

BOROUGH OF INTERLAKEN

COUNTY OF MONMOUTH

DECEMBER 31, 2016

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

2807 Hurley Pond Road, Suite 100
P.O. Box 1409
Wall, New Jersey 07719

BOROUGH OF INTERLAKEN

COUNTY OF MONMOUTH

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BOROUGH OF INTERLAKEN

COUNTY OF MONMOUTH

PART I

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

FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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.
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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Interlaken
County of Monmouth
Interlaken, New Jersey 07712

Report on the Financial Statements

We have audited the accompanying consolidated financial statements - regulatory basis of the various funds and account groups of the Borough of Interlaken (the "Borough"), 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 Borough'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 Borough'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.

As discussed more fully in Note 1, the Borough prepares its basic consolidated financial statements on a regulatory basis of accounting prescribed by the Division, as required by state statute, that demonstrates compliance with a modified accrual basis of accounting, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Borough 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 Borough 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 Borough, 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 May 5, 2017 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and reporting 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 Borough 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

May 5, 2017

BALANCE SHEET - CURRENT FUND

**Exhibit A
Sheet 1 of 2**

REGULATORY BASIS

DECEMBER 31

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Cash	A-4	\$ 1,213,238.55	1,195,007.76
Petty Cash		357.30	357.30
		<u>1,213,595.85</u>	<u>1,195,365.06</u>
Receivables with Full Reserves:			
Delinquent Taxes	A-5	29,326.18	18,965.93
Property Acquired for Taxes at Assessed Valuation	A-7	11,700.00	11,700.00
Accounts Receivable	A-9	2,066.98	1,723.55
		<u>43,093.16</u>	<u>32,389.48</u>
Deferred Charges:			
Emergency-40A:4-53	A-15	10,000.00	20,000.00
Total Current Fund		<u>1,266,689.01</u>	<u>1,247,754.54</u>
<u>State and Federal Grants</u>			
Interfund Current	Contra	35,561.39	37,808.77
Grants Receivable	A-16	17,000.00	10,000.00
Total State and Federal Grants		<u>52,561.39</u>	<u>47,808.77</u>
Total Assets		<u>\$ 1,319,250.40</u>	<u>1,295,563.31</u>

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

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTHBALANCE SHEET - CURRENT FUNDExhibit A
Sheet 2 of 2REGULATORY BASISDECEMBER 31

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Liabilities:			
Due State Veterans and Senior Citizens	A-6	\$ 2,925.72	2,925.72
Tax Overpayments	A-4	1,914.03	12,633.75
Various Reserves	A-14	8,861.77	11,618.77
Reserve for Accumulated Leave	A-14	10,899.03	10,899.03
Interfund Grants	Contra	35,561.39	37,808.77
Accounts Payable	A-4		100.00
Prepaid Taxes	A-8	42,558.63	29,986.91
Appropriation Reserves	A-3	148,701.81	184,630.74
Encumbrances	A-13	10,530.38	12,633.75
Due County for Added Tax	A-10	2,905.54	705.06
Local District School Taxes	A-11	403,660.00	428,901.50
Total Liabilities		<u>668,518.30</u>	<u>732,844.00</u>
Reserve for Receivables		43,093.16	32,389.48
Fund Balance	A-1	<u>555,077.55</u>	<u>482,521.06</u>
Total Current Fund		<u>1,266,689.01</u>	<u>1,247,754.54</u>
<u>State and Federal Grant Fund</u>			
Appropriated Reserves	A-17	51,775.78	47,396.24
Unappropriated Reserves	A-18	785.61	412.53
Total State and Federal Grants		<u>52,561.39</u>	<u>47,808.77</u>
Total Liabilities, Reserves & Fund Balance		<u>\$ 1,319,250.40</u>	<u>1,295,563.31</u>

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

STATEMENT OF OPERATIONS AND CHANGEIN FUND BALANCE - CURRENT FUNDREGULATORY BASISDECEMBER 31

	Ref.	Year	
		2016	2015
<u>Revenue and Other Income Realized</u>			
Fund Balance	A-2	\$ 226,740.00	226,739.82
Miscellaneous Revenue Anticipated	A-2	227,912.90	194,694.87
Receipts from Delinquent Taxes	A-2	18,965.93	23,099.31
Receipts from Current Taxes	A-2	3,384,706.97	3,432,732.52
Non-Budget Revenue	A-2	37,404.66	26,423.53
Other Credits to Income:			
Cancel Accounts Payable		4,193.30	
Appropriation Reserves Lapsed	A-12	182,811.51	151,894.97
Current Year Appropriations Cancelled	A-3	92.57	29.99
		<u>4,082,827.84</u>	<u>4,055,615.01</u>
<u>Expenditures</u>			
Inside CAP:			
Salaries and Wages	A-3	449,015.00	438,185.00
Other Expenses	A-3	495,271.00	505,216.00
Deferred Charges and Statutory Expenditures	A-3	83,128.00	75,052.00
Excluded from CAP:			
Salaries and Wages	A-3	10.00	10.00
Other Expenses	A-3	991,738.53	970,958.54
Capital Improvement Fund	A-3	25,000.00	25,000.00
Debt Service	A-3	195,593.00	159,260.00
Deferred Charges	A-3	10,000.00	48,160.00
County Taxes	A-10	685,967.89	773,796.68
Local District School Taxes	A-11	846,079.00	834,003.00
Other-Adjustment	A-4	1,728.93	2,400.80
		<u>3,783,531.35</u>	<u>3,832,042.02</u>
Excess Revenue(Deficit)		299,296.49	223,572.99
Fund Balance January 1	A	482,521.06	485,737.39
Decreased by:			
Utilized as Revenue	A-2	<u>226,740.00</u>	<u>226,789.32</u>
Fund Balance December 31	A	<u>\$ 555,077.55</u>	<u>482,521.06</u>

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

CURRENT FUND

STATEMENT OF REVENUES - DECEMBER 31, 2016

REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 226,740.00	226,740.00	
<u>Miscellaneous Revenues</u>				
Fines and Costs:				
Municipal Court	A-9	30,777.00	33,336.34	2,559.34
Interest and Costs on Taxes	A-9	3,430.00	3,588.91	158.91
Interest on Investments and Deposits	A-9	5,310.00	5,746.12	436.12
Cablevision Franchise Fee	A-9	8,377.00		(8,377.00)
Energy Receipts Tax (P.L. 1997 Ch. 162 & 167)	A-9	107,023.00	107,023.00	-
Uniform Construction Code Fees	A-9	30,599.00	61,173.00	30,574.00
Certificate of Occupancy	A-9	1,539.00	2,633.00	1,094.00
CSIP Resiliency Planning Grant	A-17	10,000.00	10,000.00	-
Clean Communities Program	A-17	4,000.00	4,000.00	-
Alcohol Education & Rehabilitation	A-17	412.53	412.53	-
Total Miscellaneous Revenues	A-1	<u>201,467.53</u>	<u>227,912.90</u>	<u>26,445.37</u>
Receipts from Delinquent Taxes	A-1	18,966.00	18,965.93	(0.07)
Amount to be Raised by Taxes in Support of Municipal Budget	A-2	<u>1,870,550.31</u>	<u>1,920,598.79</u>	<u>50,048.48</u>
		<u>2,317,723.84</u>	<u>2,394,217.62</u>	<u>76,493.78</u>
Non-Budget Revenue	A-1		<u>37,404.66</u>	<u>37,404.66</u>
Total General Revenue		<u>\$2,317,723.84</u>	<u>2,431,622.28</u>	<u>113,898.44</u>
<u>Analysis of Realized Revenues</u>				
<u>Current Tax Collections</u>				
Collections	A-1		\$ 3,384,706.97	
Add: "Reserve for Uncollected Taxes"	A-3		67,968.31	
			<u>3,452,675.28</u>	
Less: Allocated to School and County Taxes	A-5		<u>1,532,046.89</u>	
Balance For Support of Municipal Budget	A-2		<u>\$ 1,920,628.39</u>	
<u>Non-Budget Revenue</u>				
Administration Fees			\$ 969.60	
DMV Fines			700.00	
Health Insurance Dividends			11,154.60	
Tree Removal Permits			550.00	
Sidewalk Repair Permits			250.00	
Zoning Permits			970.00	
JCP&L Streetlight Reimbursement			9,295.09	
Insurance Reimbursements			1,539.65	
Registrar Fees			130.00	
Street Opening Permits			3,000.00	
Verizon			8,377.00	
Other			<u>468.72</u>	
	A-4			<u>\$ 37,404.66</u>

