

**BOROUGH OF KEYPORT
MONMOUTH COUNTY
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

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**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Keyport, County of Monmouth, New Jersey, as of and for the years ended December 31, 2012 and 2011, the statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the 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 the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements of the differences between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for 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 positions of the Borough of Keyport, County of Monmouth, New Jersey, as of December 31, 2012, the changes in its financial position, and, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Keyport, County of Monmouth, New Jersey as of December 31, 2012 and 2011 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2012, on the basis of accounting described in Note 2.

Other Matters

The financial statements – regulatory basis of the Borough of Keyport, County of Monmouth as of and for the year ended December 31, 2011 were audited by other auditors whose report thereon dated January 11, 2013 expressed an unqualified opinion on those statements in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) and an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the accounting practices prescribed by the Division.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Keyport, County of Monmouth, New Jersey. The information included in Part III – Supplementary Schedules and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Keyport, County of Monmouth, New Jersey. The information included in Part II - the accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by New Jersey OMB Circular 04-04 and are also not a required part of the financial statements. The Part III – Supplementary Schedules 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.

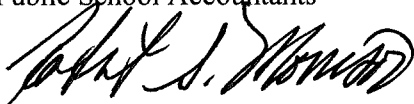
The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part IV - Supplementary Data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2013 on our consideration of the Borough of Keyport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Keyport's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants



Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
September 24, 2013

FINANCIAL STATEMENTS

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012 AND DECEMBER 31, 2011**

<u>ASSETS</u>	<u>Ref.</u>	<u>BALANCE DEC. 31, 2012</u>	<u>BALANCE DEC. 31, 2011</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>BALANCE DEC. 31, 2012</u>	<u>BALANCE DEC. 31, 2011</u>
Cash and Investments - Treasurer	A-4	\$ 964,811.95	\$ 751,046.74	Liabilities:			
Cash - Change Fund	A-5	325.00	525.00	Special Emergency Note Payable	A-15	\$ 79,000.00	\$
Due from State of N.J. per Ch. 20, P.L. 1976	A-6	4,389.20	3,139.20	Emergency Note Payable	A-15	57,000.00	
		<u>969,526.15</u>	<u>754,710.94</u>	Appropriation Reserves	A-3, A-11	342,039.69	286,055.90
				Reserve for Encumbrances	A-3, A-11	138,173.14	205,917.17
Receivables With Offsetting Reserves:				Prepaid Taxes	A-7	76,225.04	105,039.72
Taxes Receivable	A-7	703,365.15	680,629.35	Various Payables	A-14	35,631.02	35,228.02
Tax Title Lien Receivable	A-7	139,316.53	125,958.90	Various Reserves	A-14	43,566.06	4,990.49
Property Acquired for Taxes (At Assessed Valuation)	A-7	97,100.00	97,100.00	Tax Overpayments	A-12	1,726.10	21.25
Revenue Accounts Receivable	A-8	17,521.98	27,333.40	County Taxes Payable	A-13	1,149.84	30.80
Due Payroll Fund	A-10	614.24	614.24	School Taxes Payable	A-13	3.50	3.50
Due General Capital Fund	A-10	266.29	266.29	Due Trust Other Fund	A-10	337.38	364.94
		<u>958,184.19</u>	<u>931,902.18</u>	Due State & Federal Grant Fund	A-10	137,494.43	60,555.64
						912,346.20	698,207.43
Deferred Charges:				Reserve for Receivables	Reserve	958,184.19	931,902.18
Special Emergency Authorization	A-9	79,000.00		Fund Balance	A-1	193,179.95	56,503.51
Emergency Authorization	A-9	57,000.00					
		<u>136,000.00</u>	<u>-</u>	Total Current Fund		<u>2,063,710.34</u>	<u>1,686,613.12</u>
Total Current Fund		<u>2,063,710.34</u>	<u>1,686,613.12</u>	State & Federal Grant Fund:			
State & Federal Grant Fund:				Reserve for State and Federal Grants:			
Grants Receivable	A-16	117,667.17	456,029.00	Appropriated	A-18	229,043.14	459,589.43
Due from Current Fund	A-17	137,494.43	60,555.64	Unappropriated	A-19	13,600.01	14,280.75
				Reserve for Encumbrances	A-18	12,518.45	42,714.46
Total State & Federal Grant Fund		<u>255,161.60</u>	<u>516,584.64</u>	Total State & Federal Grant Fund		<u>255,161.60</u>	<u>516,584.64</u>
Total Assets	\$	<u>2,318,871.94</u>	\$ <u>2,203,197.76</u>	Total Liabilities, Reserves, and Fund Balance	\$	<u>2,318,871.94</u>	\$ <u>2,203,197.76</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2012</u>	<u>YEAR 2011</u>
Fund Balance Utilized	A-1, A-2 \$	53,000.00 \$	218,000.00
Miscellaneous Revenues Anticipated	A-2	2,076,835.49	2,436,695.36
Receipts from Delinquent Taxes	A-2	667,174.15	622,539.51
Receipts from Current Taxes	A-7	15,683,963.80	15,574,333.43
Non-Budget Revenue	A-2	206,197.12	100,753.71
Other Credits to Income:			
Unexpended Balances of Approp. Reserves	A-11	110,002.95	71,649.78
Cancellation of Grant Reserves	A-10	142.10	26,860.66
Interfunds Advanced - Net	Var.	0.10	283.11
Total Revenues		<u>18,797,315.71</u>	<u>19,051,115.56</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating			
Salaries and Wages	A-3	3,097,650.00	3,105,300.00
Other Expenses	A-3	3,780,580.89	4,116,373.97
Municipal Debt Service	A-3	894,858.62	728,649.49
Capital Improvements	A-3	20,000.00	20,000.00
Deferred Charges and Statutory Expend.-Mun.	A-3		50,000.00
Transferred to Board of Education	A-3	44,306.00	44,817.00
County Taxes	A-13	1,942,297.59	1,990,792.49
Local District School Taxes	A-13	8,552,160.00	8,443,288.00
Business Improvement District Taxes	A-13	118,000.00	118,000.00
Municipal Open Space Taxes	A-13	186,889.00	188,677.00
Prior Year Tax Appeal	A-4	106,147.17	164,546.10
Cancellation of Grants Receivable	A-10		26,771.50
Prior Year Senior Citizen Ded. Allowed	A-6	750.00	500.00
Total Expenditures		<u>18,743,639.27</u>	<u>18,997,715.55</u>
Excess in Revenue (Balance Forward)		53,676.44	53,400.01

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2012</u>	<u>YEAR 2011</u>
Statutory Excess to Fund Balance (brought forward)		\$ 53,676.44	\$ 53,400.01
Adjustments to Income Before Surplus:			
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	A-9	<u>136,000.00</u>	<u> </u>
Statutory Excess to Surplus		189,676.44	
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>56,503.51</u>	<u>221,103.50</u>
		246,179.95	274,503.51
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>53,000.00</u>	<u>218,000.00</u>
Balance - December 31	A	\$ <u>193,179.95</u>	\$ <u>56,503.51</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>REF.</u>	<u>ANTICIPATED 2012 BUDGET</u>	<u>APPROP. N.J.S.A. 40A:4-87</u>	<u>TOTAL 2012 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance Anticipated	A-1	\$ 53,000.00		\$ 53,000.00	\$ 53,000.00	\$
Miscellaneous Revenues:						
Licenses:						
Alcoholic Beverages	A-8	33,500.00		33,500.00	33,266.63	(233.37)
Other	A-8	11,000.00		11,000.00	9,850.00	(1,150.00)
Fees and Permits	A-8	145,000.00		145,000.00	122,921.00	(22,079.00)
Fines and Costs:						
Municipal Court	A-8	228,000.00		228,000.00	181,793.31	(46,206.69)
Interest and Costs on Taxes	A-8	130,000.00		130,000.00	145,761.85	15,761.85
Cable Television Fees	A-8	95,500.00		95,500.00	95,576.91	76.91
Payment in Lieu of Taxes:						
Senior Citizen Housing	A-8	269,000.00		269,000.00	297,475.00	28,475.00
Bethany Manor Annex, Senior Citizen Housing	A-8	74,000.00		74,000.00	75,151.00	1,151.00
Consolidated Municipal Property Tax Relief Aid	A-8	107,478.00		107,478.00	107,478.00	
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	A-8	606,995.00		606,995.00	606,995.00	
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):						
Uniform Construction Code Fees	A-8	115,000.00		115,000.00	127,504.80	12,504.80
Interlocal - Board of Health (Union Beach)	A-8	5,000.00		5,000.00	5,000.00	
Public and Private Revenues Offset with Approps.:						
Recycling Tonnage Grant	A-16	9,873.37		9,873.37	9,873.37	
Clean Communities Program	A-16		11,300.14	11,300.14	11,300.14	
Alcohol Education and Rehabilitation Fund	A-16	2,458.85		2,458.85	2,458.85	
Municipal Alliance on Alcoholism and Drug Abuse	A-16	26,704.00		26,704.00	26,704.00	
Office on Aging Grant	A-16	36,000.00		36,000.00	36,000.00	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	REF.	ANTICIPATED 2012 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2012 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Public and Private Revenues Offset with Approps. (Cont'd):						
Body Armor Replacement Grant	A-16	\$ 1,948.53		\$ 1,948.53	\$ 1,948.53	\$
Other Special Items:						
Uniform Fire Safety Act	A-8	55,000.00		55,000.00	59,777.10	4,777.10
Reserve for Debt Service - General Capital Fund	A-8	60,000.00		60,000.00	60,000.00	
General Capital Fund Balance	A-8	60,000.00		60,000.00	60,000.00	
Total Miscellaneous Revenues	A-1, A-4, A-8	<u>2,072,457.75</u>	<u>11,300.14</u>	<u>2,083,757.89</u>	<u>2,076,835.49</u>	<u>(6,922.40)</u>
Receipts from Delinquent Taxes	A-1	<u>677,000.00</u>		<u>677,000.00</u>	<u>667,174.15</u>	<u>(9,825.85)</u>
Subtotal General Revenues		<u>2,802,457.75</u>	<u>11,300.14</u>	<u>2,813,757.89</u>	<u>2,797,009.64</u>	<u>(16,748.25)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-7	5,416,426.78		5,416,426.78	5,411,630.99	(4,795.79)
Minimum Library Tax	A-7	<u>233,813.00</u>		<u>233,813.00</u>	<u>233,813.00</u>	
Total Amount to be Raised by Taxes		<u>5,650,239.78</u>		<u>5,650,239.78</u>	<u>5,645,443.99</u>	<u>(4,795.79)</u>
Budget Totals		<u>8,452,697.53</u>	<u>11,300.14</u>	<u>8,463,997.67</u>	<u>8,442,453.63</u>	<u>\$ (21,544.04)</u>
Non-Budget Revenues	A-1, A-4, A-8				<u>206,197.12</u>	
		<u>\$ 8,452,697.53</u>	<u>\$ 11,300.14</u>	<u>\$ 8,463,997.67</u>	<u>\$ 8,648,650.75</u>	
	Ref	A-3		A-3	A-1	

() Denotes Deficit

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

			EXPENDED			UNEXPENDED
	2012 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive						
Salaries and Wages	77,000.00	52,000.00	51,718.33		281.67	
Other Expenses	7,300.00	8,300.00	6,861.65	596.70	841.65	
Mayor and Council						
Salaries and Wages	19,700.00	20,100.00	20,047.00		53.00	
Other Expenses	3,000.00	3,100.00	2,993.00	77.00	30.00	
Municipal Clerk						
Salaries and Wages	44,000.00	43,000.00	41,697.94		1,302.06	
Other Expenses						
Miscellaneous	8,000.00	9,000.00	6,249.09	647.02	2,103.89	
Revision and Codification of Ordinances	100.00	100.00			100.00	
Financial Administration						
Salaries and Wages	56,200.00	56,200.00	55,207.15		992.85	
Other Expenses	8,000.00	8,000.00	7,104.76	242.60	652.64	
Audit Services						
Other Expenses	17,000.00	19,000.00	1,000.00		18,000.00	
Collection of Taxes						
Salaries and Wages	82,000.00	82,000.00	81,753.55		246.45	
Other Expenses	8,550.00	8,550.00	8,135.71	120.21	294.08	
Assessment of Taxes						
Salaries and Wages	23,600.00	23,600.00	23,537.87		62.13	
Other Expenses						
Revision of Tax Map/Revaluation	2,000.00	2,000.00			2,000.00	
Reassessment of Real Property		70,000.00			70,000.00	
Miscellaneous	2,500.00	2,500.00	1,570.35	327.99	601.66	
Legal Services						
Other Expenses	110,000.00	142,000.00	128,957.71	7,914.83	5,127.46	
Environmental Commission						
Other Expenses	650.00	650.00	333.00		317.00	
Engineering Services						
Other Expenses	15,000.00	22,500.00	14,289.86	4,614.01	3,596.13	
Keyport Historical Society Contracted	1,000.00	1,000.00			1,000.00	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning/Zoning Board						
Salaries and Wages	3,300.00	3,500.00	3,408.18		91.82	
Other Expenses						
Revision of Master Plan	100.00	9,100.00	8,150.00	350.00	600.00	
Miscellaneous	5,000.00	4,000.00	2,481.77	506.10	1,012.13	
Property Maintenance Code						
Salaries and Wages	12,500.00	12,500.00	12,413.96		86.04	
Other Expenses	850.00	850.00	573.96		276.04	
<u>INSURANCES</u>						
Liability Insurance	151,000.00	148,600.00	148,597.76		2.24	
Workers Compensation Insurance	206,000.00	204,200.00	204,185.91		14.09	
Employee Group Insurance	550,000.00	531,000.00	525,777.03	150.00	5,072.97	
Health Benefit Waiver	25,000.00	12,000.00	11,857.12		142.88	
Unemployment Insurance	50,000.00	50,000.00	50,000.00			
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>PUBLIC SAFETY</u>						
Police Department						
Salaries and Wages	2,215,000.00	2,210,000.00	2,193,783.12		16,216.88	
Other Expenses						
Miscellaneous	50,000.00	53,000.00	41,407.08	9,722.99	1,869.93	
Clothing Allowance	30,000.00	30,000.00	19,522.18	3,066.04	7,411.78	
Acquisition of Vehicle	30,000.00	30,000.00	29,644.02		355.98	
Acquisition of Firearms	12,000.00	12,000.00		9,299.00	2,701.00	
Police Auxiliary	10,000.00	10,000.00			10,000.00	
Emergency Management Services						
Other Expenses	1,000.00	1,000.00	446.29		553.71	
Aid to Volunteer Fire Companies	24,220.00	24,220.00	23,720.00		500.00	
First Aid Contributions	15,800.00	15,800.00	13,315.08		2,484.92	
Fire Department						
Salaries and Wages	2,000.00	2,000.00	2,000.00			
Other Expenses	67,160.00	67,160.00	44,565.80	22,187.67	406.53	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

			EXPENDED			UNEXPENDED
	2012 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Uniform Fire Safety Act						
Salaries and Wages	35,000.00	39,000.00	36,523.34		2,476.66	
Other Expenses	20,000.00	16,000.00	7,517.90	864.39	7,617.71	
Municipal Prosecutor						
Salaries and Wages	5,000.00	5,500.00	5,409.03		90.97	
Municipal Court						
Salaries and Wages	16,000.00	20,000.00	19,894.20		105.80	
Other Expenses	19,800.00	26,800.00	26,539.79		260.21	
Public Defender						
Salaries and Wages	500.00	500.00	415.41		84.59	
Other Expenses	100.00	100.00			100.00	
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance						
Salaries and Wages	315,000.00	335,500.00	318,768.63		16,731.37	
Other Expenses	72,000.00	64,000.00	39,494.01	17,262.90	7,243.09	
Garbage and Trash Removal						
Salaries and Wages	54,000.00	58,000.00	57,303.76		696.24	
Other Expenses	20,500.00	20,500.00	16,055.80	240.00	4,204.20	
Contracted (40A:4-85)	220,000.00	232,000.00	213,610.51	17,787.50	601.99	
Public Buildings and Grounds						
Salaries and Wages						
Other Expenses	68,000.00	110,000.00	65,986.90	6,745.82	37,267.28	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>HEALTH AND HUMAN SERVICES</u>						
Blood Borne Pathogens - Hepatitis B						
Salaries and Wages	1,500.00	1,500.00			1,500.00	
Other Expenses	1,500.00	1,500.00			1,500.00	
Board of Health						
Salaries and Wages	29,600.00	30,000.00	29,884.65		115.35	
Other Expenses	2,000.00	2,000.00	906.53	508.40	585.07	
Monmouth County Regional Health						
Other Expenses						
Animal Control Services						
Other Expenses	16,000.00	16,000.00	16,000.00			
Bayshore Youth Services Bureau Contribution	1,000.00	1,000.00	750.00	250.00		

