds</u>			
Reserve for Open Space	B-11	69,133.15	61,423.15
Reserve for P.O.A.A. Fees	B-8	1,058.50	952.50
Reserve for Marriage License Fees	B-9	45.00	42.00
Reserve for 50th Anniversary	B-10	172.48	172.48
Reserve for Engineering Fees	B-7	11,698.50	12,001.00
Reserve for Planning Board Fees	B-6	12,332.65	9,832.65
Reserve for Guaranty Deposit	B-12	15,465.00	-
Reserve for Security Deposit	B-13	3,852.00	3,852.00
Reserve fo Tax Sale Premiums	B-5	-	180,100.00
Reserve for Unemployment Insurance	B-4	3,445.86	3,445.86
		<u>117,203.14</u>	<u>271,821.64</u>
Total Liabilities and Reserves		<u>\$ 117,237.64</u>	<u>271,857.14</u>

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

BALANCE SHEET - CAPITAL FUND**REGULATORY BASIS****DECEMBER 31**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Grants Receivable	C-2	\$ 256,000.00	256,000.00
Deferred Charges to Future Taxation:			
Unfunded	C-3	975,290.68	975,290.68
Funded		<u>780,000.00</u>	<u>810,000.00</u>
Total Assets		<u>\$ 2,011,290.68</u>	<u>2,041,290.68</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-6	\$ 475,000.00	475,000.00
Capital Improvement Fund	C-4	54,226.26	23,426.26
Serial Bonds	C-7	780,000.00	810,000.00
Reserve for Deal Lake Bulkhead	C-2	20,000.00	20,000.00
Reserve for Payment of Notes	C-2	19,327.20	19,327.20
Insurance Proceeds	C-2	78,931.31	199,539.65
Interfund Current	C-2	140,405.66	43,309.82
Improvement Authorizations:			
Funded	C-5	234,599.40	241,886.90
Unfunded	C-5	144,124.70	144,124.70
Fund Balance	C-a	<u>64,676.15</u>	<u>64,676.15</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,011,290.68</u>	<u>2,041,290.68</u>

There were bonds and notes authorized but not issued at December 31, 2016 and at 2015 of \$500,290.68 (Exhibit C-8)

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

STATEMENT OF FUND BALANCE**Exhibit C-a****REGULATORY BASIS**

	<u>Ref.</u>	
Balance December 31, 2016 and 2015	C	<u>\$ 64,676.15</u>

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

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTHBALANCE SHEET - STATEMENT OF GENERAL FIXED ASSETS

Exhibit D

REGULATORY BASISDECEMBER 31

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Equipment	\$ 62,460.00	62,460.00
Buildings and Land	<u>1,577,988.00</u>	<u>1,577,988.00</u>
Total General Fixed Assets	<u>\$ 1,640,448.00</u>	<u>1,640,448.00</u>
<u>Liabilities</u>		
Reserve for Fixed Assets	<u>\$ 1,640,448.00</u>	<u>1,640,448.00</u>

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

VILLAGE OF LOCH ARBOUR
COUNTY OF MONMOUTH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1. Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Village of Loch Arbour, County of Monmouth, included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Village of Loch Arbour as required by N.J.S. 40A:5-5.

B. Description of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles. GASB Codification establishes seven major fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles ("GAAP").

The accounting policies of the Village of Loch Arbour conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 Village of Loch Arbour accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Fund – accounts for fixed assets.

Grant Fund – accounts for federal and state grants.

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

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

Revenues - are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal Revenue Sharing funds and other Federal and State Grants are realized as revenue when anticipated in the Village budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Village's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Village which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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.

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 Village'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 Village'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.

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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Deferred Charges – the regulatory basis of accounting utilized by the Village 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 that 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 compensated absence liability at December 31, 2016 is set forth in Note 8.

Property Acquired for Taxes – is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

Sale of Municipal Assets – Cash proceeds from the sale of Village 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.

Foreclosed Property – Foreclosed property is recorded in the Current Fund as the assessed valuation when such property was acquired and is fully reserved.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

General Fixed Assets – In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Village has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by an independent appraisal firm.

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

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

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are 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.

Net Pension Liability – New Jersey’s municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Village presents its financial statements in accordance with an other 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.

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.

