

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 and 2006**

***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

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PART I  
INDEPENDENT AUDITOR'S REPORT  
AND  
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

We have audited the accompanying balance sheets – statutory basis of the various funds of the Borough of Keyport, Monmouth County, New Jersey, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Borough's financial statements and the related statements of operations and changes in fund balance – statutory basis for the year then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis of the various funds for the year ended December 31, 2007. These financial statements are the responsibility of the Borough's management. 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 State 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 Service, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in conformity with accounting principles prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

In our opinion, because the prescribed statutory basis of accounting as described in the preceding paragraph is utilized by the Borough of Keyport, County of Monmouth, New Jersey for the purpose of financial statement preparation, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Keyport, County of Monmouth, New Jersey as

of December 31, 2007 and 2006 or the results of its operations and changes in fund balance for the years ended or the revenue and expenditures for the year ended December 31, 2007.

However, in our opinion, the financial statements – statutory basis referred to above present fairly, in all material respects, the financial position – statutory basis of the various funds of the Borough of Keyport, Monmouth County, New Jersey, as of December 31, 2007 and 2006 and the results of operations and changes in fund balance – statutory basis for the years then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis of the various funds for the year ended December 31, 2007 on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated October 9, 2008 on our consideration of the Borough of Keyport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Keyport, County of Monmouth, New Jersey taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular a-133, "Audits of States, Local governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Additionally, the information included in the supplementary data and schedules 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. Such information, as identified herein, except for the completeness and categorization of federal and state funding sources for certain grants, along with the reporting of various CFDA and account numbers included within the aforementioned schedule of financial assistance, on which we do not express an opinion, is fairly stated in all material respects to the financial statements taken as a whole.

*Hodulik & Morrison, P.A.*  
HODULIK & MORRISON, P.A.

Certified Public Accountants  
Registered Municipal Accountants



Robert S. Morrison  
Registered Municipal Accountant, No. 412

Highland Park, New Jersey  
October 9, 2008



FINANCIAL STATEMENTS - STATUTORY BASIS

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND							
COMPARATIVE BALANCE SHEET - STATUTORY BASIS							
DECEMBER 31, 2007 AND DECEMBER 31, 2006							
ASSETS	REF.	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2006	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2006
Cash and Investments - Treasurer	A-4	\$ 1,246,551.59	\$ 1,546,615.63	Liabilities:			
Cash - Change Fund	A-5	425.00	425.00	Special Emergency Note Payable	A-15	\$ 200,000.00	\$ 250,000.00
Due from State of N.J. per Ch. 20, P.L. 1976	A-6	3,389.20	5,678.23	Appropriation Reserves	A-3, A-11	319,425.08	299,339.93
				Reserve for Encumbrances	A-3, A-11	175,411.23	56,673.50
		1,250,365.79	1,552,718.86	Prepaid Taxes	A-7	68,463.62	77,779.70
				Various Payables	A-14	4,220.00	
				Various Reserves	A-14	255,463.37	321,078.84
Receivables With Offsetting Reserves:				Tax Overpayments	A-12	1,747.36	2,379.32
Taxes Receivable	A-7	519,028.15	488,475.07	County Taxes Payable	A-13	9,231.75	10,701.25
Tax Title Lien Receivable	A-7	93,831.70	88,012.25	School Taxes Payable	A-13		3.04
Property Acquired for Taxes (At Assessed Valuation)	A-7	97,100.00	97,100.00	Due to Grant Fund	A-10		175,024.16
Revenue Accounts Receivable	A-8	36,265.11	26,290.99	Due to General Capital Fund	A-10	546.37	5,376.39
Due from Trust Other Fund	A-10	141.72	323.52			1,034,508.98	948,356.13
Due from Payroll Agency Fund	A-10	614.24	614.24				
Due from Grant Fund	A-10	3,053.81		Reserve for Receivables	Reserve	750,035.73	700,816.07
Local School Tax Advanced	A-10	1.00		Fund Balance	A-1	415,856.81	604,362.73
		750,035.73	700,816.07				
Deferred Charges:				Total Current Fund		2,200,401.52	2,253,534.93
Special Emergency							
Authorization N.J.S.A. 40A:4-53	A-9	200,000.00	250,000.00				
		200,000.00	250,000.00				
Total Current Fund		2,200,401.52	2,503,534.93				
State & Federal Grant Fund:				State & Federal Grant Fund:			
Grants Receivable	A-16	307,719.18	86,010.26	Due to Current Fund	A-17	3,053.81	
Due from Current Fund	A-17		175,024.16	Reserve for State and Federal Grants:			
				Appropriated	A-18	283,320.24	139,418.64
				Unappropriated	A-19	6,138.94	102,865.24
				Reserve for Encumbrances	A-18	15,206.19	18,750.54
Total State & Federal Grant Fund		307,719.18	261,034.42	Total State & Federal Grant Fund		307,719.18	261,034.42
	\$	2,508,120.70	\$ 2,764,569.35		\$	2,508,120.70	\$ 2,514,569.35

**Note: See Notes to Financial Statements.**

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - STATUTORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2007</u>	<u>YEAR 2006</u>
Fund Balance Utilized	A-1, A-2 \$	570,000.00 \$	285,000.00
Miscellaneous Revenues Anticipated	A-2	2,817,497.35	2,846,051.58
Receipts from Delinquent Taxes	A-2	480,045.47	473,321.19
Receipts from Current Taxes	A-7	14,720,012.16	14,251,678.91
Non-Budget Revenue	A-2	196,778.84	285,828.98
Other Credits to Income:			
Unexpended Balances of Approp. Reserves	A-11	156,570.25	75,329.91
Cancellation of Grant Reserves	A-18	150.00	5,799.19
Interfunds Returned	A-10		33,657.30
Total Revenues		<u>18,941,054.07</u>	<u>18,256,667.06</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating			
Salaries and Wages	A-3	3,137,300.00	3,155,500.00
Other Expenses	A-3	3,221,770.00	3,212,470.00
State and Federal Programs Off-Set by Revenue	A-3	563,847.63	286,202.94
Municipal Debt Service	A-3	710,823.30	672,047.43
Capital Improvements	A-3	26,400.00	67,500.00
Deferred Charges and Statutory Expend.-Mun.	A-3	205,400.00	150,900.00
Transferred to Board of Education	A-3	84,153.00	85,219.00
County Taxes	A-13	1,843,833.00	1,838,252.13
Local District School Taxes	A-13	8,481,567.00	8,160,888.00
Business Improvement District Taxes	A-13	150,000.00	198,476.66
Municipal Open Space Taxes	A-13	83,193.65	82,965.76
Prior Year Senior Citizen Deduction Disallowed	A-6	3,789.03	2,250.00
Refund of Prior Year Taxes			1,100.29
Refund of Prior Year Revenue			624.00
Prior Year Tax Appeal	A-4	44,610.37	
Interfunds Advanced	Var.	<u>2,873.01</u>	
Total Expenditures		<u>18,559,559.99</u>	<u>17,914,396.21</u>
Excess in Revenue (Balance Forward)		381,494.08	342,270.85
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years			<u>250,000.00</u>
Statutory Excess to Fund Balance		381,494.08	592,270.85

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - STATUTORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2007</u>	<u>YEAR 2006</u>
Statutory Excess to Fund Balance (brought forward)		\$ 381,494.08	\$ 592,270.85
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>604,362.73</u>	<u>297,091.88</u>
		985,856.81	889,362.73
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>570,000.00</u>	<u>285,000.00</u>
Balance - December 31	A	\$ <u><u>415,856.81</u></u>	\$ <u><u>604,362.73</u></u>

Note: See Notes to Financial Statements.