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

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>General Government</u>					
Mayor And Council	\$ 2,000.00	2,000.00	638.44	1,361.56	
Other Expenses					
Municipal Clerks Office	90,000.00	90,400.00	90,212.08	187.92	
Salaries and Wages					
Other Expenses	23,975.00	21,675.00	19,051.75	2,623.25	
Financial Administration					
Salaries and Wages	56,750.00	56,750.00	56,721.12	28.88	
Other Expenses	13,100.00	10,600.00	8,751.77	1,848.23	
Other Expenses-Audit	11,500.00	11,500.00	11,500.00	-	
Assessment of Taxes					
Salaries and Wages	4,900.00	4,900.00	4,894.08	5.92	
Other Expenses	4,375.00	4,375.00	137.70	4,237.30	
Collection of Taxes					
Salaries and Wages	29,680.00	29,680.00	29,675.28	4.72	
Other Expenses	6,100.00	6,100.00	3,819.00	2,281.00	
Legal Services and Costs					
Other Expenses	31,000.00	25,000.00	18,611.04	6,388.96	
Engineering Services and Costs					
Other Expenses	10,000.00	7,500.00	1,085.00	6,415.00	
Municipal Court					
Salaries and Wages	32,550.00	32,550.00	30,118.08	2,431.92	
Other Expenses	5,100.00	5,100.00	1,395.84	3,704.16	
Public Defender					
Other Expenses	1,600.00	1,600.00	400.00	1,200.00	

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

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>Land Use Administration</u>					
Planning Board -Municipal Land Use Law					
N.J.S.A. 40:5-50-1					
Salaries and Wages	3,510.00	3,510.00	3,499.92	10.08	
Other Expenses	3,150.00	3,150.00	2,047.55	1,102.45	
Zoning Officer					
Salaries and Wages	4,625.00	4,625.00	4,077.69	547.31	
Code Enforcement & Administration					
Salaries and Wages	10,365.00	10,365.00	10,134.54	230.46	
Other Expenses	550.00	550.00	199.94	350.06	
<u>Public Safety</u>					
Fire-Other Expenses					
Fire Hydrant Service	18,000.00	18,000.00	16,777.20	1,222.80	
Municipal Prosecutor					
Other Expenses	6,650.00	6,650.00	6,000.00	650.00	
Insurance					
Health Benefit Waiver	10,000.00	10,000.00	10,000.00	-	
Liability	20,485.00	20,485.00	19,757.82	727.18	
Workmens Compensation	25,465.00	26,195.00	26,190.58	4.42	
Employee Group Health	128,000.00	128,000.00	103,360.22	24,639.78	
Unemployment Insurance	10.00	10.00		10.00	
<u>Public Works</u>					
Street and Roads Maintenance					
Salaries and Wages	200,550.00	200,550.00	195,488.10	5,061.90	
Other Expenses	20,600.00	18,120.00	12,233.64	5,886.36	
Other Public Works Functions					
Shade Tree Commission	8,800.00	8,800.00	5,334.34	3,465.66	

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

BOROUGH OF INTERLAKEN - 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>
Recycling					
Salaries and Wages	3,675.00	3,675.00	3,655.60	19.40	
Other Expenses	25,500.00	25,500.00	19,447.00	6,053.00	
Public Buildings and Grounds					
Other Expenses	18,600.00	21,100.00	19,730.01	1,369.99	
Vehicle Maintenance					
Other Expenses	14,630.00	14,630.00	9,704.44	4,925.56	
<u>Health and Human Services</u>					
Service of Monmouth County Organization for Social Service-Contracts(R.S. 40:13):	5,155.00	5,355.00	5,301.00	54.00	
Board of Health					
Contractual P.L. 1975, ch. 329	700.00	700.00	495.00	205.00	
Dog Regulation					
Other Expenses	2,600.00	2,600.00	2,079.00	521.00	
<u>Parks and Recreation</u>					
Parks and Playgrounds					
Other Expenses	6,800.00	6,800.00	4,051.00	2,749.00	
<u>Education</u>					
Expenses of Participation in Free County Library					
Salaries and Wages	5,275.00	5,275.00	2,944.46	2,330.54	

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

BOROUGH OF INTERLAKEN - 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>
Electrical Inspection	2,580.00	2,580.00	2,574.96	5.04	
Salaries and Wages					
Plumbing Inspection	2,580.00	2,580.00	2,534.40	45.60	
Salaries and Wages					
Fire Sub-Code Official	1,975.00	1,975.00	1,969.94	5.06	
Salaries and Wages					
<u>Other Operating Functions</u>					
Deal Lake Commission(N.J.S. 40:48B-1)	10,000.00	10,000.00	10,000.00	-	
Other Expenses					
<u>Utilities</u>					
Electric	8,000.00	8,000.00	7,076.10	923.90	
Street Lighting	20,000.00	20,000.00	18,691.28	1,308.72	
Telephone	10,500.00	10,900.00	10,085.45	814.55	
Water	3,000.00	3,750.00	3,452.50	297.50	
Natural Gas	7,500.00	7,500.00	3,521.07	3,978.93	
Landfill Solid Waste Disposal:					
Dumping Fees	10,000.00	12,200.00	11,402.05	797.95	
Total Operations Within CAPS	942,460.00	933,860.00	830,827.98	103,032.02	-
Contingent	4,000.00	4,000.00		4,000.00	
Total Operations Including Contingent Within CAPS	946,460.00	937,860.00	830,827.98	107,032.02	-

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

BOROUGH OF INTERLAKEN - 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>Deferred Charges and Statutory Expenditures Within CAPS</u>					
Statutory Expenditure-Contribution To:					
Public Employees Retirement System	48,118.00	48,118.00	48,118.00	-	
Social Security System (O.A.S.I.)	35,000.00	35,000.00	32,348.62	2,651.38	
Total Deferred Charges and Statutory Expenditures	83,118.00	83,118.00	80,466.62	2,651.38	
Total General Approp. For Municipal Purposes Within CAPS	1,029,578.00	1,020,978.00	911,294.60	109,683.40	-
<u>Operations - Excluded From "CAPS"</u>					
Recycling Tax	725.00	725.00		725.00	
Sewer Fees-Ocean Township Sewer Authority	165,144.00	165,144.00	164,212.30	931.70	
Sewerage Excess Flows	30,000.00	30,000.00		30,000.00	
Total Other Operations Excluded from CAPS	195,869.00	195,869.00	164,212.30	31,656.70	-
<u>Interlocal Municipal Service Agreement</u>					
Ocean Township - Purchase of Gasoline & Fuel Oil	12,000.00	12,000.00	5,229.66	6,770.34	
Borough of Deal:					
Police Services	576,568.00	576,568.00	576,567.96	0.04	
Borough of Allenhurst:					
Share of Fire & First Aid Interest & Amort. Per Contract	2,985.00	11,585.00	11,585.00	-	
Fire and First Aid Services	26,240.00	26,240.00	26,240.00	-	
First Aid-Part Time Driver	10.00	10.00		10.00	
Garbage and Trash Removal	155,000.00	155,000.00	155,000.00	-	
LOSAP	6,500.00	6,500.00	6,458.00	42.00	
Total Interlocal Municipal Service Agreements	779,303.00	787,903.00	781,080.62	6,822.38	-

