

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 31, 2018

NEW ISSUE

Rating: (See "RATING" herein)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Borough (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**BOROUGH OF HIGHTSTOWN,
IN THE COUNTY OF MERCER, NEW JERSEY
\$6,057,000* GENERAL OBLIGATION BONDS**

**CONSISTING OF:
\$5,154,000* GENERAL IMPROVEMENT BONDS
AND
\$903,000* WATER/SEWER UTILITY BONDS
(CALLABLE) (BANK-QUALIFIED) (BOOK-ENTRY-ONLY)**

Dated: Date of Delivery

Due: April 1, as shown on the inside front cover

The \$6,057,000* General Obligation Bonds, consisting of \$5,154,000* General Improvement Bonds (the "General Improvement Bonds") and \$903,000* Water/Sewer Utility Bonds (the "Water/Sewer Utility Bonds" and, together with the General Improvement Bonds, the "Bonds"), of the Borough of Hightstown, in the County of Mercer, New Jersey (the "Borough"), will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository.

Proceeds of the General Improvement Bonds will be used to: (i) currently refund the Borough's \$4,654,000 Bond Anticipation Note, dated May 31, 2018 and maturing October 1, 2018; (ii) provide new money in the amount of \$500,000 to finance various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the General Improvement Bonds. See "AUTHORIZATION AND PURPOSE – General Improvement Bonds" herein.

Proceeds of the Water/Sewer Utility Bonds will be used to: (i) currently refund the Borough's \$853,200 Water /Sewer Utility Bond Anticipation Note, dated May 31, 2018 and maturing October 1, 2018 (together with a \$200 principal reduction payment from the current budget); (ii) provide new money in the amount of \$50,000 to finance various water and sewer utility improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the Water/Sewer Utility Bonds. See "AUTHORIZATION AND PURPOSE – Water/Sewer Utility Bonds" herein.

Interest on the Bonds will be payable semiannually on the first day of April and October in each year until maturity or prior redemption, commencing April 1, 2019. The principal of and the interest due on the Bonds will be paid to DTC by the Borough. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Bonds are subject to optional redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Redemption" herein.

The Bonds are valid and legally binding general obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Delivery is anticipated to be at the offices of the Borough's Bond Counsel, McManimon, Scotland & Baumann, LLC, or at such other place as agreed to with the Underwriter on or about September 27, 2018.

**BIDS FOR THE BONDS WILL BE RECEIVED BY THE BOROUGH ON SEPTEMBER 11, 2018 IN
ACCORDANCE WITH THE NOTICE OF SALE POSTED AT MUNIHUB.COM.**

* Preliminary, subject to change.

**BOROUGH OF HIGHTSTOWN,
IN THE COUNTY OF MERCER, NEW JERSEY
\$6,057,000* GENERAL OBLIGATION BONDS, SERIES 2018**

**CONSISTING OF:
\$5,154,000* GENERAL IMPROVEMENT BONDS
AND
\$903,000* WATER/SEWER UTILITY BONDS
(CALLABLE) (BANK-QUALIFIED) (BOOK-ENTRY-ONLY)**

MATURITIES, PRINCIPAL AMOUNTS*, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year (April 1)</u>	<u>General Improvement Amount*</u>	<u>Water/Sewer Utility Amount*</u>	<u>Combined Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2019	\$250,000	\$75,000	\$325,000	%	%	
2020	250,000	75,000	325,000			
2021	250,000	75,000	325,000			
2022	500,000	75,000	575,000			
2023	500,000	75,000	575,000			
2024	500,000	75,000	575,000			
2025	500,000	75,000	575,000			
2026	500,000	75,000	575,000			
2027	500,000	75,000	575,000			
2028	500,000	75,000	575,000			
2029	500,000	75,000	575,000			
2030	404,000	78,000	482,000			

* Preliminary, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF HIGHTSTOWN,
IN THE COUNTY OF MERCER, NEW JERSEY**

MAYOR

Lawrence D. Quattrone

BOROUGH COUNCIL

Charles “Lee” Stults, President
Susan Bluth
Denise “Denny” Hansen
Steven Misura
Connor Montferrat
Dimitri Musing

BOROUGH ADMINISTRATOR/CLERK

Debra L. Sopronyi

CHIEF FINANCIAL OFFICER

George Lang

BOROUGH AUDITOR

Samuel Klein and Company
Freehold, New Jersey

BOROUGH ATTORNEY

Frederick C. Raffetto, Esquire
Ansell Grimm & Aaron, P.C.
Ocean, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Borough from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Borough.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Borough since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO REGISTRATION STATEMENTS RELATING TO THE BONDS HAVE BEEN FILED WITH THE SEC OR ANY STATE SECURITIES AGENCY. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT
OF
BOROUGH OF HIGHTSTOWN,
IN THE COUNTY OF MERCER, NEW JERSEY
\$6,057,000* GENERAL OBLIGATION BONDS**

**CONSISTING OF:
\$5,154,000* GENERAL IMPROVEMENT BONDS
AND
\$903,000* WATER/SEWER UTILITY BONDS**

INTRODUCTION

This Official Statement, which includes the front cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of Hightstown, in the County of Mercer, New Jersey (the “Borough”), in connection with the sale and issuance of \$6,057,000* General Obligation Bonds, consisting of \$5,154,000* General Improvement Bonds (the “General Improvement Bonds”) and \$903,000* Water/Sewer Utility Bonds (the “Water/Sewer Utility Bonds” and, together with the General Improvement Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer, and its distribution and use in connection with the sale of the Bonds have been authorized by the Borough.

This Official Statement is “deemed final,” as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

DESCRIPTION OF THE BONDS

General Description

The Bonds shall be dated the date of delivery and shall mature on April 1 in each of the years and in the amounts set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or prior redemption, commencing on April 1, 2019. Principal of and interest on the Bonds will be paid to DTC (as defined herein) by the Borough or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”) and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC. See “Book-Entry-Only System” herein.

* Preliminary, subject to change.

Redemption

The Bonds of this issue maturing prior to April 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after April 1, 2026 are redeemable at the option of the Borough, in whole or in part, on any date on or after April 1, 2025 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered global Bond certificate will be issued for each maturity of each series and, where applicable, each sub-series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities

brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with the Direct Participants, the “DTC Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough or its paying agent, if any, as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or its paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough does not take any responsibility for the accuracy thereof.

THE BOROUGH AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry-Only System

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Borough will attempt to locate another qualified securities depository. If the Borough fails to find such a securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Borough shall notify DTC of the termination of the book-entry-only system.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are valid and legally binding general obligations of the Borough, and the Borough has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

The Borough

The Borough is located in the eastern section of Mercer County, New Jersey (the "County"). See Appendix "A" for demographic and statistical information concerning the Borough.

AUTHORIZATION AND PURPOSE

General Improvement Bonds

The General Improvements Bonds are authorized by and are being issued pursuant to: (i) the laws of the State of New Jersey, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the “Local Bond Law”), (ii) the bond ordinances set forth below, each finally adopted by the Borough Council, and (iii) an authorizing resolution duly adopted by the Borough on August 20, 2018 (the “Resolution”).

The proceeds of the General Improvement Bonds are being used to: (i) currently refund the Borough’s \$4,654,000 Bond Anticipation Note, dated and issued May 31, 2018 and maturing October 1, 2018; (ii) provide \$500,000 in new money to finance various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the General Improvement Bonds.

GENERAL IMPROVEMENT BOND ORDINANCES				
BOND ORDINANCE NUMBER	DESCRIPTION OF AND DATE OF ADOPTION OF BOND ORDINANCE	REFUNDING PROCEEDS	NEW MONEY PROCEEDS	TOTAL AMOUNT OF BOND PROCEEDS
2005-24, as supplemented by 2009-13	Peddie Lake dam improvements, finally adopted July 5, 2005, as supplemented August 3, 2009.	\$39,000	\$0	\$39,000
2008-01	Improvements to Westerlea Avenue, finally adopted January 22, 2008.	29,000	0	29,000
2009-01	Reconstruction of Morrison Avenue, finally adopted February 2, 2009.	36,000	0	36,000
2009-10	Improvements to Memorial Park parking lot, finally adopted May 18, 2009.	29,200	0	29,200
2009-20	Stockton Street Historic District Streetscape Infrastructure Project and improvements to surrounding areas, finally adopted September 21, 2009.	66,400	0	66,400
2010-16	Summit Street sidewalk improvements, finally adopted September 20, 2010.	31,000	0	31,000
2011-05	Milling and paving program for various roads, finally adopted June 6, 2011.	90,000	0	90,000
2011-11	Various capital improvements, finally adopted December 5, 2011.	224,100	0	224,100
2012-04	Funding an emergency authorization for damage incurred as a result of Hurricane Irene, finally adopted April 16, 2012.	589,400	0	589,400
2012-13	Various capital improvements, finally adopted September 18, 2012.	224,600	0	224,600
2012-15	Acquisition and installation of equipment, finally adopted September 18, 2012.	27,900	0	27,900

2013-04	Various capital improvements, finally adopted February 19, 2013.	133,200	0	133,200
2013-07	Improvements to the Peddie Lake Dam walking bridge, finally adopted April 1, 2013.	179,000	0	179,000
2013-22	Various capital improvements, finally adopted September 3, 2013.	136,300	0	136,300
2013-23, as supplemented by 2015-06	Various road improvements, finally adopted November 18, 2013, as supplemented May 20, 2015.	551,114	0	551,114
2014-06	Various capital improvements, finally adopted June 15, 2015.	192,966	0	192,966
2014-13	Various capital improvements, finally adopted July 21, 2014.	148,700	0	148,700
2015-07	Various road improvements, finally adopted April 20, 2015.	180,000	0	180,000
2015-11	Acquisition of an aerial ladder truck, finally adopted June 1, 2015.	952,000	0	952,000
2015-20	Acquisition of an automated garbage truck, finally adopted September 8, 2015.	309,500	0	309,500
2016-08	Various capital improvements, finally adopted March 7, 2016.	75,800	0	75,800
2016-12	Rehabilitation of East Ward Street, finally adopted April 18, 2016.	160,000	0	160,000
2017-12	Various capital improvements, finally adopted September 5, 2017.	248,820	0	248,820
2018-12	Acquisition of land, finally adopted June 18, 2018	0	<u>500,000</u>	<u>500,000</u>
TOTAL:		\$4,654,000	\$500,000	\$5,154,000

Water/Sewer Utility Bonds

The Water/Sewer Utility Bonds are authorized by and are being issued pursuant to: (i) the laws of the State of New Jersey, including the Local Bond Law, (ii) the bond ordinances set forth below, each finally adopted by the Borough Council, and (iii) the Resolution.

The proceeds of the Water/Sewer Utility Bonds are being issued to: (i) currently refund \$853,000 of the Borough's \$853,200 Water/Sewer Utility Bond Anticipation Note, dated and issued May 31, 2018 and maturing October 1, 2018 (together with a \$200 principal reduction payment from the current budget); (ii) provide \$50,000 in new money to finance various water and sewer utility improvements; and (iii) pay the costs associated with the authorization, sale and issuance of the Water/Sewer Utility Bonds.

WATER/SEWER UTILITY BOND ORDINANCES				
BOND ORDINANCE NUMBER	DESCRIPTION OF AND DATE OF ADOPTION OF BOND ORDINANCE	REFUNDING PROCEEDS	NEW MONEY PROCEEDS	TOTAL AMOUNT OF BOND PROCEEDS
2008-10, as amended by 2008-19	Various capital improvements, finally adopted June 2, 2008, as amended October 20, 2008.	\$100,000	\$0	\$100,000
2009-02	Morrison Avenue water and sewer capital improvements, finally adopted February 2, 2009.	28,300	0	28,300
2009-15	Water main extension improvements to roads, finally adopted September 8, 2009.	200,000	50,000	250,000
2011-03	Acquisition, construction and installation of various facilities, structures and equipment, finally adopted June 6, 2011.	156,700	0	156,700
2011-04	Refurbishment of water tanks for the water utility, finally adopted June 6, 2011.	92,500	0	92,500
2012-14	Providing for various water and sewer improvements, finally adopted September 18, 2012	109,100	0	109,100
2013-19	Water and sewer improvements for Grape Run Road and the Pershing Avenue Project for the Water Utility, finally adopted August 19, 2013.	71,400	0	71,400
2014-12	Improvements to water plants, finally adopted July 21, 2014.	<u>95,000</u>	<u>0</u>	<u>95,000</u>
	TOTAL:	\$853,000	\$50,000	\$903,000

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N. J. S. A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Borough has not exceeded its statutory debt limit.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit’s bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year’s principal payment for a bond issue.

Local Budget Law (N. J. S. A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions

only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the Borough’s local school district and the County, the tax rate is struck by the Mercer County Board of Taxation (the “County Board of Taxation”) based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time state aid is certified, by the Borough’s Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

Tax Appeals

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New

Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the Borough is on file with the Clerk and is available for review during business hours.

FINANCIAL STATEMENTS

Appendix B contains certain unaudited financial data of the Borough extracted from the Annual Financial Statement for the fiscal year ending December 31, 2017 and certain audited financial data of the Borough for the fiscal year ending December 31, 2016. The audited financial data was extracted from the report prepared by Antonides and Simone CPAs, Adelphia, New Jersey (the "2016 Auditor"), to the extent and for the period set forth in their report appearing in Appendix B to this Official Statement. The 2016 Auditor and Samuel Klein and Company, Freehold, New Jersey (the "Auditor"), have not participated in the preparation of this Official Statement, nor have such firms verified the accuracy, completeness or fairness of the information contained herein (except for the financial statements appearing in Appendix B hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Borough of Hightstown, in the County of Mercer, New Jersey".

LITIGATION

To the knowledge of the Borough Attorney, Frederick C. Raffetto, Esq., of Ansell Grimm & Aaron, P.C., Ocean, New Jersey (the "Borough Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. To the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. A certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code.

Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Borough will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("Bond Counsel") is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the

principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank Qualification

The Bonds **will** be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

Additional Federal Income Tax Consequences of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has

been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

RATING

Moody's Investors Service, Inc. (the "Rating Agency") has assigned a rating of "A1" to the Bonds based upon the creditworthiness of the Borough.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Borough provided the Rating Agency with certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITER

The Bonds have been purchased from the Borough, pursuant to the terms of the Borough's notice of sale, by _____ (the "Underwriter"), at a purchase price of \$ _____ (the "Purchase Price"). The Purchase Price reflects the par amount of the Bonds in the amount of \$ _____ plus a bid premium in the amount of \$ _____. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside front cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the sale, the issuance and the delivery of the Bonds are subject to the approval of Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Borough by the Borough Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the Underwriter by certificates signed by the Mayor and the Chief Financial Officer.

All other information has been obtained from sources that the Borough considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

SECONDARY MARKET DISCLOSURE

The Borough has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Borough shall provide:

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31 of the year in which the Bonds are issued, to the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access Data Port (“EMMA”), annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) Borough indebtedness, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;

- (12) Bankruptcy, insolvency, receivership or similar event of the Borough;
- (13) The consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notice of failure of the Borough to provide required annual financial information on or before the date specified in the undertaking shall be sent in a timely manner to the MSRB.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided pursuant to the Borough's undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Borough prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Borough fails to comply with the Rule requirements or the written contracts or undertakings, the Borough shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2012, 2013, 2014, 2015 and 2016; (ii) operating data for the fiscal years ending December 31, 2012, 2014, 2015 and 2016; and (iii) an adopted budget for the fiscal year ending December 31, 2013. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) an adopted budget, all as described above, and late filing notices and/or event notices in connection with a bond insurer rating change in 2014. Such notices of events and late filings have since been filed with EMMA. The Borough appointed Phoenix Advisors, LLC in August of 2018 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to George Lang, Chief Financial Officer, Borough of Hightstown, 156 Bank Street, Hightstown, New Jersey, 08520-3296, (609) 490-5100 or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Borough, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change

without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Borough since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

**BOROUGH OF HIGHTSTOWN, IN THE COUNTY
OF MERCER, NEW JERSEY**

By: _____
George Lang,
Chief Financial Officer

Dated: September ___, 2018

APPENDIX A

Economic and Demographic Information Relating to the Borough of Hightstown, in the County of Mercer, New Jersey

INFORMATION REGARDING THE BOROUGH¹

The following material presents certain economic and demographic information of the Borough of Hightstown (the “Borough”), in the County of Mercer (the “County”), State of New Jersey (the “State”).