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

**CURRENT FUND**

**STATEMENT OF REVENUES - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

REF.	ANTICIPATED 2007 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2007 BUDGET	REALIZED	EXCESS OR (DEFICIT)
A-1	\$ 570,000.00	\$	\$ 570,000.00	\$ 570,000.00	\$
Fund Balance Anticipated					
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	21,400.00		21,400.00	25,678.44	4,278.44
Other	5,000.00		5,000.00	2,110.00	(2,890.00)
Fees and Permits	85,000.00		85,000.00	86,563.20	1,563.20
Fines and Costs:					
Municipal Court	237,000.00		237,000.00	276,284.56	39,284.56
Interest and Costs on Taxes	87,000.00		87,000.00	105,035.98	18,035.98
Anticipated Utility Operating Surplus	130,000.00		130,000.00	130,000.00	
Cable Television Fees	21,710.00		21,710.00	22,721.00	1,011.00
Payment in Lieu of Taxes:					
Senior Citizen Housing	245,000.00		245,000.00	263,624.49	18,624.49
Bethany Manor Annex, Senior Citizen Housing	79,000.00		79,000.00	67,550.00	(11,450.00)
Legislative Initiative Municipal Block Grant					
Extraordinary Aid	100,000.00		100,000.00	100,000.00	
Consolidated Municipal Property Tax Relief Aid	538,496.00		538,496.00	538,496.00	
Municipal Efficiency Promo Aid Program	33,194.00		33,194.00	33,194.00	
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	496,023.00		496,023.00	496,023.00	
Supplemental Energy Receipts Tax	12,076.00		12,076.00	12,076.00	
Municipal Homeland Security Assistance Aid	50,000.00		50,000.00	50,000.00	
Municipal Property Tax Assistance Aid	21,010.00		21,010.00	21,010.00	
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	165,000.00		165,000.00	92,330.00	(72,670.00)
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	1,859.10		1,859.10	1,859.10	
Drunk Driving Enforcement Fund	3,928.85		3,928.85	3,928.85	
Clean Communities Program	8,478.54		8,478.54	8,478.54	
Alcohol Education and Rehabilitation Fund	1,296.94		1,296.94	1,296.94	
Municipal Alliance on Alcoholism and Drug Abuse	28,674.00		28,674.00	28,674.00	
Safe and Secure Communities Program	29,053.00		29,053.00	29,053.00	
Neighborhood Preservation - Balanced Housing	125,000.00		125,000.00	125,000.00	
Office on Aging Grant	36,000.00		36,000.00	36,000.00	
Body Armor Replacement Grant	1,709.20		1,709.20	1,709.20	
U.S. Homeland Security Grant	85,500.00		85,500.00	85,500.00	

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

**CURRENT FUND**  
**STATEMENT OF REVENUES - STATUTORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

REF.	ANTICIPATED 2007 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2007 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Public and Private Revenues Offset with Approps. (Cont'd):					
Monmouth County Open Space Grant - Therese Ave Park	60,000.00		60,000.00	60,000.00	
Monmouth County Open Space Grant - Beach Park	42,000.00		42,000.00	42,000.00	
Other Special Items:					
Uniform Fire Safety Act	70,600.00		70,600.00	71,301.05	701.05
Total Miscellaneous Revenues	2,821,008.63		2,821,008.63	2,817,497.35	(3,511.28)
Receipts from Delinquent Taxes	477,000.00		477,000.00	480,045.47	3,045.47
Subtotal General Revenues	3,868,008.63		3,868,008.63	3,867,542.82	(465.81)
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	4,666,280.23		4,666,280.23	4,745,991.74	79,711.51
Budget Totals	8,534,288.86		8,534,288.86	8,613,534.56	\$ 79,245.70
Non-Budget Revenues				196,778.84	
	\$ 8,534,288.86	\$	\$ 8,534,288.86	\$ 8,810,313.40	
Ref.	A-3		A-3	A-1	

( ) Denotes Deficit

Note: See Notes to Financial Statements.

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

**CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED		
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Administrative and Executive						
Salaries and Wages	\$ 86,000.00	\$ 86,000.00	\$ 84,137.70	\$ 1,289.87	\$ 1,862.30	\$ 2,771.46
Other Expenses	14,700.00	14,700.00	10,638.67			
Mayor and Council						
Salaries and Wages	19,000.00	19,000.00	18,800.00		200.00	
Other Expenses	4,000.00	4,600.00	4,495.04	45.95	59.01	
Municipal Clerk						
Salaries and Wages	47,000.00	47,000.00	41,696.52		5,303.48	
Other Expenses						
Miscellaneous	12,000.00	12,000.00	7,812.01	987.52	3,200.47	
Revision and Codification of Ordinances	5,000.00	5,000.00	1,968.80		3,031.20	
Financial Administration						
Salaries and Wages	50,400.00	50,400.00	48,414.60		1,985.40	
Other Expenses	10,000.00	10,000.00	8,988.30	381.27	630.43	
Audit Services						
Other Expenses	17,000.00	17,000.00	17,000.00			
Collection of Taxes						
Salaries and Wages	76,000.00	76,000.00	70,520.08		5,479.92	
Other Expenses	9,000.00	9,000.00	7,256.06	836.97	906.97	
Assessment of Taxes						
Salaries and Wages	21,300.00	21,300.00	20,400.12		899.88	
Other Expenses						
Revision of Tax Map/Revaluation						
Miscellaneous	11,000.00	11,000.00	8,833.76	364.51	1,801.73	
Legal Services						
Other Expenses	135,000.00	135,000.00	63,613.56	42,636.06	28,750.38	
Environmental Commission						
Other Expenses	500.00	700.00	389.61	168.00	142.39	
Engineering Services						
Other Expenses	20,000.00	20,000.00	6,964.15		13,035.85	
Keyport Historical Society Contracted	4,000.00	4,000.00	-		4,000.00	
Municipal Law and Use Law (N.J.S.A. 40:55D-1)						
Planning/Zoning Board						
Salaries and Wages	5,000.00	5,000.00	3,789.33		1,210.67	
Other Expenses						
Revision of Master Plan	100.00	100.00	-		100.00	
Miscellaneous	9,300.00	9,300.00	7,976.74	710.75	612.51	
Property Maintenance Code						
Salaries and Wages	11,800.00	11,800.00	11,300.12		499.88	
Other Expenses	1,700.00	1,700.00	718.85		981.15	