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

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-3
Sheet 6 of 7

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 and Private Programs Offset by Revenue</u>					
CSIP-Resiliency Planning Grant					
Other Expenses		10,000.00	10,000.00		
Alcohol Education & Rehabilitation					
Other Expenses	412.53	412.53	412.53	-	
Clean Communities					
Other Expenses		4,000.00	4,000.00		
Total Public and Private Programs Offset by Revenue	412.53	14,412.53	14,412.53		-
<u>Capital Improvements - Excluded From "CAPS"</u>					
Capital Improvement Fund					
Total Capital Improvements - Excluded from "CAPS"	25,000.00	25,000.00	25,000.00		
	25,000.00	25,000.00	25,000.00		-
<u>Municipal Debt Service - Excluded From "CAPS"</u>					
Payment of Bond Anticipation Notes and Capital Notes					
Interest on Notes	157,862.00	157,862.00	157,862.00		
Lease/Purchase Aerial Pumper Combo Truck	6,400.00	6,400.00	6,400.00		
Total Municipal Debt Service Excluded From CAPS	31,331.00	31,331.00	31,331.00		
	195,593.00	195,593.00	195,593.00		-
<u>Deferred Charges - Excluded from "CAPS"</u>					
Special Emergency Authorization (N.J.S. 40A:4-55)					
Total Deferred Charges-Municipal-Excluded from "Caps"	10,000.00	10,000.00	10,000.00		
	10,000.00	10,000.00	10,000.00		-

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

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-3
Sheet 7 of 7

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>
Total General Appropriations Excluded From CAPS	1,206,177.53	1,228,777.53	1,190,298.45	38,479.08	-
Subtotal General Appropriations Reserve for Uncollected Taxes	2,235,755.53 67,968.31	2,249,755.53 67,968.31	2,101,593.05 67,968.31	148,162.48 -	-
Total General Appropriations	<u>\$ 2,303,723.84</u>	<u>2,317,723.84</u>	<u>2,169,561.36</u>	<u>148,162.48</u>	<u>-</u>

Ref.

Budget After Modification

Budget as Adopted	\$2,303,723.84
Added N.J.S. 40A:4-87	<u>14,000.00</u>
	<u>\$ 2,317,723.84</u>

Analysis of Paid or Charged

Disbursed		
Federal and State Grants		\$ 2,066,650.14
Deferred Charges		14,412.53
Encumbrances		10,000.00
Reserve for Uncollected Taxes		10,530.38
		<u>67,968.31</u>
		<u>\$ 2,169,561.36</u>

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

BALANCE SHEET - TRUST FUND

REGULATORY BASIS

DECEMBER 31

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
<u>Dog License Fund</u>			
Cash	B-1	\$ 8,155.30	7,416.30
		<u>8,155.30</u>	<u>7,416.30</u>
<u>Other Trust Funds</u>			
Cash	B-1	129,605.33	117,018.13
Accounts Receivable-Assessments	B-10	14,061.81	25,378.20
		<u>143,667.14</u>	<u>142,396.33</u>
Total Assets		<u>\$ 151,822.44</u>	<u>149,812.63</u>
<u>Liabilities and Reserves</u>			
<u>Dog License Fund</u>			
Due State of New Jersey	B-3	\$ 2.60	
Reserve for Expenditures	B-2	8,152.70	7,416.30
Total Dog License Fund		<u>8,155.30</u>	<u>7,416.30</u>
<u>Other Trust Funds</u>			
Reserve for Unemployment Account	B-4	62,992.86	58,936.87
Assessments-Sidewalks	B-10	41,250.00	41,250.00
Reserve for Developers Deposits	B-5	14,374.28	10,187.28
Reserve for Park Restoration	B-6	3,249.23	3,249.23
Reserve for Recreation	B-8	6,041.04	13,072.22
Reserve for Public Defender	B-9	2,375.20	2,338.20
Various Reserves	B-7	13,384.53	13,362.53
Total Other Trust Funds		<u>143,667.14</u>	<u>142,396.33</u>
Total Liabilities and Reserves		<u>\$ 151,822.44</u>	<u>149,812.63</u>

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

BALANCE SHEET - GENERAL CAPITAL FUND

Exhibit C

REGULATORY BASIS

DECEMBER 31

<u>Assets</u>	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Cash	C-2	\$ 406,919.13	385,438.19
Receivables:			
Grants Receivable	C-3	98,056.76	191,037.56
Deferred Charges to Future Taxation:			
Unfunded	C-4	<u>1,279,150.99</u>	<u>1,261,262.99</u>
Total Assets		<u>\$ 1,784,126.88</u>	<u>1,837,738.74</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-7	\$ 933,782.00	851,944.00
Capital Improvement Fund	C-6	31,366.80	15,616.80
Encumbrances	C-3	2,244.49	
Reserve For Garage Repairs	C-2	4,219.50	4,219.50
Improvement Authorizations:			
Funded	C-5	98,010.20	389,046.97
Unfunded	C-5	712,635.81	575,043.39
Fund Balance	C-1	<u>1,868.08</u>	<u>1,868.08</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,784,126.88</u>	<u>1,837,738.74</u>

There were Bonds and Notes Authorized but Not Issued of \$446,818.99 as of December 31, 2015 and \$382,868.99 at December 31, 2016 (Exhibit C-9).

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

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE

REGULATORY BASIS

Balance December 31, 2015 and 2016	<u>Ref.</u> C	<u>\$ 1,868.08</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

FIXED ASSETS ACCOUNT GROUP

Exhibit F

BALANCE SHEET - REGULATORY BASIS

DECEMBER 31

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Land	\$ 483,500.00	483,500.00
Building and Site Improvements	417,527.00	417,527.00
Machinery and Equipment	<u>623,013.61</u>	<u>623,013.61</u>
Total General Fixed Assets	<u>\$ 1,524,040.61</u>	<u>1,524,040.61</u>
<u>Liabilities</u>		
Reserve for Fixed Assets	<u>\$ 1,524,040.61</u>	<u>1,524,040.61</u>

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

BOROUGH OF INTERLAKEN
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 Borough of Interlaken, County of Monmouth, include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Interlaken as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, First Aid organization or volunteer fire company, which are subject to separate audits.

The Governmental Accounting Standards Board (“GASB”) Statement 14 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. The Borough had no component units during 2016.

B. Description of Funds

The accounting policies of the Borough of Interlaken 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 Borough of Interlaken 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 required in the Current Fund.

Public Assistance Fund – receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets – account for the fixed assets of the Borough.

Grant Funds – record 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 government units. The more significant differences are as follows:

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 and State grants are realized as revenue when anticipated in the Borough’s budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough’s Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the borough, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures – are recorded on the “budgetary” basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough’s statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Foreclosed Property – Foreclosed property is recorded in the Current Fund at 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.

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 Borough 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)**C. Basis of Accounting (Continued)**

General Fixed Assets (Continued) - 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.