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>PARK AND RECREATION</u>						
Recreation						
Salaries and Wages	18,750.00	15,750.00	15,475.98		274.02	
Other Expenses	5,500.00	2,500.00	1,549.20	150.00	800.80	
Senior Citizen Community Center						
Salaries and Wages	6,000.00	8,000.00	7,268.80		731.20	
Other Expenses	9,400.00	11,400.00	8,781.83	985.91	1,632.26	
Senior Citizen Transportation Contracted	5,000.00	5,000.00	2,652.00		2,348.00	
Parks and Playgrounds						
Other Expenses	14,000.00	14,000.00	10,672.58	487.62	2,839.80	
<u>OTHER COMMON OPERATING</u>						
Celebration of Public Events						
Other Expenses	2,500.00	2,500.00	500.00		2,000.00	
Postage						
Other Expenses	20,000.00	20,000.00	16,942.50	319.56	2,737.94	
State Uniform Construction Code Officials						
Salaries and Wages	75,000.00	79,000.00	78,260.36		739.64	
Other Expenses	3,600.00	6,600.00	4,849.79	1,383.50	366.71	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>UTILITY EXPENSES AND BULK PURCHASES</u>						
Fuel for Motor Vehicles	85,000.00	94,000.00	75,752.73	50.00	18,197.27	
Telephone	43,000.00	38,400.00	37,100.65	(1,741.08)	3,040.43	
Street Lighting	145,000.00	130,000.00	107,693.55	8,500.55	13,805.90	
Fuel Oil	8,000.00	13,000.00	11,583.30		1,416.70	
Natural Gas	25,000.00	25,000.00	14,268.55	1,598.19	9,133.26	
Electricity	55,000.00	37,000.00	31,493.51		5,506.49	
Landfill Disposal Costs	210,000.00	240,000.00	212,907.14	2,957.72	24,135.14	
Total Operations Within "CAPS"	5,574,780.00	5,726,580.00	5,280,119.16	118,173.14	328,287.70	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

			EXPENDED			UNEXPENDED
	2012 BUDGET	BUDGET AFTER	PAID OR	ENCUMBERED	RESERVED	BALANCE
	500.00	MODIFICATION	CHARGED		500.00	CANCELLED
Contingent	500.00	500.00				
Total Operations Including Contingent Within "CAPS"	5,575,280.00	5,727,080.00	5,280,119.16	118,173.14	328,787.70	#
Detail:						
Salaries and Wages	3,091,650.00	3,097,650.00	3,054,771.26	-	42,878.74	-
Other Expenses	2,483,630.00	2,629,430.00	2,225,347.90	118,173.14	285,908.96	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Public Employees' Retirement System	184,569.00	170,569.00	170,532.60		36.40	
Social Security System (O.A.S.I.)	135,000.00	131,000.00	123,508.42		7,491.58	
Police and Firemen's Retirement System of NJ	352,048.00	352,048.00			352,048.00	
Total Deferred Charges and Statutory Expenditures	671,617.00	653,617.00	646,089.02		7,527.98	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,246,897.00	6,380,697.00	5,926,208.18	118,173.14	336,315.68	# -
OPERATIONS EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library	233,813.00	233,813.00	231,796.17		2,016.83	
Total Other Operations - Excluded from "CAPS"	233,813.00	233,813.00	231,796.17		2,016.83	
Interlocal Municipal Service Agreements						
911 Services (County of Monmouth)						
Other Expenses	9,400.00	9,400.00	9,007.42		392.58	
Recycling (Hazlet)						
Other Expenses	4,500.00	4,500.00	1,225.00		3,275.00	
Municipal Court						
Other Expenses	102,000.00	104,200.00	104,160.40		39.60	
Services of Regional Health Association (P.L. 1975, Ch.329)						
Total Interlocal Municipal Service Agreements	115,900.00	118,100.00	114,392.82		3,707.18	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities Grant		11,300.14	11,300.14			
Body Armor Replacement Grant	1,948.53	1,948.53	1,948.53			
Recycling Tonnage Grant	9,873.37	9,873.37	9,873.37			
Office on Aging Grant						
Grant Share	36,000.00	36,000.00	36,000.00			
Local Share	50,660.00	50,660.00	50,660.00			
Municipal Court Alcohol Education and Rehabilitation						
Enforcement Fnd	2,458.85	2,458.85	2,458.85			
Municipal Drug Alliance Program						
Local Share	6,676.00	6,676.00	6,676.00			
State Share	26,704.00	26,704.00	26,704.00			
Total Public and Private Programs Offset by Revenues	134,320.75	145,620.89	145,620.89	-	-	# -
Total Operations Excluded from "CAPS"	484,033.75	497,533.89	491,809.88	-	5,724.01	# -
Detail:						
Salaries and Wages						
Other Expenses	484,033.75	# 497,533.89	491,809.88	-	5,724.01	# -
<u>Capital Improvements Excluded from "CAPS"</u>						
Acquisition of Firefighter Turnout Gear	20,000.00	20,000.00		20,000.00		
Total Capital Improvements Excluded from "CAPS"	20,000.00	20,000.00		20,000.00		
<u>Municipal Debt Service Excluded from "CAPS"</u>						
Payment of Bond Principal	510,000.00	510,000.00	510,000.00			
Payment of Bond Anticipation Notes and Capital Notes	90,900.00	90,900.00	90,900.00			
Interest on Bonds	275,834.00	275,834.00	274,080.00			1,754.00
Interest on Notes	19,900.00	19,900.00	19,878.62			21.38
Total Municipal Debt Service Excluded from "CAPS"	896,634.00	896,634.00	894,858.62			1,775.38
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A- 3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	<u>44,306.00</u>	<u>44,306.00</u>	<u>44,306.00</u>			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,444,973.75</u>	<u>1,458,473.89</u>	<u>1,430,974.50</u>	<u>20,000.00</u>	<u>5,724.01</u>	<u># 1,775.38</u>
Subtotal General Appropriations	<u>7,691,870.75</u>	<u>7,839,170.89</u>	<u>7,357,182.68</u>	<u>138,173.14</u>	<u>342,039.69</u>	<u># 1,775.38</u>
Reserve for Uncollected Taxes	<u>760,826.78</u>	<u>760,826.78</u>	<u>760,826.78</u>			
Total General Appropriations	<u>8,452,697.53</u>	<u>8,599,997.67</u>	<u>8,118,009.46</u>	<u>138,173.14</u>	<u>342,039.69</u>	<u># 1,775.38</u>
	<u>Ref.</u>					
2012 Adopted Budget	A-2	8,452,697.53				
2012 Emergency Appropriation		136,000.00				
2012 Budget added by N.J.S. 40A:4-87	A-2	<u>11,300.14</u>				
		<u>8,599,997.67</u>				
Disbursed	A- 4		7,211,561.79			
Reserve for Uncollected Taxes	A- 7		760,826.78			
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-10, A-18		<u>145,620.89</u>			
			<u>8,118,009.46</u>			

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012 AND 2011

		December 31, 2012	December 31, 2011
<u>ASSETS</u>			
	<u>Ref.</u>		
Animal Control Trust Fund			
Cash.....	B-1	\$ 12,795.66	\$ 11,431.72
Total Animal Control Fund		<u>12,795.66</u>	<u>11,431.72</u>
Other Trust Fund			
Cash.....	B-1	517,254.30	433,047.91
Due from Current Fund.....		<u>337.38</u>	<u>364.94</u>
Total Other Trust Fund		<u>517,591.68</u>	<u>433,412.85</u>
Open Space Trust Fund			
Cash.....	B-1	<u>97,615.79</u>	<u>101,440.13</u>
Total Open Sapce Fund		<u>97,615.79</u>	<u>101,440.13</u>
Total Trust Funds		<u>\$ 628,003.13</u>	<u>\$ 546,284.70</u>

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012 AND 2011

		December <u>31, 2012</u>	December <u>31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal License Expenditures	B-2	<u>\$ 12,795.66</u>	<u>\$ 11,431.72</u>
Total Animal Control Fund		<u>12,795.66</u>	<u>11,431.72</u>
Other Trust Fund			
Due State of New Jersey -			
Fees & Licenses.....	B-3	650.00	575.00
Reserve for Various Trust Activities.....	B-5	<u>516,941.68</u>	<u>432,837.85</u>
Total Other Trust Fund		<u>517,591.68</u>	<u>433,412.85</u>
Open Space Trust Fund			
Reserve for Open Space.....	B-6	<u>97,615.79</u>	<u>101,440.13</u>
		<u>97,615.79</u>	<u>101,440.13</u>
Total Trust Funds		<u>\$ 628,003.13</u>	<u>\$ 546,284.70</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2012</u>	<u>BALANCE DEC. 31, 2011</u>
Cash and Investments - Treasurer	C-2	\$ 1,038,247.73	\$ 1,514,512.26
Investments in Special Emergency/Emergency	C-2	136,000.00	-
Due from State of New Jersey DEP	C-4	1,097,500.00	1,097,500.00
Due from State of New Jersey DOT	C-4	262,500.00	531,250.00
Due from C.D.B.G.	C-4		194,559.00
Deferred Charges to Future Taxation:			
Funded	C-5	7,234,626.77	8,157,176.59
Unfunded	C-6	5,140,989.23	4,906,889.23
Total Assets		\$ 14,909,863.73	\$ 16,401,887.08
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-9	\$ 6,660,000.00	\$ 7,550,000.00
Bond Anticipation Notes	C-10	4,214,400.00	3,880,400.00
Green Trust Loan Payable	C-13	574,626.77	607,176.59
Reserve for Encumbrances	C-8	231,556.80	1,511,027.10
Due to Current Fund	C-7	266.29	266.39
Improvement Authorizations:			
Funded	C-8	283,676.94	155,855.94
Unfunded	C-8	2,054,512.30	1,467,544.50
Reserve for:			
Capital Improvement Fund	C-11	22,375.69	22,375.69
Receivable and Other Assets	C-12	168,565.61	452,376.54
DEP Grant Receivable	C-12	672,500.00	672,500.00
Fund Balance	C-1	27,383.33	82,364.33
Total Liabilities, Reserves And Fund Balance		\$ 14,909,863.73	\$ 16,401,887.08
 Authorized But Not Issued	 C-14	 \$ 926,589.23	 \$ 1,026,489.23

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE- REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>REF.</u>		
Balance - December 31, 2011	C	\$	82,364.33
Increased by:			
Premium on BANS	C-2	<u>20,019.00</u>	<u>20,019.00</u>
			102,383.33
Decreased by:			
Appropriated CY 2012 Revenue	C-2	60,000.00	
Appropriated Fund Improvement Author.	C-7	<u>15,000.00</u>	<u>75,000.00</u>
Balance - December 31, 2012	C	\$	<u><u>27,383.33</u></u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2012</u>	<u>BALANCE DEC. 31, 2011</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2012</u>	<u>BALANCE DEC. 31, 2011</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 557,102.17	\$ 263,586.02	Liabilities:			
		<u>557,102.17</u>	<u>263,586.02</u>	Emergency Notes Payable	D-11	\$ 50,000.00	\$
Receivables With Full Reserves:				Appropriation Reserves	D-4, D-14	13,902.46	7,782.29
BRSA Rent Reserve	D-12	321,133.99	806,631.04	Reserve for Encumbrances	D-9	51,418.61	5,989.51
Consumer Accounts Receivable	D-8	<u>245,595.21</u>	<u>237,268.63</u>	Water and Sewer Overpayment	D-19	1,951.84	5,053.93
				Prepaid Consumer Accounts	D-20	194,474.58	216,764.82
Deferred Charges:				Accrued Int. on Bonds, Notes & Loans	D-15	<u>28,154.30</u>	<u>23,053.56</u>
Emergency Authorization	D-1, D-7	<u>50,000.00</u>	<u>-</u>	Reserve for Receivables		339,901.79	258,644.11
				Fund Balance	Reserve	566,729.20	1,043,899.67
		<u>50,000.00</u>	<u>-</u>		D-1	<u>267,200.38</u>	<u>4,941.91</u>
Total Operating Fund		<u>1,173,831.37</u>	<u>1,307,485.69</u>	Total Operating Fund		<u>1,173,831.37</u>	<u>1,307,485.69</u>
Cash and Investments - Treasurer	D-5	2,069,753.60	2,263,185.58	Capital Fund:			
Investment- Emergency Note		50,000.00		Serial Bonds Payable	D-16	120,000.00	230,000.00
Fixed Capital	D-10	3,674,005.39	3,674,005.39	Bond Anticipation Notes	D-17	4,036,600.00	4,193,600.00
Fixed Capital - Authorized and				Reserve for Encumbrances	D-9	2,075,252.52	10,263.00
Uncompleted	D-13	5,450,000.00	5,450,000.00	Unfunded	D-18	988,413.09	3,246,834.59
State & Federal Grants and Loans	Reserve	<u>3,500,000.00</u>	<u>3,500,000.00</u>	Capital Improvement Fund	D-21	50,087.00	87.00
				Reserve for Amortization	D-22	3,554,005.39	3,444,005.39
Total Capital Fund		<u>14,743,758.99</u>	<u>14,887,190.97</u>	Reserve for Deferred Amortization	D-23	419,400.00	262,400.00
				Reserve for State & Federal Grants / Loans	Reserve	3,500,000.00	3,500,000.00
Total		\$ <u>15,917,590.36</u>	\$ <u>16,194,676.66</u>	Fund Balance	D-2	<u>0.99</u>	<u>0.99</u>
				Total Capital Fund		<u>14,743,758.99</u>	<u>14,887,190.97</u>
				Total		\$ <u>15,917,590.36</u>	\$ <u>16,194,676.66</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2012 in the amount of 994,000. (Exhibit D-24).

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2012</u>	<u>YEAR 2011</u>
Fund Balance	D-3	\$ 4,900.00	\$ 78,000.00
Water and Sewer Rents	D-3	3,054,329.17	3,103,020.06
Miscellaneous	D-3	201,138.30	211,658.67
BRSA Rent Reserve Refunded	D-3	486,754.44	
Capital Improvement Fund Cancelled	D-3		
Capital Fund Balance	D-3		7,190.00
Cancel Accounts Payable	D-7		
Unexpended Balance of Approp. Reserves	D-14	<u>3,147.32</u>	<u>5,894.22</u>
Total Revenues		<u>3,750,269.23</u>	<u>3,405,762.95</u>
<u>EXPENDITURES</u>			
Operating	D-4	1,111,528.00	960,426.00
Bayshore Regional Sewerage Authority	D-4	1,421,100.00	1,640,300.00
Acquisition of Water	D-4	587,800.00	542,000.00
Capital Improvements	D-4	50,000.00	
Debt Service	D-4	307,682.76	213,135.32
Deferred Charges and Statutory Expenditures	D-4	<u>55,000.00</u>	<u>45,000.00</u>
Total Expenditures		<u>3,533,110.76</u>	<u>3,400,861.32</u>
Excess/(Deficit) in Revenues		217,158.47	4,901.63
Deferred Charges to be Raised in Budget of Succeeding Year	D	<u>50,000.00</u>	
Statutory Excess to Fund Balance		267,158.47	4,901.63
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>4,941.91</u>	<u>78,040.28</u>
		272,100.38	82,941.91
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>4,900.00</u>	<u>78,000.00</u>
Balance - December 31, 2012	D	\$ <u>267,200.38</u>	\$ <u>4,941.91</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>REF.</u>		
Balance - December 31, 2011	D	\$	0.99
Balance - December 31, 2012	D	\$	<u>0.99</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>REF.</u>	2012 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Water and Sewer Rents		\$ 3,103,000.00	\$ 3,054,329.17	\$ (48,670.83)
Miscellaneous		211,000.00	201,138.30	(9,861.70)
BRSA Rent Reserve Refunded		164,230.00	486,754.44	322,524.44
		<hr/>	<hr/>	<hr/>
Total		\$ <u>3,478,230.00</u>	\$ <u>3,742,221.91</u>	\$ <u>263,991.91</u>
	<u>Ref.</u>	D- 4	D-1, D5, D-8	

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	BUDGET AFTER	EXPENDED			UNEXPENDED
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
			<u>CHARGED</u>			<u>CANCELLED</u>
Operating:						
Salaries and Wages	\$ 575,000.00	\$ 579,000.00	\$ 577,463.80	\$	\$ 1,536.20	\$
Other Expenses	486,028.00	532,528.00	469,238.47	51,418.61	11,870.92	
Bayshore Regional Sewerage Authority	1,436,000.00	1,421,100.00	1,421,031.81		68.19	
Acquisition of Water	600,000.00	587,800.00	587,728.09		71.91	
Capital Improvements:						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00			
Debt Service:						
Payment on Bond Principal	110,000.00	110,000.00	110,000.00			
Payment on Bond Anticipation Notes	107,000.00	157,000.00	157,000.00			
Interest on Bonds	10,102.00	10,102.00	10,101.56			0.44
Interest on Notes	50,000.00	30,600.00	30,581.20			18.80
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	10,000.00	10,000.00	10,000.00			
Social Security System (O.A.S.I.)	49,000.00	45,000.00	44,644.76		355.24	
Total Water & Sewer Utility Appropriations	\$ 3,483,130.00	\$ 3,533,130.00	\$ 3,467,789.69	\$ 51,418.61	\$ 13,902.46	\$ 19.24
Ref.	D-3		D-1	D-1, D-9	D, D-1	
Adopted Budget	D-3, D-4	\$ 3,483,130.00				
Emergency Authorization	D-7	50,000.00				
		<u>\$ 3,533,130.00</u>				
Disbursed	D-5		\$ 3,427,106.93			
Accrued Interest on Bonds, Notes and Loans	D-15		40,682.76			
			<u>\$ 3,467,789.69</u>			

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2012</u>	<u>BALANCE</u> <u>DEC. 31, 2011</u>
Cash	E-1	\$ <u>7,691.52</u>	\$ <u>3,812.42</u>
Total Assets		\$ <u>7,691.52</u>	\$ <u>3,812.42</u>
 <u>LIABILITIES</u>			
Due to Current Fund	E	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-1	<u>7,077.28</u>	<u>3,198.18</u>
Total Liabilities		\$ <u>7,691.52</u>	\$ <u>3,812.42</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
DECEMBER 31, 2012 AND 2011**

<u>GOVERNMENTAL FIXED ASSETS:</u>	DECEMBER 31 <u>2012</u>	DECEMBER 31 <u>2011</u>
Land	\$ 5,186,100.00	\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00	5,481,800.00
Motor Vehicles and Equipment	2,908,510.04	2,876,199.08
Machinery and Equipment	344,731.30	344,731.30
Office Furniture and Equipment	163,066.09	163,066.09
Other Equipment	<u>218,914.00</u>	<u>218,914.00</u>
Total Governmental Fixed Assets	<u>\$ 14,303,121.43</u>	<u>\$ 14,270,810.47</u>
 Investments in Governmental Fixed Assets	 <u>\$ 14,303,121.43</u>	 <u>\$ 14,270,810.47</u>

Note: See Notes to Financial Statements

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012 AND 2011

Note 1: FORM OF GOVERNMENT

The Borough of Keyport operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Keyport include every board, body, officer or Commission supported and maintained wholly or in part by funds appropriated by the Borough of Keyport, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Keyport do not include the operations of the municipal library, first aid organization or volunteer fire companies, Special Improvement District, and the Joint Municipal Court of Hazlet, Keyport and Matawan.