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

**CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007 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>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>INSURANCES</b>					
Liability Insurance	\$ 164,000.00	\$ 164,000.00	\$ 163,131.38	\$	\$ 868.62
Workers Compensation Insurance	109,000.00	102,900.00	102,895.65		4.35
Employee Group Insurance	595,000.00	583,000.00	563,391.20		19,608.80
<b>PUBLIC SAFETY</b>					
Police Department					
Salaries and Wages	2,125,500.00	2,125,500.00	2,088,512.08		36,987.92
Other Expenses					
Miscellaneous	84,000.00	84,000.00	50,324.34	33,659.11	16.55
Clothing Allowance	30,000.00	30,000.00	24,910.35	1,648.10	3,441.55
Emergency Management Services					
Other Expenses	4,000.00	4,000.00	957.49	126.68	2,915.83
Aid to Volunteer Fire Companies	24,220.00	24,220.00	20,960.00	2,520.00	740.00
First Aid Contributions	18,000.00	18,000.00	17,898.58		101.42
Fire Department					
Salaries and Wages	2,000.00	2,000.00	2,000.00		
Other Expenses	94,000.00	94,000.00	56,608.49	35,707.57	1,683.94
Uniform Fire Safety Act					
Salaries and Wages	48,000.00	29,000.00	23,925.76		5,074.24
Other Expenses	25,500.00	44,500.00	16,271.13	20,692.42	7,536.45
Municipal Prosecutor					
Salaries and Wages	11,500.00	11,500.00	11,500.00		
Municipal Court					
Salaries and Wages	97,000.00	95,000.00	92,896.82		2,103.18
Other Expenses	9,700.00	11,700.00	9,692.55	1,035.49	971.96
Public Defender					
Salaries and Wages	4,000.00	4,000.00	3,366.73		633.27
Other Expenses	100.00	100.00	-		100.00
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Salaries and Wages	331,000.00	331,000.00	321,968.26		9,031.74
Other Expenses	68,000.00	68,000.00	62,224.70	5,713.30	62.00



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED		
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>PUBLIC WORKS (continued)</u>						
Garbage and Trash Removal						
Salaries and Wages	\$ 52,000.00	\$ 52,000.00	\$ 51,343.79	\$ 1,209.18	\$ 656.21	\$
Other Expenses	15,000.00	15,000.00	7,883.57		5,907.25	
Contracted (40A-4-85)	278,000.00	278,000.00	249,740.05		28,259.95	
Public Buildings and Grounds						
Salaries and Wages						
Other Expenses	50,000.00	54,000.00	49,384.52	3,064.30	1,551.18	
<u>HEALTH AND HUMAN SERVICES</u>						
Blood Borne Pathogens - Hepatitis B						
Salaries and Wages	3,300.00	3,300.00	3,220.10		79.90	
Other Expenses	1,000.00	1,000.00	375.00		625.00	
Board of Health						
Salaries and Wages	27,000.00	27,000.00	26,587.38		412.62	
Other Expenses	4,000.00	4,000.00	3,306.74	686.84	6.42	
Animal Control Services						
Other Expenses	8,000.00	10,500.00	10,500.00			
Bayshore Youth Services Bureau Contribution	1,450.00	1,450.00	1,076.25		373.75	
<u>PARK AND RECREATION</u>						
Recreation						
Salaries and Wages	28,000.00	28,500.00	28,413.96		86.04	
Other Expenses	10,700.00	10,200.00	8,095.52	445.60	1,658.88	
Senior Citizen Community Center						
Salaries and Wages	6,000.00	6,000.00	4,481.70		1,518.30	
Other Expenses	23,000.00	23,000.00	16,528.36	1,760.30	4,711.34	
Senior Citizen Transportation Contracted	4,000.00	4,000.00	3,503.85		496.15	
Parks and Playgrounds						
Other Expenses	26,000.00	26,000.00	22,383.53		3,616.47	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>OTHER COMMON OPERATING</b>						
Celebration of Public Events						
Other Expenses	500.00	500.00	481.32	\$	\$	18.68
Postage						
Other Expenses	20,000.00	20,000.00	15,290.91	254.98	4,454.11	
Accumulated Leave Compensation						
Salaries and Wages	70,500.00	59,600.00	53,582.06		6,017.94	
Uniform Construction Code - Appropriation Offset by Dedicated Revenue (N.J.A.C. 5:23-4.17)						
State Uniform Construction Code Officials						
Salaries and Wages	102,000.00	106,000.00	104,435.44		1,564.56	
Other Expenses	5,900.00	5,900.00	4,187.90	216.93	1,495.17	
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Fuel for Motor Vehicles	65,000.00	68,000.00	61,432.12		6,567.88	
Telephone	40,000.00	42,000.00	38,719.57	2,865.75	414.68	
Street Lighting	92,000.00	99,000.00	90,762.60	850.00	7,387.40	
Fuel Oil	9,000.00	9,000.00	8,694.22		305.78	
Natural Gas	27,000.00	25,000.00	20,226.79	2,744.76	2,028.45	
Electricity	49,000.00	54,000.00	45,730.89	3,766.19	4,502.92	
Landfill Disposal Costs	240,000.00	240,000.00	206,936.81		33,063.19	
Total Operations Within "CAPS"	5,672,670.00	5,669,970.00	5,216,454.48	166,388.40	287,127.12	
Contingent	500.00	500.00	-	-	500.00	
Total Operations Including Contingent Within "CAPS"	5,673,170.00	5,670,470.00	5,216,454.48	166,388.40	287,627.12	
Detail:						
Salaries and Wages	3,153,800.00	3,137,300.00	3,061,710.49		75,589.51	
Other Expenses	2,519,370.00	2,533,170.00	2,154,743.99	166,388.40	212,037.61	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Social Security System (O.A.S.I.)	\$ 146,000.00	\$ 146,000.00	\$ 138,516.93	\$	\$ 7,483.07	\$
Pension Adjustment Fund	9,400.00	9,400.00	9,321.00		79.00	
Total Deferred Charges and Statutory Expenditures	155,400.00	155,400.00	147,837.93		7,562.07	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,828,570.00	5,825,870.00	5,364,292.41	166,388.40	295,189.19	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library (P.L. 1975, Ch 329)	237,000.00	237,000.00	236,242.88		757.12	
Services of Regional Health Association (P.L. 1975, Ch 329)	-					
Municipal Services Act - Apartments	20,000.00	20,000.00	-	4,580.00	15,420.00	
Other Expenses						
Contributions to:						
Police and Firemen's Retirement System of NJ	245,900.00	245,900.00	245,811.16		88.84	
Public Employees' Retirement System	56,000.00	56,000.00	55,903.00		97.00	
Insurances:						
Liability Insurance						
Workers Compensation Insurance						
Employee Group Insurance						
Total Other Operations - Excluded from "CAPS"	558,900.00	558,900.00	537,957.04	4,580.00	16,362.96	
<u>Interlocal Municipal Service Agreements</u>						
911 Services (County of Monmouth)	10,000.00	10,000.00	8,019.87		1,980.13	
Other Expenses						
Recycling (Hazel)	6,000.00	6,000.00	4,635.00	1,345.80	19.20	
Other Expenses						
Police (Bayshore Task Force)	2,000.00	2,000.00	2,000.00			
Other Expenses						
Bldgs & Grounds-Board of Education	35,000.00	37,700.00	31,495.36	3,097.03	3,107.61	
Other Expenses	74,000.00	74,000.00	73,885.01		114.99	
Services of Regional Health Association (P.L. 1975, Ch.329)						
Total Interlocal Municipal Service Agreements	127,000.00	129,700.00	120,035.24	4,442.83	5,221.93	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>						
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities Grant	\$ 8,478.54	\$ 8,478.54	\$ 8,478.54	\$		\$
Neighborhood Preservation Program						
State Share	125,000.00	125,000.00	125,000.00			
Local Share	25,000.00	25,000.00	25,000.00			
Body Armor Replacement Grant	1,709.20	1,709.20	1,709.20			
Recycling Tonnage Grant	1,859.10	1,859.10	1,859.10			
U.S. Homeland Security Grant						
Grant Share	85,500.00	85,500.00	85,500.00			
Local Share	4,500.00	4,500.00	4,500.00			
Safe and Secure Communities Program:						
State Share	29,053.00	29,053.00	29,053.00			
Local Share	51,350.00	51,350.00	51,350.00			
Office on Aging Grant						
Grant Share	36,000.00	36,000.00	36,000.00			
Local Share	52,330.00	52,330.00	52,330.00			
Municipal Court Alcohol Education and Rehabilitation						
Enforcement Fund	1,296.94	1,296.94	1,296.94			
Municipal Court	3,928.85	3,928.85	3,928.85			
Drunk Driving Enforcement Fund						
Monmouth County Open Space Grants:						
Therese Avenue Park	60,000.00	60,000.00	60,000.00			
Beach Park	42,000.00	42,000.00	42,000.00			
Municipal Drug Alliance Program						
Local Share	7,168.00	7,168.00	7,168.00			
State Share	28,674.00	28,674.00	28,674.00			
NJ Treasury - Roadway Impt - First St						
NJ Treasury - Sidewalks Senior Center						
DWI Saturation Patrol						
Community Forestry Management Grant						
Municipal Stormwater Regulation Program						
Total Public and Private Programs Offset by Revenues	563,847.63	563,847.63	563,847.63			
Total Operations Excluded from "CAPS"	1,249,747.63	1,252,447.63	1,221,839.91	9,022.83	21,584.89	
Detail:						
Salaries and Wages						
Other Expenses	1,249,747.63	1,252,447.63	1,221,839.91	9,022.83	21,584.89	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Capital Improvements Excluded from "CAPS"						
Capital Improvement Fund	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$	\$	\$
Acquisition of Leaf Dumpsters	6,400.00	6,400.00	3,749.00		2,651.00	
Total Capital Improvements Excluded from "CAPS"	26,400.00	26,400.00	23,749.00		2,651.00	
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Principal	255,000.00	255,000.00	255,000.00			
Payment of Bond Anticipation Notes and Capital Notes	97,000.00	97,000.00	97,000.00			
Interest on Bonds	232,345.00	232,345.00	232,345.00			
Interest on Notes	126,500.00	126,500.00	126,478.30		(0.00)	21.70
Total Municipal Debt Service Excluded from "CAPS"	710,845.00	710,845.00	710,823.30		(0.00)	21.70
OPERATIONS EXCLUDED FROM "CAPS"						
Deferred Charges						
Special Emergency Authorizations 5 Years (N.J.S.A. 40A4-55)	50,000.00	50,000.00	50,000.00			
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	84,153.00	84,153.00	84,153.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,121,145.63	2,123,845.63	2,090,565.21	9,022.83	24,235.89	21.70
Subtotal General Appropriations	7,949,715.63	7,949,715.63	7,454,857.62	175,411.23	319,425.08	21.70
Reserve for Uncollected Taxes	584,573.23	584,573.23	584,573.23			
Total General Appropriations	\$ 8,534,288.86	\$ 8,534,288.86	\$ 8,039,430.85	\$ 175,411.23	\$ 319,425.08	\$ 21.70
Disbursed	Ref. A- 4	A- 2	\$ 6,841,009.99	A	A	
Reserve for Uncollected Taxes	A- 7		584,573.23			
Deferred Charges - Special Emerg. Auth.	A- 9		50,000.00			
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-10, A-18		563,847.63			
			\$ 8,039,430.85			