NOTE 2. Long-Term Debt**Summary of Municipal Debt**

<u>Issued</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
General:			
Authorized but not Issued	\$ 500,290.68	500,290.68	500,290.68
Bonds and Notes	1,255,000.00	1,285,000.00	1,315,000.00
Emergency Notes		330,800.00	496,200.00
	<u>1,755,290.68</u>	<u>2,116,090.68</u>	<u>2,311,490.68</u>
Less: Cash Held to Pay Notes	<u>350,127.20</u>	<u>19,327.20</u>	<u>19,327.20</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 1,405,163.48</u>	<u>2,096,763.48</u>	<u>2,292,163.48</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 1.491%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 1,206,875.70	1,206,875.70	
General Debt	<u>1,755,290.68</u>	<u>350,127.20</u>	<u>1,405,163.48</u>
	<u>\$ 2,962,166.38</u>	<u>1,557,002.90</u>	<u>1,405,163.48</u>

Net Debt \$1,405,163.48 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended,
\$146,807,868.33 = 0.957%

Borrowing Power under N.J.S.A. 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 5,138,275.53
Net Debt	<u>1,405,163.48</u>
Remaining Borrowing Power	<u>\$ 3,733,112.05</u>

Short-Term Debt**Bond Anticipation Notes**

2014 Various improvements with a balance of \$475,000.00 at 12/31/16 at 1.00%.

NOTE 2. Short-Term Debt (Continued)

<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Various Improvements	5/14/17	1.00%	<u>\$ 475,000.00</u>

Summary of Debt Activity

	<u>Balance Dec. 31, 2015</u>	<u>Retired</u>	<u>Balance Dec. 31, 2016</u>
General Debt			
Bond Anticipation Notes	\$ 475,000.00		475,000.00
Serial Bonds	<u>810,000.00</u>	<u>30,000.00</u>	<u>780,000.00</u>
	<u>\$ 1,285,000.00</u>	<u>30,000.00</u>	<u>1,255,000.00</u>

NOTE 3. Fund Balances Appropriated

Fund balances at December 31, 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017, were as follows:

Current Fund	\$ 266,000.00
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NOTE 4. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 there were no emergencies

NOTE 5. Taxes Collected in Advance

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

	<u>Balance Dec. 31, 2016</u>	<u>Balance Dec. 31, 2015</u>
Prepaid Taxes	<u>\$ 36,830.15</u>	<u>3,111.59</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 36,830.15</u>	<u>3,111.59</u>

NOTE 6. Pensions

Employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administrated plans are: (1) the Public Employees' Retirement System; (2) the Consolidated Police and Firemen's Pension Fund; and (3) the Police and Firemen's Retirement System. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial methods. A portion of the cost is contributed by the employees. The Village's share of pension costs, which is based upon the annual billings received from the State, amounted to \$15,778.00 for 2015 and \$3,739.00 for 2016.

Village employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement Systems and, therefore, is not presented.

NOTE 7: Pension Obligations**A. Public Employee's Retirement System (PERS)**

Plan Description – The State of New Jersey, Public Employee's Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at 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.

The following represents the membership tiers for PERS:

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

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ 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 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 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.

NOTE 7: Pension Obligations (Continued)

Contributions – The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employers 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 2016, the State's pension contribution was less than the actuarial determined amount. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$3,739 for 2016.

Components of Net Pension Liability – At December 31, 2016, the Borough reported a liability of \$179,726 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Borough's proportion measured as of June 30, 2016, was .00061%, which was an increase of .00018% from its proportion measured as of June 30, 2015.

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Actuarial Valuation Date	July 1, 2016	July 1, 2015
Net Pension Liability	179,726	97,267
District's Portion of the Plan's Total Net Pension Liability	0.00061%	0.00043%

For the year ended December 31, 2016, the Borough had an allocated pension expense of \$5,391.

NOTE 7: Pension Obligations (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:

	<u>PERS</u>
Measurement Date	June 30, 2016
Actuarial Valuation Date	July 1, 2015
Interest Rate	7.65%
Salary Scale	2014-2026 – 1.65-4.15% Based on Age Thereafter – 2.65-5.15% Based on Age
Inflation Rate	3.08%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from base year of 2013 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

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

Long-Term Expected Rate of Return – In accordance with State statute, the long-term expected rate of return on plan investments 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

NOTE 7: Pension Obligations (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade to Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
Total	100%	

Discount Rate

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

NOTE 7: Pension Obligations (Continued)**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 was calculated using a discount rate that is 1 percentage point lower (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	<u>Decrease (2.98%)</u>	<u>Discount Rate (3.98%)</u>	<u>Increase (4.98%)</u>
District's Proportionate Share Of Net Pension Liability	\$ 224,883	179,726	134,569

NOTE 8. State Unemployment Insurance Trust Fund

The Village elected to adopt the reimbursement plan for unemployment insurance as provided by statute. Under this plan, withholdings were made from employees at the rate of 1/2 of 1% of the first \$14,200.00 of earnings in 2016. The Village, by budget appropriation, provides the funds it considers necessary to provide its additional share of eligible salaries. These funds have been deposited in a trust savings account and may not be used for any other purpose. All claims shall be paid from this fund to the extent possible and should any deficiency occur, the Village would have to appropriate additional funds to cover said deficiency.