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.

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: 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 Borough's deposits at year-end was \$1,838,695.16. Of this amount \$250,000.00 was covered by Federal depository insurance, the remaining \$1,588,695.16 was covered by a collateral pool maintained by the banks required by New Jersey statutes.

NOTE 2: Cash and Cash Equivalents (Continued)**A. Deposits (Continued)**

The investments recorded in the general-purpose financial statements have been recorded at the carrying amount. The difference between the carrying amount and market value is not material to the general-purpose financial statements.

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

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

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

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities, which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute 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.

NOTE 2: Cash and Cash Equivalents (Continued)**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.

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	\$ 250,000.00	500,000.00
GUDPA	<u>1,588,695.16</u>	<u>1,290,542.87</u>
	<u>\$ 1,838,695.16</u>	<u>1,790,542.87</u>

NOTE 3: Bonds and Notes Authorized but not Issued

At December 31, 2016 the Borough of Interlaken had authorized but not issued bonds and notes as follows:

General Capital - \$382,868.99

NOTE 4: Long-Term Debt

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The 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.

NOTE 4: Long-Term Debt (Continued)**Summary of Municipal Debt**

	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Issued</u>			
Notes	\$ 933,782.00	851,944.00	631,398.00
Net Debt Issued	<u>933,782.00</u>	<u>851,944.00</u>	<u>631,398.00</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	<u>382,868.99</u>	<u>446,818.99</u>	<u>573,203.19</u>
Total Authorized but Not Issued	<u>382,868.99</u>	<u>446,818.99</u>	<u>573,203.19</u>
Net Bonds and Notes Authorized but Not Issued	<u>\$ 1,356,650.99</u>	<u>1,298,762.99</u>	<u>1,204,601.19</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 0.19%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ <u>1,238,050.99</u>	—	<u>1,238,050.99</u>
	<u>\$ 1,238,050.99</u>	<u>-0-</u>	<u>1,238,050.99</u>

Net debt \$1,238,050.99 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended \$242,821,174.33 = 0.510%.

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

3 ½% of Equalized Valuation Basis (Municipal)	\$ 8,498,741.10
Net Debt	<u>(1,238,050.99)</u>
Remaining Borrowing Power	<u>\$ 7,260,690.11</u>

Changes in Outstanding Debt

Transactions for the year ended December 31, 2016 are summarized as follows:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<u>General Capital Fund</u>				
Bond Anticipation Notes	<u>\$ 851,944.00</u>	<u>239,700.00</u>	<u>157,862.00</u>	<u>933,782.00</u>

NOTE 5: Bond Anticipation Notes

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

NOTE 6: Fixed Assets and Fixed Capital

Fixed assets and fixed capital activity for the year ended December 31, 2016 was as follows:

	Balance
	<u>Dec. 31, 2016 & 2015</u>
<u>Fixed Assets</u>	
Land	\$ 483,500.00
Buildings and Site Improvements	417,527.00
Machinery and Equipment	<u>623,013.61</u>
	<u>\$ 1,524,040.61</u>

NOTE 7: Deferred Charges to Future Taxation Funded and Unfunded

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

NOTE 8: Deferred Charges to be Raised in Succeeding Budgets

As noted in Note 2, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, there were the following deferred charges:

Current Fund:	
N.J.S.A. 40A:4-53	\$ 10,000.00

NOTE 9: Taxes Collected in Advance

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

	<u>Balance December 31</u>	
	<u>2016</u>	<u>2015</u>
Prepaid Taxes	\$ 42,558.63	<u>29,986.91</u>

NOTE 10: Assessment and Collection of Property Taxes

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1st in each year and filed with the County Board of Taxation (“Board”) by January 10th of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3rd, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (“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 as of the eleventh day of the eleventh month of the fiscal 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 11: Fund Balances Appropriated

Fund balances at December 31, 2016 which were appropriated and included as anticipated revenue in the 2017 municipal budget for the year ending December 31, 2016 were as follows:

Current Fund:	
Fund Balance	\$ 226,740.00

NOTE 12: 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/annrprts.shtml.

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

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

NOTE 12: Pension Obligations (Continued)**A. Public Employee's Retirement System (PERS) – (Continued)**

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 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.

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 \$48,118 for 2016.

Components of Net Pension Liability – At December 31, 2016, the Borough reported a liability of \$1,756,720 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 .00593%, which was an increase of .00033% from its proportion measured as of June 30, 2015.

	<u>Dec. 31, 2016</u> July 1, 2016	<u>Dec. 31, 2015</u> July 1, 2015
Actuarial Valuation Date		
Net Pension Liability	1,756,720	1,256,383
District's Portion of the Plan's Total Net Pension Liability	0.00593%	0.00560%

For the year ended December 31, 2016, the Borough had an allocated pension expense of \$52,694.

NOTE 12: 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 12: 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.

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	\$ 1,315,333	1,756,720	2,198,107

NOTE 13: Deferred Compensation Plan

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

All amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are for the exclusive benefit of the Plan participants and their beneficiaries and the assets cannot be diverted to any other purpose. The Borough serves as Trustee under the Plan. The balance at December 31, 2016 is \$121,895.79.

NOTE 14: Interfund Balances

The following interfund balances existed as of December 31, 2016:

	<u>Due To</u>	<u>Due From</u>
Current	\$	35,561.39
Grant Fund	<u>35,561.39</u>	<u> </u>
	<u>\$ 35,561.39</u>	<u>35,561.39</u>

NOTE 15: Risk Management

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough was a member of the Monmouth County Municipal Joint Insurance Fund in 2016. The joint insurance pool is both an insured and self-administered group of twenty-four municipalities, one authority and four boards of education, 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. There were no settlements in excess of insurance coverage in 2016, 2015 and 2014.

NOTE 16: Contingent Liabilities**A. Litigation**

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

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

NOTE 16: Contingent Liabilities (Continued)**B. Federal and State Grants**

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

NOTE 17: Disbandment of the Borough Police Department

An agreement effective January 1, 2011 was entered into with the Borough of Deal for a ten year period ending December 31, 2020. The cost for 2016 is \$576,568.00 and the cost for the ensuing years is based on the average of the last three years police budgets for the Borough of Deal. 26.1% of this amount will establish the annual cost for the following year.

NOTE 18: Shared Services Agreement The Borough of Allenhurst for Purchase of a Fire Truck

On April 21, 2010 a joint service agreement was entered into with the Borough of Allenhurst to share in the cost of purchasing a fire truck with the Borough of Allenhurst and the Village of Loch Arbour. Interlaken's share of the cost to be 41% or \$31,330.46 per year for ten years based on an agreement with Allenhurst for fire protection of which section 4.1.1 provides that upon approval of same, Interlaken is obligated to pay this amount which was approved by Interlaken. The total cost of the truck including interest is \$864,167.50.

NOTE 19: 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 through May 5, 2017.

BOROUGH OF INTERLAKEN

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
2016	\$ 555,077.55	226,740.00
2015	482,521.06	226,740.00
2014	485,737.39	226,739.82

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Tax Rate	\$ 1.400	1.438	1.525
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 0.770	0.768	0.807
County	0.281	0.322	0.350
Local School	0.349	0.348	0.368
<u>Assessed Valuation</u>			
2016	\$ 242,846,188.00		
2014		240,071,898.00	
2015			226,848,239.00

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No properties have been acquired in 2016 by foreclosure or deed, as a result of liquidation of tax title liens.