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS  
 COMPARATIVE BALANCE SHEET - STATUTORY BASIS  
DECEMBER 31, 2007 AND 2006

		December 31, 2007	December 31, 2006
<u>ASSETS</u>			
	<u>Ref.</u>		
Animal Control Fund			
Cash.....	B-1	\$ 2,536.87	\$ 2,797.17
Total Animal Control Fund		<u>2,536.87</u>	<u>2,797.17</u>
Other Trust Fund			
Cash.....	B-1	<u>667,089.99</u>	<u>609,300.87</u>
Total Other Trust Fund		<u>667,089.99</u>	<u>609,300.87</u>
Open Space Trust Fund			
Cash.....	B-1	\$ 143,623.44	\$ 145,405.52
Total Open Sapce Fund		<u>\$ 143,623.44</u>	<u>\$ 145,405.52</u>
Total Trust Funds		<u>\$ 813,250.30</u>	<u>\$ 757,503.56</u>

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS  
 COMPARATIVE BALANCE SHEET - STATUTORY BASIS  
DECEMBER 31, 2007 AND 2006

		December 31, 2007	December 31, 2006
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal License Expen	B-2	\$ 2,536.87	\$ 2,797.17
Total Animal Control Fund		<u>2,536.87</u>	<u>2,797.17</u>
Other Trust Fund			
Due State of New Jersey -			
Fees & Licenses.....	B-3	900.00	225.00
Due to Current Fund.....	B-4	141.72	323.52
Reserve for Various Trust Activitie	B-5	<u>666,048.27</u>	<u>608,752.35</u>
Total Other Trust Fund		<u>667,089.99</u>	<u>609,300.87</u>
Open Space Trust Fund			
Reserve for Encumbrances.....	B-6	\$ 27,650.00	\$ -
Reserve for Open Space.....	B-6	<u>115,973.44</u>	<u>145,405.52</u>
		<u>\$ 143,623.44</u>	<u>\$ 145,405.52</u>
Total Trust Funds		<u>\$ 813,250.30</u>	<u>\$ 757,503.56</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 COMPARATIVE BALANCE SHEET - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2007</u>	<u>BALANCE</u> <u>DEC. 31, 2006</u>
Cash and Investments - Treasurer	C-2	\$ 1,079,382.75	\$ 1,289,003.96
Investment in Special Emergency Note	C-2	200,000.00	250,000.00
Due from State of New Jersey DEP	C-4	100,102.34	340,750.00
Due from State of New Jersey DOT	C-4	80,000.00	117,500.00
Due from C.D.B.G.	C-4	193,207.00	
Due from Monmouth County	C-8	464,845.74	
Due from Current Fund	C-7	546.57	5,376.39
Deferred Charges to Future Taxation:			
Funded	C-5	6,024,068.00	5,940,000.00
Unfunded	C-6	6,360,865.00	6,553,933.00
		<u>\$ 14,503,017.40</u>	<u>\$ 14,496,563.35</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Serial Bonds	C-9	\$ 5,685,000.00	\$ 5,940,000.00
Bond Anticipation Notes	C-10	5,645,000.00	5,499,000.00
Green Trust Loan Payable	C-13	339,068.00	
Reserve for Encumbrances	C-8	468,241.42	883,110.54
Improvement Authorizations:			
Funded	C-8	60,108.16	77,078.14
Unfunded	C-8	1,956,235.20	1,679,486.70
Reserve for:			
Capital Improvement Fund	C-11	69,834.69	63,627.69
Receivable and Other Assets	C-12	161,518.66	13,496.00
DEP Grant Receivable	C-12	100,102.34	340,750.00
Fund Balance	C-1	<u>17,908.93</u>	<u>14.28</u>
		<u>\$ 14,503,017.40</u>	<u>\$ 14,496,563.35</u>
Authorized But Not Issued	C-14	<u>\$ 1,054,933.00</u>	<u>\$ 1,054,933.00</u>

Note: See Notes to Financial Statements.