General Information

The Borough is comprised of 1.23 square miles and is located in the eastern section of the County. The Borough is served by major arteries, including the New Jersey Turnpike.

Form of Government

The governing body of the Borough consists of a Mayor and six-member Council. A Council President is selected from and by the members of Council. The Council has legislative power, except as delegated, and its members head oversight committees to review activities of Borough departments. The Mayor is the Borough's chief executive and presides over Council meetings. The Mayor votes only in the event of a deadlocked Council. All members of the governing body are elected on an "at large" basis by the voters of the Borough. The Mayor's term is four years and, each year, two Council members are elected for a three-year term.

Education

The Borough and East Windsor Township are constituent municipalities of the East Windsor Regional School District (the “School District”). The School District provides classes for grades kindergarten through twelve in six school facilities. The School District includes in its programs an extensive recreation program and adult continuing education curriculum. The Peddie School, a private college preparatory coeducational school for grades eight to twelve, is located in the Borough. The main campus of Mercer County Community College is located in nearby West Windsor Township. Rutgers, the State University, and Princeton University are within a thirty-minute drive.

Utilities/Public Works

Water and sewer service are provided by the Borough's municipally owned utilities. Electricity is delivered by Jersey Central Power and Light Company and natural gas is supplied by Public Service Electric and Gas Company.

Retirement Systems

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the

¹ Source: The Borough, unless otherwise indicated.

benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2018, which is based upon the annual billings received from the State, totals \$218,518 for PERS and \$256,450 for PFRS.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2017	3,530	3,420	110	3.1%
2016	3,536	3,420	116	3.3%
2015	3,529	3,386	143	4.1%
2014	3,507	3,334	173	4.9%
2013	3,470	3,263	207	6.0%
<u>County</u>				
2017	198,846	190,683	8,163	4.1%
2016	199,400	190,708	8,692	4.4%
2015	198,447	188,505	9,942	5.0%
2014	195,547	184,035	11,512	5.9%
2013	193,679	179,551	14,128	7.3%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Income (as of 2016)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$68,271	\$73,966	\$73,702
Median Family Income	69,614	95,533	90,757
Per Capita Income	32,809	38,652	37,538

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

	<u>Borough</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	5,384	-2.00%	374,733	2.24%	9,005,644	2.43%
2010	5,494	5.33	366,513	4.49	8,791,894	4.49
2000	5,216	1.76	350,761	7.65	8,414,350	8.85
1990	5,126	11.90	325,824	5.83	7,730,188	4.96
1980	4,581	-15.65	307,863	1.23	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Presbyterian Homes at Meadow Lake	\$11,200,000	2.85%
Hightstown Development Assoc. LLC	9,552,000	2.43%
Mercer St. Warehouse/Bruckner S-C/O VCYN	5,640,000	1.43%
Bond, Jeffery	4,504,200	1.15%
Verizon C/O Duff & Phelps	4,411,656	1.12%
The Peddie School	3,522,200	0.90%
Nassau Apartments, LLC	2,534,000	0.64%
CCL Label, Inc.	2,100,000	0.53%
Hights Realty, LLC	1,913,000	0.49%
Heightstown Village Center, LLC	<u>1,794,000</u>	<u>0.46%</u>
Total	<u>\$47,171,056</u>	<u>12.00%</u>

Source: The Borough

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017U	\$16,198,830	\$15,937,265	98.39%
2016	16,003,149	15,723,604	98.25%
2015	15,839,644	15,544,799	98.14%
2014	16,021,904	15,673,573	97.83%
2013	15,559,734	15,268,882	98.13%

U: Unaudited

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017U	\$194,733	\$230,419	\$425,152	2.62%
2016	153,605	267,561	421,166	2.63%
2015	4,472	315,029	319,500	2.02%
2014	159,451	318,391	477,842	2.98%
2013	118,008	267,386	385,394	2.48%

U: Unaudited

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017U	\$0
2016	0
2015	0
2014	0
2013	0

U: Unaudited

Source: Annual Audit Reports of the Borough

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Regional</u> <u>School</u>	<u>County</u>	<u>Total</u>
2018	\$1.291	\$2.174	\$0.712*	\$4.177
2017	1.224	2.190	0.708	4.122
2016	1.177	2.196	0.713	4.086
2015	1.162	2.197	0.701	4.060
2014	1.155	2.192	0.739	4.086

*: Estimate

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed</u> <u>Valuation of</u> <u>Real Property</u>	<u>Aggregate True</u> <u>Value of</u> <u>Real Property</u>	<u>Ratio of</u> <u>Assessed to</u> <u>True Value</u>	<u>Assessed</u> <u>Value of</u> <u>Personal Property</u>	<u>Equalized</u> <u>Valuation</u>
2018	\$389,512,700	--	--	\$3,582,656	--
2017	388,764,000	\$402,363,900	96.62%	3,416,396	\$405,780,296
2016	387,092,700	405,162,968	95.54	3,374,648	408,537,616
2015	386,623,400	408,476,915	94.65	2,963,474	411,440,389
2014	388,510,500	412,387,751	94.21	3,348,297	415,736,048

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$2,529,900	\$312,979,100	\$0	\$57,485,900	\$3,167,900	\$13,349,900	\$389,512,700
2017	2,652,000	312,588,100	0	57,330,600	3,149,400	13,043,900	388,764,000
2016	3,121,500	310,610,300	0	57,167,600	3,149,400	13,043,900	387,092,700
2015	3,096,100	310,248,700	0	57,085,300	3,149,400	13,043,900	386,623,400
2014	2,562,400	311,352,900	0	57,641,600	3,909,700	13,043,900	388,510,500

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$720,000	\$600,000	\$610,000	\$1,028,000	\$804,400
Miscellaneous Revenues	1,341,415	1,418,470	1,319,003	1,371,719	1,407,031
Receipts from Delinquent Taxes	260,000	304,000	280,000	265,000	250,000
Amount to be Raised by Taxation	<u>4,525,716</u>	<u>4,525,716</u>	<u>4,595,167</u>	<u>4,800,550</u>	<u>5,070,987</u>
Total Revenue:	<u>\$6,847,131</u>	<u>\$6,848,186</u>	<u>\$6,804,170</u>	<u>\$7,465,269</u>	<u>\$7,532,418</u>
<u>Appropriations</u>					
General Appropriations	\$5,377,030	\$5,344,399	\$5,282,583	\$5,681,856	\$5,722,413
Operations (Excluded from CAPS)	345,029	376,153	352,903	405,194	445,761
Deferred Charges and Statutory Expenditures	100,000	0	0	0	0
Judgments	41,696	41,558	41,558	41,637	41,148
Capital Improvement Fund	26,000	49,500	40,000	80,000	100,000
Municipal Debt Service	507,376	571,576	612,126	771,582	733,096
Reserve for Uncollected Taxes	<u>450,000</u>	<u>465,000</u>	<u>475,000</u>	<u>485,000</u>	<u>490,000</u>
Total Appropriations:	<u>\$6,847,131</u>	<u>\$6,848,186</u>	<u>\$6,804,170</u>	<u>\$7,465,269</u>	<u>\$7,532,418</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017U	\$1,160,823	\$804,400
2016	1,409,923	1,028,000
2015	1,216,090	610,000
2014	1,083,918	600,000
2013	1,253,360	720,000

U: Unaudited

Source: Annual Audit Reports of the Borough

Water/Sewer Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Water/Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Water/Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017U	\$244,003	\$240,000
2016	188,986	146,169
2015	125,400	100,000
2014	86,427	85,000
2013	297,863	292,500

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$1,605,000
Bond Anticipation Notes	4,441,000
Bonds and Notes Authorized but Not Issued	2,330,805
Other Bonds, Notes and Loans	<u>109,295</u>
Total:	\$8,486,100

Local School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$0

Regional School District Debt

Serial Bonds	\$3,319,124
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$3,319,124

Self-Liquidating Debt

Serial Bonds	\$1,310,000
Bond Anticipation Notes	1,748,850
Bonds and Notes Authorized but Not Issued	2,336,336
Other Bonds, Notes and Loans	<u>2,958,333</u>
Total:	\$8,353,519

TOTAL GROSS DEBT

\$20,158,743

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	3,319,124
Self-Liquidating Debt	<u>8,353,519</u>
Total:	\$11,672,643

TOTAL NET DEBT

\$8,486,100

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School District	\$25,880,000	12.83%	\$3,319,124
County	531,752,113	0.91%	<u>4,855,006</u>
Net Indirect Debt			\$8,174,130
Net Direct Debt			<u>8,486,100</u>
Total Net Direct and Indirect Debt			<u>\$16,660,230</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$405,334,594
Permitted Debt Limitation (3 1/2%)	14,186,711
Less: Net Debt	<u>8,486,100</u>
Remaining Borrowing Power	<u>\$5,700,610</u>
Percentage of Net Debt to Average Equalized Valuation	2.094%
 Gross Debt Per Capita based on 2010 population of 5,494	 \$3,669
Net Debt Per Capita based on 2010 population of 5,494	\$1,545

Source: Annual Debt Statement of the Borough

³ Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

Financial Statements of the Borough of Hightstown, in the County of Mercer, New Jersey

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**UNAUDITED FINANCIAL DATA OF THE BOROUGH
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Governmental Entity Compilation Report –
Substantially All Disclosures Omitted**

The Honorable Mayor and Members
of the Borough Council
Borough of Hightstown
County of Mercer
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

Report on the Financial Statements

Management is responsible for the financial statements – regulatory basis of the various funds of the Borough of Hightstown, County of Mercer, State of New Jersey as of December 31, 2017, and the related statement of operations and change in fund balance – regulatory basis for the year then ended, the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis. We have performed a compilation engagement in accordance with Statements on standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit all the disclosures required by accounting principles generally accepted in the United States of America. If such omitted items and disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
August 24, 2018

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BOROUGH OF HIGHTSTOWN
MERCER COUNTY, NEW JERSEY
COMBINED BALANCE SHEET ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
[UNAUDITED]

	<u>Current Fund</u>	<u>Trust Fund</u>	<u>General Capital Fund</u>	<u>Water-Sewer Utility Fund</u>	<u>Governmental Fixed Assets Account</u>	<u>Totals 2017</u>
<u>ASSETS</u>						
Cash	\$ 2,700,046.80	\$ 1,259,422.74	\$ 377,863.08	\$ 476,279.42		\$ 4,813,612.04
Cash Held by Plan Administrator (LOSAP)		736,780.10				736,780.10
Accounts Receivable:						
Grants	162,752.79		1,462,500.00			1,625,252.79
Due from State of New Jersey				166,542.00		166,542.00
Taxes, Liens and Utility Charges	426,190.40			151,267.81		577,458.21
Interfund Loans		13,456.64		30,250.00		43,706.64
Other Accounts Receivable	22,078.10					22,078.10
Charges to Future Taxation:						
General Capital Fund			8,486,100.32			8,486,100.32
Fixed Capital				15,336,516.65		15,336,516.65
Fixed Capital Authorized and Uncompleted				8,661,400.00		8,661,400.00
Fixed Assets					\$ 5,590,072.36	5,590,072.36
	<u>\$ 3,311,068.09</u>	<u>\$ 2,009,659.48</u>	<u>\$ 10,326,463.40</u>	<u>\$ 24,822,255.88</u>	<u>\$ 5,590,072.36</u>	<u>\$ 46,059,519.21</u>

The Notes to Financial Statements have been omitted.

BOROUGH OF HIGHTSTOWN
MERCER COUNTY, NEW JERSEY
COMBINED BALANCE SHEET ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
[UNAUDITED]

	<u>Current Fund</u>	<u>Trust Fund</u>	<u>General Capital Fund</u>	<u>Water-Sewer Utility Fund</u>	<u>Governmental Fixed Assets Account</u>	<u>Totals 2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>						
Bonds, Notes and Loans Payable			\$ 6,155,295.05	\$ 6,017,183.05		\$ 12,172,478.10
Prepaid Taxes	\$ 649,128.44					649,128.44
Tax, Utility Charges and Other Overpayments	9,300.04			2,672.51		11,972.55
Appropriation Reserves	587,543.20			142,519.94		730,063.14
Reserve for Encumbrances	119,915.76	\$ 500.00	762,675.79	227,434.07		1,110,525.62
Amounts Pledged to Specific Purposes (LOSAP)		736,780.10				736,780.10
Developers Deposits and Escrow Funds		535,785.52				535,785.52
Improvement Authorizations			2,722,854.45	2,356,650.08		5,079,504.53
Interfund Loans	13,456.64			30,250.00		43,706.64
Other Liabilities	322,661.01	736,593.86	606,689.50	78,659.34		1,744,603.71
Reserve for Certain Assets Receivable	448,268.50			151,267.81		599,536.31
Reserve for Amortization of Costs of Fixed Capital - Acquired or Authorized				15,201,812.60		15,201,812.60
Deferred Reserve for Amortization				269,500.00		269,500.00
Investment in Governmental Fixed Assets					\$ 5,590,072.36	5,590,072.36
Fund Balance	<u>1,160,794.50</u>	<u></u>	<u>78,948.61</u>	<u>344,306.48</u>	<u></u>	<u>1,584,049.59</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>3,311,068.09</u>	\$ <u>2,009,659.48</u>	\$ <u>10,326,463.40</u>	\$ <u>24,822,255.88</u>	\$ <u>5,590,072.36</u>	\$ <u>46,059,519.21</u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**CURRENT FUND
BALANCE SHEET - REGULATORY BASIS
[UNAUDITED]**

ASSETS	Balance Dec. 31, 2017
Cash	\$ 2,671,565.95
Change Fund	<u>205.00</u>
	<u>\$ 2,671,770.95</u>
Receivables and Other Assets with Full Reserves:	
Delinquent Property Taxes Receivable	\$ 224,325.00
Tax Title Liens Receivable	201,865.40
Revenue Accounts Receivable	<u>22,078.10</u>
	<u>\$ 448,268.50</u>
	<u>\$ 3,120,039.45</u>
Grant Fund:	
Cash	\$ 28,275.85
Grants Receivable	<u>162,752.79</u>
	<u>\$ 191,028.64</u>
	<u><u>\$ 3,311,068.09</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
BALANCE SHEET - REGULATORY BASIS
[UNAUDITED]