B. Description of Funds

The accounting policies of the Borough of Keyport conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Keyport accounts for its financial transactions through the following separate funds:

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A:4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

Animal Control Trust Fund, Developer Escrow, Recreational Bayfront Improvement Trust,
Law Enforcement Trust, Recreation Commission, Unemployment Trust, Other Trust Funds,
and Open Space Trust

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.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

B. Description of Funds (Cont'd.)

Water and Sewer Operating and Capital Fund - account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

Payroll Agency Fund – account for payroll deductions and social security contributions of municipal and utility operations. A payroll Agency fund does not exists under GAAP.

Governmental Fixed Assets - The Governmental Fixed Assets system is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting and Measurement Focus

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough budget. Receivables for property taxes and water and sewer charges are recorded with offsetting reserves within their respective funds. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of sewer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts that may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, 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 of 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. Over- expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. 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, 2012 is set forth in Note 6.

Compensated Absences - The Borough records expenditures for earned, but unused sick leave and vacation time are not recorded until paid. GAAP requires that expenditures be recorded for earned, but unused vacation and sick leave in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. For the year ended December 31, 2012 and 2011, the Borough's financial statements reflect a cumulative total of \$97,100.00. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are 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.

Governmental Fixed Assets - Property and equipment acquired by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough has performed an inventory and included the Governmental Fixed Asset Schedule in the financial statements for years ended December 31, 2012 and 2011.

As N.J.A.C. 5:30 -5.6 states that assets having a useful life of more than five years and an acquisition cost pursuant to OMB A-87 must be capitalized in the governmental fixed asset system. Infrastructure assets are excluded from the governmental fixed asset system. Depreciation is not recorded in the governmental fixed asset system.

Grants Received – Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Disclosures About Fair Value of Financial Instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Recent Accounting Standards

GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", in June 2011. The objective of the statement is to provide guidance for reporting for these financial statement elements.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards (Cont'd)

GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB No. 53" in June 2011. The objective of the statement is to clarify circumstances in which hedge accounting should continue to be applied.

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. The objective of the Statement is to amend the financial statement element classification of certain items previously reported as assets and liabilities for consistency with the definitions included in Concepts Statement 4.

GASB issued Statement No. 66, "Technical Corrections-2012- an amendment of GASB Statements No. 10 and 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements.

GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25" in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough's financial condition.

Use of Estimates – The preparation of financial statements requires management of Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement (Cont'd.)

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2011 financial statements to conform with classifications used in fiscal year 2012.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2012</u>	<u>YEAR 2011</u>
<u>Issued:</u>		
General:		
Bonds and Notes and Loans	\$ 12,070,385.04	\$ 12,037,576.59
Water and Sewer Utility:		
Bonds and Notes	<u>4,156,600.00</u>	<u>4,423,600.00</u>
Total Issued	<u>16,226,985.04</u>	<u>16,461,176.59</u>
Net Issued	<u>16,226,985.04</u>	<u>16,461,176.59</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	926,589.23	1,026,489.23
Water and Sewer Utility:		
Bonds and Notes	<u>994,000.00</u>	<u>994,000.00</u>
Total Authorized But Not Issued	<u>1,920,589.23</u>	<u>2,020,489.23</u>
 Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 18,147,574.27</u>	<u>\$ 18,481,665.82</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2012 and 2011:

	<u>YEAR 2012</u>	<u>YEAR 2011</u>
<u>General Debt:</u>		
\$6,055,000, General Improvement Bonds of 2003 due in annual installments of \$55,000 to \$425,000 through February 2023, interest at 3.800% to 4.250%.	335,000.00	4,550,000.00
\$3,000,000, General Improvement Bonds of 2011 due in annual installments of \$200,000 through August 2026, interest at 3.000% to 4.000%.	2,800,000.00	3,000,400.00
\$3,525,000 MCIA Refunding Bonds, Series 2012 due in annual installments of \$305,000 to \$380,000 through December 2023.	3,525,000.00	-
\$4,214,400, General Capital Bond Anticipation Notes issued on 8/3/12 due on 8/2/13, interest at 1.500%.	4,214,400.00	3,880,000.00
Green Trust Loan	574,626.77	607,176.59
Total General Capital Debt	<u>\$ 11,449,026.77</u>	<u>\$ 12,037,576.59</u>
<u>Water and Sewer Utility Debt:</u>		
\$1,315,000, 1994 Water and Sewer Utility Refunding Bonds due in annual installments of \$80,000 to \$120,000 through July 2013, interest at 5.350% to 5.625%.	120,000.00	230,000.00
\$4,036,600, Water and Sewer Utility Bond Anticipation Notes issued on 8/3/12 due on 8/2/13, interest at 1.500%.	4,036,600.00	4,193,600.00
Total Water and Sewer Utility Debt	<u>4,156,600.00</u>	<u>4,423,600.00</u>
Total Debt Issued and Outstanding	<u>\$ 15,605,626.77</u>	<u>\$ 16,461,176.59</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of:

<u>2012</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 5,905,000.00	\$ 5,905,000.00	
Water Utility and Sewer Utility Debt	5,150,600.00	5,150,600.00	
General Debt	12,996,674.27	88,397.23	\$ 12,908,277.04
	<u>\$ 24,052,274.27</u>	<u>\$ 11,143,997.23</u>	<u>\$ 12,908,277.04</u>

Net Debt \$13,433,001.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$700,476,456.33 = 1.84%

<u>2011</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 6,440,000.00	\$ 6,440,000.00	
Water Utility and Sewer Utility Debt	5,417,600.00	5,397,748.20	19,851.80
General Debt	13,064,065.82	378,626.70	\$ 12,685,439.12
	<u>\$ 24,921,665.82</u>	<u>\$ 12,216,374.90</u>	<u>\$ 12,705,290.92</u>

Net Debt \$15,004,933.84 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$726,730,477.00 = 1.75%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2012</u>	<u>2011</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 24,516,675.97 <u>12,908,277.04</u>	\$ 25,435,566.70 <u>12,705,290.92</u>
Remaining Borrowing Power	<u>\$ 11,608,398.93</u>	<u>\$ 12,730,275.78</u>

CY 2012 Equalized Valuation Basis

2010 Equalized Valuation Basis of Real Property	\$ 735,963,325.00
2011 Equalized Valuation Basis of Real Property	694,757,284.00
2012 Equalized Valuation Basis of Real Property	<u>670,708,760.00</u>
Average Equalized Valuation	<u>\$ 700,476,456.33</u>

CY 2011 Equalized Valuation Basis

2009 Equalized Valuation Basis of Real Property	\$ 749,470,822.00
2010 Equalized Valuation Basis of Real Property	735,963,325.00
2011 Equalized Valuation Basis of Real Property	<u>694,757,284.00</u>
Average Equalized Valuation	<u>\$ 726,730,477.00</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)Calculation of "Self-Liquidating Purpose"
Water and Sewer Utility Per N.J.S.A. 40A:2-45

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

	<u>2012</u>	<u>2011</u>
Cash Receipts from Fees, Rents or Other Charges for the Year	\$ 3,747,121.91	\$ 3,399,868.73
Deductions:		
Operating & Maintenance Cost	(3,175,428.00)	(3,187,726.00)
Debt Service Per Water & Sewer Acct.	<u>(307,682.76)</u>	<u>(213,135.32)</u>
Total Deductions	<u>(3,483,110.76)</u>	<u>(3,400,861.32)</u>
Excess/(Deficit) in Revenue	<u>\$ 264,011.15</u>	<u>\$ (992.59)</u>

Calculation of "Self Liquidating Purpose" Deduction from Gross Debt

Water & Sewer Debt	\$ 5,150,600.00	\$ 5,417,600.00
Less: Deficit Capitalized at 5%	<u>-</u>	<u>(19,851.80)</u>
Water & Sewer Debt Deductible	<u>5,150,600.00</u>	<u>5,397,748.20</u>

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

	<u>2012</u>	<u>2011</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 267,158.47	\$ 4,901.63
Add:		
	<u>267,158.47</u>	<u>4,901.63</u>
Less: Unexpended Balance of Appropriation Reserves	<u>(3,147.32)</u>	<u>(5,894.22)</u>
	<u>(3,147.32)</u>	<u>(5,894.22)</u>
Excess/(Deficit) in Revenue	<u>\$ 264,011.15</u>	<u>\$ (992.59)</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. Schedule of Annual Debt Service for Principal and Interest for
Borough Bonded Debt Issued and Outstanding

Year Ending December 31	Principal	General Interest	Water and Sewer Utility Principal	Interest	Total
2013	\$ 535,000.00	\$ 247,298.75	\$ 120,000.00	\$ 6,750.00	\$ 909,048.75
2014	505,000.00	234,850.00			739,850.00
2015	530,000.00	216,650.00			746,650.00
2016	525,000.00	197,450.00			722,450.00
2017	550,000.00	178,450.00			728,450.00
2018	550,000.00	158,450.00			708,450.00
2019	560,000.00	138,450.00			698,450.00
2020	575,000.00	118,050.00			693,050.00
2021	570,000.00	97,050.00			667,050.00
2022	580,000.00	76,250.00			656,250.00
2023	580,000.00	51,000.00			631,000.00
2024	200,000.00	24,000.00			224,000.00
2025	200,000.00	16,000.00			216,000.00
2026	200,000.00	8,000.00			208,000.00
Totals	\$ <u>6,660,000.00</u>	\$ <u>1,713,948.75</u>	\$ <u>120,000.00</u>	\$ <u>6,750.00</u>	\$ <u>7,900,698.75</u>

D. Green Acres Loan - 1324-03-067

Year Ending December 31	Principal	Interest	Total Payments
2013	\$ 33,204.07	\$ 11,327.34	\$ 44,531.41
2014	33,871.47	10,659.94	44,531.41
2015	34,552.28	9,979.12	44,531.40
2016	35,246.78	9,284.62	44,531.40
2017	35,955.24	8,576.16	44,531.40
2018	36,677.94	7,853.46	44,531.40
2019	37,415.17	7,116.23	44,531.40
2020	38,167.22	6,364.19	44,531.41
2021	38,934.38	5,597.03	44,531.41
2022	39,716.96	4,814.45	44,531.41
2023	40,515.27	4,016.13	44,531.40
2024	41,329.62	3,201.78	44,531.40
2025	42,160.35	2,371.05	44,531.40
2026	43,007.77	1,523.63	44,531.40
2027	43,872.23	659.17	44,531.40
	\$ <u>574,626.77</u>	\$ <u>93,344.32</u>	\$ <u>667,971.09</u>

E. Bond Anticipation Notes

The Borough has issued General Capital Bond Anticipation Notes in the amount of \$4,214,400.00 and Water and Sewer Capital Bond Anticipation Notes in the amount of \$4,036,600.00, bearing and interest rate of 1.500% due on August 2, 2013.

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 and 2011 were appropriated and included as anticipated revenue in their own respective funds for the succeeding years ending were as follows:

	<u>Fund Balance</u> <u>December 31, 2012</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$193,189.95	\$183,000.00
Water and Sewer Utility Fund	267,200.38	264,660.00

	<u>Fund Balance</u> <u>December 31, 2011</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$56,503.51	\$53,000.00
Water and Sewer Utility Fund	4,941.91	4,900.00

Note 5: DEFERRED COMPENSATION TRUST FUND

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012 and 2011, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>December</u> <u>31, 2011</u>	<u>Amount</u> <u>Raised</u> <u>In 2012</u>	<u>Amount</u> <u>Resulting</u> <u>From 2012</u>	<u>Balance</u> <u>December</u> <u>31, 2012</u>
Current Fund:				
Special Emergency Authorization for				
Reassessment of Real Property	\$0.00	\$0.00	\$70,000.00	\$70,000.00
Revision of Tax Map/Revaluation	0.00	0.00	9,000.00	9,000.00
Emergency Authorization	<u>0.00</u>	<u>0.00</u>	<u>57,000.00</u>	<u>57,000.00</u>
	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$136,000.00</u>	<u>\$136,000.00</u>
Water and Sewer Utility Operating				
Fund:				
Emergency Authorization	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$50,000.00</u>	<u>\$50,000.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 7: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

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 insures deposits or the State of New Jersey Cash Management Fund. New Jersey statute require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

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. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of December 31, 2012 and 2011, cash and cash equivalents of the Borough on deposit and on-hand consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash (Demand) Accounts	\$4,901,743.52	\$5,373,093.12
Change Funds (on Hand)	<u>525.00</u>	<u>525.00</u>
	<u>\$4,902,268.52</u>	<u>\$5,373,618.12</u>

Based upon GASB criteria, the Borough considers change fund, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was \$5,265,272.72 and the bank balance was \$4,901,743.52. Of the bank balance, \$500,000.00 was covered by Federal depository insurance (FDIC) and \$4,401,743.52 was covered under the provisions of NJGUDPA.

The Borough maintains an investment in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amount of \$136,000 as at December 31, 2012. The Special Emergency Notes are reported as an investment within the General Capital Fund. The Note is not included above.

Note 7: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

In addition, the Borough maintains an investment in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amount of \$50,000 as at December 31, 2012. The Special Emergency Notes are reported as an investment within the Water and Sewer Utility Capital Fund. The Note is not included above.

The Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2012 and 2011, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Borough's bank balances was considered exposed to custodial credit risk.

Note 7: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

The Borough maintained investments in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amounts of \$136,000 and \$50,000 as at December 31, 2012 in the General Capital and Water and Sewer Utility Capital Funds, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8: 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 by January 10th of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, 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 on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes 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 NJ 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% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. 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.

Taxes, Water and Sewer Utility Receivables

Receivables at December 31, 2012 consisted of the following:

Type	Current Fund	Water and Sewer Utility Fund	Total
Real Property Taxes	\$703,365.15		\$703,365.15
Water and Sewer Utility Rents		\$245,595.21	\$245,595.21
Totals	\$703,365.15	\$245,595.21	\$948,960.36

Receivables at December 31, 2011 consisted of the following:

Type	Current Fund	Water and Sewer Utility Fund	Total
Real Property Taxes	\$680,629.35		\$680,629.35
Water and Sewer Utility Rents		\$237,268.63	237,268.63
Totals	\$680,629.35	\$237,268.63	\$917,897.98

NOTES TO FINANCIAL STATEMENTS

Note 9: GOVERNMENTAL FIXED ASSETS

The Borough's governmental fixed assets are reported as follows:

	Balance <u>December 31, 2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>December 31, 2012</u>
Land	\$5,186,100.00			\$5,186,100.00
Buildings/ Bldg. Improvements	5,481,800.00			5,481,800.00
Motor Vehicles & Equipment	2,876,199.08			2,876,199.08
Machinery & Equipment	344,731.30			344,731.30
Office Furniture & Equipment	163,066.09			163,066.09
Other Equipment	<u>218,914.00</u>			<u>218,914.00</u>
	<u>\$14,270,810.47</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$14,270,810.47</u>

Note 10: PENSION AND RETIREMENT PLANS

Employees of the Borough of Keyport are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plan are not available. For 2012, the Borough contributed amounts of \$180,532.60 for PERS and \$352,048.00 for PFRS. For 2011, the Borough contributed amounts of \$177,277.50 for PERS and \$444,662.00 for PFRS.

The State of New Jersey, Department of the Treasury, Division of Pension and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Note 11: POST RETIREMENT HEALTH BENEFITS

P.L. 1997 C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge.

Borough of Keyport PERS employees do not receive any post-retirement benefits.

NOTES TO FINANCIAL STATEMENTS

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Borough of Keyport has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Borough permits its employees to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. Effective for financial statements dated December 31, 1987, the state has required all municipalities to disclose the estimated current cost of such unpaid compensation would be \$320,732.00 and \$333,690.00 at December 31, 2012 and 2011, respectively. In accordance with New Jersey principles, this amount is not reported as an expenditure or liability for accrued compensated absences in accordance with GAAP.