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 STATEMENT OF FUND BALANCE- STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>REF.</u>	
Balance - December 31, 2006	C	\$ 14.28
Increased by:		
Premium Bond Anticipation Note Sale	C-2	<u>17,894.65</u>
Balance - December 31, 2007	C	\$ <u><u>17,908.93</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY  
WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

ASSETS	REF.	BALANCE DEC. 31, 2007	DEC. 31, 2006	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2007	BALANCE DEC. 31, 2006
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D-5	\$ 520,764.89	\$ 511,269.42	Liabilities:			
		520,764.89	511,269.42	Appropriation Reserves	D-4, D-13	\$ 99,923.33	\$ 116,238.55
				Reserve for Encumbrances	D-10	22,753.44	25,074.78
				Water and Sewer Overpayment	D-18	831.73	1,545.81
Receivables With Full Reserves:				Prepaid Consumer Accounts	D-19	207,770.66	203,746.75
Consumer Accounts Receivable	D-7	181,713.28	133,108.14	Accrued Int. on Bonds, Notes & Loans	D-14	44,043.57	43,894.61
		181,713.28	133,108.14			375,322.73	390,500.50
				Reserve for Receivables	Reserve	181,713.28	133,108.14
				Fund Balance	D- 1	145,442.16	120,768.92
Total Operating Fund		702,478.17	644,377.56	Total Operating Fund		702,478.17	644,377.56
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D-5	1,042,747.63	1,129,864.67	Serial Bonds Payable	D-15	615,000.00	700,000.00
Fixed Capital	D-11	3,674,005.39	3,523,005.39	Bond Anticipation Notes	D-16	1,735,600.00	1,735,600.00
Fixed Capital - Authorized and				Reserve for Encumbrances	D-10	882,878.34	24,173.68
Uncompleted	D-12	1,950,000.00	2,101,000.00	Improvement Authorizations			
				Funded	D-17	19,695.04	19,695.04
				Unfunded	D-17	255,726.04	1,187,354.55
				Capital Improvement Fund	D-20	45,687.00	45,687.00
				Reserve for Amortization	D-21	3,059,005.39	2,823,005.39
				Reserve for Deferred Amortization	D-22	64,400.00	215,400.00
				Fund Balance	D-2	8,456.25	2,954.40
Total Capital Fund		6,666,753.02	6,753,870.06	Total Capital Fund		6,666,753.02	6,753,870.06
		\$ 7,369,231.19	\$ 7,398,247.62			\$ 7,369,231.19	\$ 7,398,247.62

There were Bonds and Notes Authorized but not Issued at December 31, 2007 in the amount of \$150,000.00 (Exhibit D-23).  
The amount of inventory reported is as submitted by the Borough Officials and has not been verified as part of the audit.

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 - STATUTORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2007</u>	<u>YEAR 2006</u>
Fund Balance	D-3	\$ 110,000.00	\$ 50,000.00
Water and Sewer Rents	D-3	3,157,045.74	3,108,079.88
Miscellaneous	D-3	269,244.28	368,705.74
Unexpended Balance of Approp. Reserves	D-13	57,184.25	4,360.02
Cancel Reserves			76.95
Cancel Excess Accrued Interest	D-14	6,021.53	18,309.10
		<u>3,599,495.80</u>	<u>3,549,531.69</u>
Total Revenues			
<u>EXPENDITURES</u>			
Operating:			
Salaries and Wages	D-4	625,000.00	599,000.00
Other Expenses	D-4	530,600.00	562,000.00
Bayshore Regional Sewerage Authority	D-4	1,520,000.00	1,481,000.00
Acquisition of Water	D-4	400,000.00	420,000.00
Capital Improvements	D-4		45,000.00
Debt Service	D-4	196,400.00	171,500.00
Deferred Charges and Statutory Expenditures	D-4	48,000.00	45,000.00
Surplus (General Budget)	D-4	130,000.00	130,000.00
Refunds of Prior Year Revenues	D-5	14,822.56	
		<u>3,464,822.56</u>	<u>3,453,500.00</u>
Total Expenditures			
Excess in Revenues		134,673.24	96,031.69
Expenditure Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			
Statutory Excess to Fund Balance		134,673.24	96,031.69
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>120,768.92</u>	<u>74,737.23</u>
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>110,000.00</u>	<u>50,000.00</u>
Balance - December 31	D	<u>\$ 145,442.16</u>	<u>\$ 120,768.92</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND  
 STATEMENT OF FUND BALANCE - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 2,954.40
Increased by:		
Premium on Sale of Notes	D-5	<u>5,501.85</u>
Balance - December 31, 2007	D	<u>\$ 8,456.25</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
 STATEMENT OF REVENUES - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>REF.</u>	<u>2007 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Operating Surplus Anticipated		\$ 110,000.00	\$ 110,000.00	\$
Water and Sewer Rents		3,100,000.00	3,157,045.74	57,045.74
Miscellaneous		<u>240,000.00</u>	<u>269,244.28</u>	<u>29,244.28</u>
		<u>\$ 3,450,000.00</u>	<u>\$ 3,536,290.02</u>	<u>\$ 86,290.02</u>

<u>Ref.</u>	D- 4	D-1
-------------	------	-----

Analysis of Realized Revenues:

Water and Sewer Rents:

Consumer Accounts Receivable -

Collected	D-7	\$ 2,951,753.18
Overpayments Applied	D-18	1,545.81
Prepays Applied	D-20	<u>203,746.75</u>
	D- 3	<u>\$ 3,157,045.74</u>

Miscellaneous:

Cell Tower Leases		\$ 165,822.73
Water Connection Fees		35,000.00
Sewer Connection Fees		18,000.00
Interest on Delinquent Accounts		18,827.05
Interest Earned on Deposits		13,202.30
Turn On Charges		2,800.00
Meter Charges		4,334.33
Pool Fill Permit		315.00
NSF Charges		280.00
Fire Connection Charge		7,064.21
Other		<u>3,598.66</u>
	D-5	<u>\$ 269,244.28</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operating:						
Salaries and Wages	\$ 625,000.00	\$ 625,000.00	\$ 624,446.72	\$ 22,753.44	\$ 553.28	\$
Other Expenses	530,600.00	526,600.00	462,345.75		41,500.81	
Bayshore Regional Sewerage Authority	1,520,000.00	1,431,000.00	1,430,704.00		296.00	
Acquisition of Water	400,000.00	489,000.00	432,977.86		56,022.14	
Debt Service:						
Payment on Bond Principal	85,000.00	85,000.00	85,000.00			
Interest on Bonds	37,000.00	37,000.00	37,000.00			
Interest on Notes	74,400.00	74,400.00	74,400.00			
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	2,000.00	2,000.00	2,000.00		1,551.10	
Social Security System (O.A.S.I.)	46,000.00	50,000.00	48,448.90			
Surplus (General Budget)	130,000.00	130,000.00	130,000.00			
Total Water & Sewer Utility Appropriations	\$ 3,450,000.00	\$ 3,450,000.00	\$ 3,327,323.23	\$ 22,753.44	\$ 99,923.33	\$
Disbursed						
Accrued Interest on Bonds, Notes and Loans			\$ 3,215,923.23			
			111,400.00			
			\$ 3,327,323.23			