During 2016 no claims have been filed against the Village account. The amount of the reserve at December 31, 2016 is \$3,445.86. (Exhibit B-4).

NOTE 9. Deferred Sick Leave

The Trust fund has \$-0- reserved for Deferred Sick Leave at December 31, 2016.

NOTE 10. Municipal Court

As of January 1, 2011 the Village entered into a joint municipal court agreement by contract with the Borough of Deal. This court will be audited and included in the audit report for the Borough of Deal.

NOTE 11. 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 capital 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 \$25,000.00.

The carrying amount of the Village's deposits at year-end was \$1,170,094.75. Of this amount \$500,000.00 was covered by Federal depository insurance, the remaining \$670,094.75 was covered by a collateral pool maintained by the banks required by New Jersey statutes.

B. Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Village 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 Village:

- (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 Village, or bonds or other obligations of school districts of which the Village is a part of 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

NOTE 11. Cash and Cash Equivalents (Continued)

B. Investments (Continued)

- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Village shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Village and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Village had no investments in qualified securities at December 31, 2016.

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 one tenth 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.

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 shall include, at a minimum, the specific detailed information as set forth in the statute.

NOTE 11. 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>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Insured:		
FDIC	\$ 500,000.00	500,000.00
GUDPA	<u>670,094.75</u>	<u>827,132.31</u>
	<u>\$ 1,170,094.75</u>	<u>1,327,132.31</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 12. Assessment and Collection of Property Taxes

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

Tax bills are prepared, then mailed by the Collector of the Village annually and set forth the final tax for the tax year. The bill contains a credit for 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 ten days for each payment period and the Village granted this option to its 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 subject to "Tax Sale" that places a 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 13. Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the Village 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 too temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Village may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Village raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

NOTE 14. Litigation

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

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

NOTE 15. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error or omission, injuries to employees; and natural disaster. The Village is a member of the Monmouth County Municipal Joint Insurance Fund. The Joint Insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. The Joint Insurance Fund participates in the Municipal Excess Liability Program, which has a contract for excess liability insurance for property.

NOTE 16. Fixed Assets**Summary of Changes in Fixed Assets**

	Balance
	<u>Dec. 31, 2015 & 2016</u>
Equipment	\$ 62,460.00
Buildings and Land	<u>1,577,988.00</u>
	<u>\$ 1,640,448.00</u>

NOTE 17. Interfunds

	<u>From</u>	<u>To</u>
Current	\$ 30,840.00	140,405.66
Trust		30,840.00
Capital	<u>140,405.66</u>	<u> </u>
	<u>\$ 171,245.66</u>	<u>171,245.66</u>

The interfund between Current and Capital is due to an interfund advance.

The interfund between Current and Trust is due to open space monies not being transferred.

NOTE 18. Significant Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Borough has updated references to GAAP in its financial statements issued for the period ended December 31, 2016. The adoption of FASB ASC 105 did not impact the Borough's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The Borough adopted the amended sections of ASC 855 and it did not have an impact on the Borough's financial statements. The Borough evaluated all events or transactions that occurred after December 31, 2016 to June 12, 2017.

NOTE 19. Police Services

On September 15, 2010 an agreement was reached with the Borough of Deal for police and court services for the Village starting January 1, 2011 until December 31, 2020.

NOTE 20. Hurricane Sandy

The Village sustained damage from hurricane "Sandy" which struck the Jersey Coast at the end of October 2012 for which they adopted an emergency for \$827,000.00 to cover expenditures for debris cleanup and repairs to Village facilities. The Village has applied for reimbursement from FEMA, a governmental agency, for 90% of applicable costs, which will mitigate the financial impact to the Village. \$199,539.65 was received from insurance proceeds in relation to damages from the hurricane and deposited in the capital account.

VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collection</u>
2016	\$ 3,190,914.44	3,136,672.96	98.30%
2015	3,108,721.24	2,979,130.35	95.83%
2014	3,051,504.10	2,911,972.63	95.43%

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 Dec. 31</u>	<u>Amount of Delinquent Taxes and Tax Title Liens</u>	<u>Percentage of Tax Levy</u>
2016	\$ 62,418.77	1.70%
2015	83,026.12	2.67%
2014	78,848.80	2.58%

COMPARATIVE SCHEDULE OF CURRENT FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
2016	\$ 236,267.80	266,000.00
2015	273,112.85	216,000.00
2014	232,297.54	215,896.00

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Tax Rate	\$ 2.147	2.060	2.030
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 0.396	0.391	0.406
County	0.295	0.310	0.316
Regional School	1.450	1.354	1.303
Open Space	0.006	0.005	0.005
<u>Assessed Valuation</u>			
2016		\$ 148,200,977.00	
2015		149,702,655.00	
2014		151,464,164.00	

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
Paul Fernicola	Mayor-Board of Commissioners	
Alfred Cheswick	Member-Board of Commissioners	
Denis D'Angelo	Member-Board of Commissioners	
Marilyn Simons	Municipal Clerk & License Inspector	\$ 1,000,000.00
Dan Mason	Deputy Municipal Clerk	1,000,000.00
Theresa Vola	Tax Collector	1,000,000.00
Michael Mariniello	Chief Financial Officer	1,000,000.00
William Healey, Esq.	Counsel	
Meghan Bennett Clark	Bond Counsel	
Peter Avakian	Engineer	
Joseph Marinaccio	Superintendent of Meters, Collector of Meter Monies	
Kevin Hayes	Zoning and Housing Official	
Renee Frotton	Tax Assessor - Until 6/30/2016	
Erick Aguiar	Tax Assessor - From 7/1/2016	
John P Bosmans	Beach Manager	

The above bond was provided by the Monmouth County Municipal Joint Insurance Fund.

There was a Public Employees' Liability insurance policy in effect for the period under audit, in the amount of \$100,000.00. Coverage was supplied by the Monmouth County Joint Insurance Fund.

All of the bonds were examined and properly executed.

CURRENT FUNDSCHEDULE OF CURRENT FUND CASH

	<u>Ref.</u>	<u>Current Fund</u>	<u>Federal and State Grants</u>
Balance December 31, 2015	A	\$ 1,034,562.84	11,329.15
Increased by Receipts:			
Grants	A-13		492.93
Veteran & Senior Citizen	A-6	2,250.00	
Tax Title Lien Redemption	B	114,586.06	
Prior Year Refund	A	440.00	
Non-Budget Revenue	A-2	39,415.59	
Taxes Receivable	A-5	3,213,833.46	
Revenue Accounts Receivable	A-7	812,970.53	
Prepaid Taxes	A	36,830.15	
Interest and Cost on Taxes	A-2	28,001.64	
Total Receipts		<u>4,248,327.43</u>	<u>492.93</u>
Total Receipts and Balance		<u>5,282,890.27</u>	<u>11,822.08</u>
Decreased by Disbursements:			
Current Fund Reserves	A		
2016 Appropriations	A-3	1,271,403.23	
Emergency Notes	A	330,800.00	
Capital Fund	C	38,626.14	
Payroll Withholdings		15.00	
Tax Title Lien Redemption	B	122,259.32	
Appropriation Reserves	A-8	12,784.19	
School Taxes	A-8	2,062,756.44	
County Taxes	A-9	438,836.08	
Total Disbursements		<u>4,277,480.40</u>	<u>-</u>
Balance December 31, 2016	A	<u>\$ 1,005,409.87</u>	<u>11,822.08</u>

CURRENT FUNDSCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2016 Levy	Collections		Veterans and Senior Citizens Deductions	Balance Dec. 31, 2016
	Dec. 31, 2015		2015	2016		
2015	\$ 83,026.12			82,522.09		504.03
2016		3,190,914.44	3,111.59	3,131,311.37	2,250.00	54,241.48
	\$ 83,026.12	3,190,914.44	3,111.59	3,213,833.46	2,250.00	54,745.51
Ref.	A		A	A-4	A-6	A

Analysis of 2016 Property Tax LevyTax Yield

2016 Levy	\$ 3,185,262.92
Added and Omitted	5,651.52
General Purpose Tax	\$ 3,190,914.44

Tax Levy

Consolidated School Tax	Ref. A-10	\$ 2,148,418.00
County Taxes:		
County Tax		388,568.59
County Library Tax		26,697.70
County Open Space Tax		22,328.94
Added and Omitted		903.16
Total County Taxes	A-9	438,498.39
Local Open Space Tax	A-1	7,710.00
Local Taxes:		
Local Tax for Municipal Purposes	A-2	586,747.90
Additional Tax Levied		9,540.15
Total Local Taxes		596,288.05
		\$ 3,190,914.44