Note 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the New Jersey Intergovernmental Insurance Fund – Property and Liability Fund and Worker’s compensation fund. The joint insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation. The Joint Insurance Fund participates in the Municipal Excess Liability Program which as a contract for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workmen’s compensation.

The Borough did not have the Insurance Fund reports on file for the year ended December 31, 2012.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following balances are reported for within the Trust Fund in the amount of \$8,993.07 and \$11,981.07, as at December 31, 2012 and 2011, respectively.

Note 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund (S & F Grant Fund)	\$ 138,374.96	\$ 137,831.81
Trust Fund	337.38	0.00
General Capital Fund	0.00	266.29
Payroll Agency Fund	0.00	614.24
	<hr/>	<hr/>
Total	<u>\$ 138,712.34</u>	<u>\$ 138,712.34</u>

NOTES TO FINANCIAL STATEMENTS

Note 15: COMMITMENTS AND CONTINGENT

Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by grantors or their representatives. As of December 31, 2012, the Borough does not believe that any material liabilities will result from such audits.

Contingencies – Pending Litigation

As of the day of this report, the Borough had various litigation pending, including but not limited to, worker's compensation claims, civil litigation and pending disciplinary matters. Based upon all information available, the Borough does not believe that there are any legal matters pending, in the event of an adverse or unfavorable outcome, which would have a material impact upon the Borough's financial position.

Note 16: AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

During 2009, the Borough was awarded a total of \$3,500,000 under the ARRA program by the United States Department of Agriculture (USDA) for Sanitary Sewer System Upgrades and Inflow/Infiltration Reduction Projects, consisting of a grant in the amount of \$844,000 and a loan of \$2,656,000. The Borough has recorded a receivable offset by a reserve in the total amount of \$3,500,00 within the Water and Sewer Utility Capital Fund. The Borough has appropriated and authorized \$1,600,000 and \$1,900,000, respectively for project expenditures and has reported incurred expenditures of \$193,431.98 for the year ended December 31, 2012.

The Borough expects to permanently finance the improvements with the ARRA funds awarded by the United States Department of Agriculture (USDA) for Sanitary Sewer System Upgrades and Inflow/Infiltration Reduction Projects.

Note 17: SUBSEQUENT EVENTS

Bonds and Notes Authorized

The Borough has authorized the issuance of debt with respect to the following Capital Projects:

<u>Project(s):</u>	<u>Total</u>	<u>Bonds and Notes Authorized</u>
Improvements and repairs to the waterfront Structures and Facilities Damaged During Hurricane Sandy	\$ <u>1,400,000</u>	\$ <u>1,330,000</u>

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

PART II
SUPPLEMENTARY SCHEDULES

Single Audit Section

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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The financial statements – regulatory basis of the Borough of Keyport, County of Monmouth, New Jersey as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough of Keyport's financial statements and have issued our report thereon dated September 24, 2013. Our report expressed a unqualified opinion on the financial statements in conformity with this regulatory basis. Our report also expressed a modified opinion because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Keyport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Borough of Keyport in the General Comments section of the Report of Audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance, Accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Highland Park, New Jersey
September 24, 2013

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND NJ OMB CIRCULAR 04-04**

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

Report on Compliance for Each Major State Program

We have audited the Borough of Keyport, County of Monmouth, New Jersey compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and New Jersey OMB Circular 04-04 that could have a direct and material effect on each of the Borough of Keyport's major state programs for the year ended December 31, 2012. The Borough of Keyport's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Keyport's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey Circular OMB 04-04. Those standards, OMB Circular A-133, and NJ OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Keyport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Borough of Keyport's compliance.

Opinion on Each Major State Program

In our opinion, the Borough of Keyport, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Borough of Keyport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Keyport's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Keyport's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and NJ OMB Circular 04-04. Accordingly, this report is not suitable or any other purposes



HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Highland Park, New Jersey
September 24, 2013

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

STATE FUNDING DEPARTMENT	STATE PROGRAM	STATE ACCOUNT NUMBER	GRANT PERIOD	PROGRAM OR AWARD AMOUNT	RECEIPTS OR REVENUE RECOGNIZED	EXPENDITURES	CUMULATIVE EXPENDITURES
Direct Funding:							
Dept. of Community Affairs	Neighborhood Preservation	022-8020-100-092	1/1/12-12/31/12	\$ 125,000.00	\$	\$ 25,800.00	\$ 125,000.00
Dept. of Environmental Protection	State Recycling Grant	042-4900-752-001	1/1/12-12/31/12	\$ 8,569.10	8,569.10	4,065.36	4,065.36
	Clean Communities Program	042-4900-765-004	1/1/12-12/31/12	\$ 11,300.14	11,300.14	12,730.73	12,730.73
	Hazardous Discharge Site Remediation	N/A	Continuous	\$ 391,540.00	342,923.00	225,771.62	242,014.29
Dept. of State	Per Capita Library Aid	074-2541-100-006	1/1/12-12/31/12	\$ 2,563.00	2,563.00	2,563.00	2,563.00
Dept. of Law/Pub. Safety	Body Armor Replacement Fund	066-1020-718-001	1/1/12-12/31/12	\$ 1,901.05	1,901.05	3,413.40	3,413.40
	DWI Saturation Patrol	N/A	1/1/12-12/31/12	\$ 12,800.00	N/A	10,800.00	11,040.00
Department of Transportation	Local Municipal Aid (Beers Street, Phase I)	078-6320-480-AKE 12	Continuous	\$ 225,000.00	225,000.00		225,000.00
	Local Municipal Aid (Beers Street, Phase II)	078-6320-480-AKN 13	Continuous	\$ 225,000.00	56,250.00		225,000.00
	Local Municipal Aid (Division Street)	078-6320-480-AK3 12	Continuous	\$ 250,000.00	187,500.00	250,000.00	250,000.00
	Local Municipal Aid (Osborn Street)	078-6320-480	Continuous	\$ 200,000.00			
Judiciary	Municipal Court - Alcohol Ed. & Rehab.	098-9735-790-001	1/1/12-12/31/12	\$ 3,129.86	3,129.86	3,100.00	3,100.00
Indirect Funding:							
Pass Through County of Monmouth, NJ:							
State Division on Aging - Human Services	COLA - Division on Aging	N/A	1/1/12-12/31/12	\$ 7,500.00	7,500.00	7,500.00	7,500.00
Govenor's Council on Alcoholism & Drug Abuse	Municipal Alliance	082-2000-100-044	1/1/12-12/31/12	33,380.00	22,142.83	28,549.35	35,225.35
Totals				\$ 868,778.98	\$ 574,293.46	\$ 1,146,652.13	

Footnote(s):

Grant Award/Amount Reflects Current Year Awards.
Expenditures - Include Prior Year Award Expenditures.
N/A - Not Available or Not Applicable

NOTE: See accompanying Notes to Schedules of Expenditures of Awards.

The Borough's state grants are presented within the Borough's overall financial statements on the modified accrual basis of accounting with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY

NOTES TO SCHEDULES OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2012

NOTE 1: GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Borough of Keyport. The Borough is defined in Note 1 to the financial statements – regulatory basis.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of state financial assistance is presented using the basis of accounting as described in Note 2 to the Borough's financial statements – regulatory basis.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's financial statements – regulatory basis.

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports, where required.

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified (OCBOA)

Internal Control over financial reporting:

1) Material weakness(es) identified? Yes X No

2) Control Deficiency(s) identified that
are not considered to be material weaknesses? Yes X No

Noncompliance material to financial
statements noted? Yes X No

State Awards

Internal Control over financial reporting:

1) Material weakness (es) identified? Yes X No

2) Control Deficiency (s) identified that
are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular Letter 04-04? Yes X No

Identification of major programs:

State Account Number(s)

Name of State Program or Cluster

Local Municipal Aid:

078-6320-480-AK3

Division Street

082-2000-100-044

Municipal Alliance

042-4900-765-004

Clean Communities

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

(continued)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Governmental Auditing Standards*.

Significant Deficiency(s)

None noted.

Non-Compliance

None noted.

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(continued)

Section III – State Award Findings and Questioned Costs

State Award Programs:

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by OMB Circular A-133 and NJ OMB Circular 04-04.

Significant Deficiency(s):

None noted.

Non-Compliance:

None noted.

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY**

**SUMMARY SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section 1 – Summary of Prior Year Findings

SUMMARY OF PRIOR YEAR FINDINGS

N/A

Current Fund

Exhibit A-4

**CURRENT FUND
SCHEDULE OF CASH**

	<u>Ref.</u>	<u>CURRENT FUND</u>
Cash Balance December 31, 2011.....	A	\$ 751,046.74
Increased by Cash Receipts		
Miscellaneous Anticipated Revenue.....	A-2,A-8	\$ 1,991,513.70
Miscellaneous Revenue Not Anticipated.....	A-2,A-8	206,197.12
Taxes Receivable.....	A-7	16,267,073.27
Due NJ Sr Citizens and Veterans Deductions.....	A-6	53,250.00
Real Estate Tax Overpayments	A-12	1,704.85
Various Accounts Payable & Reserves.....	A-14	60,225.88
Petty Cash Returned.....	A-5	800.00
Emergency Notes Payable Collections	A-15	136,000.00
Unappropriated Grant Reserves.....	A-19	13,600.01
Grants Receivable.....	A-10	<u>412,365.97</u>
Total Cash Receipts.....		19,142,730.80
Decreased by Disbursements		
Refund Prior Year Revenues	A-1	(106,147.17)
Budget Appropriations.....	A-3	(7,211,561.79)
Appropriated Grant Reserves.....	A-18	(406,221.09)
Appropriation Reserves.....	A-11	(348,902.10)
Taxes Payable.....	A-13	(10,798,227.55)
Interfunds.....	A-10	(27.56)
Various Accounts Payable & Reserves.....	A-14	(56,878.33)
Petty Cash/Change Funds Advanced.....	A-5	<u>(1,000.00)</u>
Total Cash Disbursements.....		(18,928,965.59)
Cash Balance December 31, 2012.....	A	\$ <u><u>964,811.95</u></u>

CURRENT FUND
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

	Balance December 31, 2011	Advanced	Returned	Balance December 31, 2012
Change Fund				
Tax Collector	\$ 175.00			\$ 175.00
Municipal Court.....	200.00		200.00	-
Construction.....	50.00			50.00
Board of Health.....	50.00			50.00
Borough Clerk.....	50.00			50.00
Petty Cash Funds:				
Administration.....		200.00	200.00	
Senior Center.....		200.00	200.00	
Public Works.....		200.00	200.00	
Police.....		200.00	200.00	
Total	\$ 525.00	\$ 800.00	\$ 1,000.00	\$ 325.00
<u>Ref.</u>	A	A-4	A-4	A

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 20, P.L. 1976
CURRENT FUND**

	<u>REF.</u>		
Balance - December 31, 2011	A	\$	3,139.20
Increased by:			
Allowable Deductions per			
Tax Billings	A- 7	\$	13,750.00
2012 Sr. Citizens and Vet.			
Ded. Allowed by Collector	A- 7		39,500.00
Sr. Citizens And Vet.			
Ded. Allowed by Collector	A-4		<u>3,000.00</u>
			<u>56,250.00</u>
			59,389.20
Decreased by:			
Collected	A- 4		53,250.00
2010 Sr. Citizens and Vet.			
Ded. Disallowed by Collector 2012	A- 7		1,000.00
Ded. Disallowed by Collector 2011	A- 1		<u>750.00</u>
			<u>55,000.00</u>
Balance - December 31, 2012	A	\$	<u><u>4,389.20</u></u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2012 Taxes</u>			
Per Tax Billings	A- 7	\$	53,250.00
Allowed (Disallowed) by Tax Collector (Net)	A- 7		<u>2,000.00</u>
	A-7	\$	<u><u>55,250.00</u></u>

**CURRENT FUND
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS**

		Total	Prepaid	Current Year	Prior Year Delinquent	Arrears	Tax Liens	Property Acquired for Taxes
Balance 12/31/2011.....	Ref. A	\$ 798,648.53	\$ (105,039.72)	\$	\$ 680,629.35	\$	\$ 125,958.90	\$ 97,100.00
Billings / Levy:								
Original Levy.....	Res.	16,455,684.26		16,455,684.26				
Added & Omitted.....	Res.	9,490.40		9,490.40				
Added Taxes.....	Res.	1,096.16			750.00		346.16	
Remitted/Canceled Taxes.....	Res.	(79,039.44)		(79,039.44)				
Transfers								
Tax Lien.....				(10,709.21)	(2,302.26)		13,011.47	
Revenue								
Sr.Citizens & Vets.....	A-6	(55,250.00)		(55,250.00)				
Cash Receipts.....	A-4	(16,267,073.27)	(76,225.04)	(15,523,674.08)	(667,174.15)			
Transfer from Overpayments.....	A-12							
Prepaid Applied.....			105,039.72	(105,039.72)				
Balance 12/31/2012.....	A	\$ <u>863,556.64</u>	\$ <u>(76,225.04)</u>	\$ <u>691,462.21</u>	\$ <u>11,902.94</u>	\$	\$ <u>139,316.53</u>	\$ <u>97,100.00</u>
	Ref.		A	A, A-7	A, A-7		A	A
Analysis of 2012 Property Tax Levy:								
Tax Yield:						Current Taxes Realized:		
General Purpose Tax	\$	16,335,865.10	Local School District Tax	Ref. A-13	\$ 8,552,160.00	Sr. Citizens & Vets	Ref. A-7	\$ 55,250.00
Special District Taxes		119,819.16	County Tax	A-13	1,800,553.36	Cash Receipts	A-7	15,523,674.08
Added Taxes		<u>9,490.40</u>	County Open Space	A-13	104,294.62	Prepayments	A-7	105,039.72
			County Health	A-13	36,299.76	Transfer to Overpayments	A-7	
	A-7	\$ <u>16,465,174.66</u>	Due County - Added & Omitted	A-13	1,149.85	Subtotal	A-1	15,683,963.80
			Municipal Open Space Tax	A-13	186,889.00	Res. For Uncoll. Tax	A-3	<u>760,826.78</u>
			Business Improvement District	A-13	<u>118,000.00</u>			16,444,790.58
					10,799,346.59			
			Local Tax for Municipal Purposes	A-2	5,650,239.78	Taxes Payable	A-13	<u>(10,799,346.59)</u>
			Add: Additional Tax Levied		<u>15,588.29</u>		A-2	\$ <u>5,645,443.99</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLES AND
MISCELLANEOUS REVENUES NOT ANTICIPATED

	12/31/11	Accrued/ Adjustments	Cash Receipts	12/31/12
Revenue Accounts Receivable:				
Licenses:				
Alcoholic Beverages		\$ 33,266.63	\$ (33,266.63)	
Other		9,850.00	(9,850.00)	
Fees and Permits				
Construction Code Fees	\$ 12,586.00	119,696.80	(127,504.80)	4,778.00
Other		122,921.00	(122,921.00)	
Fines and Costs - Municipal Court	13,312.40	180,194.89	(181,793.31)	11,713.98
Interest and Costs on Taxes			(145,761.85)	
Cable Television Fees			(95,676.91)	
Payment in Lieu of Taxes:				
Senior Citizen Housing			(297,475.00)	
Bethany Manor Annex			(75,151.00)	
Consolidated Municipal Property Tax Relief Aid			(107,478.00)	
Energy Receipts Tax			(606,995.00)	
Interlocal - Board of Health			(5,000.00)	
Uniform Fire Safety Act	1,435.00	59,372.10	(59,777.10)	1,030.00
Reserve for Debt Service			(60,000.00)	
General Capital Fund Balance			(60,000.00)	
Total	27,333.40	525,301.42	(1,988,650.60)	17,521.98
<u>Ref.</u>	A	Reserve	A-2	A

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLES AND
MISCELLANEOUS REVENUES NOT ANTICIPATED

Miscellaneous Revenues Not Anticipated:

Photocopies	\$ 36.20
Tire Recycling	45.00
Scrap Metal Recycling	3,980.40
Post Office Land Rent	1,512.50
NSF Charges	160.00
Miscellaneous	4,597.92
Library Reimbursemnt - Debt Service	10,573.00
FEMA Reimbursemnt - Hurrigan Irene	102,850.20
Interfaith Neighbor Lease	3,900.00
Restitution	343.76
Senior Citizen & Veteran Administrative Fee	1,065.00
Board of Health	2,700.00
NJ DMV Inspections	765.00
Void Municipal Court O/S Checks	42.00
Fire Arms Report	307.00
Film Permit Application	500.00
Miscellaneous - UCC	7,540.50
CBS Outdoor Billboard Lease	9,000.00
Bike Auction	326.00
Brokerage Anti-Trust Litigation	776.95
Historical Society Rent	2.00
Homestaed Rebate Mailing Reimbursement	422.40
Bid Specs	750.00
Various Interest	27.56
Liquor License Application Fees	500.00
Canceled Trust Reserves	53,473.73