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

PAYROLL AGENCY FUND  
 COMPARATIVE BALANCE SHEET - STATUTORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2007</u>	<u>BALANCE</u> <u>DEC. 31, 2006</u>
Cash	E-1	\$ <u>3,659.87</u>	\$ <u>3,583.07</u>
		\$ <u><u>3,659.87</u></u>	\$ <u><u>3,583.07</u></u>
 <u>LIABILITIES</u>			
Due to Current Fund	E	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-1	<u>3,045.63</u>	<u>2,968.83</u>
		\$ <u><u>3,659.87</u></u>	\$ <u><u>3,583.07</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS  
DECEMBER 31, 2007 AND 2006

<u>GOVERNMENTAL FIXED ASSETS:</u>	DECEMBER 31 <u>2007</u>	DECEMBER 31 <u>2006</u>
Land	\$ 5,186,100.00	\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00	4,781,800.00
Motor Vehicles and Equipment	2,583,793.00	2,583,793.00
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>\$ 13,978,404.39</u>	<u>\$ 13,278,404.39</u>
Investments in Governmental Fixed Assets	<u>\$ 13,978,404.39</u>	<u>\$ 13,278,404.39</u>

Note: See Notes to Financial Statements



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – STATUTORY BASIS  
YEAR ENDED DECEMBER 31, 2007 AND 2006

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.

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
- 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.

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.

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

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 which 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 which 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, 2007 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, 2007 and 2006, 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.

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, 2007 and 2006.

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.

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. 48, " Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" in September 2006. The statement establishes accounting and financial reporting standards for transaction in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.

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

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

GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" in November 2006. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

GASB issued Statement No. 50, "Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27" in May 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" in June 2007. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" in November 2007. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

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. However, a quantification of the annual costs and accumulated liability for the provision of OPEB, in accordance with the standards as set forth in GASB Statement No. 45 will not be presented unless mandated by an oversight or regulatory agency.

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.

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 2006 financial statements to conform with classifications used in fiscal year 2007.

## 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 2007</u>	<u>YEAR 2006</u>
<u>Issued:</u>		
General:		
Bonds and Notes and Loans	\$ 11,330,000.00	\$ 11,439,000.00
Water and Sewer Utility:		
Bonds and Notes	<u>2,350,600.00</u>	<u>2,435,600.00</u>
Total Issued	<u>13,680,600.00</u>	<u>13,874,600.00</u>
Net Issued	<u>13,680,600.00</u>	<u>13,874,600.00</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	1,054,933.00	1,054,933.00
Water and Sewer Utility:		
Bonds and Notes	<u>150,000.00</u>	<u>150,000.00</u>
Total Authorized But Not Issued	<u>1,204,933.00</u>	<u>1,204,933.00</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 14,885,533.00</u>	<u>\$ 15,079,533.00</u>

## Note 3: 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, 2007 and 2006:

	<u>YEAR 2007</u>	<u>YEAR 2006</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%.	5,685,000.00	5,940,000.00
\$5,499,000, General Capital Bond Anticipation Notes issued on 8/9/07 due on 8/8/08, interest at 4.125%.	5,645,000.00	5,499,000.00
Total General Capital Debt	<u>\$ 11,330,000.00</u>	<u>\$ 11,439,000.00</u>
<u>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%.	615,000.00	700,000.00
\$1,735,600, Water and Sewer Utility Bond Anticipation Notes issued on 8/9/07 due on 8/8/08, interest at 3.820%.	1,735,600.00	1,735,600.00
Total Utility Debt	<u>2,350,600.00</u>	<u>2,435,600.00</u>
Total Debt Issued and Outstanding	<u><u>\$ 13,680,600.00</u></u>	<u><u>\$ 13,874,600.00</u></u>

## 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>2007</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,790,000.00	\$ 3,790,000.00	
Water Utility and Sewer Utility Debt	2,500,600.00	2,500,600.00	
General Debt	<u>12,384,933.00</u>		\$ 12,384,933.00
	<u>\$ 18,675,533.00</u>	<u>\$ 6,290,600.00</u>	<u>\$ 12,384,933.00</u>

Net Debt \$12,153,183.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
 $\$711,891,743.00 = 1.74\%$

<u>2006</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 4,020,000.00	\$ 4,020,000.00	
Water Utility and Sewer Utility Debt	2,585,600.00	2,585,600.00	
General Debt	<u>12,493,933.00</u>	<u>340,750.00</u>	\$ 12,153,183.00
	<u>\$ 19,099,533.00</u>	<u>\$ 6,946,350.00</u>	<u>\$ 12,153,183.00</u>

Net Debt \$12,153,183.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
 $\$639,656,090.00 = 1.90\%$

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

	<u>2007</u>	<u>2006</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 24,916,211.01 <u>12,384,933.00</u>	\$ 22,387,963.15 <u>12,153,183.00</u>
Remaining Borrowing Power	<u>\$ 12,531,278.01</u>	<u>\$ 10,234,780.15</u>

CY 2007 Equalized Valuation Basis

2005 Equalized Valuation Basis of Real Property	\$ 642,233,603.00
2006 Equalized Valuation Basis of Real Property	708,305,946.00
2007 Equalized Valuation Basis of Real Property	<u>785,135,680.00</u>
Average Equalized Valuation	<u>\$ 711,891,743.00</u>



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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)CY 2006 Equalized Valuation Basis

2004 Equalized Valuation Basis of Real Property	\$	568,428,721.00
2005 Equalized Valuation Basis of Real Property		642,233,603.00
2006 Equalized Valuation Basis of Real Property		<u>708,305,946.00</u>
Average Equalized Valuation	\$	<u><u>639,656,090.00</u></u>