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, was as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 11,700.00
2015	11,700.00
2014	11,700.00

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>Cash Collections</u>	<u>% of Collection</u>
2016	\$ 3,414,033.15	3,384,706.97	99.14%
2015	3,455,382.61	3,432,732.52	99.34%
2014	3,461,206.19	3,438,106.88	99.33%

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 four years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2016	None	\$ 29,326.18	29,326.18	0.86%
2015	None	18,965.93	18,965.93	0.55%
2014	None	23,099.31	23,099.31	0.67%

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Michael Nohilly	Mayor	12/31/2019
Robert White	Councilman-President of Council	12/31/2018
Mervin Franks	Councilman	12/31/2018
William Handerhan	Councilman	12/31/2016
John Butler	Councilman	12/31/2016
Mindy Horowitz	Councilwoman	12/31/2017
John Guhn	Councilman	12/31/2017
Lori Reibrich	Borough Clerk/Administrator	
Stephen Gallagher	Tax Collector	
Stephen Gallagher	Chief Financial Officer/Treasurer	
Patricia M. Weaver	Municipal Court Administrator	
George Cieri	Municipal Court Judge	
Lisa Casler	Court Assistant/Violations Clerk	
Richard Shaklee	Attorney	
Alex Worth	Assessor	
James Ammaturo	Plumbing Sub-Code Official	
Todd Morgano	Building Sub-Code Official	
Peter Avakian	Engineer	
Thomas Haege	Construction Official	
Eric Sudia	Electrical Sub-Code Official	
Thomas Haege	Fire Sub-Code Official	

* There was a blanket position bond for the Municipal Court of \$25,000.00. Also, there was a \$250,000.00 blanket bond with the Joint Insurance Fund for all employees. The Tax Collector is covered under a \$1,000,000.00 bond thru the Joint Insurance Fund.

CURRENT FUND

SCHEDULE OF CASH

	<u>Ref.</u>	<u>Current</u>	<u>Grants</u>
Balance December 31, 2015	A	\$ 1,195,007.76	-
Increased by:			
Property Taxes	A-5	3,362,435.99	
State of New Jersey Veterans and Senior Citizens	A-6	11,250.00	
Revenue Accounts Receivable	A-9	213,500.37	
Various Reserves	A-14	125.00	
Grants Receivable	A-16		7,000.00
Tax Overpayments	A	4,825.20	
Unappropriated Grants	A-18		785.61
Miscellaneous Revenue Not Anticipated	A-2	37,404.66	
Interfund Grants	A		2,247.38
Prepaid Taxes	A-8	42,558.63	
		<u>3,672,099.85</u>	<u>10,032.99</u>
		4,867,107.61	10,032.99
Decreased by:			
Budget Appropriations	A-3	2,066,650.14	
Refunds	A-1	1,728.93	
Accounts Payable	A	100.00	
Local District School Taxes	A-11	871,320.50	
Grants	A	2,247.38	
Various Reserves	A-14	2,882.00	
Tax Overpayments	A	10,719.72	
Encumbrances	A-13	12,633.75	
Appropriation Reserves	A-12	1,819.23	
County Taxes Payable	A-10	683,767.41	
		<u>3,653,869.06</u>	10,032.99
Balance December 31, 2016	A	\$ 1,213,238.55	-

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-5

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

Year	Balance Dec. 31, 2015	2016 Levy	Receipts		Veterans and Senior Citizens	Balance Dec. 31, 2016
			2015	2016		
2015	\$ 18,965.93		29,986.91	18,965.93	11,250.00	29,326.18
2016		3,414,033.15	29,986.91	3,343,470.06	11,250.00	29,326.18
		<u>3,414,033.15</u>	<u>29,986.91</u>	<u>3,362,435.99</u>	<u>11,250.00</u>	<u>29,326.18</u>
Ref.	A		A-8	A-4	A-6	A

Analysis of 2016 Property Tax Levy

General Purpose Tax	\$ 3,399,846.63
Added Taxes	<u>14,186.52</u>

\$ 3,414,033.15

Tax Levy

Local District School Tax	A-11	\$ 846,079.00
County Taxes (Abstract)		
General		606,563.65
Library		41,649.64
Open Space Preservation		34,848.96
Added Taxes		<u>2,905.54</u>
Local Taxes for Municipal Purposes	A-10	685,967.79
Additional Taxes	A-2	<u>1,870,550.31</u>
		<u>11,436.05</u>
		<u>1,881,986.36</u>
		<u>\$ 3,414,033.15</u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A-6

SCHEDULE OF DUE FROM STATE OF NEW JERSEYFOR VETERANS AND SENIOR CITIZENS DEDUCTIONS

Balance December 31, 2015 - Due To	<u>Ref.</u> A		\$ (2,925.72)
Increased by:			
Billing Per Duplicate:			
Senior Citizens		250.00	
Veterans		<u>10,500.00</u>	
		10,750.00	
Add:			
Veterans Allowed		<u>500.00</u>	
	A-5		<u>11,250.00</u>
			8,324.28
Decreased by:			
Receipts	A-4		<u>11,250.00</u>
Balance December 31, 2016 - Due To	A		<u><u>\$ (2,925.72)</u></u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-7

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES

Balance December 31, 2015 & 2016	<u>Ref.</u> A	<u>\$ 11,700.00</u>
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BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A-8

SCHEDULE OF PREPAID TAXES

Balance December 31, 2015	<u>Ref.</u> A	\$ 29,986.91
Increased by:		
Receipts	A-4	<u>42,558.63</u>
		72,545.54
Decreased by:		
Transferred to 2016 Taxes Receivable	A-5	<u>29,986.91</u>
Balance December 31, 2016	A	<u><u>\$ 42,558.63</u></u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-9

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Balance Dec. 31, 2015</u>	<u>Accrued in 2016</u>	<u>2016 Revenue</u>	<u>Balance Dec. 31, 2016</u>
<u>Miscellaneous Revenues</u>					
Certificate of Occupancy	A-2	\$ -	2,633.00	2,633.00	
Fines and Costs:					
Municipal Court	A-2	1,723.55	35,403.32	33,336.34	2,066.98
Interest and Costs on Taxes	A-2		3,588.91	3,588.91	
Interest on Investments and Deposits	A-2		5,746.12	5,746.12	
Energy Receipts Tax	A-2		107,023.00	107,023.00	
Uniform Construction Code	A-2		61,173.00	61,173.00	
				<u>213,500.37</u>	
Total Miscellaneous Revenue		<u>\$ 1,723.55</u>	<u>215,567.35</u>		<u>2,066.98</u>
	<u>Ref.</u>	A		A-4	A

CURRENT FUND

Exhibit A-10

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>Ref.</u>		
Balance December 31, 2015	A		\$ 705.06
Increased by:			
2016 Levy:			
General County Taxes		606,563.75	
County Library Tax		41,649.64	
County Open Space Fund		34,848.96	
Added Taxes Due County		<u>2,905.54</u>	
	A-5		<u>685,967.89</u>
			<u>686,672.95</u>
Decreased by:			
Payments	A-4		<u>683,767.41</u>
Balance December 31, 2016	A		<u><u>\$ 2,905.54</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES

Exhibit A-11

	<u>Ref.</u>		
Balance Payable December 31, 2015			\$ 428,901.50
Increased by:			
Local School Levy Calendar Year	A-5		<u>846,079.00</u>
			<u>1,274,980.50</u>
Decreased By:			
School Tax Paid	A-4		<u>871,320.50</u>
Balance Payable December 31, 2016	A		<u><u>\$ 403,660.00</u></u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-12