Total

Ref. A-1, A-2, A-4 \$ 206,197.12

SCHEDULE OF DEFERRED CHARGES

		<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>AMOUNT</u> <u>RESULTING</u> <u>IN 2010</u>	<u>BALANCE</u> <u>DEC. 31, 2012</u>
	<u>Date Authorized</u>			
Special Emergency				
Reassessment of Real Property	2012		70,000.00	\$ 70,000.00
Revision of Master Plan	2012		9,000.00	9,000.00
Emergency Authorization	2012		57,000.00	57,000.00
		<hr/>	<hr/>	<hr/>
Total		<u><u>\$ -</u></u>	<u><u>\$ 136,000.00</u></u>	<u><u>\$ 136,000.00</u></u>
	<u>Ref.</u>	A	A-3	A

**CURRENT FUND
SCHEDULE OF INTERFUNDS**

	12/31/11	Cash Receipts	Cash Disbursements	Budget Revenues	Budget Appropriations	Adjustments	12/31/12
Interfunds							
General Capital Fund.....	\$ (266.39)						\$ (266.39)
Payroll Fund.....	(614.24)						(614.24)
Grant Fund.....	60,555.64	19,744.89		\$ (88,284.89)	\$ 145,620.89	(142.10)	137,494.43
Trust - Other Fund.....	364.94		(27.56)				337.38
Total.....	\$ 60,039.95	\$ 19,744.89	\$ (27.56)	\$ (88,284.89)	\$ 145,620.89	\$ (142.10)	\$ 136,951.18
<u>Ref.</u>	A	A-4	A-4	A-2	A-3		A
Receivables	\$ (515.69)						\$ (543.25)
Payables	60,555.64						137,494.43
	<u>\$ 60,039.95</u>						<u>\$ 136,951.18</u>

SCHEDULE OF 2011 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operations Within "CAPS"				
Salaries and Wages:				
Administrative and Executive	\$ 1,746.37	\$ 1,846.37	\$ 1,800.00	\$ 46.37
Municipal Clerk	9.81	9.81		9.81
Financial Administration	352.86	352.86		352.86
Collection of Taxes	1,222.32	1,222.32		1,222.32
Assessment of Taxes	66.22	66.22		66.22
Planning/Zoning Board	32.42	32.42		32.42
Property Maintenance Code	385.45	385.45		385.45
Police Department	23,518.93	35,518.93	2,873.01	32,645.92
Uniform Fire Safety Act	526.88	526.88		526.88
Municipal Prosecutor	80.44	80.44		80.44
Municipal Court	584.51	584.51		584.51
Public Defender	499.94	499.94		499.94
Road Repairs and Maintenance	21,588.16	15,388.16	4,736.28	10,651.88
Garbage and Trash Removal	800.28	1,000.28	972.69	27.59
Board of Health	29.64	29.64		29.64
Recreation	33.09	33.09		33.09
Senior Citizen Community Center	93.84	93.84		93.84
State Uniform Construction Code Officials	571.70	571.70		571.70
Total Salaries and Wages - Within "CAPS"	52,142.86	58,242.86	10,381.98	47,860.88
Other Expenses:				
Administrative and Executive	215.24	521.58	422.28	99.30
Mayor and Council	10.52	87.52	77.00	10.52
Municipal Clerk	328.65	841.28	624.76	216.52
Revision & Codification of Ordinance	1,000.00	1,000.00		1,000.00
Financial Administration	11.36	174.01	162.65	11.36

SCHEDULE OF 2011 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operations Within "CAPS"				
Other Expenses (cont'd):				
Collection of Taxes	882.26	1,298.96	697.46	601.50
Assessment of Taxes-Misc	320.48	1,140.28	335.51	804.77
Revision of Tax Map	15.00	15.00		15.00
Legal Services	33,353.87	41,610.38	41,047.67	562.71
Environmental Commission	650.00	650.00		650.00
Engineering Services	2,078.23	5,994.24	5,183.65	810.59
Planning/Zoning Board	1,019.58	1,019.58	285.85	733.73
Revision of Master Plan	100.00	100.00		100.00
Property Maintenance Code	439.09	529.08	89.99	439.09
Liability Insurance	999.20	5,999.20	5,000.00	999.20
Workmen's Compensation	91.30	91.30		91.30
Employee Group Insurance	1,227.94	1,227.94		1,227.94
Health Benefit Waiver	27.92	27.92		27.92
Police Department	16,755.71	52,073.79	49,690.71	2,383.08
Police Clothing Allowance	5,819.60	7,751.77	2,413.11	5,338.66
Emergency Management Service	890.00	1,000.00	641.27	358.73
Aid to Volunteer Fire Companies	500.00	10,340.00	9,840.00	500.00
First Aid Contributions	259.62	5,959.62	5,700.00	259.62
Fire Department	3,203.44	44,229.14	44,229.14	
Uniform Fire Safety Act	1,285.62	1,504.62	343.00	1,161.62
Municipal Court	2,670.02	11,427.02	8,796.97	2,630.05
Public Defender	100.00	100.00		100.00
Road Repairs and Maintenance	7,796.90	27,586.86	22,121.13	5,465.73
Garbage and Trash Removal	923.94	1,583.94	806.00	777.94
Garbage and Trash Removal - Contracted (40A:4-85)	18,449.98	18,449.98	17,716.67	733.31
Public Buildings and Grounds	6,389.18	8,553.93	5,313.15	3,240.78
Blood Borne Pathogens - Hepatitis B	500.00	500.00		500.00
Board of Health	66.75	266.75	176.40	90.35
Bayshore Youth Services Bureau		250.00	250.00	
Recreation	616.45	825.45	209.00	616.45
Senior Citizen Community Center	58.61	3,434.88	3,340.93	93.95

SCHEDULE OF 2011 APPROPRIATION RESERVES

	<u>BALANCE DEC. 31, 2011</u>	<u>AMOUNT AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operations Within "CAPS"				
Other Expenses (cont'd):				
Senior Citizen Transportation Contracted	1,412.00	2,270.00	858.00	1,412.00
Parks and Playgrounds	4,131.26	4,131.26		4,131.26
Celebration of Public Events	100.00	100.00		100.00
Postage	4,207.72	4,207.72		4,207.72
State Uniform Construction Code Officials	386.31	896.28	540.48	355.80
Fuel for Motor Vehicles	7,439.78	7,439.78	5,962.11	1,477.67
Telephone	1,031.74	3,590.90	2,160.16	1,430.74
Street Lighting	7,782.61	19,345.92	15,886.89	3,459.03
Fuel Oil	3,197.10	3,197.10	2,500.00	697.10
Natural Gas	1,701.92	4,251.09	4,114.81	136.28
Electricity	2,778.38	9,846.38	7,068.00	2,778.38
Landfill Disposal Costs	18,572.22	18,572.22	18,020.93	551.29
Contingent	500.00	500.00		500.00
Public Employees' Retirement System	54.50	54.50		54.50
Contribution to Social Security Systems (O.A.S.I.)	5,148.18	5,148.18	802.52	4,345.66
Pension Adjustment Fund				
Total Other Expenses - Within "CAPS"	167,500.18	341,717.35	283,428.20	58,289.15
Total Appropriation Reserves - Within "CAPS"	219,643.04	399,960.21	293,810.18	106,150.03
Operations Excluded from "CAPS"				
Other Expenses:				
Maintenance of Free Public Library (P.L. 1985, Ch 541)	62,209.94	67,459.94	67,459.94	
911 Services (County of Monmouth)	52.92	52.92		52.92
Recycling (Hazlet)	4,150.00	4,500.00	700.00	3,800.00

SCHEDULE OF 2011 APPROPRIATION RESERVES

	<u>BALANCE DEC. 31, 2011</u>	<u>AMOUNT AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operations Excluded from "CAPS"				
Other Expenses (cont'd):				
Acquisition of Firefighter Turnout Gear		20,000.00	20,000.00	
Total Other Expenses Excluded from "CAPS"	66,412.86	92,012.86	88,159.94	3,852.92
Total Appropriation Reserves - Excluded from "CAPS"	66,412.86	92,012.86	88,159.94	3,852.92
Total Appropriation Reserves	\$ 286,055.90	\$ 491,973.07	\$ 381,970.12	\$ 110,002.95

	<u>Ref.</u>		
2011 Appropriation Reserves	A	\$ 286,055.90	
Reserve for Encumbrances	A	205,917.17	
		<u>\$ 491,973.07</u>	
Cash Disbursements	A-4		\$ 348,902.10
Accounts Payable	A-14		33,068.02
			<u>\$ 381,970.12</u>

CURRENT FUND
SCHEDULE OF PROPERTY TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance - December 31, 2011.....	A	\$ 21.25
Decreased By:		
Overpayments Collected (Net)	A-4	<u>1,704.85</u>
Balance - December 31, 2012.....	A	<u>\$ 1,726.10</u>

**CURRENT FUND
SCHEDULE OF TAXES PAYABLE**

	12/31/11	Taxes Levied	Cash Disbursements	Adjustments	12/31/12
County Taxes Payable.....		\$ 1,800,553.36	\$ (1,800,553.36)		
County Open Space Tax Payable		104,294.62	(104,294.62)	\$ -	
County Health Tax Payable		36,299.76	(36,299.76)		
County - Added and Omitted.....	30.80	1,149.85	(30.81)	\$ 1,149.84	
Municipal Open Space Tax Payable.....		186,889.00	(186,889.00)		
Local School District Taxes.....	3.50	8,552,160.00	(8,552,160.00)		3.50
Business Improvement District Taxes.....		118,000.00	(118,000.00)		
Total.....	\$ 34.30	\$ 10,799,346.59	\$ (10,798,227.55)	\$ -	\$ 1,153.34
<u>Ref.</u>	A	A-1, A-7	A-4		A

CURRENT FUND
SCHEDULE OF VARIOUS ACCOUNTS PAYABLES & RESERVES

	12/31/11	Transfer from/(to) Budget	Cash Receipts	Cash Disbursements	Adjustments	12/31/12
Accounts Payable:						
Vendor Accounts Payable.....	\$ 35,228.02	35,631.02		\$ (35,228.02)	\$	35,631.02
Subtotal	35,228.02	35,631.02		(35,228.02)		35,631.02
Reserve for:						
Senior Programs.....	4,990.49		21,975.88	(21,650.31)		5,316.06
FEMA Reimbursements			38,250.00			38,250.00
Subtotal	4,990.49		60,225.88	(21,650.31)		43,566.06
Total.....	\$ 40,218.51	\$ 35,631.02	\$ 60,225.88	\$ (56,878.33)	\$ -	\$ 79,197.08
<u>Ref.</u>	A	A-11	A-4	A-4		A

SCHEDULE OF SPECIAL EMERGENCY/EMERGENCY NOTES PAYABLE

<u>IMPROVEMENT DESCRIPTION</u>	<u>ORIGINAL DATE ISSUED</u>	<u>DATE OF ISSUE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2011</u>	<u>INCREASE</u>	<u>BALANCE DEC. 31, 2012</u>
<u>Special Emergency Note Payable</u>							
Reassessment of Real Property	2112	2013	2013	0.00%	\$ -	\$ 70,000.00	\$ 70,000.00
Revision of Master Plan	2112	2013	2013	0.00%		9,000.00	9,000.00
					<u>\$ -</u>	<u>\$ 79,000.00</u>	<u>\$ 79,000.00</u>
Emergency Authorization	2112	2013	2013	0.00%		57,000.00	57,000.00
					<u> </u>	<u> </u>	<u> </u>
Total					<u>\$ -</u>	<u>\$ 136,000.00</u>	<u>\$ 136,000.00</u>
	<u>Ref.</u>				A	A-3	A

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-16

<u>GRANT</u>	<u>BALANCE</u> <u>DEC. 31,2011</u>	2012 BUDGET <u>REVENUE</u> <u>REALIZED</u>	<u>RECEIVED</u> <u>2012</u>	<u>UNAPPROPRIATED</u> <u>REALIZED</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>DEC. 31,2012</u>
Municipal Drug Alliance Grant	\$ 12,306.00	\$ 26,704.00	\$ 22,142.83	\$ -	\$ -	\$ 16,867.17
Office on Aging	36,000.00	36,000.00	36,000.00			36,000.00
NJ Body Armor Replacement Grant		1,948.53		1,948.53		
NJ DEP Hazardous Discharge Site Remediation	342,923.00		342,923.00			
Recycling Tonage Grant		9,873.37		9,873.37		
Clean Communities		11,300.14	11,300.14			
Alcohol Education and Rehabilitation		2,458.85		2,458.85		
Monmouth Cty Open Space - Skate Park	52,000.00					52,000.00
DWI Saturation Patrol Grant	12,800.00					12,800.00
Total	<u>\$ 456,029.00</u>	<u>\$ 88,284.89</u>	<u>\$ 412,365.97</u>	<u>\$ 14,280.75</u>	<u>\$ -</u>	<u>\$ 117,667.17</u>
<u>Ref.</u>	A	A-2, A-17	A-4	A-19		A

**SCHEDULE OF DUE CURRENT FUND
GRANT FUND**

	<u>Ref.</u>		
Balance December 31, 2011 - Due From	A	\$	60,555.64
Increased By:			
2012 Budget Appropriations	A-18	145,620.89	
Cash Collections	A-16	<u>19,744.89</u>	
			165,365.78
Decreased By:			
2012 Budget Revenues	A-18	88,284.89	
S&F Grants Appropriated Cancelled	A-16,A-19	<u>142.10</u>	
			<u>88,426.99</u>
Balance December 31, 2012 - Due From	A	\$	<u><u>137,494.43</u></u>

**SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED
GRANT FUND**

Exhibit - A-18

<u>GRANT/AID PROGRAM</u>	<u>BALANCE DEC. 31, 2011</u>	<u>ENC. DEC. 31, 2011</u>	<u>TRANSFERRED FROM 2012 BUDGET</u>	<u>PAID OR CHARGED</u>	<u>ENC. DEC. 31, 2012</u>	<u>ADJUSTMENTS / CANCELLED</u>	<u>BALANCE DEC. 31, 2012</u>
Alcohol Education and Rehabilitation	\$ 949.96	\$	\$ 2,458.85	\$ 3,100.00	\$	\$	\$ 308.81
Municipal Drug Alliance		11,772.90	33,380.00	35,225.35	9,878.15	31.60	17.80
Monmouth County Open Space - Skate Park	52,000.00						52,000.00
Drunk Driving Enforcement Fund	43.11						43.11
Recycling Tonnage Grant	6,553.76	4,065.36	9,873.37	4,065.36			16,427.13
Clean Communities Program	4,737.79		11,300.14	12,730.73	250.00		3,057.20
Office on Aging		1,076.20	86,660.00	85,314.63	1,584.00	110.50	727.07
Body Armor Replacement Grant	7,447.48		1,948.53	3,413.40	806.30		5,176.31
Neighborhood Preservation Program		25,800.00		25,800.00			
NJ DEP Hazardous Discharge Site Remediation	375,297.33			225,771.62			149,525.71
DWI Saturation Patrol	12,560.00			10,800.00			1,760.00
Total	\$ 459,589.43	\$ 42,714.46	145,620.89	\$ 406,221.09	\$ 12,518.45	\$ 142.10	\$ 229,043.14
<u>Ref.</u>	A	A	A-3, A-17	A-4	A	A-1	A

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED GRANT FUND

<u>GRANTS</u>	BALANCE DEC. 31, 2011	RECEIPTS	APPLIED TO STATE & FED GRANTS RECEIVABLE	BALANCE DEC. 31, 2012
Recycling Tonnage Grant	\$ 9,873.37	\$ 8,569.10	\$ 9,873.37	\$ 8,569.10
Body Armor Replacement Grant	1,948.53	1,901.05	1,948.53	1,901.05
Alcohol Education and Rehabilitation	<u>2,458.85</u>	<u>3,129.86</u>	<u>2,458.85</u>	<u>3,129.86</u>
Total	<u>\$ 14,280.75</u>	<u>\$ 13,600.01</u>	<u>\$ 14,280.75</u>	<u>\$ 13,600.01</u>
<u>Ref.</u>	A	A-4	A-16	A

Trust Fund

STATEMENT OF CASH
ANIMAL CONTROL AND OTHER TRUST FUNDS

	REF.	ANIMAL CONTROL FUND	OTHER TRUST FUND	OPEN SPACE TRUST FUND
Balance - December 31, 2011	B	\$11,431.72	\$ 433,047.91	\$ 101,440.13
Increased by Receipts:				
Animal Control Fees	B-2	4,424.40		
Budget Appropriation	B-2	16,000.00		
Interfunds	B-4		\$27.56	
Receipts of Various Trust Fund				
Deposits & Reserves	B-5		1,100,899.56	
Tax Levy	B-6			186,889.00
State Fees	B-3	865.80	875.00	
		<u>21,290.20</u>	<u>1,101,802.12</u>	<u>186,889.00</u>
		32,721.92	1,534,850.03	288,329.13
Decreased by Disbursements:				
Expenditures for Animal Control	B-2	(19,060.46)		
Expenditures for Open Space	B-6			(190,713.34)
Due to the State of New Jersey	B-3	(865.80)	(800.00)	
Disbursements of Various Trust Fund				
Deposits & Reserves	B-5		(1,016,795.73)	
		<u>(19,926.26)</u>	<u>(1,017,595.73)</u>	<u>(190,713.34)</u>
Balance - December 31, 2012		<u>\$ 12,795.66</u>	<u>\$ 517,254.30</u>	<u>\$ 97,615.79</u>