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>2007</u>	<u>2006</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,536,290.02	\$ 3,526,785.62
Deductions:		
Operating & Maintenance Cost	3,138,422.56	3,107,000.00
Debt Service Per Water & Sewer Acct.	<u>196,400.00</u>	<u>171,500.00</u>
Total Deductions	<u>3,334,822.56</u>	<u>3,278,500.00</u>
Excess/(Deficit) in Revenue	\$ <u><u>201,467.46</u></u>	\$ <u><u>248,285.62</u></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>2007</u>	<u>2006</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 134,673.24	\$ 96,031.69
Add: Capital Improvements		45,000.00
Fund Balance Utilized as Anticipated Revenue in Municipal Budget	<u>130,000.00</u>	<u>130,000.00</u>
	<u>130,000.00</u>	<u>175,000.00</u>
	264,673.24	271,031.69
Less: Unexpended Balance of Appropriation Reserves	57,184.25	4,360.02
Cancel Reserves		76.95
Cancel Excess Accrued Interest	<u>6,021.53</u>	<u>18,309.10</u>
	<u>63,205.78</u>	<u>22,746.07</u>
Excess/(Deficit) in Revenue	\$ <u><u>201,467.46</u></u>	\$ <u><u>248,285.62</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Year</u>	<u>General</u>		<u>Water and Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	255,000.00	222,655.00	90,000.00	34,481.25	602,136.25
2009	285,000.00	212,395.00	95,000.00	29,531.25	621,926.25
2010	285,000.00	201,565.00	100,000.00	24,187.50	610,752.50
2011	310,000.00	190,260.00	100,000.00	18,562.50	618,822.50
2012	310,000.00	178,402.50	110,000.00	12,937.50	611,340.00
2013	335,000.00	165,986.25	120,000.00	6,750.00	627,736.25
2014	335,000.00	153,005.00			488,005.00
2015	360,000.00	139,452.50			499,452.50
2016	360,000.00	125,412.50			485,412.50
2017	385,000.00	110,788.75			495,788.75
2018	385,000.00	95,388.75			480,388.75
2019	400,000.00	79,392.50			479,392.50
2020	415,000.00	62,477.50			477,477.50
2021	415,000.00	44,943.75			459,943.75
2022	425,000.00	27,093.75			452,093.75
2023	425,000.00	9,031.25			434,031.25
Totals	<u>\$ 5,685,000.00</u>	<u>\$ 2,018,250.00</u>	<u>\$ 615,000.00</u>	<u>\$ 126,450.00</u>	<u>\$ 8,444,700.00</u>

D. Bond Anticipation Notes

The Borough has issued General Capital Bond Anticipation Notes in the amount of \$5,645,000.00 and Water and Sewer Capital Bond Anticipation Notes in the amount of \$1,735,600.00, bearing and interest rate of 4.125% due on August 8, 2008.

## NOTES TO FINANCIAL STATEMENTS

### Note 4: FUND BALANCES APPROPRIATED

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

	Appropriated <u>2008</u>	Appropriated <u>2007</u>
Current Fund	\$380,000.00	\$570,000.00
Water and Sewer Utility Fund	126,000.00	110,000.00

### 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, 2007, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December <u>31, 2006</u>	Amount Raised <u>in 2007</u>	Amount Resulting <u>from 2007</u>	Balance December <u>31, 2007</u>
Current Fund:				
Special Emergency Authorization for Revision of Tax Map/Revaluation	<u>\$250,000</u>	<u>\$50,000</u>	<u>\$0.00</u>	<u>\$200,000.00</u>
	<u>\$250,000</u>	<u>\$50,000</u>	<u>\$0.00</u>	<u>\$200,000.00</u>

### 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 statutes 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 7: DEPOSITS AND INVESTMENTS (CONTD.)

#### Deposits (Cont'd.)

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, 2007 and 2006, cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2007</u>	<u>2006</u>
Cash (Demand) Accounts	\$4,624,300.90	\$5,284,517.17
Change Funds (On Hand)	<u>425.00</u>	<u>425.00</u>
	<u>\$4,624,725.90</u>	<u>\$5,284,942.17</u>

Based upon GASB criteria, the Borough considers change funds, 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 \$4,706,782.03 and the bank balance was \$4,624,725.90. Of the bank balance, \$300,000.00 was covered by Federal depository insurance and \$4,324,725.90 was covered under the provisions of NJGUDPA.

**Custodial Credit Risk – Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2007, based upon the insured balances as provided by FDIC and NJGUDPA coverage, no amount of the Borough's bank balance was exposed to custodial risk.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured--FDIC	\$ 300,000.00
Insured—NJGUDPA (N.J.S.A. 17:941)	<u>4,324,725.90</u>
Total	<u>\$ 4,624,725.90</u>

## NOTES TO FINANCIAL STATEMENTS

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

#### Investments

New Jersey statutes establish the following securities as eligible for the investment of Township 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 Township or bonds or other obligations of school districts of which the Township 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 maintains an investment in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amount of \$200,000 as at December 31, 2007. The Special emergency Notes are reported as an investment within the General Capital Fund.

## 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.

### Note 9: 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 2007, the Borough contributed amounts of \$55,903.00 for PERS and \$245,811.16 for PFRS. For 2006, the Borough contributed amounts of \$26,008.40 for PERS and \$155,588.40 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 10: POST RETIREMENT HEALTH BENEFITS

In addition to the pension and retirement plans described in Note 9, the Borough provides post-retirement health care benefits, in accordance with State statutes, to employees who retire from the Borough with at least 25 years of service. Benefits consist of full medical, dental, prescription and optical coverage, and expenditures are recognized as claims as reported.

## NOTES TO FINANCIAL STATEMENTS

### Note 11: 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 \$341,918.27 and \$373,928.20 at December 31, 2007 and 2006, 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 12: 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 Middlesex County Municipal Joint Insurance Fund. The joint insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund 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.

### Note 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2006:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 3,809.77	\$ 546.57
Grant Fund		3,053.81
Trust – Other Fund		141.72
General Capital Fund	546.57	
Payroll Agency Fund		614.24
	<hr/>	<hr/>
Total	\$ 4,356.34	\$ 4,356.34

### Note 14: 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, 2007, 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, as discussed above, 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, that would have a material impact upon the Borough's financial position.

Note 15: SUBSEQUENT EVENTS

Authorized Bonds and Notes

The Borough issued a Bond Ordinance providing for the Improvements to Beers Street in the aggregate amount \$475,000 and authorizing the issuance of \$300,000 in Bonds and/or Notes.

Bond Anticipation Notes

The Borough has issued \$7,184,600 Bond Anticipation Notes maturing on August 7, 2009. The Bond Anticipation Notes issued are comprised \$5,476,000 of General Capital Fund Notes and \$1,608,600 of Water – Sewer Utility Fund Notes at a rate of 2.25%, sold on August 8, 2008.



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY



PART II  
SUPPLEMENTARY DATA AND SCHEDULES

SINGLE AUDIT SECTION

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MEMBERS OF:  
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NEW JERSEY SOCIETY OF CPA'S  
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 the financial statements of the Borough of Keyport as of and for the year ended December 31, 2007, and have issued our report thereon dated October 9, 2008. Our report was qualified because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2, and unqualified on the other comprehensive basis of accounting described in Note 2. 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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 Borough of Keyport'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 Borough of Keyport's financial statements that is more than inconsequential will not be prevented or detected by the Borough of Keyport'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 Borough of Keyport's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough 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 noncompliance that are 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 certain matters that we have reported to management of the Borough of Keyport in the General Comments and Recommendations section of the Report of Audit.

This report is intended solely for the information and use of the Mayor and Borough Council, management, the Division of Local Government Services and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hodulik & Morrison, P.A.*

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

Highland Park, New Jersey  
October 9, 2008

**HODULIK & MORRISON, P.A.**  
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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

**Compliance**

We have audited the compliance of the Borough of Keyport 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 Compliance Manual "State Grant Compliance Supplement" that are applicable to its major state programs for the year ended December 31, 2007. The Borough of Keyport's major state programs is identified in the "Summary of Auditor's Results Section" of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough of Keyport's management. Our responsibility is to express an opinion on the Borough of Keyport's compliance based on our audit.