LIABILITIES, RESERVES AND FUND BALANCE	Balance <u>Dec. 31, 2017</u>
Liabilities:	
Appropriations Reserves	\$ 587,543.20
Reserve for Encumbrances	119,779.26
Prepaid Taxes	649,128.44
Accounts Payable	67,554.92
Tax Overpayments	3,603.34
Due County for Added Taxes	5,696.70
Reserve for Fire Safety & Code Enforcement	19,901.00
Reserve for Sale of Municipal Assets	42,174.90
Due to State of New Jersey (Ch. 20, P.L. 1971)	871.05
Interfunds:	
Other Trust Fund	13,428.64
Animal Control	28.00
Due to State of New Jersey	<u>1,267.00</u>
	\$ 1,510,976.45
Reserve for Receivables and Other Assets	448,268.50
Fund Balance	<u>1,160,794.50</u>
	<u>\$ 3,120,039.45</u>
Grant Fund:	
Reserve for Grants, Appropriated	\$ 184,867.84
Reserve for Encumbrances	136.50
Reserve for Grants, Unappropriated	<u>6,024.30</u>
	<u>\$ 191,028.64</u>
	<u><u>\$ 3,311,068.09</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
[UNAUDITED]

Revenue and Other Income Realized	<u>Year 2017</u>
Fund Balance Anticipated	\$ 1,028,000.00
Miscellaneous Revenue Realized	1,547,523.93
Receipts from Delinquent Taxes	256,987.01
Receipts from Current Taxes	15,937,265.41
Non-Budget Revenue	56,066.30
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	315,967.73
Grant Reserve Canceled	<u>475.00</u>
Total Income	<u>\$19,142,285.38</u>
Expenditures	
Budget and Emergency Appropriations:	
Operations:	
Salaries and Wages	\$ 2,642,463.00
Other Expenses	2,964,505.59
Capital Improvements	80,000.00
Municipal Debt Service	771,581.47
Deferred Charges and Statutory Expenditures	<u>535,118.00</u>
Total Budget	<u>\$ 6,993,668.06</u>
Regional School Taxes	8,587,396.00
County Taxes	2,780,860.43
Grant Receivables Canceled	475.00
Tax Overpayment Adjustment	989.37
Prior Year Refund	5.00
Miscellaneous	<u>20.00</u>
Total Expenditures	<u>\$18,363,413.86</u>
Excess in Expenditures/Revenues	\$ 778,871.52
Fund Balance, January 1	<u>1,409,922.98</u>
	\$ 2,188,794.50
Decreased by:	
Utilized as Anticipated Revenue	<u>1,028,000.00</u>
Balance, December 31	<u><u>\$ 1,160,794.50</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
[UNAUDITED]

	Anticipated			
	Budget Revenues	Special NJS 40A: 4-87	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 1,028,000.00	\$ -	\$ 1,028,000.00	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	\$ 7,500.00	\$ -	\$ 7,500.00	\$ -
Other	22,000.00	-	17,930.00	(4,070.00)
Fees and Permits	27,000.00	-	61,487.35	34,487.35
Fines and Costs:				
Municipal Court	280,000.00	-	384,035.54	104,035.54
Interest and Costs on Taxes	68,000.00	-	64,825.82	(3,174.18)
Interest on Investments and Deposits	20,000.00	-	26,694.70	6,694.70
Lease of Borough Owned Property	58,000.00	-	65,123.42	7,123.42
Consolidated Municipal Property Tax Relief Aid	59,130.00	-	59,130.00	-
Energy Receipts Tax	444,420.00	-	444,420.00	-
Uniform Construction Code Fees	60,000.00	-	114,954.00	54,954.00
Shared Services Agreement - Roosevelt Borough				
Trash Collection	64,260.00	-	64,260.00	-
Shared Services Agreement - Roosevelt Borough				
Trash Collection -Tipping Fees	35,000.00	-	29,454.59	(5,545.41)
Recycling Tonnage Grant	8,208.25	-	8,208.25	-
Clean Communities Program	9,625.29	-	9,625.29	-
Sustainable NJ Green Team	500.00	-	500.00	-
Alcohol Education Rehabilitation Fund	3,538.69	-	3,538.69	-
Distracted Driving Grant	5,500.00		5,500.00	-
Body Armor Grant	-	1,544.49	1,544.49	-
US Dept of Justice - Bulletproof Vests	-	854.87	854.87	-
Drive Sober or Get Pulled Over-Labor Day	-	5,500.00	5,500.00	-
Drive Sober or Get Pulled Over-Holiday End of Year		5,500.00	5,500.00	
Mercer County NJSCA Local Arts Program	1,000.00		1,000.00	-
JIF Safety Grant	1,174.00	-	1,174.00	-
Uniform Fire Safety Act	8,000.00	-	7,383.68	(616.32)
CATV - Franchise Fee	31,607.00	-	31,607.65	0.65
The Peddie School - Gift	23,000.00	-	23,000.00	-
Verizon Franchise Fee	37,856.00	-	37,856.61	0.61
Capital Fund Balance	30,000.00		30,000.00	-
FEMA - Hurricane Irene	39,400.00		-	(39,400.00)
Hightstown Housing Authority - Payment in Lieu of Taxes	27,000.00	-	34,914.98	7,914.98
Total Miscellaneous Revenues	\$ 1,371,719.23	\$ 13,399.36	\$ 1,547,523.93	\$ 162,405.34
Receipts from Delinquent Taxes	\$ 265,000.00	\$ -	\$ 256,987.01	\$ (8,012.99)
Amount to be Raised by Taxes for Support of Municipal Budget	\$ 4,800,550.00	\$ -	\$ 5,054,008.98	\$ 253,458.98
Budget Totals	\$ 7,465,269.23	\$ 13,399.36	\$ 7,886,519.92	\$ 407,851.33
Non-Budget Revenues	-	-	56,066.30	
	\$ 7,465,269.23	\$ 13,399.36	\$ 7,942,586.22	

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
[UNAUDITED]**

Analysis of Realized Revenues:	<u>Dec. 31, 2017</u>
Allocation of Current Taxes:	
Prepaid Prior Year	\$ 116,957.10
Collected Current Year	15,794,577.08
Overpayments Applied	4,107.26
Senior Citizens' and Veterans' Deductions	<u>21,623.97</u>
	\$ 15,937,265.41
Allocated to:	
School and County Taxes	<u>11,368,256.43</u>
Balance for Support of Municipal Budget Appropriations	\$ 4,569,008.98
Add: Appropriation "Reserve for Uncollected Taxes"	<u>485,000.00</u>
Amount for Support of Municipal Budget	<u><u>\$ 5,054,008.98</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collection	\$ 256,311.15
Overpayments Applied	<u>675.86</u>
	<u><u>\$ 256,987.01</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS**

Analysis of Non-Budget Revenues:	<u>Dec. 31, 2017</u>
Tax Map/Ordinance Copies	\$ 10.50
Refunds	22,229.95
Court Motor Vehicle Inspections	14,643.34
Owners List	80.00
Tax Collector Fees	395.00
Senior Citizens and Veterans Administration Fee	435.00
Homestead Rebate mailing reimbursement	180.60
Miscellaneous Fees - Notary fees	47.50
Police Accident Reports	1,476.90
Fire Code Other	2,897.00
Shared Services Public Works - Roosevelt	150.00
Shared Services Clerk Services - Roosevelt	9,103.51
Americana Lease	3,495.40
Construction Code Miscellaneous Fees	921.60
	<hr/>
	<u><u>\$ 56,066.30</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

OPERATIONS - WITHIN "CAPS"	Budget	Budget After Modifications	Expended				Unexpended Balance Cancelled
			Paid or Charged	Encumbered	Paid or Charged	Reserved	
GENERAL GOVERNMENT							
General Administration:							
Salaries and Wages	\$ 44,200.00	\$ 44,200.00	\$ 28,263.15	\$ -	\$ 28,263.15	\$ 15,936.85	\$ -
Other Expenses	5,600.00	5,600.00	1,425.93	-	1,425.93	4,174.07	-
Mayor and Council:							
Salaries and Wages	26,400.00	26,400.00	26,400.00	-	26,400.00	-	-
Other Expenses	2,350.00	2,350.00	2,203.80	-	2,203.80	146.20	-
Municipal Clerk:							
Salaries and Wages	114,463.00	114,463.00	102,377.20	-	102,377.20	12,085.80	-
Other Expenses	18,050.00	18,050.00	8,536.88	2,025.00	10,561.88	7,488.12	-
Elections:							
Other Expenses	5,500.00	5,500.00	2,030.00	-	2,030.00	3,470.00	-
Office Supplies and Paper Products							
Other Expenses	9,500.00	10,500.00	8,050.24	2,354.78	10,405.02	94.98	-
Financial Administration:							
Salaries and Wages	104,022.00	104,022.00	100,283.35	-	100,283.35	3,738.65	-
Other Expenses	11,750.00	11,750.00	10,560.99	-	10,560.99	1,189.01	-
Audit Services:							
Other Expenses	14,000.00	14,000.00	-	-	-	14,000.00	-
Grant Writing and Administration:							
Other Expenses	10,000.00	10,000.00	9,144.50	-	9,144.50	855.50	-
Central Computer (Data Processing/ Info Tech):							
Salaries and Wages	5,200.00	5,200.00	5,200.00	-	5,200.00	-	-
Other Expenses	37,000.00	45,000.00	41,119.62	3,423.69	44,543.31	456.69	-
Collection of Taxes:							
Salaries and Wages	64,140.00	64,140.00	62,369.38	-	62,369.38	1,770.62	-
Other Expenses	7,900.00	7,900.00	5,616.32	-	5,616.32	2,283.68	-
Assessment of Taxes:							
Salaries and Wages	17,850.00	17,850.00	17,843.31	-	17,843.31	6.69	-
Other Expenses	11,500.00	6,500.00	2,520.00	895.86	3,415.86	3,084.14	-
Interest on Tax Appeals:							
Other Expenses	100.00	100.00	-	-	-	100.00	-
Legal Services and Costs:							
Other Expenses	150,000.00	155,600.00	101,313.38	175.00	101,488.38	54,111.62	-
Legal Settlements:							
Other Expenses	292,000.00	292,000.00	292,000.00	-	292,000.00	-	-
Engineering Services and Costs:							
Other Expenses	33,000.00	35,000.00	32,952.50	-	32,952.50	2,047.50	-
Historical Commission:							
Other Expenses	4,000.00	4,000.00	-	3,999.80	3,999.80	0.20	-
Municipal Land Use Law (N.J.S.A. 40:55D-1)							
Planning Board:							
Salaries and Wages	22,965.00	22,965.00	22,594.78	-	22,594.78	370.22	-
Other Expenses	31,250.00	31,250.00	25,837.51	-	25,837.51	5,412.49	-
Insurance:							
Insurance Deductibles	3,000.00	3,000.00	28.00	-	28.00	2,972.00	-
Unemployment Compensation Insurance	5,000.00	5,000.00	-	-	-	5,000.00	-
General Liability	51,000.00	51,000.00	45,550.00	-	45,550.00	5,450.00	-
Workers Compensation Insurance	82,000.00	82,000.00	81,347.00	-	81,347.00	653.00	-
Employee Group Health Insurance	540,000.00	530,000.00	513,428.41	-	513,428.41	16,571.59	-
Health Benefit Waiver	10,000.00	20,000.00	12,500.00	-	12,500.00	7,500.00	-
PUBLIC SAFETY FUNCTIONS							
Police Department:							
Salaries and Wages	1,402,760.00	1,402,760.00	1,395,100.57	-	1,395,100.57	7,659.43	-
Other Expenses	173,252.00	169,652.00	103,834.30	32,759.81	136,594.11	33,057.89	-
Office of Emergency Management:							
Salaries and Wages	2,000.00	2,000.00	2,000.00	-	2,000.00	-	-
Other Expenses	4,000.00	4,000.00	1,695.00	-	1,695.00	2,305.00	-

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

			Expended				Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Paid or Charged	Reserved	Balance Cancelled
OPERATIONS - WITHIN "CAPS" (Continued)							
PUBLIC SAFETY FUNCTIONS (Continued)							
Fire Department:							
Other Expenses	\$ 36,000.00	\$ 30,400.00	\$ 18,251.07	\$ 11,177.00	\$ 29,428.07	\$ 971.93	\$ -
Aid to Fire Department:							
Other Expenses	5,000.00	5,000.00	-	-	-	5,000.00	-
Uniform Fire Safety Act (P.L. 1983, Ch. 383):							
Salaries and Wages	14,000.00	14,000.00	9,878.00	-	9,878.00	4,122.00	-
Other Expenses	10,800.00	10,800.00	6,474.65	4,058.50	10,533.15	266.85	-
First Aid Organization:							
Other Expenses	30,000.00	30,000.00	9,494.60	-	9,494.60	20,505.40	-
First Aid Contribution:							
Other Expenses	1,500.00	1,500.00	-	-	-	1,500.00	-
Municipal Prosecutor:							
Other Expenses	14,600.00	14,600.00	13,500.00	-	13,500.00	1,100.00	-
PUBLIC WORKS FUNCTIONS							
Streets and Road Maintenance:							
Salaries and Wages	205,000.00	199,000.00	129,396.61	-	129,396.61	69,603.39	-
Other Expenses	48,100.00	48,100.00	23,643.63	12,011.98	35,655.61	12,444.39	-
Snow Removal:							
Salaries and Wages	4,000.00	4,000.00	-	-	-	4,000.00	-
Other Expenses	5,000.00	5,000.00	-	-	-	5,000.00	-
Sanitation/Solid Waste Collection:							
Salaries and Wages	51,700.00	51,700.00	49,249.17	-	49,249.17	2,450.83	-
Other Expenses	54,600.00	54,600.00	34,508.58	9,427.19	43,935.77	10,664.23	-
Public Buildings and Grounds:							
Salaries and Wages	50,500.00	50,500.00	48,613.60	-	48,613.60	1,886.40	-
Other Expenses	122,323.00	127,723.00	111,776.39	837.08	112,613.47	15,109.53	-
Recycling:							
Salaries and Wages	98,000.00	98,000.00	90,796.68	-	90,796.68	7,203.32	-
Other Expenses	74,900.00	74,900.00	53,014.12	16,319.95	69,334.07	5,565.93	-
Vehicle Maintenance:							
Other Expenses	40,100.00	40,100.00	31,696.85	1,157.60	32,854.45	7,245.55	-
Community Condominium Services Act:							
Other Expenses	40,000.00	40,000.00	27,823.00	-	27,823.00	12,177.00	-
HEALTH AND HUMAN SERVICES							
Board of Health:							
Salaries and Wages	41,457.00	41,457.00	26,308.32	-	26,308.32	15,148.68	-
Other Expenses	13,950.00	13,950.00	10,488.34	483.60	10,971.94	2,978.06	-
Environmental Commission (N.J.S.A. 40:56A-1):							
Other Expenses	3,410.00	3,410.00	3,410.00	-	3,410.00	-	-
Child Care Centers -							
Contracts (N.J.S.A. 40:223-8:14):							
Other Expenses:							
Better Beginnings	4,000.00	4,000.00	4,000.00	-	4,000.00	-	-
Hightstown/East Windsor	1,500.00	1,500.00	1,500.00	-	1,500.00	-	-
PARK AND RECREATION							
Maintenance of Parks:							
Salaries and Wages	31,400.00	31,400.00	29,026.36	-	29,026.36	2,373.64	-
Other Expenses	4,300.00	4,300.00	4,299.42	-	4,299.42	0.58	-
Recreation & Open Space (Parks Commission):							
Salaries and Wages	10,000.00	10,000.00	10,000.00	-	10,000.00	-	-
Other Expenses	10,350.00	10,350.00	7,904.45	-	7,904.45	2,445.55	-
Cultural Arts Commission							
Other Expenses	1,500.00	1,500.00	1,327.63	-	1,327.63	172.37	-