Exhibit - B-2

ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	11,431.72
Increased by:			
Dog and Cat Licenses	B-1	4,424.40	
Budget Appropriation	B-1	<u>16,000.00</u>	
			<u>20,424.40</u>
Decreased by:			
Expenditures	B-1		<u>(19,060.46)</u>
Balance December 31, 2012	B	\$	<u>12,795.66</u>

Exhibit - B-3

OTHER TRUST FUNDS
SCHEDULE OF DUE TO STATE OF NEW JERSEY - FEES & LICENSES

	<u>Ref.</u>		
Balance December 31, 2011	B	\$	575.00
Increased by:			
State Fees Collected	B-1		<u>1,740.80</u>
			2,315.80
Decreased by:			
Payments to State of New Jersey	B-1		<u>(1,665.80)</u>
Balance December 31, 2012	B	\$	<u>650.00</u>

**OTHER TRUST FUNDS
DUE CURRENT FUND**

	<u>Ref.</u>	
Balance December 31, 2011 (Due from)	B	\$ (364.94)
Increased by:		
Cash Receipts	B-1	<u>27.56</u>
Balance December 31, 2012 (Due from)	B	<u>\$ (337.38)</u>

OTHER TRUST FUNDS
SCHEDULE OF TRUST FUND DEPOSITS AND RESERVES

	Balance		Cash		Balance
	December 31, 2011	Receipts	Disbursements		December 31, 2012
Cellular Tower Lease	\$ 6,267.02	\$	\$	\$	6,267.02
Premium on Tax Sale	53,300.00	229,400.00	(136,300.00)		146,400.00
Welcome Center	100.00				100.00
Contractor Deposits	45,598.46		(39,871.05)		5,727.41
Interest on Contractor Deposits	13,602.68		(13,602.68)		-
Cash Repair Deposits	44,050.00	699.00			44,749.00
POAA	2,899.52	62.00			2,961.52
Public Defender Fees	6,405.75	5,655.00	(1,700.00)		10,360.75
Municipal Drug Alliance	4,705.37		(605.45)		4,099.92
Construction Debris Deposits	10,503.00				10,503.00
Material Disposition	350.00				350.00
Law Enforcement Trust	10,090.25	430.60			10,520.85
Developer's Escrow Deposits	152,342.38	51,498.59	(26,797.96)		177,043.01
Bayfront Improvements	23,073.51	45,893.53	(36,462.33)		32,504.71
Recreation Commission	34,221.63	20,871.77	(10,163.95)		44,929.45
Unemployment	11,981.07	70,967.25	(73,955.25)		8,993.07
Donations - Maint. & Beautification	1,423.59		(840.53)		583.06
Reserve for Recreation Events	11,923.62	1,003.60	(2,328.31)		10,598.91
Reserve for TTL Redemptions		674,168.22	(674,168.22)		-
Reserve for Disaster Assistance-Sandy		250.00			250.00
Total	\$ 432,837.85	\$ 1,100,899.56	\$ (1,016,795.73)	\$	516,941.68
<u>Ref.</u>	B	B-1	B-1		B

OPEN SPACE TRUST FUND
RESERVE FOR OPEN SPACE TRUST FUND

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 101,440.13
Increased by:			
Cash Receipts - CY 2012 Tax Levy	B-1	<u>186,889.00</u>	<u>186,889.00</u>
			288,329.13
Decreased by:			
Cash Disbursement	B-1	<u>190,713.34</u>	<u>190,713.34</u>
Balance December 31, 2012	B		<u>\$ 97,615.79</u>

General Capital Fund

**SCHEDULE OF GENERAL CAPITAL FUND CASH
AND INVESTMENTS - TREASURER**

	<u>REF.</u>		
Balance - December 31, 2011	C	\$	1,514,512.26
Increased by Receipts:			
Premium Received on Sale of			
Bond Anticipation Notes	C-1		
Various Grants and Other Receivables	C-4	663,309.00	
Budget Appropriations - Note Paydowns	C-6	155,900.00	
Various Reserves	C-12	33,300.79	
Premium on Note Sale	C-1	20,019.00	
Proceeds from Sale of Bond Anticip. Notes	C-10	<u>4,214,400.00</u>	
			<u>5,086,928.79</u>
			6,601,441.05
Decreased by Disbursements:			
Improvement Authorizations	C-8	(1,479,681.50)	
Various Reserves	C-12	(7,111.72)	
Due Current Fund - Capital Surplus			
Appropriated as Current Fund Revenue	C-1	(60,000.00)	
Redemption of Bond Anticip. Notes	C-10	<u>(3,880,400.00)</u>	
			<u>(5,427,193.22)</u>
Balance - December 31, 2012	C, C-3	\$	<u><u>1,174,247.73</u></u>
Cash & Investments	C	\$	1,038,247.73
Investment in Special Emergency Note	C		<u>136,000.00</u>
		\$	<u><u>1,174,247.73</u></u>

GENERAL CAPITAL FUND**ANALYSIS OF CASH AND INVESTMENTS**

	<u>Ref.</u>	<u>BALANCE DECEMBER 31, 2012</u>
Fund Balance	C-1	\$ 27,383.33
State & Federal Grants Receivable		(1,360,000.00)
Improvement Authorizations Funded		283,676.94
Improvement Authorizations Expended		(38,524.86)
Unexpended BAN Cash		1,166,447.93
Resrve for Encumbrances		231,556.80
Due Current Fund		266.29
Reserve for:		
Capital Improvement Fund		22,375.69
Receivable and Other		168,565.61
DEP Grant Receivable		672,500.00
		<hr/>
Total	C, C-2	\$ <u><u>1,174,247.73</u></u>
Cash	C	\$ 1,038,247.73
Investment in Emergency Notes	C	<u>136,000.00</u>
		<hr/>
		\$ <u><u>1,174,247.73</u></u>

SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

	<u>Ordinance Number</u>	<u>Balance December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2012</u>
State & Federal Grant Receivables:					
State of NJ DOT:					
Beers Street, Phase II	02091	\$ 225,000.00	\$	\$ (225,000.00)	\$
Beers Street, Phase III	11-10	56,250.00		(56,250.00)	
Division Street	09-11	250,000.00		(187,500.00)	62,500.00
Osborn Street	08-12		200,000.00		200,000.00
Subtotal		<u>531,250.00</u>	<u>200,000.00</u>	<u>(468,750.00)</u>	<u>262,500.00</u>
State of NJ DEP:					
Waterfront Park	23-08	425,000.00			425,000.00
Waterfront Park - Grant	23-08	299,375.00			299,375.00
Waterfront Park - Loan	23-08	373,125.00			373,125.00
Subtotal		<u>1,097,500.00</u>			<u>1,097,500.00</u>
CDBG:					
West First Street, Etc.	09-11	194,559.00		(194,559.00)	
Subtotal		<u>194,559.00</u>		<u>(194,559.00)</u>	
Total		\$ <u>1,823,309.00</u>	\$ <u>200,000.00</u>	\$ <u>(663,309.00)</u>	\$ <u>1,360,000.00</u>
	<u>Ref.</u>	C	C-8	C-2	C

SCHEDULE OF DEFERRED CHARGES - FUNDED

	<u>Ref.</u>	
Balance - December 31, 2011	C	\$ 8,157,176.59
Increased by:		
Bonds/Loans Issued	C-13	3,525,000.00
		<hr/>
		11,682,176.59
Decreased by:		
Serial Bonds From Budget Appropriation	C-9	(4,447,549.82)
		<hr/>
Balance - December 31, 2012	C	<u><u>\$ 7,234,626.77</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ANALYSIS OF BALANCE
DECEMBER 31, 2012

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2011	2012 AUTHOR.	TRANSF. TO DEFERRED CHARGES FUNDED	2012 FUNDING	BALANCE DEC. 31, 2012	BOND ANTICIPATION NOTES	EXPENDED	UNEXPENDED BALANCE IMPROV. AUTHOR
<u>General Improvements:</u>									
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00	\$	\$	\$	100.00	\$	100.00	\$
8-03, 5-04	Improvements to Therese Street	40,000.00				40,000.00		33,112.75	6,887.25
15-03	Construction of a Public Works Complex	799,500.00			(3,300.00)	796,200.00	85,700.00	4,413.30	706,086.70
20-03, 12-04	Improvements to Atlantic Street	100,000.00				100,000.00			100,000.00
26-03	Various 2003 Capital Improvements	260.00				260.00		260.00	
28-03	Improvements to Benjamin Terry Park Bulkhead	54,000.00				54,000.00		638.81	53,361.19
14-04, 22-05	Construction of Waterfront Park	1,062,000.00			(345,000.00)	717,000.00	717,000.00		
08-05	Reconstruction of Third Street	73.00				73.00			73.00
25-05, 04-06	Replacement of Borough Hall Roof	100,000.00				100,000.00	100,000.00		
07-07	Improvements to Cedar Street	15,300.00			(15,300.00)				
09-08	Beers Street Improvement	284,000.00			(16,000.00)	268,000.00	268,000.00		
23-08	Waterfront Park and Related Improvements	845,656.23			(30,000.00)	815,656.23	795,000.00		20,656.23
25-08	Various Capital Improvements	308,000.00			(34,300.00)	273,700.00	273,700.00		
2-09	Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug	598,000.00			(22,000.00)	576,000.00	576,000.00		
11-10	Improvements to Beers Street - Phase III	105,000.00				105,000.00	105,000.00		
08-11	Var. Improvements	150,000.00				150,000.00	150,000.00		
09-11	Various Roadway Improvements	445,000.00				445,000.00	444,100.00		900.00
08-12	Osborn Street Improvements		700,000.00			700,000.00	699,900.00		100.00
Total		\$ 4,906,889.23	\$ 700,000.00	\$	\$ (465,900.00)	\$ 5,140,989.23	\$ 4,214,400.00	\$ 38,524.86	\$ 888,064.37
	<u>Ref.</u>	<u>C</u>	<u>C-8</u>		<u>C-2</u>	<u>C</u>			

Excess Note Cash - Ord. No. 18-08

\$ -

Bond Anticipation Notes Outstanding December 31, 2012

\$ 4,214,400.00

Improvement Authorization Balance - Unfunded:

\$ 2,054,512.30

Less: Unexpended BAN Cash

Ord #	14-04, 22-05	(142,097.18)
Ord #	25-05, 4-06	(8,103.20)
Ord #	09-08	(2,483.27)
Ord #	23-08	(85,385.26)
Ord #	25-08	(59,340.34)
Ord #	02-09	(46,080.39)
Ord #	11-10	(8,951.51)
Ord #	08-11	(48,432.39)
Ord #	09-11	(65,674.39)
Ord #	08-12	(699,900.00)

\$ 888,064.37

**SCHEDULE OF INTERFUNDS
GENERAL CAPITAL FUND**

	BALANCE DEC. 31, 2011	INCREASES	DECREASES	BALANCE DEC. 31, 2012
Due Current Fund	\$ 266.39			\$ 266.39
Total	\$ 266.39	\$ -	\$ -	\$ 266.39
<u>Ref.</u>	C			C
- Receivables	\$			\$
- Payables	266.39			266.39
	\$ 305.29			\$ 266.39

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS - GENERAL CAPITAL FUND

Exhibit C-8

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	2012 AUTHORIZATIONS				RES FOR ENCUM. 2011	PAID OR CHARGED	RES FOR ENCUM. 2012	BALANCE - DEC. 31, 2012		
				BALANCE - DEC. 31, 2011 FUNDED	UNFUNDED	DEFERRED UNFUNDED	OTHER FUNDING				FUNDED	UNFUNDED	
General Improvements:													
23-00/	Construction of Municipal Building	11/21/00	400,000.00										
12-03	and Other Related Expenses	05/06/03	1,000,000.00	\$ 24,029.22	\$	\$	\$	167,022.00	\$ (182,261.49)	\$ (2,281.51)	\$ 6,508.22	\$	
10-01	Various Capital Improvements	07/10/01	273,000.00	75.30							75.30		
05-04	Improvements to Therese Street (CDBG \$199,635)	05/04/04	150,000.00		6,887.25								6,887.25
15-03	Construction of Public Works Complex	05/20/03	850,000.00		706,636.70				(550.00)				706,086.70
12-04	Improvements to Atlantic Street (NJDOT \$310,000)	07/06/04	450,000.00	12,131.25	100,000.00				(2,750.00)		9,381.25		100,000.00
28-03	Improvmnts to Benjamm Terry Park Bulkhead	10/07/03	100,000.00		53,585.19				(224.00)				53,361.19
11-04	Replacement of William A. Ralph Pier (NJDEP \$340,750)	07/06/04	850,000.00	56,374.02							56,374.02		
22-05	Construction of Waterfront Park	10/18/05	400,000.00		144,322.18			290.00	(1,581.00)	(934.00)			142,097.18
08-05	Reconstruction of Third Street (CDBG \$176,173)	06/06/05	645,000.00	34,368.95	73.00						34,368.95		73.00
25-05		11/01/05	300,000.00										
04-06	Replacement of Borough Hall Roof	03/07/06	150,000.00		8,478.77			49,542.86	(49,918.43)				8,103.20
27-05	Preliminary Planning for Redevelopment Projects	12/06/05	150,000.00	3,265.57				1,900.00	(3,688.75)	(711.25)	765.57		
09-06, 17-08	Reconstruction of Warren St & Coluco Place	05/16/06, 06/10/08											
18-08	& Drainage Impts to Green Grove Ave.	07/15/08	525,000.00	9,155.76							9,155.76		
07-07	Improvements to Cedar Street	03/20/07	450,000.00	16,455.87	15,300.00			5,298.85	(4,298.85)		32,755.87		
09-08	Improvements Beers Street	03/18/08	475,000.00		2,703.27				(220.00)				2,483.27
23-08, 09-09	Waterfront Park and Related Improvements	09/16/08, 09/01/09	1,750,000.00		114,915.46			6,898.41	(8,873.97)	(6,898.41)			106,041.49
25-08	Various Capital Improvements	12/22/08	325,000.00		59,340.34								59,340.34
02-09	Various Capital Improvements - Beers II	06/23/09	1,425,000.00		47,234.14			6,408.14	(7,214.59)	(347.30)			46,080.39
11-10	Improvements to Beers Street - Phase III	06/15/10	330,000.00		403.11			14,732.57	(6,184.17)				8,951.51
8-11	Various Improvements- BT Bulkhead	04/12/11	725,000.00		49,325.00			599,545.13	(487,460.63)	(112,977.11)			48,432.39
9-11	Various Roadway Improvements	04/12/11	900,000.00		158,340.09			659,389.14	(655,616.04)	(95,538.80)			66,574.39
08-12	Osborn Street Improvements	06/26/12	900,000.00			700,000.00	200,000.00		(53,839.58)	(11,868.42)	134,292.00		700,000.00
16-12	Acquisition of Used Pumper Truck	08/21/12	15,000.00						(15,000.00)				
Total				\$ 155,855.94	\$ 1,467,544.50	\$ 700,000.00	215,000.00	\$ 1,511,027.10	\$ (1,479,681.50)	\$ (231,556.80)	\$ 283,676.94	\$ 2,054,512.30	
Ref.				C	C	C - 11	C - 4	C - 6	C - 2	C	C	C	

SCHEDULE OF GENERAL SERIAL BONDS

ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS		INTEREST RATE	BALANCE DEC. 31, 2011	INCREASE	DECREASE	BALANCE DEC. 31, 2012
			OUTSTANDING - DEC. 31, 2012	DATE					
Various Improvements	2/15/03	\$ 6,055,000.00	2/15/12	310,000.00	3.850%				
			2/15/13	335,000.00	3.850%				
			2/15/14	335,000.00	3.900%				
			2/15/15	360,000.00	3.900%				
			2/15/16	360,000.00	3.900%				
			2/15/17	385,000.00	3.950%				
			2/15/18	385,000.00	4.050%				
			2/15/19	400,000.00	4.100%				
			2/15/20	415,000.00	4.200%				
			2/15/21	415,000.00	4.250%				
			2/15/22	425,000.00	4.250%				
			2/15/23	425,000.00	4.250%	4,550,000.00		(4,215,000.00)	335,000.00
			Various Improvements	8/4/11	\$ 3,000,000.00	8/1/2013-21	200,000.00	3.000%	
8/1/22	200,000.00	3.125%							
8/1/2023-26	200,000.00	4.000%				3,000,000.00		(200,000.00)	2,800,000.00
MCIA Refunding Bonds, Series 2012	5/22/12	\$ 3,525,000.00	12/1/14	305,000.00	Var.		3,525,000.00		3,525,000.00
			12/1/15	330,000.00	Var.				
			12/1/16	325,000.00	Var.				
			12/1/17	350,000.00	Var.				
			12/1/18	350,000.00	Var.				
			12/1/19	360,000.00	Var.				
			12/1/20	375,000.00	Var.				
			12/1/21	370,000.00	Var.				
			12/1/22	380,000.00	Var.				
			12/1/23	380,000.00	Var.				
						<u>\$ 7,550,000.00</u>	<u>\$ 3,525,000.00</u>	<u>\$ (4,415,000.00)</u>	<u>\$ 6,660,000.00</u>
Total				Ref.	C	C-5	C-5	C	