CURRENT FUND

Exhibit A-6

SCHEDULE OF DUE STATE OF NEW JERSEY

FOR VETERANS AND SENIOR CITIZENS

	<u>Ref.</u>	
Balance December 31, 2015 (Due From)	A	\$ 1,091.00
Increased by:		
Certified by the Collector:		
Veteran's Deductions	A-5	<u>2,250.00</u>
		3,341.00
Decreased by:		
Received from State of New Jersey	A-4	<u>2,250.00</u>
Balance December 31, 2016 (Due From)	A	<u><u>\$ 1,091.00</u></u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A-7

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Ref.	Accrued 2016	Collected
Village Clerk:			
Alcoholic Beverage Licenses	A-2	\$ 3,150.00	3,150.00
Village Beach Club	A-2	280,344.00	280,344.00
Municipal Court:			
Fines and Costs	A-2	33,214.17	33,214.17
Reserve for Insurance		90,019.81	90,019.81
Capital Fund Insurance Reserve		145,405.66	145,405.66
Energy Receipts Taxes	A-2	37,346.00	37,346.00
FEMA Reserve	A-2	223,490.89	223,490.89
		<u>\$ 812,970.53</u>	<u>812,970.53</u>

A-4

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**Exhibit A-8****CURRENT FUND****SCHEDULE OF APPROPRIATION RESERVES**

	<u>Ref.</u>		
Balance December 31, 2015	A		\$ 34,648.99
Increased by:			
Encumbrances	A		<u>9,440.83</u>
			44,089.82
Decreased by:			
Disbursed	A-4	12,784.19	
Lapsed	A-1	<u>31,305.63</u>	
			<u>\$ 44,089.82</u>

SCHEDULE OF COUNTY TAXES PAYABLE**Exhibit A-9**

	<u>Ref.</u>		
Balance December 31, 2015	A		\$ 1,240.85
Increased by:			
2016 Levy:			
County Tax		388,568.59	
County Library Tax		26,697.70	
County Open Space Tax		22,328.94	
Added and Omitted		<u>903.16</u>	
	A-1		<u>438,498.39</u>
			439,739.24
Decreased by:			
Cash Disbursements	A-4		<u>438,836.08</u>
Balance December 31, 2016	A		<u>\$ 903.16</u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**Exhibit A-10**

	<u>Ref.</u>		
Balance December 31, 2015	A		\$ 79,723.87
Levy Calendar Year 2016	A-1		<u>2,148,418.00</u>
Decreased by:			
Cash Disbursed	A-4		<u>2,062,756.44</u>
Balance December 31, 2016	A		<u>\$ 165,385.43</u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit A-11

CURRENT FUND**SCHEDULE OF GRANTS RECEIVABLE**

		Balance Dec. 31, 2015 & 2016
Storm Water Management		<u>\$ 1,510.00</u>
	Ref.	A

SCHEDULE OF APPROPRIATED RESERVES FOR GRANTS

Exhibit A-12

	Balance Dec. 31, 2015	2016 Budget	Balance Dec. 31, 2016
Recycling Tonnage	\$ 4,845.50		4,845.50
Storm Water Management	7,551.00		7,551.00
DMV Inspection Fines		50.00	50.00
Alcohol Education & Rehabilitation	215.85	176.80	392.65
	<u>\$ 12,612.35</u>	<u>226.80</u>	<u>12,839.15</u>
	Ref.	A	A-3
			A

SCHEDULE OF UNAPPROPRIATED RESERVES FOR GRANTS

Exhibit A-13

	Balance Dec. 31, 2015	Transferred To Budget	Received	Balance Dec. 31, 2016
Alcohol Education and Rehabilitation	\$ 176.80	176.80	64.93	64.93
DMV Inspection Fines	50.00	50.00	428.00	428.00
	<u>\$ 226.80</u>	<u>226.80</u>	<u>492.93</u>	<u>492.93</u>
	Ref.	A	A-12	A-4
				A

TRUST FUNDSCHEDULE OF TRUST - CASH

	<u>Ref.</u>	<u>Dog Trust</u>	<u>Trust - Other</u>
Balance December 31, 2015	B	\$ 35.50	248,691.64
Increased by Receipts:			
Dog License Fees	B-2	119.00	
State Registration Fees	B-3	20.40	
P.O.A.A.	B-8		106.00
Marriage Licenses	B-9		28.00
Cash Guaranty	B-12		15,465.00
Planning Board	B-6		2,500.00
Engineering Fees	B-7		43,814.00
		<u>139.40</u>	<u>61,913.00</u>
		174.90	310,604.64
Decreased by Disbursements:			
Dog Expenditures	B-2	120.00	
Payments to State	B-3	20.40	
Tax Sale Premiums	B-5		180,100.00
Marriage Licenses	B-9		25.00
Engineering Fees	B-7		44,116.50
		<u>140.40</u>	<u>224,241.50</u>
Balance December 31, 2016	B	<u>\$ 34.50</u>	<u>86,363.14</u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Exhibit B-2