SCHEDULE OF APPROPRIATION RESERVES

Balance December 31, 2015	<u>Ref.</u> A		\$ 184,630.74
Decreased by:			
Disbursed	A-4	1,819.23	
Lapsed to Operations	A-1	<u>182,811.51</u>	
			<u>\$ 184,630.74</u>

SCHEDULE OF ENCUMBRANCES

Exhibit A-13

Balance December 31, 2015	<u>Ref.</u> A		\$ 12,633.75
Increased by:			
2016 Encumbrances	A-3		<u>10,530.38</u>
			23,164.13
Decreased by;			
Disbursed	A-4		<u>12,633.75</u>
Balance December 31, 2016	A		<u>\$ 10,530.38</u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-14

CURRENT FUND

SCHEDULE OF VARIOUS RESERVES

	<u>Ref.</u>	<u>Total</u>	<u>Codification of Ordinances</u>	<u>Accumulated Sick Leave</u>	<u>Reserve For Revaluation</u>	<u>Recreation Donation</u>	<u>Marriage Licenses</u>
Balance December 31, 2015	A	\$ 22,517.80	94.18	10,899.03	9,834.59	1,690.00	
Increased By:							
Cash Receipts	A-4	125.00					125.00
		22,642.80	94.18	10,899.03	9,834.59	1,690.00	125.00
Decreased By:							
Disbursed	A-4	2,882.00			2,757.00		125.00
		2,882.00	-	-	2,757.00	-	125.00
Balance December 31, 2016	A	\$ 19,760.80	94.18	10,899.03	7,077.59	1,690.00	-

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-15

SCHEDULE OF DEFERRED CHARGES N.J.S. 40A:4-53

<u>Date</u>	<u>Description</u>	<u>Original Amount</u>	<u>1/5 of Amount Authorized</u>	<u>Balance Dec. 31, 2015</u>	<u>2016 Budget</u>	<u>Balance Dec. 31, 2016</u>	
4/19/2012	Revaluation	\$ 50,000.00	\$ 10,000.00	\$ 20,000.00	10,000.00	10,000.00	A
				A	A-3	A	

CURRENT FUND

Exhibit A-16

SCHEDULE OF GRANTS RECEIVABLE FOR

FEDERAL AND STATE GRANT FUND

	<u>Balance Dec. 31, 2015</u>	<u>2016 Budget Revenue</u>	<u>Received</u>	<u>Balance Dec 31, 2016</u>
Green Communities	\$ 6,000.00		3,000.00	3,000.00
Clean Communities	4,000.00	4,000.00	4,000.00	4,000.00
CSIP Resiliency		10,000.00		10,000.00
Total Receivables	<u>\$ 10,000.00</u>	<u>14,000.00</u>	<u>7,000.00</u>	<u>17,000.00</u>
Ref.	A	A-17	A	A

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit A-17

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES FOR

FEDERAL AND STATE GRANT FUND

	Balance Dec. 31, 2015	Transfer from 2016 Budget Appropriations Budget	Expended	Balance Dec. 31, 2016
Alcohol Rehabilitation	\$ 4,215.71	412.53		4,628.24
Clean Communities	12,709.87	4,000.00	282.99	16,426.88
Body Armor	2,711.32			2,711.32
Recycling Tonnage	11,569.75			11,569.75
Stormwater Management	2,625.00			2,625.00
Drunk Driving Enforcement	5,515.87			5,515.87
Federal Emergency Management Agency	1,017.22			1,017.22
Cool Cities	2,430.00			2,430.00
CSIP Resiliency		10,000.00	9,750.00	250.00
Green Communities	3,733.00			3,733.00
Green Communities-Match	867.00			867.00
HAVA Section 261 Grant	1.50			1.50
	<u>\$ 47,396.24</u>	<u>14,412.53</u>	<u>10,032.99</u>	<u>51,775.78</u>

Ref. A A-3 A-4 A

CURRENT FUND

Exhibit A-18

SCHEDULE OF UNAPPROPRIATED RESERVES FOR

FEDERAL AND STATE GRANTS

	<u>Balance Dec. 31, 2015</u>	<u>Transfer To 2016 Budget Appropriations</u>	<u>Receipts</u>	<u>Balance Dec. 31, 2016</u>
Municipal Court Education and Alcohol Rehabilitation	<u>\$ 412.53</u>	<u>412.53</u>	<u>785.61</u>	<u>785.61</u>
	<u><u>\$ 412.53</u></u>	<u><u>412.53</u></u>	<u><u>785.61</u></u>	<u><u>785.61</u></u>
Ref.	A	A-16	A-4	A

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

TRUST FUND

Exhibit B-1

SCHEDULE OF CASH - CHECKING

	<u>Ref.</u>	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2015	B	\$ 7,416.30	117,018.13
Increased by:			
Dog Receipts	B-2	1,004.40	
State Fees	B-3	141.60	
Sidewalk Assessments	B-10		11,316.39
Unemployment Insurance	B-4		4,084.49
Developer's Account	B-5		7,200.00
Various Trusts	B-7		22.00
Public Defender	B-9		237.00
Recreation	B-8		3,079.14
		<u>1,146.00</u>	<u>25,939.02</u>
		8,562.30	142,957.15
Decreased by:			
Dog	B-2	268.00	
State Fees	B-3	139.00	
Sidewalk Assessments	B		28.50
Unemployment Insurance	B-4		3,013.00
Developer's Account	B-5		200.00
Public Defender	B-9		10,110.32
Recreation	B-8		
		<u>407.00</u>	<u>13,351.82</u>
Balance December 31, 2016	B	\$ <u>8,155.30</u>	<u>129,605.33</u>

TRUST FUND

SCHEDULE OF RESERVE FOR DOG EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 7,416.30
Increased by:		
Fees Collected	B-1	<u>1,004.40</u>
		8,420.70
Decreased by:		
Disbursements	B-1	<u>268.00</u>
Balance December 31, 2016	B	<u><u>\$ 8,152.70</u></u>

SCHEDULE OF DOG FEES DUE STATE

Exhibit B-3

	<u>Ref.</u>	
Increased by:		
Fees Collected	B-1	\$ 141.60
Decreased by:		
Payments to State	B-1	<u>139.00</u>
Balance December 31, 2016	B	<u><u>\$ 2.60</u></u>

SCHEDULE OF RESERVE - UNEMPLOYMENT INSURANCE

Exhibit B-4

	<u>Ref.</u>	
Balance December 31, 2015	B	\$58,936.87
Increased by:		
Receipts	B-1	<u>4,084.49</u>
		63,021.36
Decreased by:		
Disbursements	B-1	<u>28.50</u>
Balance December 31, 2016	B	<u><u>\$ 62,992.86</u></u>

TRUST FUND

Exhibit B-5

SCHEDULE OF RESERVE FOR DEVELOPERS ACCOUNT

Balance December 31, 2015	<u>Ref.</u> B	\$ 10,187.28
Increased by:		
Builders Deposits	B-1	<u>7,200.00</u>
		17,387.28
Decreased by:		
Disbursements	B-1	<u>3,013.00</u>
Balance December 31, 2016	B	<u>\$ 14,374.28</u>

SCHEDULE OF RESERVE FOR PARK RESTORATION

Exhibit B-6

Balance December 31, 2015 and 2016	<u>Ref.</u> B	<u>\$ 3,249.23</u>
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BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