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

			Expended				Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Paid or Charged	Reserved	Balance Cancelled
OPERATIONS - WITHIN "CAPS" (Continued)							
OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED)							
Celebration of Public Events:							
Other Expenses	\$ 5,900.00	\$ 5,900.00	\$ 2,341.00	\$ -	\$ 2,341.00	\$ 3,559.00	\$ -
Accumulated Sick and Vacation:							
Other Expenses	55,000.00	55,000.00	55,000.00	-	55,000.00	-	-
Postage and Shipping Charges:							
Other Expenses	8,200.00	8,200.00	6,539.60	12.54	6,552.14	1,647.86	-
UTILITY EXPENSE AND BULK PURCHASES							
Gasoline and Diesel Fuel	73,000.00	73,000.00	40,176.60	-	40,176.60	32,823.40	-
Electricity	50,000.00	50,000.00	42,350.42	-	42,350.42	7,649.58	-
Telephone	29,000.00	29,000.00	28,739.90	-	28,739.90	260.10	-
Natural Gas	14,000.00	14,000.00	8,143.93	-	8,143.93	5,856.07	-
Street Lighting	35,000.00	34,000.00	27,237.56	-	27,237.56	6,762.44	-
LANDFILL/SOLID WASTE DISPOSAL COSTS							
Landfill Disposal Costs:							
Other Expenses	200,000.00	200,000.00	165,196.04	-	165,196.04	34,803.96	-
MUNICIPAL COURT							
Municipal Court:							
Salaries and Wages	143,537.00	143,537.00	142,450.47	-	142,450.47	1,086.53	-
Other Expenses	14,225.00	13,425.00	12,140.19	778.89	12,919.08	505.92	-
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)							
State Uniform Construction Code (N.J.S.A. 52:270-120D et seq.):							
Salaries and Wages	126,819.00	126,819.00	119,066.57	-	119,066.57	7,752.43	-
Other Expenses	5,615.00	5,615.00	2,850.00	621.67	3,471.67	2,143.33	-
Housing Code Enforcement:							
Salaries and Wages	40,000.00	40,000.00	39,040.71	-	39,040.71	959.29	-
Other Expenses	2,700.00	2,700.00	29.97	65.94	95.91	2,604.09	-
Total Operations within "CAPS"	\$5,146,738.00	\$5,146,738.00	\$4,511,810.55	\$102,585.88	\$4,614,396.43	\$532,341.57	\$-
Contingent	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Total Operations Including Contingent - within "CAPS"	\$5,146,738.00	\$5,146,738.00	\$4,511,810.55	\$102,585.88	\$4,614,396.43	\$532,341.57	\$-
Detail:							
Salaries and Wages	\$2,620,413.00	\$2,614,413.00	\$2,456,258.23	\$-	\$2,456,258.23	\$158,154.77	\$-
Other Expenses (Including Contingent)	\$2,526,325.00	\$2,532,325.00	\$2,055,552.32	\$102,585.88	\$2,158,138.20	\$374,186.80	\$-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"							
STATUTORY EXPENDITURES:							
Public Employees' Retirement System of N.J.	\$ 150,000.00	\$ 150,000.00	\$ 147,302.00	\$ -	\$ 147,302.00	\$ 2,698.00	\$ -
Social Security System (O.A.S.I.)	133,300.00	133,300.00	117,405.58	-	117,405.58	15,894.42	-
Police and Firemen's Retirement System of N.J.	246,818.00	246,818.00	246,818.00	-	246,818.00	-	-
Defined Contribution Benefit Plan	5,000.00	5,000.00	-	-	-	5,000.00	-
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	\$ 535,118.00	\$ 535,118.00	\$ 511,525.58	\$ -	\$ 511,525.58	\$ 23,592.42	\$ -
Total General Appropriations for Municipal Purposes within "CAPS"	\$5,681,856.00	\$5,681,856.00	\$5,023,336.13	\$102,585.88	\$5,125,922.01	\$555,933.99	\$-

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

			Expended				Unexpended
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Paid or Charged	Reserved	Balance Cancelled
OPERATIONS - EXCLUDED FROM "CAPS"							
Length of Service Award Program (LOSAP)							
Other Expenses	\$ 36,000.00	\$ 36,000.00	\$ 26,850.00	\$ -	\$ 26,850.00	\$ 9,150.00	\$ -
Recycling Tax (P.L. 2007, C.311)	6,000.00	6,000.00	4,540.21	-	4,540.21	1,459.79	-
Total Other Operations - Excluded from "CAPS"	\$ 42,000.00	\$ 42,000.00	\$ 31,390.21	\$ -	\$ 31,390.21	\$ 10,609.79	\$ -
Shared Service Agreements							
Dispatch Services East Windsor Township							
Other Expenses	171,675.00	\$ 171,675.00	\$ 171,430.00	\$ -	\$ 171,430.00	\$ 245.00	\$ -
Senior Citizens - Program Service Center:							
Other Expenses	36,179.00	36,179.00	36,178.89	-	36,178.89	0.11	-
Senior Citizens Transportation- East Windsor:							
Other Expenses	2,180.00	2,180.00	2,180.00	-	2,180.00	-	-
Health Services-West Windsor Township:							
Salaries and Wages	28,050.00	28,050.00	28,050.00	-	28,050.00	-	-
Other Expenses	29,364.00	29,364.00	29,164.00	-	29,164.00	200.00	-
Emergency Medical Services:							
Other Expenses	10,500.00	10,500.00	10,500.00	-	10,500.00	-	-
Landfill Disposal Costs (Roosevelt):							
Other Expenses	35,000.00	35,000.00	27,503.95	-	27,503.95	7,496.05	-
Mercer County EMS Dispatch							
Other Expenses	2,140.00	2,140.00	2,140.00	-	2,140.00	-	-
Vehicle Maintenance Services:							
Other Expenses	18,560.00	18,560.00	5,068.15	2,198.38	7,266.53	11,293.47	-
Total Shared Service Agreements	\$ 333,648.00	\$ 333,648.00	\$ 312,214.99	\$ 2,198.38	\$ 314,413.37	\$ 19,234.63	\$ -
Public and Private Programs Offset by Revenues							
Clean Communities Program	\$ 9,625.29	\$ 9,625.29	\$ 9,625.29	\$ -	\$ 9,625.29	\$ -	\$ -
Body Armor Replacement Grant	-	1,544.49	1,544.49	-	1,544.49	-	-
Recycling Tonnage Grant	8,208.25	8,208.25	8,208.25	-	8,208.25	-	-
Alcohol Education and Rehabilitation Fund	3,538.69	3,538.69	3,538.69	-	3,538.69	-	-
Drive Sober or Get Pulled Over-Labor Day	-	5,500.00	5,500.00	-	5,500.00	-	-
Drive Sober or Get Pulled Over-End of Year		5,500.00	5,500.00	-	5,500.00	-	-
U.S. Dept. of Justice-Bulletproof							
Vest Partnership Program	-	854.87	854.87	-	854.87	-	-
Distracted Driving Grant	5,500.00	5,500.00	5,500.00	-	5,500.00	-	-
JIF Safety Program	1,174.00	1,174.00	1,174.00	-	1,174.00	-	-
Mercer County NJSCA Local Arts Program	1,000.00	1,000.00	1,000.00	-	1,000.00	-	-
Sustainable NJ Green Team	500.00	500.00	500.00	-	500.00	-	-
Total Public and Private Programs Offset by Revenues	\$ 29,546.23	\$ 42,945.59	\$ 42,945.59	\$ -	\$ 42,945.59	\$ -	\$ -
Total Operations - Excluded from "CAPS"	\$ 405,194.23	\$ 418,593.59	\$ 386,550.79	\$ 2,198.38	\$ 388,749.17	\$ 29,844.42	\$ -
Detail:							
Salaries and Wages	\$ 28,050.00	\$ 28,050.00	\$ 28,050.00	\$ -	\$ 28,050.00	\$ -	\$ -
Other Expenses	\$ 377,144.23	\$ 390,543.59	\$ 358,500.79	\$ 2,198.38	\$ 360,699.17	\$ 29,844.42	\$ -

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

OPERATIONS - EXCLUDED FROM "CAPS"
(Continued)

	Budget	Budget After Modifications	Paid or Charged	Encumbered	Paid or Charged	Expended Reserved	Unexpended Balance Cancelled
Capital Improvements - Excluded from "CAPS"							
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ -	\$ 25,000.00	\$ -	\$ -
Municipal Facility Improvements/Feasibility	55,000.00	55,000.00	38,240.21	14,995.00	53,235.21	1,764.79	-
Total Capital Improvements Excluded from "CAPS"	\$ 80,000.00	\$ 80,000.00	\$ 63,240.21	\$ 14,995.00	\$ 78,235.21	\$ 1,764.79	\$ -
Municipal Debt Service - Excluded from "CAPS"							
Payment of Bond Principal	\$ 360,000.00	\$ 360,000.00	\$ 360,000.00	\$ -	\$ 360,000.00	\$ -	\$ -
Payment of Bond Anticipation Notes and Capital Notes	243,966.00	243,966.00	243,966.00	-	243,966.00	-	-
Interest on Bonds	70,950.00	70,950.00	70,950.00	-	70,950.00	-	-
Interest on Notes	86,740.00	86,740.00	86,740.00	-	86,740.00	-	-
Dam Restoration Loan	9,926.00	9,926.00	9,925.47	-	9,925.47	-	0.53
Total Municipal Debt Service Excluded from "CAPS"	\$ 771,582.00	\$ 771,582.00	\$ 771,581.47	\$ -	\$ 771,581.47	\$ -	\$ 0.53
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	\$ 41,637.00	\$ 41,637.00	\$ 41,637.00	\$ -	\$ 41,637.00	\$ -	\$ -
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	\$1,298,413.23	\$1,311,812.59	\$1,263,009.47	\$ 17,193.38	\$1,280,202.85	\$ 31,609.21	\$ 0.53
Total General Appropriations - Excluded from "CAPS"	\$1,298,413.23	\$1,311,812.59	\$1,263,009.47	\$ 17,193.38	\$1,280,202.85	\$ 31,609.21	\$ 0.53
Subtotal General Appropriations	\$6,980,269.23	\$6,993,668.59	\$6,286,345.60	\$119,779.26	\$6,406,124.86	\$587,543.20	\$0.53
Reserve for Uncollected Taxes	485,000.00	485,000.00	485,000.00	-	485,000.00	-	-
Total General Appropriations	\$7,465,269.23	\$7,478,668.59	\$6,771,345.60	\$119,779.26	\$6,891,124.86	\$587,543.20	\$0.53

Detail:
Original Budget
Added by N.J.S.A. 40A:4-87

\$ 7,465,269.23
13,399.36
\$ 7,478,668.59

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

TRUST FUND
BALANCE SHEET
REGULATORY BASIS
[UNAUDITED]

ASSETS	Balance <u>Dec. 31, 2017</u>
Animal Control Fund:	
Cash and Investments	\$ 7,045.35
Due From Current Fund	28.00
	<u>7,073.35</u>
Other Trust Funds:	
Cash and Investments	\$ 716,591.87
Due From Current Fund	13,428.64
	<u>\$ 730,020.51</u>
Escrow Trust Funds:	
Cash and Investments	<u>\$ 535,785.52</u>
Length of Service Awards Program Fund:	
(LOSAP) - Unaudited:	
Funds Held by Trustee	<u>\$ 736,780.10</u>
	<u><u>\$ 2,009,659.48</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

TRUST FUND
BALANCE SHEET
REGULATORY BASIS
[UNAUDITED]

LIABILITIES, RESERVES AND FUND BALANCE	Balance <u>Dec. 31, 2017</u>
Animal Control Fund:	
Due to N.J. State Department of Health	\$ -
Reserve for Encumbrances	500.00
Reserve for Expenditures	<u>6,573.35</u>
	<u>\$ 7,073.35</u>
Other Trust Funds:	
Reserve for:	
Redemption of Tax Title Liens	\$ 27,335.67
Regional Contribution Agreement - Manalapan	125,677.94
Law Enforcement Fund	20,345.55
Public Defender	10,503.47
Unemployment	37,934.41
Payroll Deductions	44,407.71
Miscellaneous Trust Funds	383,970.41
Housing Trust	<u>79,845.35</u>
	<u>\$ 730,020.51</u>
Escrow Trust Funds:	
Escrow Fees	<u>\$ 535,785.52</u>
Length of Service Awards Program Fund: (LOSAP) - Unaudited:	
Reserve for Length of Service Awards Program (LOSAP)	<u>\$ 736,780.10</u>
	<u><u>\$ 2,009,659.48</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

GENERAL CAPITAL FUND
BALANCE SHEET
REGULATORY BASIS
[UNAUDITED]

ASSETS	Balance <u>Dec. 31, 2017</u>
Cash - Treasurer	\$ 377,863.08
Grants Receivable	1,462,500.00
Deferred Charges to Future Taxation:	
Funded	1,714,295.05
Unfunded	<u>6,771,805.27</u>
	<u><u>\$ 10,326,463.40</u></u>
LIABILITIES, RESERVES AND FUND BALANCE	
General Serial Bonds	\$ 1,605,000.00
Loan Payable	109,295.05
Bond Anticipation Notes	4,441,000.00
Reserve for Encumbrances	762,675.79
Improvement Authorizations:	
Funded	600,065.31
Unfunded	2,122,789.14
Capital Improvement Fund	442.50
Reserve for Grants Receivable	606,000.00
Various Reserves	247.00
Fund Balance	<u>78,948.61</u>
	<u><u>\$ 10,326,463.40</u></u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$2,330,805.27.

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
[UNAUDITED]**

	<u>2017</u>
Balance, January 1	\$ 73,236.57
Increased by:	
Premium on Bond Anticipation Notes	13,900.33
Canceled Improvement Authorizations	<u>21,811.71</u>
	<u>35,712.04</u>
	\$ 108,948.61
Decreased by:	
Anticipated as Revenue Current Fund	<u>30,000.00</u>
Balance, December 31	<u><u>\$ 78,948.61</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**WATER-SEWER UTILITY FUND
BALANCE SHEET
REGULATORY BASIS
[UNAUDITED]**

	Balance Dec. 31, 2017
ASSETS	
Operating Fund:	
Cash and Investments	\$ 474,650.65
Interfunds:	
Water-Sewer Capital Fund	30,250.00
Receivables with Full Reserves:	
Consumer Accounts Receivable	<u>151,267.81</u>
Total Operating Fund	<u>\$ 656,168.46</u>
Capital Fund:	
Cash	\$ 1,628.77
Loan Receivable	166,542.00
Fixed Capital	15,336,516.65
Fixed Capital Authorized and Uncompleted	<u>8,661,400.00</u>
Total Capital Fund	<u>\$ 24,166,087.42</u>
	<u><u>\$ 24,822,255.88</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

WATER-SEWER UTILITY FUND
BALANCE SHEET
REGULATORY BASIS
[UNAUDITED]

LIABILITIES, RESERVES AND FUND BALANCE	Balance <u>Dec. 31, 2017</u>
Operating Fund:	
Liabilities:	
Appropriation Reserves	\$ 142,519.94
Encumbrances Payable	62,762.46
Accounts Payable	16,783.97
Overpayments	2,672.51
Accrued Interest on Bonds and Loans	30,297.75
Accrued Interest on Notes	<u>5,860.67</u>
	\$ 260,897.30
Reserve for Receivables	151,267.81
Fund Balance	<u>244,003.35</u>
	\$ 656,168.46
Total Operating Fund	<u>\$ 656,168.46</u>
Capital Fund:	
Serial Bonds Payable	\$ 1,310,000.00
Loans Payable	2,958,333.05
Bond Anticipation Notes	879,100.00
Interim Financing - NJEIT	869,750.00
Interfund - Water-Sewer Operating Fund	30,250.00
Improvement Authorization - Unfunded	2,356,650.08
Down Payments on Improvements	200.00
Reserve for Encumbrances	164,671.61
Reserve for Amortization	15,201,812.60
Deferred Reserve for Amortization	269,500.00
Capital Improvement Fund	25,516.95
Fund Balance	<u>100,303.13</u>
	\$ 24,166,087.42
Total Capital Fund	<u>\$ 24,166,087.42</u>
	<u><u>\$ 24,822,255.88</u></u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$2,336,336.00.