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 35.50
Increased by:		
Miscellaneous Receipts	B-1	<u>119.00</u>
		154.50
Decreased by:		
Dog Expenditures	B-1	<u>120.00</u>
Balance December 31, 2016	B	<u>\$ 34.50</u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTHTRUST FUND

Exhibit B-3

SCHEDULE OF REGISTRATION FEES DUE STATE

	<u>Ref.</u>	
Increased by:		
Cash Receipts	B-1	\$ 20.40
Decreased by:		
Payments to State	B-1	\$ 20.40

SCHEDULE OF RESERVE FOR UNEMPLOYMENT INSURANCE

Exhibit B-4

	<u>Ref.</u>	
Balance December 31, 2015 and 2016	B	\$ 3,445.86

SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Exhibit B-5

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 180,100.00
Decreased by:		
Cash Disbursed	B-1	\$ 180,000.00

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**Exhibit B-6****TRUST FUND****SCHEDULE OF PLANNING BOARD FEES**

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 9,832.65
Increased by:		
Receipts	B-1	<u>2,500.00</u>
Balance December 31, 2016	B	<u><u>\$ 12,332.65</u></u>

SCHEDULE OF RESERVE FOR ENGINEERING FEES**Exhibit B-7**

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 12,001.00
Increased by:		
Receipts	B-1	<u>43,814.00</u>
		55,815.00
Decreased by:		
Disbursements	B-1	<u>44,116.50</u>
Balance December 31, 2016	B	<u><u>\$ 11,698.50</u></u>

SCHEDULE OF RESERVE FOR P.O.A.A. FEES**Exhibit B-8**

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 952.50
Increased by:		
Receipts	B-1	<u>106.00</u>
Balance December 31, 2016	B	<u><u>\$ 1,058.50</u></u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH**Exhibit B-9****TRUST FUND****SCHEDULE OF RESERVE FOR MARRIAGE LICENSE FEES**

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 42.00
Increased by:		
Receipts	B-1	28.00
		<u>70.00</u>
Decreased by:		
Disbursements	B-1	25.00
		<u>25.00</u>
Balance December 31, 2016	B	<u><u>\$ 45.00</u></u>

SCHEDULE OF RESERVE FOR 50TH ANNIVERSARY**Exhibit B-10**

	<u>Ref.</u>	
Balance December 31, 2015 and 2016	B	<u><u>\$ 172.48</u></u>

SCHEDULE OF RESERVE FOR OPEN SPACE**Exhibit B-11**

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 61,423.15
Increased by:		
Receipts	A-4	7,710.00
		<u>7,710.00</u>
Balance December 31, 2016	B	<u><u>\$ 69,133.15</u></u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit B-12

TRUST FUND

SCHEDULE OF RESERVE FOR GUARANTY DEPOSIT

	<u>Ref.</u>	
Increased by:		
Receipts	B-1	<u>\$ 15,465.00</u>
Balance December 31, 2016	B	<u><u>\$ 15,465.00</u></u>

SCHEDULE OF RESERVE FOR SECURITY DEPOSIT

Exhibit B-13

	<u>Ref.</u>	
Balance December 31, 2015 and 2016	B	<u><u>\$ 3,852.00</u></u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTHCAPITAL FUND

Exhibit C-1

SCHEDULE OF CAPITAL CASH

Increased by:

2016 Budget Appropriation - Capital Improvement Fund	C-2,4		\$ 30,800.00
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Decreased by:

Interfund Current	C-2	\$ 23,512.50	
Improvement Authorizations	C-5	<u>7,287.50</u>	
			<u>\$ 30,800.00</u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit C-2

CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH

Description	Balance Dec. 31, 2015	Receipts	Disbursements	Transfer		Balance Dec. 31, 2016
				From	To	
Fund Balance	\$ 64,676.15					64,676.15
Capital Improvement Fund	23,426.26	30,800.00				54,226.26
Interfund Current	43,309.82		23,672.66		120,768.50	140,405.66
Interest Earned		160.16		160.16		
Dot Grant - Euclid Avenue	(256,000.00)					(256,000.00)
Reserve to Pay Notes	19,327.20					19,327.20
Reserve For Deal Lake Bulkhead	20,000.00					20,000.00
Reserve for Insurance	199,539.65			120,608.34		78,931.31
Improvement Authorizations						
258 Municipal Building & Roads	72.85					72.85
286 Streets & Municipal Bldg.	8,891.96					8,891.96
302 Municipal Building & Ocean Ave.	11,035.63					11,035.63
346 VCR Improvements	145.00					145.00
362 VBC Improvements	1,770.65					1,770.65
369 VBC Improvements - Equipment	4,409.65					4,409.65
370 Edgemont Drive	4,095.63					4,095.63
389 Various Improvements	(380,189.20)					(380,189.20)
399 Euclid Avenue	135,488.75		7,287.50			128,201.25
418 Euclid Ave-Phase 111	100,000.00					100,000.00
	\$ -	30,960.16	30,960.16	120,768.50	120,768.50	-

Ref.