TRUST FUND

Exhibit B-7

SCHEDULE OF RESERVE - VARIOUS TRUST FUNDS

<u>Ref.</u>	<u>Total</u>	<u>Tax Sale Premiums</u>	<u>P.O.A.A.</u>	<u>Accumulated Sick Leave</u>	<u>Third Party Pay</u>
Balance December 31, 2015	\$ 13,362.53	12,700.00	234.00	100.00	328.53
Increased by:					
Receipts	22.00		22.00		
Balance December 31, 2016	<u>\$ 13,384.53</u>	<u>12,700.00</u>	<u>256.00</u>	<u>100.00</u>	<u>328.53</u>

TRUST FUND

Exhibit B-8

SCHEDULE OF RESERVE FOR RECREATION

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 13,072.22
Increased by:		
Receipts	B-1	<u>3,079.14</u>
		16,151.36
Decreased by:		
Disbursements	B-1	<u>10,110.32</u>
Balance December 31, 2016	B	<u>\$ 6,041.04</u>

SCHEDULE OF RESERVE FOR PUBLIC DEFENDER

Exhibit B-9

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 2,338.20
Increased by:		
Receipts	B-1	<u>237.00</u>
		2,575.20
Decreased by:		
Disbursements	B-1	<u>200.00</u>
Balance December 31, 2016	B	<u>\$ 2,375.20</u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

TRUST FUND

Exhibit B-10

SCHEDULE OF ASSESSMENTS RECEIVABLE

<u>Number</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Balance</u> Dec. 31, 2015	<u>Received</u>	<u>Balance</u> Dec. 31, 2016
2006-2	Sidewalks - Westra Street	5/3/2015	\$ 25,378.20	11,316.39	14,061.81
		Ref.	B	B-1	B

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-2

SCHEDULE OF CASH - CHECKING

Balance December 31, 2015	<u>Ref.</u> C		\$ 385,438.19
Increased by:			
Capital Improvement Fund	C-6	\$ 25,000.00	
Grants Received	C-3	92,980.80	
Refunds	C-3	3,527.00	
Bond Anticipation Notes	C-3	<u>239,700.00</u>	
			<u>361,207.80</u>
			746,645.99
Decreased by:			
Improvement Authorizations	C-5	<u>339,726.86</u>	
			<u>339,726.86</u>
Balance December 31, 2016	C		<u><u>\$ 406,919.13</u></u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

SCHEDULE OF CASH AND INVESTMENTS

Description	Balance		Receipts	Disbursements	From	To	Balance Dec. 31, 2016
	Dec. 31, 2015						
Fund Balance	\$ 26,868.08				25,000.00	25,000.00	1,868.08
Capital Improvement Fund	(9,383.20)		25,000.00		9,250.00		31,366.80
Grants Receivable	(80,501.56)						(80,501.56)
CDBG Grant Receivable	(110,536.00)		92,980.80				(17,555.20)
Reserve for Garage Repairs	4,219.50						4,219.50
Improvement Authorizations							
342 Borough Facilities	204.95						204.95
349 Bridlemere Avenue	(1.36)						(1.36)
357 Fernmere Avenue	(5,757.38)						(5,757.38)
374 Sewer Pump System	877.49						877.49
375 Sewer System	(8,500.00)						(8,500.00)
383 Windermere Avenue	30,027.12						30,027.12
2005-1 Borough Equipment	1,627.70		3,500.00				5,127.70
2006-13 & 387 Sanitation Truck	5,240.13						5,240.13
2006-15 Bendermere Avenue	3,775.54						3,775.54
2007-7 Bendermere Avenue	15,296.85						15,296.85
2010-6 Grassmere Ave-Phase 11	6,791.07		27.00				6,818.07
2010-6 Pick Up Truck	2,634.75						2,634.75
2010-6 Sound Recorder	158.00						158.00
2010-6 Sewer Infiltration Study	30.25						30.25
2011-4 Tennis Courts	7,031.70						7,031.70
2011-4 Telephone Equipment	2,392.43						2,392.43
2011-4 Sewer Improvements	87.50						87.50
2011-4 Costs	2,793.50						2,793.50
2011-4 Copier	500.00						500.00
2012-5 Grassmere Ave-Phase III	10,247.11						10,247.11
2012-5 Road Repairs	1,000.00						1,000.00
2012-5 Boro Hall	750.00						750.00
2012-5 Park Improvements	28,350.00			2,250.00			26,100.00
2014-3 Sewer Improvements	74,490.00		25,510.00				100,000.00
2014-5 Buttermere Phase 111	181,343.11						4,147.09
2012-6 Grassmere Ave. Assessments	4,250.00			177,196.02			4,250.00
2012-6 Costs	(2,613.75)						(2,613.75)
2013-2 Computers/Projector	6,740.46			6,740.46			-
2013-2 Section Expenses	63,195.00						63,195.00
2015-4 Various	121,809.20		214,190.00	104,855.80			231,143.40
2016-2 Various				48,684.58		9,250.00	(39,434.58)
	\$ 385,438.19		361,207.80	339,726.86	34,250.00	34,250.00	406,919.13

Ref.

C

C-2

C-2

C

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Description	Balance Dec. 31, 2015	2016 Authorizations	Decreased by Budget Appropriations	Balance Dec. 31, 2016	Bond Anticipation Notes	Unexpended Improvement Authorization	Expended Improvement Authorization
02-5	349 Bridlemere Avenue	\$ 1.36			1.36			1.36
03-13	357 Fermere Avenue	8,702.49			8,702.49		2,945.11	5,757.38
05-09	374 Sump Pump System	260.23			260.23		260.23	
06-08	375 Sewer System	19,149.11			19,149.11		10,649.11	8,500.00
06-12	383 Sidewalks & Curbs	36,140.00			36,140.00		31,917.12	4,222.28
2005-1	387 Sanitation Truck	10,561.00		10,561.00	-			
2006-02	Borough Equipment	17,516.00		10,120.00	7,396.00		5,127.70	2,268.30
2006-13	Various Improvements	13,960.00		13,960.00	-			
2006-15	Sanitation Truck	6,529.00		7,075.00	(546.00)			
2007-7	Bendermere Avenue	12,281.00		12,281.00	-			
2011-4	Bendermere Avenue	25,432.00		12,718.00	12,714.00	12,714.00		
2012-5	Various Improvements	52,500.00		7,500.00	45,000.00	45,000.00		
2012-6	Various Improvements	262,440.00		32,805.00	229,635.00	229,635.00		
2013-2 & 2014-5	Grasmere Ave Sidewalks	98,515.00			98,515.00		98,515.00	
2014-3	Various Improvements	418,625.00		11,892.00	406,733.00	406,733.00		
2014-5	Sewer Improvements	25,510.00			25,510.00	25,510.00		
2015-5	Buttermere Ave	38,950.00		38,950.00	-		0.80	
216-2	Various Improvements	214,190.80			214,190.80	214,190.00		
			175,750.00		175,750.00		136,315.42	48,684.58
		\$ 1,261,262.99	175,750.00	157,862.00	1,279,150.99	933,782.00	285,730.49	69,433.90