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN OPERATING FUND BALANCE
REGULATORY BASIS
[UNAUDITED]**

Revenue and Other Income Realized	<u>Year 2017</u>
Fund Balance Utilized	\$ 146,169.00
Water-Sewer Rents	2,541,893.07
Miscellaneous	604,145.11
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>91,088.95</u>
Total Income	<u>\$ 3,383,296.13</u>
Expenditures	
Budget:	
Operating	\$ 2,124,015.00
Debt Service	908,778.37
Deferred Charges and Statutory Expenditures	<u>149,316.00</u>
Total Expenditures	<u>\$ 3,182,109.37</u>
Excess in Revenue	\$ 201,186.76
Fund Balance, January 1	<u>188,985.59</u>
	\$ 390,172.35
Less: Utilized as Anticipated Revenue - Utility	<u>146,169.00</u>
Fund Balance, December 31	<u><u>\$ 244,003.35</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE
REGULATORY BASIS
*[UNAUDITED]***

Balance, December 31, 2016	\$ 97,551.55
Increased by:	
Premium on Bond Anticipation Notes	<u>2,751.58</u>
Balance, December 31, 2017	<u><u>\$ 100,303.13</u></u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

**WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS
[UNAUDITED]**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$ 146,169.00	\$ 146,169.00	\$ -
Water-Sewer Rents	2,510,000.00	2,541,893.07	31,893.07
Miscellaneous	<u>540,000.00</u>	<u>604,145.11</u>	<u>64,145.11</u>
	<u>\$ 3,196,169.00</u>	<u>\$ 3,292,207.18</u>	<u>\$ 96,038.18</u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
[UNAUDITED]

	Appropriations		Expended			Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Operating:						
Salaries and Wages	\$ 819,118.00	\$ 819,118.00	\$ 814,621.32	\$ -	\$ 4,496.68	\$ -
Other Expenses	1,304,897.00	1,304,897.00	1,109,642.40	62,762.46	132,492.14	-
Debt Service:						
Payment of Bond Principal	570,000.00	570,000.00	570,000.00	-	-	-
Payment of Anticipation Notes	20,900.00	20,900.00	20,900.00	-	-	-
Interest on Bonds	71,580.00	71,580.00	71,577.08	-	-	2.92
Interest on Bond Anticipation Notes	25,978.00	25,978.00	21,079.25	-	-	4,898.75
Water and Waste Water Supply Loan	234,380.00	234,380.00	225,222.04	-	-	9,157.96
Statutory Expenditures:						
Public Employees' Retirement System	79,316.00	79,316.00	79,315.80	-	0.20	-
Social Security System (O.A.S.I.)	68,000.00	68,000.00	64,469.08	-	3,530.92	-
Unemployment Insurance	2,000.00	2,000.00	-	-	2,000.00	-
	<u>\$ 3,196,169.00</u>	<u>\$ 3,196,169.00</u>	<u>\$ 2,976,826.97</u>	<u>\$ 62,762.46</u>	<u>\$ 142,519.94</u>	<u>\$ 14,059.63</u>

The Notes to Financial Statements have been omitted.

**BOROUGH OF HIGHTSTOWN
COUNTY OF MERCER
STATE OF NEW JERSEY**

STATEMENT OF GOVERNMENTAL FIXED ASSETS
[UNAUDITED]

	Balance December 31, 2017
Governmental Fixed Assets:	
Land	\$ 90,835.99
Buildings and Improvements	124,464.00
Equipment	1,618,869.30
Motor Vehicles and Equipment	<u>3,755,903.07</u>
	<u>\$ 5,590,072.36</u>
 Investment in Governmental Fixed Assets	 \$ <u>5,590,072.36</u>
	 \$ <u><u>5,590,072.36</u></u>

The Notes to Financial Statements have been omitted.

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**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH
FOR THE YEAR ENDED DECEMBER 31, 2016**

Antonides and Simone
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM E. ANTONIDES, JR., C.P.A., R.M.A., P.S.A.
EDWARD J. SIMONE, C.P.A., R.M.A., P.S.A.

WAYNE M. SIBILIA, C.P.A., R.M.A., P.S.A.

P.O. Box 37
Adelphia, New Jersey 07710
732-681-0980

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Hightstown
County of Mercer
Hightstown, New Jersey

Report on Financial Statements

We have audited the financial statements - regulatory basis of the various funds of the Borough of Hightstown (the "Borough"), in the County of Mercer, State of New Jersey, as of and for the years ended December 31, 2016 and 2015, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (Continued)

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

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

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with statutory and regulatory requirements of the State of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to in the first paragraph, do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2016 and 2015, and the results of its operations for the years then ended.

Basis of Disclaimer of Opinion on Length of Service Awards Program Fund (LOSAP)

As discussed in Note 1, the financial statements of the Length of Service Awards Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. The LOSAP financial statements are included in the Borough's Trust Fund, and represent 30.60% and 19.06% of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2016 and 2015.

Disclaimer of Opinion of Length of Service Award Program Fund (LOSAP)

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements, we do not express an opinion on the LOSAP financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements been audited, the financial statements – regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough at December 31, 2016 and 2015, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended in accordance with accounting principles on the basis of financial reporting provisions prescribed by the Division, as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements. The supplementary financial schedules listed in the table of contents are required by the Division and are presented for purposes of additional analysis and are not a required part of the financial statements.

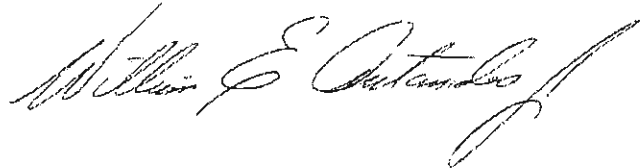
The supplementary financial schedules, referred to in the preceding paragraph, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Antonides and Simone CPAs

Independent Auditors

A handwritten signature in black ink, appearing to read "William E. Antonides, Jr.", with a stylized flourish at the end.

**William E. Antonides, Jr.
Registered Municipal Accountant
Certified Public Accountant**

February 26, 2018

CURRENT FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Cash	A-4	\$ 2,269,755.77	\$ 2,040,412.94
Change Fund		<u>205.00</u>	<u>205.00</u>
		<u>\$ 2,269,960.77</u>	<u>\$ 2,040,617.94</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	\$ 267,561.21	\$ 263,460.09
Tax Title Liens Receivable	A-7	153,605.36	184,627.77
Revenue Accounts Receivable	A-10	<u>26,487.15</u>	<u>24,249.73</u>
	A	<u>\$ 447,653.72</u>	<u>\$ 472,337.59</u>
		<u>\$ 2,717,614.49</u>	<u>\$ 2,512,955.53</u>
Grant Fund:			
Cash	A-18	\$ 81,555.16	\$ 77,065.63
Grants Receivable	A-19	<u>163,015.26</u>	<u>7,812.27</u>
		<u>\$ 244,570.42</u>	<u>\$ 84,877.90</u>
		<u>\$ 2,962,184.91</u>	<u>\$ 2,597,833.43</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Liabilities:			
Appropriations Reserves	A-3, A-11	\$ 481,601.12	\$ 520,342.85
Reserve for Encumbrances	A-3, A-11	124,688.43	143,025.23
Prepaid Taxes	A-12	116,957.10	93,261.77
Accounts Payable	A-8	60,748.41	32,558.55
Tax Overpayments	A-13	12,222.32	19,560.56
Due County for Added Taxes	A-15	8,485.49	3,886.61
Reserve for Hurricane Irene		-	2,626.27
Reserve for Fire Safety and Code Enforcement	A-9	10,267.00	6,250.00
Reserve for Sale of Municipal Assets		42,174.90	
Due to State of New Jersey	A-11		
(Ch. 20, P.L. 1971)	A-5	745.02	745.02
Due to State of New Jersey	A-16	2,148.00	2,722.00
		<u>\$ 860,037.79</u>	<u>\$ 824,978.86</u>
Reserve for Receivables and Other Assets	A	447,653.72	472,337.59
Fund Balance	A-1	1,409,922.98	1,215,639.08
		<u>\$ 2,717,614.49</u>	<u>\$ 2,512,955.53</u>
Grant Fund:			
Reserve for Grants Appropriated	A-20	\$ 242,896.42	\$ 79,826.80
Reserve for Grants Unappropriated	A-21	1,674.00	5,051.10
		<u>-</u>	<u>-</u>
		<u>\$ 244,570.42</u>	<u>\$ 84,877.90</u>
		<u>\$ 2,962,184.91</u>	<u>\$ 2,597,833.43</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS

Revenue and Other Income Realized	Ref.	Year 2016	Year 2015
Fund Balance Anticipated	A-2	\$ 610,000.00	\$ 600,000.00
Miscellaneous Revenue Realized	A-2	1,660,947.59	1,583,020.29
Receipts from Delinquent Taxes	A-2	303,522.77	319,500.39
Receipts from Current Taxes	A-2	15,723,603.99	15,544,799.40
Non-Budget Revenue	A-2	54,908.50	30,106.08
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	318,647.88	342,051.80
Interfunds Returned		-	4,400.00
Grant Reserve Canceled	A-20	922.08	100.00
Reserve for Tax Appeal Canceled	A-17	-	16,063.07
Total Income		\$ 18,672,552.81	\$ 18,440,041.03
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	\$ 2,452,820.00	\$ 2,638,892.00
Other Expenses	A-3	2,831,070.61	2,628,079.28
Capital Improvements	A-3	40,000.00	49,500.00
Municipal Debt Service	A-3	612,075.85	571,567.22
Deferred Charges and Statutory Expenditures - Municipal	A-3	564,626.00	523,527.00
Total Budget		\$ 6,500,592.46	\$ 6,411,565.50
Regional School Taxes	A-14	8,576,754.00	8,559,326.00
County Taxes	A-15	2,790,030.37	2,735,929.09
Grant Receivables Canceled	A-19	797.08	100.00
Prior Year Refund	A-4	95.00	1,149.37
Prior Year Senior Citizen Deduction Disallowed	A-5	-	250.00
Total Expenditures		\$ 17,868,268.91	\$ 17,708,319.96
Excess in Expenditures/Revenues		\$ 804,283.90	\$ 731,721.07
Fund Balance January 1	A	1,215,639.08	1,083,918.01
		\$ 2,019,922.98	\$ 1,815,639.08
Decreased by:			
Utilized as Anticipated Revenue	A-2	610,000.00	600,000.00
Balance December 31	A	\$ 1,409,922.98	\$ 1,215,639.08

The accompanying notes to financial statements are an integral part of the financial statements.

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS

Ref.	Anticipated		Realized	Excess or (Deficit)
	Budget Revenues	Special N.J.S. 40A:4-87		
Surplus Anticipated	A-1	\$ 610,000.00	\$ -	\$ 610,000.00
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-10	\$ 7,500.00	\$ -	\$ 7,500.00
Other	A-10	20,000.00	-	22,430.00
Fees and Permits	A-10	18,000.00	-	35,604.83
Fines and Costs:				
Municipal Court	A-10	250,000.00	-	375,627.48
Interest and Costs on Taxes	A-10	68,000.00	-	78,057.19
Interest on Investments and Deposits	A-10	20,000.00	-	25,974.46
Lease of Borough Owned Property	A-10	59,000.00	-	58,042.41
Consolidated Municipal Property Tax Relief Aid	A-10	61,789.00	-	61,789.00
Energy Receipts Tax	A-10	441,761.00	-	441,761.00
Uniform Construction Code Fees	A-10	60,000.00	-	96,745.00
Shared Services Agreement - Roosevelt Borough				
Trash Collection	A-10	63,000.00	-	63,000.00
Shared Services Agreement - Roosevelt Borough				
Trash Collection -Tipping Fees	A-10	35,000.00	-	30,640.36
Shared Services Agreement - Roosevelt Borough				
Trash Collection - Borough Clerk Services	A-10	28,000.00	-	36,333.63
Recycling Tonnage Grant	A-10	5,051.10	-	5,051.10
Clean Communities Program	A-10	11,329.70	-	11,329.70
Green Communities Grant	A-10	-	3,000.00	3,000.00
Alcohol Education Rehabilitation Fund	A-10	-	3,746.75	3,746.75
Drunk Driving Enforcement Grant	A-10	-	4,779.03	4,779.03
Click It or Ticket	A-10	5,000.00	-	5,000.00
Body Armor Grant	A-10	-	1,462.38	1,462.38
US Dept of Justice - Bulletproof Vests	A-10	-	3,484.65	3,484.65
Drive Sober or Get Pulled Over	A-10	-	5,000.00	5,000.00
Mercer County NJSCA Local Arts Program	A-10	500.00	-	500.00
Small Cities CDBG Block Grant	A-10	-	150,000.00	150,000.00
Uniform Fire Safety Act	A-10	9,000.00	-	8,388.58
CATV - Franchise Fee	A-10	31,183.00	-	31,183.32
The Peddie School - Gift	A-10	23,000.00	-	23,000.00
Verizon Franchise Fee	A-10	37,489.00	-	37,489.48
FEMA - Hurricane Irene	A-10	39,400.00	-	-
Hightstown Housing Authority - Payment in Lieu of Taxes	A-10	25,000.00	-	34,027.24
Total Miscellaneous Revenues	A-1	\$ 1,319,002.80	\$ 171,472.81	\$ 1,660,947.59
Receipts from Delinquent Taxes	A-1, A-2	\$ 280,000.00	\$ -	\$ 303,522.77
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	\$ 4,595,167.00	\$ -	\$ 4,831,819.62
Budget Totals		\$ 6,804,169.80	\$ 171,472.81	\$ 7,406,289.98
Non-Budget Revenues	A-1, A-2	-	-	54,908.50
		\$ 6,804,169.80	\$ 171,472.81	\$ 7,461,198.48
Ref.	A-3	A-3		

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

Analysis of Realized Revenues:	<u>Ref.</u>	<u>Dec. 31, 2016</u>
Allocation of Current Taxes:		
Prepaid Prior Year	A-6	\$ 93,261.77
Collected Current Year	A-6	15,607,092.22
Senior Citizens' and Veterans' Deductions	A-6	<u>23,250.00</u>
	A-1	\$ 15,723,603.99
Allocated to:		
School and County Taxes	A-14, A-15	<u>11,366,784.37</u>
Balance for Support of Municipal Budget Appropriations		\$ 4,356,819.62
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>475,000.00</u>
Amount for Support of Municipal Budget	A-2	<u><u>\$ 4,831,819.62</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-2, A-6	\$ 254,830.39
Overpayments Applied	A-6	6,396.70
Tax Title Lien Collections	A-7	<u>42,295.68</u>
	A-2	<u><u>\$ 303,522.77</u></u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

Analysis of Non-Budget Revenues:	<u>Ref.</u>	<u>Dec. 31, 2016</u>
Tax Map/Ordinance Copies		\$ 0.45
Refunds		1,298.17
Court Motor Vehicle Inspections		6,514.25
Owners List		60.00
Tax Collector Fees		1,675.20
Senior Citizens and Veterans Administration Fee		465.00
Homestead Rebate mailing reimbursement		211.20
Miscellaneous Fees - Notary fees		72.50
Police Accident Reports		1,351.50
Fire Code Other		1,467.00
Shared Services Public Works - Roosevelt		317.50
2015 EPL JIF Credit		1,500.00
FEMA Reimbursements		26,010.27
Americana Lease		9,591.04
Construction Code Miscellaneous Fees		2,213.92
Miscellaneous		<u>2,160.50</u>
	A-2, A-4	<u>\$ 54,908.50</u>

The accompanying notes to financial statements are an integral part of the financial statements.