C

C-1

C-5

C

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

CAPITAL FUND

Exhibit C-3

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Description	Balance Dec. 31, 2015	Balance Dec. 31, 2016	Analysis of Balance		
				Bond Anticipation Notes	Expended	Unexpended
286	Streets & Municipal Buildings	\$ 461.77	\$ 461.77			461.77
290	Deal Lake Retaining Wall	500.00	500.00		500.00	
302	Municipal Buildings & Ocean Ave.	4,328.91	4,328.91			4,328.91
340	Deal Lake Retaining Wall & Euclid Avenue	24,000.00	24,000.00			24,000.00
389	Various	856,000.00	856,000.00	475,000.00	380,189.20	810.80
399	Euclid Avenue	90,000.00	90,000.00			90,000.00
		<u>\$ 975,290.68</u>	<u>\$ 975,290.68</u>	<u>475,000.00</u>	<u>380,689.20</u>	<u>119,601.48</u>
Ref.	C	C	C	C-6	C-5	C-5

CAPITAL FUND

Exhibit C-4

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 23,426.26
Increased by:		
2016 Budget Appropriations	C-1	<u>30,800.00</u>
Balance December 31, 2016	C	<u><u>\$ 54,226.26</u></u>

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

Exhibit C-5

CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Ordinance		Balance Dec. 31, 2015		Balance Dec. 31, 2016	
		Date	Amount	Funded	Unfunded	Funded	Unfunded
258	Municipal Building & Roads	9/27/94	\$ 30,000.00	\$ 72.85		72.85	
286	Streets & Municipal Bldg.	1/19/00	180,000.00		9,853.73		9,853.73
302	Municipal Building & Ocean Ave.	12/17/03	500,000.00		15,364.54		15,364.54
340	Deal Lake Retaining Wall	12/05/07	650,000.00		24,000.00		24,000.00
346	VCR Improvements	3/14/08	12,500.00	145.00		145.00	
362	VBC Improvements	5/1/2010	17,500.00	1,770.65		1,770.65	
369	VBC Improvements Equip-Mun. Bldg		25,000.00	4,409.65		4,409.65	
370	Edgemont Drive	7/25/2011	111,431.88		4,095.63		4,095.63
389	Various	4/30/2103	900,000.00		810.80		810.80
399	Euclid Ave	3/5/2014	250,000.00	135,488.75	90,000.00	128,201.25	90,000.00
418	Euclid Ave-Phase 111	4/18/2015	100,000.00	100,000.00		100,000.00	
				\$ 241,886.90	144,124.70	234,599.40	144,124.70
	Ref.			C	C	C	C
					C-1		

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit C-6

Purpose	Original Amount Issued	Original Date of Issue	Date of		Rate of Interest	Balance Dec. 31, 2015	Balance Dec. 31, 2016
			Issue	Maturity			
Various Improvements	\$ 475,000.00	5/16/14	5/5/16	5/14/17	1.00%	\$ 475,000.00	475,000.00
						\$ 475,000.00	475,000.00
					Ref.	C	C

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTH

CAPITAL FUND

SCHEDULE OF SERIAL BONDS

Exhibit C-7

<u>Description</u>	<u>Original Amount Issued</u>	<u>Original Date of Issue</u>	<u>Maturities</u>		<u>Rate of Interest</u>	<u>Balance Dec. 31, 2015</u>	<u>Bonds Paid</u>	<u>Balance Dec. 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
General Improvements	\$ 870,000.00	12/24/13	12/1/17	\$ 30,000.00	2%-5%	\$ 810,000.00	30,000.00	780,000.00
			12/12018-21	35,000.00				
			12/1/2022-23	40,000.00				
			12/1/2024-26	45,000.00				
			12/1/2027-28	50,000.00				
			12/1/2029	55,000.00				
			12/1/2030-33	60,000.00				
						\$ 810,000.00	30,000.00	780,000.00

Ref.