Ref. C C C-5 C-7 C C C-7 C-5 C-5 C-5 C-5

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Balance Dec. 31, 2015		2016 Authorizations	Cancelled Encumbrances	Expended	Balance Dec. 31, 2016	
		Funded	Unfunded				Funded	Unfunded
342	Borough Facilities	\$ 204.95					204.95	
357	Fermere Avenue		2,945.11					2,945.11
374	Sump Pump System		1,137.72					1,137.72
375	Sewer System		10,649.11					10,649.11
383	Sidewalks and Curbs		31,917.12					31,917.12
2005-1	Equipment		1,627.70		3,500.00			5,127.70
2007-07	Bendermere Avenue		60,172.39					60,172.39
2006-13	Sanitation Truck		5,240.13					5,240.13
2010-6	Grasmere Avenue-Phase II		6,791.07		27.00			6,818.07
2010-6	Pick Up Truck	2,634.75					2,634.75	
2010-6	Sound Recorder	158.00					158.00	
2010-6	Sewer Infiltration Study	30.25					30.25	
2011-2	Tennis Courts		7,031.70					7,031.70
2011-4	Telephone Equipment		2,392.43					2,392.43
2011-4	Sewer Improvements		87.50					87.50
2011-4	Costs		500.00					500.00
2011-4	Copier		2,793.50					2,793.50
2012-5	Various		40,347.11					40,347.11
2012-6	Grasmere Ave Sidewalks	1,636.25	98,515.00			2,250.00	1,636.25	98,515.00
2013-2	Computers/Projector	6,740.46				6,740.46		
2013-2	Section Expenses		63,195.00					63,195.00
2014-3	Sewer Improvements	74,490.00	25,510.00				74,490.00	25,510.00
2014-5	Buttermere Ave Phase II	181,343.11			(4,495.97)	177,196.02	1,902.60	
2015-4	Various Improvements	121,809.20	214,190.80			104,855.80	16,953.40	214,190.80
2016-2	Various Improvements			185,000.00		48,684.58		136,315.42
		\$ 389,046.97	575,043.39	185,000.00	(968.97)	339,726.86	98,010.20	712,635.81
		C	C	C-3	C	C-2	C	C
		Ref.	Ref.					
	Capital Improvement Fund		C-6	\$ 9,250.00				
	Deferred Charges Unfunded		C-4	175,750.00				
				\$ 185,000.00				

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 15,616.80
Increased by:		
Budget Appropriations	C-3	<u>25,000.00</u>
		40,616.80
Decreased By:		
Appropriated to Finance Improvement Authorizations	C-5	<u>9,250.00</u>
Balance December 31, 2016	C	<u><u>\$ 31,366.80</u></u>

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit C-7

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>	<u>Issued</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2016</u>
2006-2, Roads & Sidewalks	5/12/07	4/27/11	4/22/16		\$ 13,960.00		13,960.00	-
2013-2/2014-5	4/24/14	4/22/16	4/20/17	1.15%	418,625.00		11,892.00	406,733.00
2014-3	4/22/16	4/22/16	4/22/17	1.15%		25,510.00		25,510.00
2006-12-387	5/12/07	4/27/11	4/22/16		10,561.00		10,561.00	-
2006-15 Bendemere Ave.	5/12/07	4/27/11	4/22/16		12,281.00		12,281.00	-
2005-1 Various Equip.	5/12/07	4/27/11	4/22/16		10,120.00		10,120.00	-
2007-7 Bendemere Ave.	4/30/08	4/27/11	4/20/17	1.15%	25,432.00		12,718.00	12,714.00
2006-13 Sanitation Truck	12/29/06	4/27/11	4/22/16		7,075.00		7,075.00	-
2011-4 Various	4/26/12	4/22/16	4/22/17	1.15%	52,500.00		7,500.00	45,000.00
2012-5 Various	4/27/12	4/22/16	4/20/17	1.15%	262,440.00		32,805.00	229,635.00
2015-4 Buttermere Ave.	4/23/15	4/22/16	4/20/17	1.15%	38,950.00	214,190.00	38,950.00	214,190.00
					<u>\$ 851,944.00</u>	<u>239,700.00</u>	<u>157,862.00</u>	<u>933,782.00</u>
				Ref.	C	C-9	C-4	C
				Paid Through the Budget			<u>\$ 157,862.00</u>	

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

Exhibit C-8

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GARAGE REPAIRS

	<u>Ref.</u>	
Balance December 31, 2015 and 2016	C	<u>\$ 4,219.50</u>

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Exhibit C-9

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance Dec. 31, 2015</u>	<u>2016 Authorization</u>	<u>Notes Issued</u>	<u>Balance Dec. 31, 2016</u>
349	Bridlemere Avenue	\$ 1.36			1.36
357	Fernmere Avenue	8,702.49			8,702.49
374	Sump Pump Collection System	260.23			260.23
375	Sewer System	19,149.11			19,149.11
383	Windermere Avenue	1,890.00			1,890.00
2007-7	Bendmere Avenue	78,600.00			78,600.00
2014-3	Sewer Improvements	25,510.00		25,510.00	-
2012-6	Grasmere Ave Sidewalks	98,515.00			98,515.00
2015-4	Various	214,190.80		214,190.00	0.80
2016-2	Various		175,750.00		175,750.00
		<u>\$ 446,818.99</u>	<u>175,750.00</u>	<u>239,700.00</u>	<u>382,868.99</u>
Ref.		C	C-5	C-7	C

BOROUGH OF INTERLAKEN

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.
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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 Borough Council
 Borough of Interlaken
 County of Monmouth
 Interlaken, New Jersey 07712

We have audited the consolidated financial statements of the Borough of Interlaken (the "Borough"), as of and for the year ended December 31, 2016, and have issued our report thereon dated May 5, 2017. Our report disclosed that, as described in Note 1 to the regulatory basic financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (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 Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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

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 Borough'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 Borough in the comments and recommendations section of this report and in a separate letter dated May 5, 2017.

This report is intended solely for the information and use of the Borough's management, the Borough Council, others within the organization, the Division, and federal and state awarding agencies and pass 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

May 5, 2017

BOROUGH OF INTERLAKEN

COUNTY OF MONMOUTH

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

GENERAL COMMENTS

Scope of Audit

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

The audit did not and could not determine the character of services rendered for which payments had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

Cash balances were reconciled with independent certifications obtained directly from the depositories.

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

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

N.J.S. 40A:113(C) states “Every contract or agreement, for the performance of any work or the furnishing or hiring of any material 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 \$29,000.00 and \$40,000.00 if there is a certified purchasing agent. Effective July 1, 2015, if there is no Qualified Purchasing Agent the bid threshold was adjusted to \$17,500.00 and \$2,625.00 for quotes and \$6,000 with a qualified 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 a 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.

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

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.

The governing body on January 1, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

“BE IT RESOLVED that upon the recommendations of the Borough Tax Collector”:

1. Taxes shall be collected quarterly on February 1, May 1, August 1 and November 1, 2016.
2. There shall be a ten (10) day grace period on the quarterly taxes, after which unpaid taxes will be charged interest back to the due date.
3. Interest shall be charged and calculated at the rate of eight (8)% per annum on the first \$1,500.00 of the delinquency, and eighteen (18)% per annum on any amount in excess of \$1,500.00 to be calculated from the date the tax as payable until the date the actual payment is received.
4. There shall be a six (6)% penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year. Delinquency is defined to mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters.

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

Delinquent Taxes and Tax Title Liens

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

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

<u>Year</u>	<u>Number of Liens</u>
2016	None
2015	None
2014	None

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	14
Delinquent Taxes	3

Fixed Assets

The Borough contracted with L.L. Annum Co. to inventory its fixed assets during the year. The amounts shown on Exhibit F appear to accurately reflect the proper inventory balances for the Borough.

Unemployment Insurance

The Borough elected to adopt the reimbursement plan for unemployment insurance as provided by statute. These funds were deposited in a trust savings account to be held specifically until needed for any claims presented. The Borough has contributed an additional 1% of all eligible salaries paid to this trust account. This account had a balance of \$62,992.86 at December 31, 2016. Unemployment withholdings are turned over to the State. Excess claims paid are billed by the State to the Borough and paid from the trust account.

Prior Year Recommendations

None

Current Year Recommendations

None

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 contact us.