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS

OPERATIONS - WITHIN "CAPS"	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
GENERAL GOVERNMENT					
General Administration:					
Salaries and Wages	\$ 57,750.00	\$ 57,750.00	\$ 56,417.34	\$ 1,332.66	\$ -
Other Expenses	1,430.00	1,430.00	684.07	745.93	-
Mayor and Council:					
Salaries and Wages	26,400.00	26,400.00	26,400.00	-	-
Other Expenses	2,300.00	2,300.00	1,917.72	382.28	-
Municipal Clerk:					
Salaries and Wages	86,716.00	92,716.00	89,968.79	2,747.21	-
Other Expenses	18,170.00	15,170.00	10,762.49	4,407.51	-
Elections:					
Other Expenses	4,000.00	4,000.00	2,230.00	1,770.00	-
Office Supplies and Paper Products					
Other Expenses	9,775.00	9,775.00	9,751.08	23.92	-
Financial Administration:					
Salaries and Wages	96,271.00	86,271.00	80,591.61	5,679.39	-
Other Expenses	9,750.00	9,750.00	9,644.53	105.47	-
Audit Services:					
Other Expenses	14,000.00	14,000.00	14,000.00	-	-
Grant Writing and Administration:					
Other Expenses	10,000.00	10,000.00	477.50	9,522.50	-
Central Computer (Data Processing/ Info Tech):					
Salaries and Wages	5,200.00	5,200.00	5,200.00	-	-
Other Expenses	30,000.00	30,000.00	25,598.93	4,401.07	-
Collection of Taxes:					
Salaries and Wages	55,680.00	55,680.00	52,212.91	3,467.09	-
Other Expenses	7,600.00	7,600.00	6,041.82	1,558.18	-
Assessment of Taxes:					
Salaries and Wages	17,500.00	17,500.00	17,492.39	7.61	-
Other Expenses	11,500.00	11,500.00	3,148.85	8,351.15	-
Interest on Tax Appeals:					
Other Expenses	100.00	100.00	-	100.00	-
Legal Services and Costs:					
Other Expenses	150,000.00	157,000.00	128,388.59	28,611.41	-
Engineering Services and Costs:					
Other Expenses	33,000.00	38,000.00	37,252.90	747.10	-
Historical Commission:					
Other Expenses	1,400.00	1,400.00	-	1,400.00	-
Municipal Land Use Law (N.J.S.A. 40:55D-1) Planning Board:					
Salaries and Wages	21,965.00	21,965.00	21,231.61	733.39	-
Other Expenses	31,250.00	31,250.00	23,764.31	7,485.69	-
Insurance:					
Insurance Deductibles	3,000.00	3,000.00	1,000.00	2,000.00	-
Unemployment Compensation Insurance	5,000.00	5,000.00	-	5,000.00	-
General Liability	50,500.00	56,500.00	56,249.00	251.00	-
Workers Compensation Insurance	102,000.00	102,000.00	101,250.00	750.00	-
Employee Group Health Insurance	590,000.00	575,000.00	535,238.49	39,761.51	-
Health Benefit Waiver	10,000.00	10,000.00	6,250.00	3,750.00	-
PUBLIC SAFETY FUNCTIONS					
Police Department:					
Salaries and Wages	1,193,560.00	1,193,560.00	1,144,284.95	49,275.05	-
Other Expenses	135,685.00	135,685.00	120,905.77	14,779.23	-
	-	-	-	-	-
Police Fire and Radio Communications:					
Other Expenses	136,680.00	136,680.00	136,536.46	143.54	-
Office of Emergency Management:					
Salaries and Wages	2,000.00	2,000.00	2,000.00	-	-
Other Expenses	4,000.00	4,000.00	1,695.00	2,305.00	-

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

			Expended		
	Budget	Budget After Modifications	Paid or Charged	Reserved	Unexpended Balance Cancelled
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY FUNCTIONS (Continued)					
Fire Department:					
Other Expenses	\$ 39,100.00	\$ 39,100.00	\$ 38,876.47	\$ 223.53	\$ -
Aid to Fire Department:					
Other Expenses	5,000.00	5,000.00	5,000.00	-	-
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Salaries and Wages	14,000.00	14,000.00	10,936.00	3,064.00	-
Other Expenses	10,800.00	8,800.00	5,586.11	3,213.89	-
First Aid Organization:					
Other Expenses	30,000.00	30,000.00	20,299.96	9,700.04	-
First Aid Contribution:					
Other Expenses	1,500.00	1,500.00	1,500.00	-	-
Municipal Prosecutor:					
Other Expenses	14,600.00	14,600.00	13,200.00	1,400.00	-
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance:					
Salaries and Wages	215,000.00	215,000.00	205,407.86	9,592.14	-
Other Expenses	42,100.00	42,100.00	35,531.14	6,568.86	-
Snow Removal:					
Salaries and Wages	4,000.00	4,000.00	4,000.00	-	-
Other Expenses	5,000.00	5,000.00	5,000.00	-	-
Sanitation/Solid Waste Collection:					
Salaries and Wages	53,700.00	53,700.00	50,704.00	2,996.00	-
Other Expenses	46,200.00	49,200.00	48,920.44	279.56	-
Public Buildings and Grounds:					
Salaries and Wages	52,000.00	52,000.00	46,363.06	5,636.94	-
Other Expenses	88,362.00	88,362.00	80,649.74	7,712.26	-
Recycling:					
Salaries and Wages	103,700.00	103,700.00	100,074.72	3,625.28	-
Other Expenses	57,400.00	57,400.00	50,586.62	6,813.38	-
Vehicle Maintenance:					
Other Expenses	38,100.00	38,100.00	30,143.79	7,956.21	-
Community Condominium Services Act:					
Other Expenses	40,000.00	40,000.00	24,920.00	15,080.00	-
HEALTH AND HUMAN SERVICES					
Board of Health:					
Salaries and Wages	54,471.00	55,271.00	52,787.34	2,483.66	-
Other Expenses	8,275.00	8,275.00	7,412.56	862.44	-
Environmental Commission (N.J.S.A. 40:56A-1):					
Other Expenses	1,010.00	1,010.00	940.00	70.00	-
Child Care Centers -					
Contracts (N.J.S.A. 40:223-8:14):					
Other Expenses:					
Better Beginnings	8,000.00	8,000.00	8,000.00	-	-
Hightstown/East Windsor	3,000.00	3,000.00	3,000.00	-	-
PARK AND RECREATION					
Maintenance of Parks:					
Salaries and Wages	34,000.00	34,000.00	32,376.67	1,623.33	-
Other Expenses	3,700.00	3,700.00	3,382.35	317.65	-
Recreation & Open Space (Parks Commission):					
Salaries and Wages	10,000.00	10,000.00	10,000.00	-	-
Other Expenses	11,000.00	11,000.00	4,509.96	6,490.04	-
Cultural Arts Commission					
Other Expenses	1,500.00	1,500.00	891.93	608.07	-

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
OPERATIONS - WITHIN "CAPS" (Continued)					
OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED)					
Celebration of Public Events:					
Other Expenses	\$ 5,900.00	\$ 5,900.00	\$ 430.86	\$ 5,469.14	\$ -
Accumulated Sick and Vacation:					
Other Expenses	49,000.00	49,000.00	42,929.46	6,070.54	-
Postage and Shipping Charges:					
Other Expenses	8,600.00	8,600.00	6,558.26	2,041.74	-
UTILITY EXPENSE AND BULK PURCHASES					
Gasoline and Diesel Fuel	78,000.00	78,000.00	38,825.92	39,174.08	-
Electricity	45,000.00	47,000.00	40,541.84	6,458.16	-
Telephone	31,915.00	31,915.00	25,309.16	6,605.84	-
Natural Gas	16,000.00	16,000.00	8,063.81	7,936.19	-
Street Lighting	43,000.00	39,600.00	32,621.58	6,978.42	-
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Landfill Disposal Costs:					
Other Expenses	200,000.00	200,000.00	165,624.95	34,375.05	-
MUNICIPAL COURT					
Municipal Court:					
Salaries and Wages	127,598.00	129,798.00	126,869.57	2,928.43	-
Other Expenses	13,135.00	13,135.00	12,365.84	769.16	-
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
State Uniform Construction Code					
(N.J.S.A. 52:270-120D et seq.):					
Salaries and Wages	124,731.00	124,731.00	121,990.26	2,740.74	-
Other Expenses	5,550.00	5,550.00	4,383.27	1,166.73	-
Housing Code Enforcement:					
Salaries and Wages	37,128.00	38,528.00	37,551.50	976.50	-
Other Expenses	2,700.00	2,700.00	2,643.99	56.01	-
Total Operations within "CAPS"	\$ 4,717,957.00	\$ 4,717,957.00	\$ 4,296,298.10	\$ 421,658.90	\$ -
Contingent	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operations Including Contingent - within "CAPS"	\$ 4,717,957.00	\$ 4,717,957.00	\$ 4,296,298.10	\$ 421,658.90	\$ -
Detail:					
Salaries and Wages	\$ 2,393,370.00	\$ 2,393,770.00	\$ 2,294,860.58	\$ 98,909.42	\$ -
Other Expenses (Including Contingent)	\$ 2,324,587.00	\$ 2,324,187.00	\$ 2,001,437.52	\$ 322,749.48	\$ -
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY EXPENDITURES:					
Public Employees' Retirement System of N.J.	\$ 150,000.00	\$ 150,000.00	\$ 145,972.17	\$ 4,027.83	\$ -
Social Security System (O.A.S.I.)	130,000.00	130,000.00	115,680.03	14,319.97	-
Police and Firemen's Retirement System of N.J.	279,626.00	279,626.00	279,626.00	-	-
Defined Contribution Benefit Plan	5,000.00	5,000.00	-	5,000.00	-
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	\$ 564,626.00	\$ 564,626.00	\$ 541,278.20	\$ 23,347.80	\$ -
Total General Appropriations for Municipal Purposes within "CAPS"	\$ 5,282,583.00	\$ 5,282,583.00	\$ 4,837,576.30	\$ 445,006.70	\$ -

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Award Program (LOSAP)					
Other Expenses	\$ 36,000.00	\$ 36,000.00	\$ 30,200.00	\$ 5,800.00	\$ -
Recycling Tax (P.L. 2007, C.311)	6,000.00	6,000.00	4,526.10	1,473.90	-
Total Other Operations - Excluded from "CAPS"	<u>\$ 42,000.00</u>	<u>\$ 42,000.00</u>	<u>\$ 34,726.10</u>	<u>\$ 7,273.90</u>	<u>\$ -</u>
Shared Service Agreements					
Dispatch Services East Windsor Township					
Other Expenses	105,000.00	\$ 105,000.00	\$ 105,000.00	\$ -	\$ -
Senior Citizens - Program Service Center:					
Other Expenses	29,800.00	29,800.00	29,796.18	3.82	-
Senior Citizens Transportation- East Windsor:					
Other Expenses	2,180.00	2,180.00	2,180.00	-	-
Health Services-West Windsor Township:					
Salaries and Wages	28,050.00	28,050.00	28,050.00	-	-
Other Expenses	28,792.00	28,792.00	28,717.00	75.00	-
Emergency Medical Services:					
Other Expenses	10,500.00	10,500.00	6,125.00	4,375.00	-
Landfill Disposal Costs (Roosevelt):					
Other Expenses	35,000.00	35,000.00	30,092.71	4,907.29	-
Borough Clerk Services (Roosevelt):					
Salaries and Wages	26,000.00	26,000.00	23,533.90	2,466.10	-
Other Expenses	2,000.00	2,000.00	-	2,000.00	-
Mercer County EMS Dispatch					
Other Expenses	700.00	700.00	500.00	200.00	-
Vehicle Maintenance Services:					
Other Expenses	21,000.00	21,000.00	5,706.69	15,293.31	-
Total Shared Service Agreements	<u>\$ 289,022.00</u>	<u>\$ 289,022.00</u>	<u>\$ 259,701.48</u>	<u>\$ 29,320.52</u>	<u>\$ -</u>
Public and Private Programs Offset by Revenues					
Clean Communities Program	\$ 11,329.70	\$ 11,329.70	\$ 11,329.70	\$ -	\$ -
Green Communities Grant		3,000.00	\$ 3,000.00	-	-
Drunk Driving Enforcement Fund	-	4,779.03	4,779.03	-	-
Body Armor Replacement Grant	-	1,462.38	1,462.38	-	-
Recycling Tonnage Grant	5,051.10	5,051.10	5,051.10	-	-
Alcohol Education and Rehabilitation Fund	-	3,746.75	3,746.75	-	-
Click It or Ticket	5,000.00	5,000.00	5,000.00	-	-
Drive Sober or Get Pulled Over	-	5,000.00	5,000.00	-	-
U.S. Dept. of Justice-Bulletproof Vest Partnership Program	-	3,484.65	3,484.65	-	-
Mercer County NJSCA Local Arts Program	500.00	500.00	500.00	-	-
Small Cities CDBG Block Grant		150,000.00	150,000.00	-	-
Total Public and Private Programs Offset by Revenues	<u>\$ 21,880.80</u>	<u>\$ 193,353.61</u>	<u>\$ 193,353.61</u>	<u>\$ -</u>	<u>\$ -</u>
Total Operations - Excluded from "CAPS"	<u>\$ 352,902.80</u>	<u>\$ 524,375.61</u>	<u>\$ 487,781.19</u>	<u>\$ 36,594.42</u>	<u>\$ -</u>
Detail:					
Salaries and Wages	\$ 59,050.00	\$ 59,050.00	\$ 56,583.90	\$ 2,466.10	\$ -
Other Expenses	\$ 293,852.80	465,325.61	\$ 431,197.29	\$ 34,128.32	\$ -

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
(CONTINUED FROM PRIOR PAGE)

OPERATIONS - EXCLUDED FROM "CAPS" (Continued)	Budget	Budget After Modifications	Expended		Unexpended Balance Cancelled
			Paid or Charged	Reserved	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ -	\$ -
Total Capital Improvements Excluded from "CAPS"	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ -	\$ -
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	\$ 340,000.00	\$ 340,000.00	\$ 340,000.00	\$ -	\$ -
Payment of Bond Anticipation Notes and Capital Notes	163,100.00	163,100.00	163,100.00	-	-
Interest on Bonds	82,000.00	82,000.00	82,000.00	-	-
Interest on Notes	17,100.00	17,100.00	17,050.38	-	49.62
Dam Restoration Loan	9,926.00	9,926.00	9,925.47	-	0.53
Total Municipal Debt Service Excluded from "CAPS"	\$ 612,126.00	\$ 612,126.00	\$ 612,075.85	\$ -	\$ 50.15
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	\$ 41,558.00	\$ 41,558.00	\$ 41,558.00	\$ -	\$ -
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	\$ 1,046,586.80	\$ 1,218,059.61	\$ 1,181,415.04	\$ 36,594.42	\$ 50.15
Total General Appropriations - Excluded from "CAPS"	\$ 1,046,586.80	\$ 1,218,059.61	\$ 1,181,415.04	\$ 36,594.42	\$ 50.15
Subtotal General Appropriations	\$ 6,329,169.80	\$ 6,500,642.61	\$ 6,018,991.34	\$ 481,601.12	\$ 50.15
Reserve for Uncollected Taxes	475,000.00	475,000.00	475,000.00	-	-
Total General Appropriations	\$ 6,804,169.80	\$ 6,975,642.61	\$ 6,493,991.34	\$ 481,601.12	\$ 50.15
Ref.				A	
Detail:					
Original Budget	A-2	\$ 6,804,169.80			
Added by N.J.S.A. 40A:4-87	A-2	171,472.81			
		\$ 6,975,642.61			
Disbursed	A-4		\$ 5,894,302.91		
Reserve for Encumbrances	A		124,688.43		
Reserve for Uncollected Taxes	A-2		475,000.00		
			\$ 6,493,991.34		

