BOROUGH OF HIGH BRIDGE
LENGTH OF SERVICE AWARDS PROGRAM

December 31, 2016

BEDARD, KUROWICKI & CO., CPA'S, PC
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF HIGH BRIDGE
LENGTH OF SERVICE AWARDS PROGRAM

For the Year Ended December 31, 2016

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Independent Accountants' Review Report

To the Plan Sponsor of the
Borough of High Bridge
Length of Service Awards Program
High Bridge, New Jersey

We have reviewed the accompanying financial statements of Borough of High Bridge, Length of Service Awards Program which comprise the Statements of Net Assets Available for Benefits - Modified Cash Basis as of December 31, 2016 and 2015 and the related Statement of Changes in Net Assets Available for Benefits - Modified Cash Basis for the year ended December 31, 2016, and the related Notes to the Financial Statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression on an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

The Plan Sponsor is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

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Basis of Accounting

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other that accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

November 1, 2017
Flemington, New Jersey

BOROUGH OF HIGH BRIDGE
LENGTH OF SERVICE AWARDS PROGRAM
Statements of Net Assets Available For Benefits - Modified Cash Basis
December 31,

	2016	2015
Assets		
Investments	$ 320,740	$ 289,877
Total assets	$ 320,740	$ 289,877
Net assets available for benefits	$ 320,740	$ 289,877

See accompanying notes to the financial statements and independent accountants' review report.

BOROUGH OF HIGH BRIDGE
LENGTH OF SERVICE AWARDS PROGRAM
Statement of Changes in Net Assets Available For Benefits - Modified Cash Basis
For the Year Ended December 31, 2016

Additions		
Contributions	$	29,400
Investment income		1,212
Net realized/unrealized appreciation in fair value of investments		20,339
Total additions		50,951
Deductions		
Benefit distributions		20,088
Net change in net assets available for benefits		30,863
Net assets available for benefits - beginning of year		289,877
Net assets available for benefits - end of year	$	320,740

See accompanying notes to the financial statements and independent accountants' review report.

BOROUGH OF HIGH BRIDGE
LENGTH OF SERVICE AWARDS PROGRAM
Notes to the Financial Statements

Note 1 - Plan summary

Description of plan

The following description of the Borough of High Bridge Length of Service Awards Program (the Plan), provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan, a defined contribution plan, was created by a Resolution pursuant to Section 457(e)(11) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the township approved the adoption of the Plan at the general election held on November 6, 2001.

The tax deferred income benefits for emergency service volunteers, consisting of volunteers of the Borough of High Bridge Fire Department and the High Bridge Emergency Squad come from contributions made solely by the Borough of High Bridge (the Sponsor), on behalf of those volunteers who meet the criteria of a plan created by that governing body.

Contributions

If an active member meets the year of active service requirement (50 points as defined by the plan document), a Length of Service Awards Program must provide a benefit. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index. The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Sponsor elected to contribute $700 per eligible participant, for the year ended December 31, 2016.

Participant accounts

Each participant's account is self-directed and credited with the contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled, is the benefit that can be provided from the participant's vested account.

The Variable Annuity Life Insurance Company, (Plan Contractor), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Sponsor's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Contractor.

Note 1 - Plan summary (continued)

Vesting

Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) cumulative years of service. Any volunteer who has already successfully completed five (5) years or more of service as an active member in good standing became one hundred percent (100%) vested at the onset of the program.

Payment of benefits

Upon retirement or disability, participants may receive a lump sum payout. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the plan document, a participant or a beneficiary entitled to a vested accumulated deferral may request a payout of their vested accumulated deferrals.

Forfeited accounts

According to the Plan, all forfeited account balances are to be returned to the Sponsor. For the year ended December 31, 2016, no accounts were forfeited.

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements of the Plan are presented on the modified cash basis of accounting. Under this method, contributions, interest and dividend income are recorded as received. Benefits and expenses are recorded when paid. The Plan’s investments are stated at fair value, determined by either quoted market prices or estimates provided by the Plan Trustee. Purchases and sales of securities are recorded on a trade-date basis.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Sponsor to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment valuation and income recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note 2 - Summary of significant accounting policies (continued)

Investment valuation and income recognition (continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The assets held in the group annuity contract are actuarially valued as reported by The Variable Annuity Life Insurance Company.

Mutual fund investment income consists of dividends earned and realized and unrealized gains and losses attributable to the mutual funds.

Earnings are accrued to individual participants' accounts based upon the investment performance of the specific options selected.

Recently adopted accounting pronouncements

In July 2015, the FASB issued Accounting Standards Update (ASU) 2015-12, Plan Accounting: Defined Benefit Pension Plans, Defined Contribution Pension Plans and Health and Welfare Benefit Plans: (Part I), Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures and (Part III) Measurement Date Practical Expedient. ASU 2015-12 was issued to simplify certain aspects of employee benefit plan accounting. Part I of the ASU eliminates the requirement to report fully benefit-responsive investment contracts at fair value with an adjustment to contract value and to simplify certain investment disclosures required for employee benefit plans. The update designated contract value as the only required measure for fully benefit-responsive investment contracts and eliminates certain disclosures. Part II of this ASU eliminates the requirements to disclose (1) individual investments that represent 5 percent or more of net assets available for benefits and (2) the net appreciation or depreciation for investment by general type. The update eliminates the requirement to disaggregate participate-directed investments within a self-directed brokerage account and allows reporting such investments as a single type of investment. Part III of this ASU allows plans to measure investments and investment-related accounts as of the month-end date that is closest to the plan's fiscal year end, when the fiscal period does not coincide with a month-end. ASU 2015-12 is effective for entities for fiscal years beginning after December 15, 2015, with retrospective application to all periods presented for Parts I and II. Part III may only be applied prospectively.

Note 3 - <u>Investments</u>

An investment agreement was entered into at the inception of the Plan between the Sponsor and the Plan Contractor, whereby the Plan Contractor would have custody of the securities of the Plan and also advises the Sponsor as to investment alternatives.

The investments consist of a money market fund, mutual funds and fixed investment options. Each participant may choose their allocation from among these investments. The investments are made by the Plan Contractor for benefit of plan participants. The investments are valued at fair value at the end of each year and the increase/decrease is posted to the participant's account.

Note 4 - <u>Fair value</u>

The Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 4 - Fair value (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2016:

Level 2 investments are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of new realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within fair value hierarchy, the Plan's assets at fair value as of December 31:

	2016			
	Level 1	Level 2	Level 3	Total
Variable Annuity Funds	$ -	$ 320,740	$ -	$ 320,740

	2015			
	Level 1	Level 2	Level 3	Total
Variable Annuity Funds	$ -	$ 289,877	$ -	$ 289,877

Note 5 - Plan termination

Although the Sponsor has not expressed any intent to do so, a Length of Service Awards Program, pursuant to N.J.S.A. 40A:14-187 and N.J.A.C. 5:30-11.08, may be abolished or amended in the same way by which it was created, except in the case of minor amendments. Upon such termination, vested accumulated deferrals will be paid.

Note 6 - Tax status

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Sponsor has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan Administrator and the management of the Sponsor believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code.

Note 7 - Risk and uncertainties

The Plan provides for various investment options in registered investment companies. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near-term would materially affect participant's account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

Note 8 - Subsequent events

The Sponsor has determined that no material events or transactions occurred subsequent to December 31, 2016 and through November 1, 2017, the date of the Plan's financial statement issuance, which require additional disclosure in the Plan's financial statements.