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2011	INCREASE	DECREASE	BALANCE DEC. 31, 2012
15-03	Construction of Public Works Complex	2/17/04	8/3/12	8/2/13	1.500%	89,000.00	85,700.00	(89,000.00)	85,700.00
14-04, 22-05	Waterfront Park/Bulkhead Improvements	8/11/05	8/3/12	8/2/13	1.500%	721,000.00	639,000.00	(721,000.00)	639,000.00
		8/10/06	8/3/12	8/2/13	1.500%	341,000.00	78,000.00	(341,000.00)	78,000.00
25-05/4-06	Borough Hall Roof	8/3/12	8/3/12	8/2/13	1.500%		100,000.00		100,000.00
07-07	Improvements to Cedar Street	8/9/07				15,300.00		(15,300.00)	
09-08	Improvements Beers Street	8/8/08	8/3/12	8/2/13	1.500%	284,000.00	268,000.00	(284,000.00)	268,000.00
23-08	Waterfront Park and Related Improvements	8/6/09	8/3/12	8/2/13	1.500%	825,000.00	795,000.00	(825,000.00)	795,000.00
25-08	Various Capital Improvements - Ambulance / PW Trucks	8/6/09	8/3/12	8/2/13	1.500%	308,000.00	273,700.00	(308,000.00)	273,700.00
02-09	Various Capital Improvements - Beers II,	8/6/09	8/3/12	8/2/13	1.500%	598,000.00	576,000.00	(598,000.00)	576,000.00
08-11	Various Capital Improvements	8/4/11	8/3/12	8/2/13	1.500%	150,000.00	150,000.00	(150,000.00)	150,000.00
09-11	Various Roadway Improvements	8/4/11	8/3/12	8/2/13	1.500%	444,100.00	444,100.00	(444,100.00)	444,100.00
11-10	Improvements to Beers Street Phase III	8/4/10	8/3/12	8/2/13	1.500%	105,000.00	105,000.00	(105,000.00)	105,000.00
08-12	Osborn Street Improvements	8/3/12	8/3/12	8/2/13	1.500%		699,900.00		699,900.00
Total						<u><u>\$ 3,880,400.00</u></u>	<u><u>\$ 4,214,400.00</u></u>	<u><u>\$ (3,880,400.00)</u></u>	<u><u>\$ 4,214,400.00</u></u>
<u>Ref.</u>						C	C-2	C-2	C

**SCHEDULE OF RESERVE FOR
CAPITAL IMPROVEMENT FUND**

	<u>REF.</u>	
Balance - December 31, 2011	C	\$ 22,375.69
Balance - December 31, 2012	C	<u>\$ 22,375.69</u>

SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2009	Increases (Decreases)	Balance December 31, 2010
Reserve for:			
Cash or Appropriated Reserves:			
Pay Debt Service	\$ 384,626.70	\$ (296,229.47)	\$ 88,397.23
Drainage Improvements	11,496.00		11,496.00
Reserve for Infrastructure Improvements	56,253.84		56,253.84
Reserve for Refunding Costs		12,418.54	12,418.54
Subtotal	<u>452,376.54</u>	<u>(283,810.93)</u>	<u>168,565.61</u>
Grants, Loans & Other Receivables:			
State of NJ DEP:			
Waterfront Park and Related Improvements - Grants	299,375.00		299,375.00
Waterfront Park and Related Improvements - Loans	373,125.00		373,125.00
Subtotal	<u>672,500.00</u>		<u>672,500.00</u>
Total	\$ <u>1,124,876.54</u>	\$ <u>(283,810.93)</u>	\$ <u>841,065.61</u>

	<u>Ref.</u>	C	Var.	C
Appropriated Current Fund Revenue - CY 2012	C-2		\$ (60,000.00)	
Bond Anticipation Note Paydown - County Grant	C-10		(250,000.00)	
Cash Disbursements	C-2		(7,111.72)	
Cash Receipts	C-2		<u>33,300.79</u>	
Total			\$ <u>(283,810.93)</u>	

SCHEDULE OF GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Balance - December 31, 2011	C	\$ 607,176.59
Decreased by:		
2012 Loan Payments	C-5	<u>(32,549.82)</u>
Balance - December 31, 2012	C	<u>\$ 574,626.77</u>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Exhibit - C-14

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2011</u>	<u>2012 AUTHOR.</u>	<u>BOND ANTICIPATION NOTES BONDS ISSUED</u>	<u>2012 FUNDED</u>	<u>BALANCE DEC. 31, 2012</u>
<u>General Improvements:</u>						
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00	\$	\$	\$	\$ 100.00
08-03, 05-04	Improvements to Therese Street	40,000.00				40,000.00
15-03	Construction of a Public Works Complex	710,500.00				710,500.00
20-03, 12-04	Improvements to Atlantic Street	100,000.00				100,000.00
26-03	Various Capital Improvements	260.00				260.00
28-03	Improvements to Benjamin Terry Park Bulkhead	54,000.00				54,000.00
08-05	Reconstruction of Waterfront Park	73.00				73.00
25-05, 04-06	Replacement of Borough Hall Roof	100,000.00		(100,000.00)		-
23-08, 09-09	Waterfront Park and related Improvements	20,656.23				20,656.23
09-11	Various Road Improvements	900.00				900.00
08-12	Osborn Street Improvements		700,000.00	(699,900.00)		100.00
Total		<u>1,026,489.23</u>	<u>\$ 700,000.00</u>	<u>\$ (799,900.00)</u>	<u>\$ -</u>	<u>\$ 926,589.23</u>

Ref.

Footnote C

Water and Sewer Utility Fund

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2011	D	\$ 263,586.02	\$ 2,263,185.58
Increased by Receipts:			
Consumer Accounts Receivable	D-8	2,832,510.42	
BRSA Refund	D-12	486,754.44	
Consumer Account Overpayments	D-19	1,951.84	
Prepaid Consumer Accounts	D-20	194,474.58	
Miscellaneous Revenue	D-3	201,138.30	
Emergency Note Payable Collections	D-11	50,000.00	
Note Paydowns Collected	D-5		157,000.00
Proceeds from Sale of Bond Anticipation Notes	D-17		4,036,600.00
		<u>3,766,829.58</u>	<u>4,193,600.00</u>
		4,030,415.60	6,456,785.58
Decreased by Disbursements:			
Budget Expenditures	D-4	(3,427,106.93)	
Appropriation Reserves	D-14	(10,624.48)	
Improvement Authorizations	D-18		(193,431.98)
Accrued Interest on Bonds, Notes and Loans	D-15	(35,582.02)	
Bond Anticipation Note Redeemed	D-17		(4,193,600.00)
Interfunds	D-11, D12		
		<u>(3,473,313.43)</u>	<u>(4,387,031.98)</u>
Balance - December 31, 2012	D	<u>\$ 557,102.17</u>	<u>\$ 2,069,753.60</u>

WATER AND SEWER CAPITAL FUND
SCHEDULE OF ANALYSIS OF CASH AND INVESTMENTS

Ord.	Description	Ref.	Deferred Charges	Ordinance Balance	Notes Outstanding	Other	Cash Balance
13-04	Various Improvements to Water and Sewer System....	\$	(103,000.00)	\$ 7,685.44	\$ 103,000.00	\$	\$ 7,685.44
21-05	Perry Street Water Treatment Facility Upgrade.....		(941,600.00)	1,952.34	941,600.00		1,952.34
05-06	Cass Street Standpipe Painting Project.....		(486,000.00)	183,500.93	336,000.00		33,500.93
08-09	Sanitary Sewer System Upgrades			795,274.38	2,656,000.00		3,451,274.38
State & Federal Grants Receivable		Reserve				(3,500,000.00)	(3,500,000.00)
Reserve for Encumbrances.....		D-9				2,075,252.52	2,075,252.52
Capital Improvement Fund.....		D-21				50,087.00	50,087.00
Fund Balance.....		D-2				0.99	0.99
Total.....			\$ (1,530,600.00)	\$ 988,413.09	\$ 4,036,600.00	\$ (1,374,659.49)	\$ 2,119,753.60
		<u>Ref.</u>	D-13	D-18	D-17	Var.	D, D-5

SCHEDULE OF DEFERRED CHARGES
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ -
Increased By:		
Emergency Authorization CY 2012	D-4	<u>50,000.00</u>
Balance - December 31, 2012	D	<u>\$ 50,000.00</u>

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>		
Balance - December 31, 2011	D		\$ 237,268.63
Increased by:			
Water and Sewer Utility Billings	Reserve		<u>3,062,655.75</u>
			3,299,924.38
Decreased by:			
Overpayments Applied	D-19	5,053.93	
Prepays Applied	D-20	216,764.82	
Collected	D-5	<u>2,832,510.42</u>	
			<u>3,054,329.17</u>
Balance - December 31, 2012	D		<u>\$ 245,595.21</u>

Exhibit - D-9

**SCHEDULE OF RESERVE FOR ENCUMBRANCES
WATER AND SEWER UTILITY FUND**

	<u>Ref.</u>	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2011	D	\$ 16,252.51	\$ 5,989.51	\$ 10,263.00
Increased by:				
CY 2012 Reserve for Encumbrances	D-4, D-18	<u>2,126,671.13</u>	<u>51,418.61</u>	<u>2,075,252.52</u>
		2,142,923.64	57,408.12	2,085,515.52
Decreased by:				
Transferred to Approp.Res./Improv. Auth.	D-14, D-18	<u>16,252.51</u>	<u>5,989.51</u>	<u>10,263.00</u>
Balance - December 31, 2012	D	<u>\$ 2,126,671.13</u>	<u>\$ 51,418.61</u>	<u>\$ 2,075,252.52</u>

Exhibit - D-10

**SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND**

<u>ACCOUNT</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>BALANCE DECEMBER 31, 2012</u>
Distribution System Land	\$ 20,500.00	\$ 20,500.00
Miscellaneous Land - Capital	750.00	750.00
Springs and Wells	107,432.80	107,432.80
Collection Reservoir	15,000.00	15,000.00
Filters	31,877.89	31,877.89
Clear Well Basin	1,000.00	1,000.00
Pumping Station Structures	68,569.50	68,569.50
Reservoirs and Standpipes	10,000.00	10,000.00
Distribution Mains and Accessories	770,104.60	770,104.60
Fire Hydrant and Cisterns	2,500.00	2,500.00
Bulkheads	15,691.72	15,691.72
Meters and Meter Bonds	1,391.05	1,391.05
Insurance and Bonds	1,275.00	1,275.00
Electric Pumping Power Equipment	42,940.50	42,940.50
Ferry Street Plant and Wells	1,467,500.00	1,467,500.00
General Equipment	71,609.00	71,609.00
Construction of Well #8	249,863.33	249,863.33
Repairs and Improvements to Water Plant	435,000.00	435,000.00
Cedar Street Pumping Station	210,000.00	210,000.00
Rehabilitation of Sewer System	<u>151,000.00</u>	<u>151,000.00</u>
Total	<u>\$ 3,674,005.39</u>	<u>\$ 3,674,005.39</u>
<u>Ref.</u>	<u>D</u>	

The Fixed Capital, as reported, is taken from the Borough records and does not necessarily reflect the true condition of such Fixed Capital.

**SCHEDULE OF EMERGENCY NOTES PAYABLE
WATER AND SEWER OPERATING FUND**

<u>DESCRIPTION</u>	<u>BALANCE DEC. 31, 2011</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DEC. 31, 2012</u>
Emergency Notes Issued		\$ 50,000.00		\$ 50,000.00
	<u>\$ -</u>	<u>\$ 50,000.00</u>	<u>\$ -</u>	<u>\$ 50,000.00</u>
<u>Ref.</u>		D-5		D

SCHEDULE BRSA RENT RESERVE
WATER AND SEWER OPERATING FUND

		<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DEC. 31, 2012</u>
BRSA Rent Reserve		\$ 806,631.04	1,257.39	(486,754.44)	\$ 321,133.99
		-			
		<u>\$ 806,631.04</u>	<u>\$ 1,257.39</u>	<u>\$ (486,754.44)</u>	<u>\$ 321,133.99</u>
Receivables	<u>Ref.</u>	D	Reserve	D-5	D

**SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER AND SEWER UTILITY CAPITAL FUND**

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31,2011	AUTHORIZED 2012	BALANCE DEC. 31,2012
13-04	Various Improvements to Water Sewer System	\$ 250,000.00	\$	\$ 250,000.00
21-05	Perry Street Water Treatment Facility Upgrade	1,100,000.00		1,100,000.00
05-06	Cass Street Standpipe Painting Project	600,000.00		600,000.00
08-09	Sanitary Sewer System Upgrades USDA	3,500,000.00		3,500,000.00
	Total	\$ 5,450,000.00	\$	\$ 5,450,000.00
		<u>Ref.</u>		
		D		D

SCHEDULE OF 2011 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2011</u>	<u>BALANCE</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operating:					
Salaries and Wages	\$ 474.15	\$	\$ 5,474.15	\$ 5,303.90	\$ 170.25
Other Expenses	5,112.34	5,989.51	7,101.85	4,909.62	2,192.23
Bayshore Regional Sewerage Authority	99.09		99.09		99.09
Acquisition of Water	490.45		490.45		490.45
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>1,606.26</u>		<u>606.26</u>	<u>410.96</u>	<u>195.30</u>
Total	\$ <u>7,782.29</u>	\$ <u>5,989.51</u>	\$ <u>13,771.80</u>	\$ <u>10,624.48</u>	\$ <u>3,147.32</u>
<u>Ref.</u>	D	D		D - 5	D - 1

**SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS
WATER AND SEWER UTILITY OPERATING FUND**

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 23,053.56
Increased by:		
Accrued Interest Charged to:		
Budget Appropriations	D-4	40,682.76
		<hr/> 63,736.32
Decreased by:		
Payment	D-5	<hr/> (35,582.02)
Balance - December 31, 2012	D, D-15	<u><u>\$ 28,154.30</u></u>

Analysis of Balance - December 31, 2012:

<u>Principal Outstanding Dec. 31, 2012</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
1994 Refunding Bonds \$120,000	5.625%	7/15	12/31	\$ 3,093.75
Bond Anticipation Notes \$4,036,000	1.500%	8/2	12/31	25,060.55
				<hr/> 28,154.30
Total				<u><u>\$ 28,154.30</u></u>

REF.

D-15

**SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND**

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2012</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2011</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Water and Sewer Utility Refunding Bonds - Series 1994	7/1/94	1,315,000	7/15/13	120,000	5.625%	\$ 230,000.00	\$ 110,000.00	\$ 120,000.00
Total						<u>\$ 230,000.00</u>	<u>\$ 110,000.00</u>	<u>\$ 120,000.00</u>
					<u>Ref.</u>	D	D-22	D

SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit - D-17

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>ORIGINAL DATE ISSUED</u>	<u>DATE OF ISSUE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2011</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2012</u>
13-04	Repair and Improvement to Water/Sewer System	8/11/05	8/3/12	8/2/13	1.500%	\$ 130,000.00	\$ 103,000.00	\$ 130,000.00	\$ 103,000.00
21-05	Perry Street Water Treatment Facility Upgrade	8/10/06	8/3/12	8/2/13	1.500%	1,005,600.00	941,600.00	1,005,600.00	941,600.00
05-06	Cass Street Standpipe Painting Project	8/10/06	8/3/12	8/2/13	1.500%	402,000.00	336,000.00	402,000.00	336,000.00
08-09	Sanitary Sewer System Upgrades USDA	8/4/10	8/3/12	8/2/13	1.500%	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
08-09	Sanitary Sewer System Upgrades USDA	8/4/11	8/3/12	8/2/13	1.500%	<u>1,656,000.00</u>	<u>1,656,000.00</u>	<u>1,656,000.00</u>	<u>1,656,000.00</u>
Total						\$ <u>4,193,600.00</u>	\$ <u>4,036,600.00</u>	\$ <u>4,193,600.00</u>	\$ <u>4,036,600.00</u>
						<u>Ref.</u> D	D-2	D-2	D

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER AND SEWER UTILITY CAPITAL FUND**

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2011		RESERVE FOR ENCUMB. DEC. 31, 2011	PAID OR CHARGED	RESERVE FOR ENCUMB. DEC. 31, 2012	BALANCE - DEC. 31, 2012	
		DATE	AMOUNT	FUNDED	UNFUNDED				FUNDED	UNFUNDED
13-04	Various Improvements to Water/Sewer System	08/03/04	250,000.00	\$	\$ 7,685.44	\$	\$	\$	\$	7,685.44
21-05	Perry Street Water Treatment Facility Upgrade	10/18/05	1,100,000.00		1,952.34					1,952.34
05-06	Cass Street Standpipe Painting Project	03/07/06	600,000.00		183,500.93					183,500.93
08-09 10-11	Sanitary Sewer System Upgrades	09/01/09	1,600,000.00 1,900,000.00		3,053,695.88	10,263.00	193,431.98	2,075,252.52		795,274.38
Total				\$	\$ 3,246,834.59	\$ 10,263.00	\$ 193,431.98	\$ 2,075,252.52	\$	\$ 988,413.09
		<u>Ref.</u>			D	D, D-9	D- 5	D, D - 9		D

Exhibit - D-19

SCHEDULE OF WATER AND SEWER OVERPAYMENTS
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 5,053.93
Increased by:		
Collections	D-5	<u>1,951.84</u>
		7,005.77
Decreased by:		
Applied water Sewer Rents Receivable	D-8	<u>(5,053.93)</u>
Balance - December 31, 2012	D	<u>\$ 1,951.84</u>