C

A-3

C

VILLAGE OF LOCH ARBOUR - COUNTY OF MONMOUTHSCHEDULE OF BONDS AND NOTES AUTHORIZED

Exhibit C-8

BUT NOT ISSUED

Ordinance Number	Description	Balance	
		Dec. 31, 2015 & 2016	
286	Streets & Municipal Building	\$	961.77
302	Municipal Building & Ocean Avenue		4,328.91
340	Deal Lake R.W. & Euclid Avenue		24,000.00
389	Various		381,000.00
399	Improvements to Euclid Avenue		90,000.00
		<hr/>	
		\$	500,290.68
		<hr/>	

Ref.

C

VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

PART III

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2016

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)

ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.

ROBERT A. HULSART, JR., C.P.A., P.S.A.

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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 Village Commissioners
 Village of Loch Arbour
 County of Monmouth
 Loch Arbour, New Jersey 07711

We have audited the consolidated financial statements of the Village of Loch Arbour (the "Village"), as of and for the year ended December 31, 2016, and have issued our report thereon dated June 12, 2017. Our report disclosed that, as described in Note 1 to the regulatory basic financial statements, the Village prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's consolidated financial statements are free of material misstatement, we performed tests of it 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. We noted certain matters that we reported to management of the Village in the comments and recommendations section of this report and in a separate letter dated June 12, 2017.

This report is intended solely for the information and use of the Village's management, the Village Commissioners, others within the organization, the Division, and federal and state awarding agencies and passes through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Robert A. Hulsart and Company
Independent Auditors

June 12, 2017

VILLAGE OF LOCH ARBOUR

COUNTY OF MONMOUTH

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the 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 after public advertising for bids and bidding therefor, 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 amount set forth in, or the amount calculated by the governor pursuant to, Section 3 of P.L. 1971, c. 198 (c. 40A:11-2), except by contract or agreement". Effective July 1, 2015, the public contracts law was amended to change the bid threshold to \$40,000.00 if there is a certified purchasing agent. If there is no Qualified Purchasing Agent the bid threshold remained at \$17,500.00 and \$2,625.00 for quotes. As of July 1, 2015 the quote threshold was adjusted to \$6,000 with a certified purchasing agent.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute the Borough Counsel's opinion should be sought before commitment is made.

Where expenditures of \$2,625.00 or more are made on applicable items, the governing body has the responsibility of securing quotations as defined under the statute, or higher if the municipality has a qualified purchasing agent (\$6,000.00 with a qualified purchasing agent).

The minutes indicate that bids were requested by public advertising where applicable on the items examined.

Contacts for professional services, which were on file, were examined and were advertised according to statute.

Investments

The Chief Financial Officer invests municipal funds as available on a continuing basis.

Such investments in 2016 resulted in interest revenue of \$1,541.85 in the operating accounts.

Collection of Interest on Delinquent Taxes and Assessments

The statute 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.

Collection of Interest on Delinquent Taxes and Assessments (Continued)

The governing body on January 7, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

“**NOW THEREFORE BE IT RESOLVED**, that a grace period not exceeding ten (10) days be permitted after each quarterly due date, February 1, May 1, August 1, November 1, and the rate of eight percent (8%) per annum be charged on the first \$1,500.00 of the delinquency and eighteen percent (18%) per annum on the amount in excess of \$1,500.00 with delinquent interest rate retroactive to the aforesaid due dates for the year 2016. If the delinquency is in excess of \$10,000.00 after December 31st and additional penalty of 6% per annum shall be charged against the Delinquency.”

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 24, 2015.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2016 & 2017 Taxes	10
Delinquent Taxes	3

Beach Club Operations

The revenue for the season was taken from the sales records presented and verified by test. Daily fees were traceable; a ledger was kept with ticket numbers issued for control purposes.

The application forms, which provide an accounts receivable record of season memberships and parking permits including numbers issued and payment received, were found to be in agreement with the sales records.

A register of season badges was kept in serial number order for inventory control. The inventory of seasonal parking permits was verified by count.

Total beach club revenues for 2016 operations were \$280,344.00 as compared to \$304,584.00 for 2015.

Follow-up on Prior Year Findings

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

Corrective action has been taken on finding 15-01 regarding the insurance funds from hurricane "Sandy" and FEMA.

Current Year Recommendations

Finding - #16-01 – It was noted during the review of the bank reconciliations that there is \$43,991.13 more in the bank than on the Village records.

Recommendation - #16-01 – That the above amount is researched and a proper disposition of the funds are made.

Appreciation

We desire to express our appreciation for the assistance and courtesies rendered by the officials and employees during the course of the audit.

* * * * *

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