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Animal Control Fund:			
Cash and Investments	B-1	<u>\$ 8,262.85</u>	<u>\$ 9,279.65</u>
Other Trust Funds:			
Cash and Investments	B-1	\$ 983,875.91	\$ 1,145,389.47
Due From General Capital	B-6	<u>-</u>	<u>100,000.00</u>
		<u>\$ 983,875.91</u>	<u>\$ 1,245,389.47</u>
Escrow Trust Funds:			
Cash and Investments	B-1	<u>\$ 526,862.55</u>	<u>\$ 1,283,453.32</u>
Length of Service Awards Program Fund: (LOSAP) - Unaudited:			
Funds Held by Trustee	B-14	<u>\$ 669,871.91</u>	<u>\$ 597,679.67</u>
		<u>\$ 2,188,873.22</u>	<u>\$ 3,135,802.11</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
(Continued from prior page)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Animal Control Fund:			
Due to N.J. State Department of Health	B-2	\$ 1.20	\$ -
Reserve for Encumbrances	B-3	1,000.00	500.00
Interfund - Water-Sewer Operating Fund		-	525.00
Reserve for Expenditures	B-3	7,261.65	8,254.65
		<u>\$ 8,262.85</u>	<u>\$ 9,279.65</u>
Other Trust Funds:			
Reserve for:			
Redemption of Tax Title Liens	B-4	\$ 27,455.89	\$ 43,202.82
Regional Contribution Agreement - Manalapan	B-5	125,388.43	135,088.41
Law Enforcement Fund	B-7	16,476.01	18,774.20
Public Defender	B-8	9,071.97	8,549.97
Unemployment	B-9	53,871.19	72,503.58
Payroll Deductions	B-10	84,064.84	65,732.43
Miscellaneous Trust Funds	B-11	405,162.76	616,874.57
Housing Trust	B-13	262,384.82	284,663.49
		<u>\$ 983,875.91</u>	<u>\$ 1,245,389.47</u>
Escrow Trust Funds:			
Escrow Fees	B-12	\$ 526,862.55	\$ 1,283,453.32
Length of Service Awards Program Fund: (LOSAP) - Unaudited:			
Reserve for Length of Service Awards Program (LOSAP)	B-14	\$ 669,871.91	\$ 597,679.67
		<u>\$ 2,188,873.22</u>	<u>\$ 3,135,802.11</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Cash - Treasurer	C-2	\$ 211,638.79	\$ 1,992.76
Grants Receivable	C-6	906,000.00	740,084.00
Deferred Charges to Future Taxation:			
Funded	C-4	2,081,920.05	2,429,394.81
Unfunded	C-5	<u>5,935,911.27</u>	<u>5,773,211.27</u>
		<u>\$ 9,135,470.11</u>	<u>\$ 8,944,682.84</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 1,965,000.00	\$ 2,305,000.00
Loan Payable	C-12	116,920.05	124,394.81
Bond Anticipation Notes	C-10	4,409,000.00	2,814,646.00
Excess Funding Bond Anticipation Notes	C-10	-	35,000.00
Interfunds:			
Trust Fund	C-3	-	100,000.00
Reserve for Encumbrances	C-13	38,765.66	1,631,157.01
Improvement Authorizations:			
Funded	C-8	342,222.52	67,715.02
Unfunded	C-8	1,574,995.81	1,169,030.93
Capital Improvement Fund	C-9	9,082.50	3,282.50
Reserve for Grants Receivable	C-6	606,000.00	606,000.00
Various Reserves	C-7	247.00	247.00
Fund Balance	C-1	<u>73,236.57</u>	<u>88,209.57</u>
		<u>\$ 9,135,470.11</u>	<u>\$ 8,944,682.84</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$1,526,911.27 and December 31, 2015 of \$2,958,565.27 (C-14).

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Operating Fund:			
Cash and Investments	D-5	\$ 448,405.64	\$ 371,753.32
Interfunds:			
Animal Control	D-5	-	525.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-8	<u>125,857.73</u>	<u>164,806.42</u>
Total Operating Fund		<u>\$ 574,263.37</u>	<u>\$ 537,084.74</u>
Capital Fund:			
Cash	D-6	\$ 159,875.22	\$ 110,291.42
Refund Receivable	D-6	-	9,331.88
Fixed Capital	D-9	15,336,516.65	12,962,487.48
Fixed Capital Authorized and Uncompleted	D-10	<u>7,036,400.00</u>	<u>7,676,400.00</u>
Total Capital Fund		<u>\$ 22,532,791.87</u>	<u>\$ 20,758,510.78</u>
		<u><u>\$ 23,107,055.24</u></u>	<u><u>\$ 21,295,595.52</u></u>

The accompanying notes to financial statements are an integral part of the financial statements.

Continued

WATER-SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
(Continued from prior page)

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4, D-1:	\$ 122,197.42	\$ 82,555.21
Encumbrances Payable	D-4, D-1:	89,362.81	95,170.97
Accounts Payable	D-12	7,383.97	25,363.76
Overpayments	D-13	3,284.20	942.37
Accrued Interest on Bonds and Loans	D-14	34,819.34	40,534.79
Accrued Interest on Notes	D-15	2,372.31	2,311.06
		<u>\$ 259,420.05</u>	<u>\$ 246,878.16</u>
Reserve for Receivables		125,857.73	164,806.42
Fund Balance	D-1	<u>188,985.59</u>	<u>125,400.16</u>
Total Operating Fund		<u>\$ 574,263.37</u>	<u>\$ 537,084.74</u>
Capital Fund:			
Serial Bonds Payable	D-16	\$ 1,880,000.00	\$ 2,435,000.00
Loans Payable	D-17	2,996,936.61	3,198,476.49
Bond Anticipation Notes	D-18	900,000.00	675,000.00
Improvement Authorization - Funded	D-19	-	90,392.79
Improvement Authorization - Unfunded	D-19	1,797,511.34	347,080.80
Down Payments on Improvements		200.00	200.00
Reserve for Encumbrances	D-20	159,808.38	4,365.00
Reserve for Amortization	D-21	14,426,667.04	13,590,597.99
Deferred Reserve for Amortization	D-22	248,600.00	387,800.00
Capital Improvement Fund	D-23	25,516.95	25,516.95
Fund Balance	D-2	<u>97,551.55</u>	<u>4,080.76</u>
Total Capital Fund		<u>\$ 22,532,791.87</u>	<u>\$ 20,758,510.78</u>
		<u>\$ 23,107,055.24</u>	<u>\$ 21,295,595.52</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$1,920,713.00 and on December 31, 2015 of \$352,013.00 (D-24).

The accompanying notes to financial statements are an integral part of the financial statements.

Concluded

WATER-SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN OPERATING FUND BALANCE
REGULATORY BASIS

Revenue and Other Income Realized	Ref.	Year 2016	Year 2015
Fund Balance Utilized	D-3	\$ 100,000.00	\$ 85,000.00
Water-Sewer Rents	D-3	2,573,507.26	2,526,843.50
Miscellaneous	D-3	542,477.93	570,723.80
Non-Budget Revenue			
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-11	<u>97,590.71</u>	<u>83,864.23</u>
Total Income		<u>\$ 3,313,575.90</u>	<u>\$ 3,266,431.53</u>
Expenditures			
Budget:			
Operating		\$ 2,110,115.00	\$ 2,110,784.00
Capital Appropriations		-	8,000.00
Debt Service		893,703.47	879,674.77
Deferred Charges and Statutory Expenditures		<u>146,172.00</u>	<u>144,000.00</u>
Total Expenditures	D-4	<u>\$ 3,149,990.47</u>	<u>\$ 3,142,458.77</u>
Excess in Revenue		\$ 163,585.43	\$ 123,972.76
Fund Balance, January 1	D	<u>125,400.16</u>	<u>86,427.40</u>
		\$ 288,985.59	\$ 210,400.16
Less: Utilized as Anticipated Revenue - Utility	D-3	<u>100,000.00</u>	<u>85,000.00</u>
Fund Balance, December 31	D	<u>\$ 188,985.59</u>	<u>\$ 125,400.16</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE
REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 4,080.76
Increased by:		
Canceled Improvement Authorizations		\$ 90,392.79
Premium on Bond Anticipation Notes	D-6	<u>3,078.00</u>
		<u>93,470.79</u>
Balance December 31, 2016	D	<u>\$ 97,551.55</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 100,000.00	\$ 100,000.00	\$ -
Water-Sewer Rents	D-1,3	2,500,000.00	2,573,507.26	73,507.26
Miscellaneous	D-1,3	550,000.00	542,477.93	(7,522.07)
		<u>\$ 3,150,000.00</u>	<u>\$ 3,215,985.19</u>	<u>\$ 65,985.19</u>

Analysis of Realized Revenues

	<u>Ref.</u>	
Water-Sewer Rents:		
2016 Collections	D-8	\$ 2,573,233.81
Water-Sewer Overpayments - Applied	D-8	273.45
Prepaid Water-Sewer Rents Applied	D-8	
	D-3	<u>\$ 2,573,507.26</u>

Analysis of Miscellaneous Revenues

Gray Water Fees		\$ 492,611.73
Gray Water Fees - Overpayments Applied		668.92
Interest on Investments		5,634.58
Interest on Delinquent Charges		13,552.39
Water Connection Fees		4,432.00
Sewer Connection Fees		2,177.00
Fire Service		17,583.85
Manual Meter Reading		1,275.00
Sale of Meters		960.00
Water Buyer		-
Grease AWWTP		-
Miscellaneous Revenue		<u>3,582.46</u>
	D-3	<u>\$ 542,477.93</u>
Cash Receipts	D-5	\$ 541,809.01
Overpayments Applied	D-8	668.92
	D-3	<u>\$ 542,477.93</u>

The accompanying notes to financial statements are an integral part of the financial statements.

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
Operating:						
Salaries and Wages	\$ 771,319.00	\$ 771,319.00	\$ 763,318.21	\$ -	\$ 8,000.79	\$ -
Other Expenses	1,338,796.00	1,338,796.00	1,142,498.47	89,362.81	106,934.72	-
Capital Improvements:						
Capital Improvement Fund	-	-	-	-	-	-
Debt Service:						
Payment of Bond Principal	555,000.00	555,000.00	555,000.00	-	-	-
Payment of Anticipation Notes	16,600.00	16,600.00	16,600.00	-	-	-
Interest on Bonds	91,112.00	91,112.00	91,111.45	-	-	0.55
Interest on Bond Anticipation Notes	4,100.00	4,100.00	4,100.00	-	-	-
Water and Waste Water Supply Loan	226,901.00	226,901.00	226,892.02	-	-	8.98
Statutory Expenditures:						
Public Employees' Retirement System	77,272.00	77,272.00	77,260.00	-	12.00	-
Social Security System (O.A.S.I.)	67,000.00	67,000.00	61,650.09	-	5,349.91	-
Unemployment Insurance	1,900.00	1,900.00	-	-	1,900.00	-
	<u>\$ 3,150,000.00</u>	<u>\$ 3,150,000.00</u>	<u>\$ 2,938,430.24</u>	<u>\$ 89,362.81</u>	<u>\$ 122,197.42</u>	<u>\$ 9.53</u>
	Ref	D-1		D	D	D-1
Disbursements	D-5		\$ 2,817,866.65			
Accrued Interest on Bonds and Loans	D-14		116,463.59			
Accrued Interest on Notes	D-15		4,100.00			
			<u>\$ 2,938,430.24</u>			

The accompanying notes to financial statements are an integral part of the financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP
STATUTORY BASIS
STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS

	<u>2016</u>	<u>2015</u>
General Fixed Assets:		
Land	\$ 90,835.99	\$ 90,835.99
Buildings and Improvements	124,464.00	124,464.00
Equipment	1,618,869.30	1,559,620.85
Motor Vehicles and Equipment	<u>3,747,467.07</u>	<u>2,737,337.47</u>
	<u>\$ 5,581,636.36</u>	<u>\$ 4,512,258.31</u>
Investment in General Fixed Assets	<u>\$ 5,581,636.36</u>	<u>\$ 4,512,258.31</u>

The accompanying notes to financial statements are an integral part of the financial statements.

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Hightstown, County of Mercer, New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, First Aid organization or 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. Descriptions of Funds

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

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

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

Animal Control Trust Fund - animal license revenues and expenditures.

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

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Descriptions of Funds (Continued)

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

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

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

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

C. Basis of Accounting

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

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

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

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

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

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2016 is set forth in Note 9.

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

Interfunds - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

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

General Fixed Assets - In accordance with the Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system based on an inspection and historic cost analysis.

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

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

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

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

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Utility Fixed Assets - Accounting for utility fund "fixed capital" remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

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

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

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

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Fixed Assets:				
Land	\$ 90,835.99	\$ -	\$ -	\$ 90,835.99
Buildings and Improvements	124,464.00		-	124,464.00
Equipment	1,559,620.85	59,248.45	-	1,618,869.30
Motor Vehicles and Equipment	2,737,337.47	1,010,129.60	-	3,747,467.07
	<u>\$ 4,512,258.31</u>	<u>\$ 1,069,378.05</u>	<u>\$ -</u>	<u>\$ 5,581,636.36</u>

D. Financial Statements

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

E. Budgets and Budgetary Accounting

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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

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

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

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

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

At year-end the carrying amount of the Borough's deposits was \$4,690,431 and the bank balance amount was \$4,924,287. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the remaining \$4,674,287.

B. Investments

1. 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:
 - (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
 - (b) Government money market mutual funds.
 - (c) 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.

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

- (d) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
 - (e) 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.
 - (f) Municipal investment pools.
 - (g) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
 - (h) Agreements for the repurchase of fully collateralized securities, if:
 - (1) the underlying securities are permitted investments pursuant to paragraphs (a) and (c) of this section;
 - (2) the custody of collateral is transferred to a third party;
 - (3) the maturity of the agreement is not more than 30 days;
 - (4) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (5) a master repurchase agreement providing for the custody and security of collateral is executed.
2. 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.
3. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

At year-end, the carrying value of the Borough's investments and the investment balance was \$ - 0 -.

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.