Exhibit - D-20

SCHEDULE OF PREPAID CONSUMER DEPOSITS
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 216,764.82
Increased by:		
Prepaid Rents Collected	D-5	<u>194,474.58</u>
		411,239.40
Decreased by:		
Prepays Applied	D-8	<u>(216,764.82)</u>
Balance - December 31, 2012	D	<u>\$ 194,474.58</u>

Exhibit - D-21

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 87.00
Increased By:		
Capital Improvement Fund Raised		
Water and Sewer Operating Budget	D-5	<u>50,000.00</u>
Balance - December 31, 2012	D	<u>\$ 50,087.00</u>

Exhibit - D-22

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 3,444,005.39
Increased By:		
Serial Bonds Paid	D-16	<u>110,000.00</u>
Balance - December 31, 2012	D	<u>\$ 3,554,005.39</u>

Exhibit - D-23

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2011	D	\$ 262,400.00
Increased by:		
Operating Budget - Notes Paid	D-17	<u>157,000.00</u>
Balance - December 31, 2012	D	<u>\$ 419,400.00</u>

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

<u>ORD.</u> <u>NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2011</u>	<u>BALANCE</u> <u>DEC. 31, 2012</u>
05-06	Cass Street Standpipe Painting Project	\$ 150,000.00	\$ 150,000.00
08-09	Sewer Upgrades USDA	844,000.00	844,000.00
	Total	\$ <u>994,000.00</u>	\$ <u>994,000.00</u>
	<u>Ref.</u>		Footnote D

Payroll Agency Fund

SCHEDULE OF PAYROLL AGENCY ACTIVITY

<u>Deduction</u>	<u>BALANCE</u> <u>DEC 31, 2012</u>	<u>BALANCE</u> <u>DEC 31, 2011</u>
Federal Withholding Tax	\$ 0.00	\$ 0.00
Social Security/Medicare	0.00	0.00
State Withholding Tax	0.00	0.00
SUI/Disability	208.33	208.33
457B Plan	0.00	0.00
AFLAC	0.00	0.00
PERS	2,591.96	617.80
PFRS	1,906.64	1.70
Police/Firemens Insurance	0.00	0.00
Garnishments	0.00	63.70
Monoc Credit Union	0.00	0.00
PBA Dues	0.00	0.00
Clerical/PW Union Dues	0.00	0.00
Life Insurance	0.00	0.00
Miscellaneous	512.83	449.13
Health Insurance Co-Pay	1,857.52	1,857.52
	<hr/>	<hr/>
	\$ <u>7,077.28</u>	\$ <u>3,198.18</u>
<u>Ref.</u>	E	E

Governmental Fixed Assets

SCHEDULE OF GOVERNMENTAL FIXED ASSETS

<u>FIXED ASSETS</u>	<u>BALANCE DEC. 31, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE DEC. 31, 2012</u>
Land	\$ 5,186,100.00			\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00			5,481,800.00
Motor Vehicles and Equipment	2,876,199.08	\$ 32,311.00		2,908,510.08
Machinery and Equipment	344,731.30			344,731.30
Office Furniture and Equipment	163,066.09			163,066.09
Other Equipment	218,914.00			218,914.00
	<u>\$ 14,270,810.47</u>	<u>\$ 32,311.00</u>	<u>\$ -</u>	<u>\$ 14,303,121.47</u>

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

PART III
SUPPLEMENTARY DATA

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

Revenue and Other Income Realized	Year 2012		Year 2011	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 53,000.00	0.28	\$ 218,000.00	1.14
Miscellaneous - From Other Than				
Local Property Tax Levies	2,076,835.49	11.05	2,436,695.36	12.79
Collection of Delinquent Taxes and Tax Title Liens	667,174.15	3.55	622,539.51	3.27
Collection of Current Tax Levy	15,683,963.80	83.44	15,574,333.43	81.75
Other Credits to Income	316,342.27	1.68	199,547.26	1.05
Total Income	18,797,315.71	100.00	19,051,115.56	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	7,837,395.51	41.81	8,065,140.46	42.45
County Taxes	1,942,297.59	10.36	1,990,792.49	10.48
Local School Taxes	8,552,160.00	45.63	8,443,288.00	44.44
Business Improvement District Taxes	118,000.00	0.63	118,000.00	0.62
Municipal Open Space Taxes	186,889.00	1.00	188,677.00	0.99
Other Expenditures	106,897.17	0.57	191,817.60	1.01
Total Expenditures	18,743,639.27	100.00	18,997,715.55	100.00
Less: Expenditures to be Raised by Future Taxes	136,000.00			
Total Adjusted Expenditures	18,607,639.27		18,997,715.55	
Excess in Revenue	189,676.44		53,400.01	
Fund Balance January 1	56,503.51		221,103.50	
	246,179.95		274,503.51	
Less:				
Utilization as Anticipated Revenue	53,000.00		218,000.00	
Fund Balance December 31	\$ 193,179.95		\$ 56,503.51	

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

Revenue and Other Income Realized	Year 2012		Year 2011	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 4,900.00	0.13	\$ 78,000.00	2.29
Collection of Water and Sewer Rents	3,054,329.17	81.44	3,103,020.06	91.11
Miscellaneous - From Other Than Water and Sewer Rents	691,040.06	18.43	224,742.89	6.60
Total Income	3,750,269.23	100.00	3,405,762.95	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Operating	3,120,428.00	88.32	3,142,726.00	92.41
Debt Service	307,682.76	8.71	213,135.32	6.27
Capital Improvements	50,000.00	1.42		
Deferred Charges and Statutory Expenditures	55,000.00	1.56	45,000.00	1.32
Surplus (General Budget) Other Credits				
Total Expenditures	3,533,110.76	100.00	3,400,861.32	100.00
Excess in Revenue	217,158.47		4,901.63	
Deferred Charges to be Raised in Budget of Succeeding Year	50,000.00			
Statutory Excess to Fund Balance	267,158.47		4,901.63	
Fund Balance January 1	4,941.91		78,040.28	
	272,100.38		82,941.91	
Less:				
Utilization as Anticipated Revenue	4,900.00		78,000.00	
Fund Balance December 31	\$ 267,200.38		\$ 4,941.91	

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties was as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 97,100
2011	\$ 97,100
2010	\$ 97,100

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2012	\$ 3,062,656	\$ 3,054,329
2011	\$ 3,088,059	\$ 3,103,050
2010	\$ 3,169,283	\$ 3,125,382

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2012	\$ 193,180	\$ 183,000
	2011	\$ 56,504	\$ 53,000
	2010	\$ 221,104	\$ 218,000
	2009	\$ 260,812	\$ 255,000
	2008	\$ 406,288	\$ 400,000
Water and Sewer Utility Operating Fund	2012	\$ 267,200	\$ 254,660
	2011	\$ 4,942	\$ 4,900
	2010	\$ 78,040	\$ 78,000
	2009	\$ 1,292	\$ -
	2008	\$ 53,292	\$ 52,000

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate:</u>	<u>\$2.186</u>	<u>\$2.160</u>	<u>\$2.141</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.781</u>	<u>0.769</u>	<u>0.758</u>
County	<u>0.260</u>	<u>0.266</u>	<u>0.255</u>
Local School	<u>1.145</u>	<u>1.125</u>	<u>1.128</u>

Assessed Valuation:

2010	<u>\$747,294,827.00</u>	
2009		<u>\$750,625,915.00</u>
2008		<u>\$760,091,206.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Monmouth County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$53,250.00 for the year 2012.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	<u>Percentage of Collection</u>
		<u>Cash Collections</u>	
2012	\$ 16,465,174.66	\$ 15,683,963.80	95.26%
2011	\$ 16,329,746.32	\$ 15,574,333.43	95.37%
2010	\$ 16,338,728.06	\$ 15,689,007.74	96.02%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 139,316.30	\$ 703,365.15	\$ 842,681.45	5.12%
2011	\$ 125,958.90	\$ 680,629.35	\$ 806,588.25	4.94%
2010	\$ 118,437.78	\$ 622,039.51	\$ 740,477.29	4.53%

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2012:

<u>NAME</u>	<u>TITLE</u>
Robert E. McLeod	Mayor
Christian Bolte	Council President
Kenneth McPeck	Councilperson
Evelyn Ambrose	Councilperson
Clemente Toglia	Councilperson
Joy-Michelle Tomczak	Councilperson
Joseph E. Sheridan	Councilperson
Lorene K. Wright	Business Administrator
Valerie T. Heilwell	Borough Clerk
Thomas P. Fallon, CPA, RMA	Chief Financial Officer
Keri R. Stencel	Tax/Utility Collector, Treasurer
Scott Pezarra	Tax Assessor
Gordon Litwin, Esq.	Borough Attorney

All employees are covered by a dishonesty Public Employees' Blanket Bond in the amount of \$50,000 written by Municipal Excess Liability Joint Insurance Fund. In addition, there are blanket bonds for secondary coverage with the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000 for Public Employees.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

PART IV
GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2012**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Keyport, County of Monmouth, New Jersey, for the year ended December 31, 2012, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Keyport, County of Monmouth, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Keyport, County of Monmouth, New Jersey as of and for the fiscal year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 24, 2013 on the financial statements of the Borough of Keyport. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Control Deficiencies:

Segregation of Duties - Tax/Water and Sewer Offices

Individuals that have the responsibilities and function of cash collections are responsible for the Tax/Water and Sewer Utility receivable subsidiary ledgers.

This condition is the result of multiple tasks performed by the same individual within the Tax/Water and Sewer Utility Collector's Office.

Segregation of Duties – Other Outside Offices/Department Collecting Municipal Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts in the following offices/departments: Borough Clerk, Police Records, Board of Health/Vital Statistics, Construction Code, Fire Safety, Senior Center, and Municipal Boat Ramp.

This condition is the result of multiple tasks performed by the same individual within the respective offices and departments.

Maintenance of Source Documents - Issuance of Duplicate Receipt Forms - Other Offices and Officials Collecting Fees

Conditions exist whereby the following offices/departments do not always issue duplicate receipt forms for all Borough monies collected: Police Records Clerk, Construction Code, Board of Health/Vital Statistics, Municipal Clerk, Fire Safety, & Municipal Boat Ramp.

GENERAL COMMENTS

OTHER MATTERS

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

N.J.S.A. 40A: 11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidder therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

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

On June 22, 2005, the Local Public Contracts Law was amended, effective July 1, 2005. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$17,500.00 to \$21,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's Purchasing Agent is "Qualified" the Borough may increase the bid threshold from \$25,000.00 to \$29,000.00.

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the items tested as follows:

Service Rentals, Construction and Repairs

Sanitary Sewer Upgrades; and Solid Waste Removal.

State Contract

Lease of Copier Senior Center; Police Firearms; Fire Gear; Police Patrol Vehicle; and Two (2) Computer Workstations.

Cooperative Purchasing

Grass Cutting & Lawn Maintenance.

A test of the minutes indicate that resolutions were adopted and advertised, in most cases, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A: 11-5.

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

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 (Cont'd)

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$21,000.00, as applicable, "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement for maintenance and repairs to emergency vehicles. It was noted that the Borough solicited quotations for purchases, in excess 15% of the bid statutory threshold and under the statutory bid threshold, in compliance with statutes.

Upon inquiry of the various officials responsible for the purchases of materials, supplies, equipment, etc. for the Borough in relation to the Local Public Contracts Laws regarding the solicitation of quotations when the cost is \$3,150.00, monitoring of change orders, quantities and unit prices of contracts, procedures presently in place were found to be good.

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. 5:30-11.1 would be in the province of the municipal solicitor.

Collection of Interest on Delinquent Taxes and Assessments

The statutes provide the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

BE IT HEREBY RESOLVED, by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth and State of New Jersey, that the interest rate be established on delinquent taxes for the year 2010, at 8% per annum on delinquent taxes in an amount less than \$1,500 and on taxes in an amount in excess of \$1,500, the interest rate shall be 18% per annum and both shall be computed from the tax due date and it shall further provide that a ten (10) day grace period be established for each quarterly due date; and

WHEREAS, N.J.S.A. 54:4-67 has recently been amended by P.L. 1991, c.75, to provide that, in addition to the established interest rate, the governing body may also fix a penalty up to six percent (6%) to be charged for delinquencies in excess of \$10,000 which are not paid prior to the end of the calendar year; and

WHEREAS, it is the policy of the Borough of Keyport to establish the maximum interest and penalty rates permitted by law upon delinquencies in taxes and municipal charges.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth, State of New Jersey, as follows:

1. That, in addition to the previously established interest rates, there shall be a penalty of six percent (6%) to be charged upon delinquencies in excess of \$10,000, which are not paid prior to the end of the calendar year.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Collection of Interest on Delinquent Taxes and Assessments (Cont'd)

2. That the term "delinquency" shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held during CY 2012. We suggest that the outstanding items be included in the next Tax Sale when appropriate and be complete in all respects. Omitted accounts were reported to be bankruptcies and/or disputed items.

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

<u>Year</u>	<u>Tax Title Liens</u>	<u>Water and Sewer Liens</u>
2012	15	0
2011	12	0
2010	12	0

Interfund Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2012.

These interfunds, in most cases, resulted from 2012 operations and closing entries, and we suggest that all interfund amounts and balances be cleared by cash transfer.

Investment of Borough Funds

During 2012, the Borough's funds were invested primarily in interest bearing and sweep accounts.

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan."

Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in generally good order for items tested.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Purchase Order and Encumbrance System

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting system during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. However, payments through the use of confirming orders were noted. Prior years' outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

Outside Offices/Departments Collecting Fees

Our review of the activities of the various outside offices and departments indicated the following findings for the year ended December 31, 2012:

Lack of Issuance of complete single set of duplicate receipt slips/forms.

Lack of maintenance of a permanent cash receipt journal.

It is suggested that all outside offices and departments collecting municipal fees adhere to control policies and procedures and statutory requirements in all respects.

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage in effect at December 31, 2012. The Borough has provided evidence of coverage with the blanket bond coverage provided through its joint insurance fund coverage. The evidence provided with respect to the minimum surety bond requirements for both the Tax Collector and Municipal Court for the year 2012 indicate the surety bond coverage met the minimum requirements as set forth by regulation. Pursuant to confirmation of bond coverage with the joint insurance fund: (1) The positions of Tax Collector and Treasurer coverage's by endorsement as employees, and (2) the Municipal Court coverage under Borough employees.

Municipal Court

The Borough of Keyport has entered into a shared services agreement for the establishment of a "Joint Municipal Court Between The Township of Hazlet, Borough of Keyport and Borough of Matawan" effective for the period commencing on January 1, 2012. The operations of the Joint Municipal Court are managed solely by the Township of Hazlet, which utilizes one set of books and one court calendar. The Municipalities each receive and retain all net revenues generated by all cases on their respective court dockets as is currently provided and in accordance with applicable statutes. Accordingly, the operation of the "Joint Municipal Court Between The Township of Hazlet, Borough of Keyport and Borough of Matawan" has not been audited as part of the Borough of Keyport financial statements – regulatory basis.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Condition of Records - Finance Office

The records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund and was found to serve as the basis for financial statement – regulatory basis preparation.

Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2012, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process; matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for the separate recording of grant activity. As required of OMB Circular A-133 and NJ OMB Circular 40-04, the schedules of financial assistance should be prepared and submitted on a timely basis.

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements. In addition, we suggest the Borough review all of the applicable grant requirements in conjunction with the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

In addition, as with other local entities, due to weaknesses in the grant notification process followed by certain agencies that pass-through federal and state assistance to the Borough, the Borough often does not receive accurate and timely information with respect to grant funding sources, along with the relevant CFDA and account number information from its respective grantor agencies, which can inhibit the preparation of these financial assistance schedules.

Condition of Records - Tax Office

The records maintained by the Tax Collector were reviewed. Computerized real estate tax billings and billing adjustments were reviewed.

Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to \$3,750,269.23 and expenditures amounted to \$3,533,110.76 resulting in excess operations of \$267,200.38. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in a statutory excess for debt statement purposes of \$264,011.15, which allowed the amount of \$5,150,600.00 as a deduction of Water and Sewer Utility Debt in the calculation of statutory net debt of the Borough at December 31, 2012. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Other Compliance Matters

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administration Code, as follows:

N.J.A.C. 5:30 – 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough is in compliance with this directive.

N.J.A.C. 5:30 – 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough is in compliance with this directive.

N.J.A.C. 5:30 – 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, as least, the Current Fund. The Borough is in compliance with this directive.

Internal Control Documentation

We suggest that the Borough continue to develop its process of documentation of internal controls. This course of action will serve the purpose of meeting certain requirements as set for the by the Statement on Auditing Standards (SAS) 115. We also suggest that the Borough consider utilizing the framework established by the Council of Sponsoring Organizations of the Treadway commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communications; and Monitoring. In addition, we also suggest that the documentation should also include the internal controls that exist over grant compliance.

RECOMMENDATION(S)

NONE

ACKNOWLEDGMENT

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

During the course of our engagement we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

Respectfully submitted,

HODULIK & MORRISON, P.A.

A handwritten signature in black ink, appearing to read "Robert S. Morrison". The signature is fluid and cursive, with the first name "Robert" and last name "Morrison" clearly distinguishable.

Robert S. Morrison, CPA, RMA
Registered Municipal Accountant
No. 412