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

C. Cash Management Plan (Continued)

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

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

D. Credit Risk Categories

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

Category 1	Deposits covered by federal depository insurance, or by collateral held by the Borough or its agent, in the Borough's name.	\$ 4,924,287
Category 2	Deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the Borough's name.	\$ -
Category 3	Deposits covered by collateral, held by the pledging financial institution, or its trust department, or its agent but not in the Borough's name.	\$ -

NOTE 3. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds, in anticipation of which such notes were issued, be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 3. DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt is summarized as follows:

General Capital Fund

3.25% to 3.75% General Improvement Bonds Issued February 1, 2008, installment maturities to October 1, 2021

\$ 1,965,000

\$ 1,965,000 **Water-**

Sewer Utility Capital Fund

4.625% to 4.75% Water-Sewer Utility Bonds Issued March 1, 2002, installment maturities to March 1, 2028

\$ 1,200,000

3.25% to 3.50% Water-Sewer Utility Bonds Issued February 1, 2008, installment maturities to October 1, 2018

680,000

\$ 1,880,000

The General Capital Fund Bonds and Loans and Water-Sewer Utility Capital Fund Bonds mature serially in installments to the year 2033. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>General Capital</u>		<u>Water-Sewer Utility Capital</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	360,000.00	70,950.00	570,000.00	76,937.50
2018	375,000.00	59,250.00	310,000.00	57,037.50
2019	390,000.00	46,125.00	100,000.00	45,062.50
2020	410,000.00	31,500.00	100,000.00	40,375.00
2021	430,000.00	16,125.00	100,000.00	35,625.00
2022-26			500,000.00	106,875.00
2027-28	-	-	200,000.00	9,500.00
Total	<u>\$ 1,965,000.00</u>	<u>\$ 223,950.00</u>	<u>\$ 1,880,000.00</u>	<u>\$ 371,412.50</u>

Peddie Lake Dam Restoration Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	7,625.00	2,300.47
2018	7,778.26	2,147.21
2019	7,934.61	1,990.86
2020	8,094.09	1,831.37
2021	8,256.78	1,668.68
2022-26	43,841.07	5,786.28
2027-30	33,390.24	1,348.89
Total	<u>\$ 116,920.05</u>	<u>\$ 17,073.76</u>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (Continued)

A. Long-Term Debt (Continued)

New Jersey Environmental Infrastructure Trust

In March 2011, the Borough received loans from the State of New Jersey to fund the replacement of Water Mains. The Borough has a no interest loan in the amount of \$1,451,250.00 and a loan for \$495,000 at interest rates from 3.00% to 5.00%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan Principal</u>	<u>Traditional Loan Principal</u>	<u>Interest</u>
2017	77,745.52	20,000.00	15,475.00
2018	77,745.52	25,000.00	14,475.00
2019	77,745.52	25,000.00	13,225.00
2020	77,745.52	25,000.00	12,225.00
2021	77,745.52	25,000.00	10,975.00
2022-26	388,727.60	155,000.00	39,125.00
2027-29	<u>233,236.85</u>	<u>105,000.00</u>	<u>8,400.00</u>
Total	<u>\$ 1,010,692.05</u>	<u>\$ 380,000.00</u>	<u>\$ 113,900.00</u>

New Jersey Environmental Infrastructure Trust

In May 2012, the Borough received loans from the State of New Jersey to fund Water Treatment Facility Improvements. The Borough has a no interest loan in the amount of \$685,482.00 and a loan for \$238,918 at interest rates from .22% to 3.140%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan Principal</u>	<u>Traditional Loan Principal</u>	<u>Interest</u>
2017	36,078.00	11,467.00	4,215.94
2018	36,078.00	11,556.00	4,127.64
2019	36,078.00	11,670.00	4,013.22
2020	36,078.00	11,811.00	3,872.00
2021	36,078.00	11,985.00	3,698.36
2022-26	180,390.00	63,390.00	15,024.78
2027-31	<u>180,390.00</u>	<u>71,702.00</u>	<u>6,713.46</u>
Total	<u>\$ 541,170.00</u>	<u>\$ 193,581.00</u>	<u>\$ 41,665.40</u>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (Continued)

A. Long-Term Debt (Continued)

New Jersey Environmental Infrastructure Trust

In May 2012, the Borough received loans from the State of New Jersey to fund Advanced Waste Water Treatment Plant Improvements. The Borough has a no interest loan in the amount of \$813,055.00 and a loan for \$283,382 at interest rates from .22% to 3.140%. The Borough must repay the loan in semi-annual installments over twenty years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan</u>	<u>Traditional Loan</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2017	42,792.36	13,601.00	5,000.46
2018	42,792.36	13,706.00	4,895.72
2019	42,792.36	13,842.00	4,760.02
2020	42,792.36	14,009.00	4,592.52
2021	42,792.36	14,215.00	4,386.58
2022-26	213,961.80	75,189.00	17,820.72
2027-31	213,961.96	85,046.00	7,962.76
Total	<u>\$ 641,885.56</u>	<u>\$ 229,608.00</u>	<u>\$ 49,418.78</u>

New Jersey Environmental Infrastructure Trust

In May 2017, the Borough received loans from the State of New Jersey to fund Water-Sewer Plant Improvements. The Borough has a no interest loan in the amount of \$259,627.00 with principal forgiveness of 173,085 and a loan for \$80,000 at interest rates from 3.125% to 5.00%. The Borough must repay the loan in semi-annual installments over sixteen years. Below is a maturity schedule for the loans.

<u>Year</u>	<u>No Interest Loan</u>	<u>Traditional Loan</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2017	3,461.68		855.00
2018	5,192.52	5,000.00	3,206.26
2019	5,192.52	5,000.00	2,956.26
2020	5,192.52	5,000.00	2,706.26
2021	5,192.52	5,000.00	2,456.26
2022-26	25,962.60	25,000.00	8,531.30
2027-31	25,962.60	25,000.00	3,781.30
2032-33	10,385.04	10,000.00	462.52
Total	<u>\$ 86,542.00</u>	<u>\$ 80,000.00</u>	<u>\$ 24,955.16</u>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (Continued)

B. Short-Term Debt

On December 31, 2016 the Borough's outstanding bond anticipation notes were as follows:

General Capital Fund

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Rate</u>	<u>Dec. 31, 2016</u>
05-24, 09-13	Peddie Lake Dam Improvements	2.00%	\$ 43,000.00
07-04	Automated Garbage Truck and Containers	2.00%	50,846.00
07-21	Acquisition of Ambulance	2.00%	18,600.00
07-26	Police Department Equipment	2.00%	16,900.00
08-01	Westerlea Avenue Improvements	2.00%	35,000.00
09-01	Reconstruction of Morrison Avenue	2.00%	42,200.00
09-10	Improvements to Memorial Parking Lot	2.00%	40,000.00
09-20	Stockton St. Historic District Improvements	2.00%	70,000.00
10-02	Reconstruction of Leshin Lane	2.00%	22,000.00
10-16	Summit Street Sidewalk Improvements	2.00%	35,000.00
11-05	Milling and Paving of Various Roads	2.00%	105,000.00
11-11	DPW Vehicles and DPW/Police Equipment	2.00%	264,900.00
12-04	Hurricane Irene Damage Emergency	2.00%	668,200.00
12-13	Various Capital Improvements	2.00%	249,000.00
12-15	Communication Equip.-Fire Dept., First Aid	2.00%	31,500.00
13-04	Road Imp. Grape Run and Pershing Ave	2.00%	154,400.00
13-07	Peddie Lake Dam Walking Bridge Imp.	2.00%	193,000.00
13-22	Public Safety Equipment	2.00%	150,100.00
13-23	Road Imp. Park Ave., Greeley St. and Glen Brook Place	2.00%	615,954.00
14-13	Various Capital Improvements	2.00%	161,900.00
15-07	Road Improvements to Park Way, Grant St. and Hutchison Street	2.00%	180,000.00
15-11	Acquisition of Aerial Ladder Truck	2.00%	952,000.00
15-20	Acquisition of Automated Garbage Truck	2.00%	309,500.00
			<u>\$ 4,409,000.00</u>

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 3. DEBT (Continued)

B. Short-Term Debt (Continued)

Water-Sewer Utility Capital Fund

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Rate</u>	<u>Dec. 31, 2016</u>
08-10,08-19	Water Sewer Improvements	2.00%	112,000.00
09-02	Morrison Avenue Improvements	2.00%	31,500.00
09-15	Water Main Extension	2.00%	200,000.00
11-03	Water Sewer Improvements	2.00%	163,300.00
11-04	Refurbishment of Water Tanks	2.00%	95,500.00
12-14	Water-Sewer Improvements	2.00%	117,700.00
	Water-Sewer Improvements -		
13-19	Grape Run Rd and Pershing Avenue	2.00%	80,000.00
14-12	Improvements to Water-Sewer Plants	2.00%	100,000.00
			<u>\$ 900,000.00</u>

C. Bonds and Notes Authorized but not Issued

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

General Capital Fund	\$ 1,526,911.27
Water-Sewer Utility Capital Fund	\$ 1,920,713.00

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3½% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2016 was 1.962%. The Borough's remaining borrowing power is 1.538%.

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3. DEBT (Continued)

E. Summary of Debt Activity

During 2016 the following changes occurred in the debt of the Borough:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Capital Fund:				
Serial Bonds	\$ 2,305,000.00	\$ -	\$ 340,000.00	\$ 1,965,000.00
Peddie Lake Dam				
Restoration Loan	124,394.81	-	7,474.76	116,920.05
Bond Anticipation Notes	2,849,646.00	4,409,000.00	2,849,646.00	4,409,000.00
Water-Sewer Utility Capital Fund:				
Serial Bonds	2,435,000.00	-	555,000.00	1,880,000.00
Bond Anticipation Notes	675,000.00	900,000.00	675,000.00	900,000.00
Loans Payable	3,198,476.49	-	201,539.88	2,996,936.61
	<u>\$ 11,587,517.30</u>	<u>\$ 5,309,000.00</u>	<u>\$ 4,628,660.64</u>	<u>\$ 12,267,856.66</u>

NOTE 4. ACCRUED SICK PAY BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused sick pay. The Borough permits certain employees within limits to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation would approximate \$162,608 at December 31, 2016. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES

The fund balances at December 31, 2016 which have been appropriated and included as anticipated revenue in the year ending December 31, 2017 are as follows:

Current Fund	\$ 1,028,000.00
Water-Sewer Utility Fund	\$ 146,169.00

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 6. TAXES AND WATER/SEWER CHARGES COLLECTED IN ADVANCE

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

	<u>Balance, December 31</u>	
	<u>2016</u>	<u>2015</u>
Prepaid Taxes	\$ 116,957.10	\$ 93,261.77

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey 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 9. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/5 5th 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 full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$226,618 for 2016.

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Contributions (Continued)

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Net Pension Liability and Pension Expense - At December 31, 2016, the Borough's proportionate share of the PERS net pension liability is valued to be \$6,821,384. 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 .02303%, which was a decrease of .00133% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 and December 31, 2015

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Actuarial Valuation Date	July 1, 2016	July 1, 2015
Net Pension Liability	\$ 6,821,384	\$ 5,469,019
Borough's Portion of the Plans Total		
Net Pension Liability	0.02303%	0.02436%

For the year ended December 31, 2016, the Borough had an allocated pension expense of \$586,585.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience		\$ 126,857
Changes of assumptions		1,413,027
Net difference between projected and actual earnings on pension plan investments		260,106
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>\$ 310,752</u>	<u> </u>
	<u>\$ 310,752</u>	<u>\$ 1,799,990</u>

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Net Pension Liability and Pension Expense (Continued)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2017	\$ 343,101
2018	343,101
2019	407,347
2020	332,296
2021	<u>63,393</u>
	<u>\$ 1,489,238</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. These actuarial valuations used the following assumptions:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	1.65-4.15 Percent	2.15-4.40 Percent
Thereafter	2.65-5.15 Percent	3.15-5.40 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

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

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Actuarial Assumptions (Continued)

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 Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	June 30, 2016	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
Borough's proportionate share of the pension liability	\$ 8,358,811	\$ 6,821,384	\$ 5,552,106

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (Continued)

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

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

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

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

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

Contributions - The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$279,626 for 2016.

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

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Net Pension Liability and Pension Expense - At December 31, 2016, the Borough's proportionate share of the PFRS net pension liability is valued to be \$5,326,216. 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 .02788%, which was a decrease of .00415% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 and December 31, 2015

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Actuarial Valuation Date	July 1, 2016	July 1, 2015
Net Pension Liability	\$ 5,326,216	\$ 5,334,546
Borough's Portion of the Plans Total		
Net Pension Liability	0.02788%	0.03203%

For the year ended December 31, 2016, the Borough had an allocated pension expense of \$487,989.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 34,914	
Changes of assumptions		\$ 737,725
Net difference between projected and actual earnings on pension plan investments		373,197
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>583,285</u>	<u>196,977</u>
	<u>\$ 618,199</u>	<u>\$ 1,307,899</u>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Net Pension Liability and Pension Expense (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2017	\$ 180,309
2018	180,309
2019	269,787
2020	127,960
2021	<u>(68,665)</u>
	 <u><u>\$ 689,700</u></u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.60-9.48 Percent
Thereafter	3.10-9.98 Percent	3.60-10.48 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Actuarial Assumptions (Continued)

Disability mortality rates were based on special mortality tables used for the period after disability retirement.

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	June 30, 2016	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>4.55%</u>	At Current Discount Rate <u>5.55%</u>	1% Increase <u>6.55%</u>
Borough's proportionate share of the PFRS pension liability	\$ 339,583	\$ 5,773,486	\$ 4,496,941

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 10. PENSION OBLIGATIONS (Continued)

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

Funding Situation

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

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$447,270 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State proportion measured as of June 30, 2016 was .02788%, which was a decrease of .00415% from its proportion measured as of June 30, 2105, which is the same proportion as the Borough's.

At December 31, 2016, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$ 5,326,216
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>447,270</u>
	<u><u>\$ 5,773,486</u></u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Continued

BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 11. CONTINGENT LIABILITIES

State and Federal Financial Assistance

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

Major Tax Assessments

Taxpayers in 2016 with assessments in excess of 1% of the total assessed valuation were as follows:

<u>Owner</u>	<u>Assessed Value</u>	<u>Assessed Value</u>
Presbyterian Homes at Meadow Lake	\$ 11,200,000.00	2.87%
Hightstown Development Assoc. LLC	\$ 9,552,000.00	2.45%
Mercer St Warehouse/Bruckner Southern	\$ 5,500,000.00	1.41%

Pending Litigation

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

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

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

Continued

**BOROUGH OF HIGHTSTOWN - COUNTY OF MERCER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at December 31, 2016.

NOTE 13. LENGTH OF SERVICE AWARD PLAN

On December 17, 2001, the Division approved the Borough's Length of Service Award Plan, provided by Lincoln National Life Insurance Company. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln National Life Insurance Company will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$1,150 to each eligible volunteer who accumulates a minimum of 75 service points, based on criteria established by Borough Ordinance No. 99-20. The Borough's contribution shall be included in the current year's budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participant volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

NOTE 14. SUBSEQUENT EVENT - DEBT AUTHORIZED

The Borough adopted the following ordinances subsequent to 2016:

Ordinance Number	Project	Amount of Debt Authorized	
General Capital Fund:			
2017-09	Retaining Wall and First Avenue Improvements	\$ 554,000.00	
2017-12	Various Improvements Police, DPW and Fire Dept.	248,860.00	
2017-15	Supplemental Appropriation - Stockton Street and Joseph Street	132,000.00	
2017-17	Improvements to Maple Avenue and Sunset Drive	265,000.00	
Water-Sewer Capital Fund:			
2017-10	Water-Sewer Improvmennts-NJEIT	\$ 1,270,000.00	
2017-11	Secondary Clarifier	245,000.00	
2017-16	Water-Sewer Improvmennts-Maple Avenue and Sunset Drive	110,000.00	

Concluded

APPENDIX C

Form of Approving Legal Opinion of Bond Counsel

_____, 2018

Borough Council of the
Borough of Hightstown, in the
County of Mercer, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Hightstown, in the County of Mercer, New Jersey (the "Borough"), in connection with the issuance by the Borough of its \$6,057,000* General Obligation Bonds, consisting of \$5,154,000* General Improvement Bonds and \$903,000* Water/Sewer Utility Bonds (collectively, the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted on August 20, 2018 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

*Preliminary, subject to change.