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 Division of Local Government Services, Department of Community Affairs, State of New and New Jersey; OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*" and New Jersey OMB Circular 04-04. Those standards and circular 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 programs 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. Our audit does not provide a legal determination on the Borough of Keyport's compliance with those requirements.

In our opinion, the Borough of Keyport complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of the Borough of Keyport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Borough of Keyport's internal control over compliance with requirements that could have a direct and material effect on a major state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state programs on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program that is more than in consequential 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 material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information of the Mayor and Borough Council, management, the New Jersey Department of Community Affairs, State of New Jersey and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hodulik & Morrison, P.A.*

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

Highland Park, New Jersey  
October 9, 2008

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

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

**Schedule B**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE CALENDAR YEAR ENDING DECEMBER 31, 2007**

<u>STATE FUNDING DEPARTMENT</u>	<u>STATE PROGRAM</u>	<u>GRANT PERIOD</u>	<u>STATE ACCOUNT NUMBER</u>	<u>GRANT/ AWARD AMOUNT</u>	<u>PROGRAM RECEIPTS</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>
Department of Transportation	Road Improvements	Indefinite	N/A	\$ -	0.00	\$ 10,259.12	\$ 10,259.12
Department of Community Affairs	Neighborhood Preservation Program Municipal Alliance	Indefinite Indefinite	N/A N/A	28,674.00	29,863.08	27,941.55 40,325.19	27,941.55 40,325.19
Department of Treasury	Road Improvements - First Street Sidewalks Senior Center	Indefinite Indefinite	N/A N/A	- -	0.00 0.00	50,000.00 10,000.00	50,000.00 10,000.00
Department of Law and Public Safety	Division of Criminal Justice - Body Armor Grant Safe & Secure Communities Drunk Driving Enf. Fund	Indefinite Indefinite Indefinite	1020-718-001 1020-100-232 N/A	29,053.00 3,928.85	12,099.00 3,928.85	5,495.85 99,772.00 3,796.29	5,495.85 99,772.00 3,796.29
Department of Environmental Protection	GSPT Local Development Grants Local Development Loans Clean Communities Program	Indefinite Indefinite	4800-727-009 4800-727-004	113,022.66 339,068.00 8,478.54	113,022.66 339,068.00 8,478.54	87,934.80 263,804.40 6,039.86	87,934.80 263,804.40 6,039.86
				<u>\$522,225.05</u>	<u>\$506,460.13</u>	<u>\$605,369.06</u>	<u>\$605,369.06</u>

**Footnote(s):**

Grant Award/Amount Reflects Current Year Awards.

N/A - Not Available or Not Applicable.

The Borough's state grants are presented within the Borough's overall financial statements on the modified accrual basis of accounting in accordance 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 accounting principles generally accepted in the United States of America.



BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY

NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2007

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 Borough's financial statements.

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO GENERAL FINANCIAL STATEMENTS

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

NOTE 4: RELATIONSHIP TO 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, 2007

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

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:

<u>State Account Number(s)</u>	<u>Name of State Program or Cluster</u>
<u>4800-727-009</u>	<u>GSPT Local Development Grants</u>
<u>4800-727-004</u>	<u>Local Development Loans</u>

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

Auditee qualified as low-risk auditee?   X   Yes        N

BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

(continued)

**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, 2007

(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, 2007

*Section 1 – Summary of Prior Year Findings*

SUMMARY OF PRIOR YEAR FINDINGS

N/A

CURRENT FUND

CURRENT FUND  
SCHEDULE OF CASH

	Ref.	CURRENT FUND	
Cash Balance December 31, 2006.....	A	\$	1,546,615.63
Increased by Cash Receipts			
Miscellaneous Anticipated Revenue.....	A-2, A-8	\$	2,393,997.72
Miscellaneous Revenue Not Anticipated.....	A-2, A-8		196,778.88
Taxes Receivable.....	A-7		15,123,859.59
Due NJ Sr Citizens and Veterans Deductions.....	A-6		64,750.00
Interfunds.....	A-10, A-17		1,644,692.16
Various Accounts Payable & Reserves.....	A-14		50,119.00
Petty Cash Returned.....	A-5		800.00
Unappropriated Grant Reserves.....	A-19		6,138.94
Grants Receivable.....	A-16		<u>98,925.47</u>
Total Cash Receipts.....			19,580,061.76
Decreased by Disbursements			
Prior Year Tax Appeals.....	A-1	\$	(94,610.37)
Budget Appropriations.....	A-3		(6,841,009.99)
Appropriated Grant Reserves.....	A-18		(423,340.38)
Appropriation Reserves.....	A-11		(195,223.18)
Taxes Payable.....	A-13		(10,560,067.19)
Interfunds.....	A-10, A-17		(1,699,340.18)
Various Accounts Payable & Reserves.....	A-14		(65,734.47)
Petty Cash Advanced.....	A-5		<u>(800.00)</u>
Total Cash Disbursements.....			(19,880,125.76)
Cash Balance December 31, 2007.....	A	\$	<u><u>1,246,551.59</u></u>

CURRENT FUND  
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

	Balance December 31, 2006	Advanced	Returned	Balance December 31, 2007
Change Fund				
Tax Collector	\$ 175.00			\$ 175.00
Municipal Court.....	100.00			100.00
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	
	\$ 425.00	\$ 800.00	\$ 800.00	\$ 425.00
<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, 2006	A	\$	5,678.23
Increased by:			
Allowable Deductions per			
Tax Billings	A- 7	\$	66,750.00
2007 Sr. Citizens and Vet.			
Ded. Allowed by Collector	A- 7	<u>2,500.00</u>	
			<u>69,250.00</u>
			74,928.23
Decreased by:			
Collected	A- 4	64,750.00	
2006 Sr. Citizens and Vet.			
Ded. Disallowed by Collector 2006	A- 1	3,789.03	
Ded. Disallowed by Collector 2007	A- 7	<u>3,000.00</u>	
			<u>71,539.03</u>
Balance - December 31, 2007	A	<u>\$</u>	<u>3,389.20</u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2007 Taxes</u>			
Per Tax Billings	A- 7	\$	66,750.00
Allowed (Disallowed) by Tax Collector (Net)	A- 7	<u>(500.00)</u>	
	A-7	<u>\$</u>	<u>66,250.00</u>

CURRENT FUND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

Ref.	Total	CY 08 Prepaid	CY 07 Current	Prior Years Delinquent	Arrears	Tax Liens	Property Acquired for Taxes
Balance 12/31/2006.....	\$ 595,807.62	\$ (77,779.70)	\$	\$ 488,475.07	\$	\$ 88,012.25	\$ 97,100.00
Billings / Levy:							
Original Levy.....	15,216,377.88		15,216,377.88				
Added & Omitted.....	75,681.17		75,681.17				
Added by Assessor.....							
Year End Penalty.....	12,958.42		12,958.42				
TTL Interest & Costs .....							
Remitted/Canceled Taxes .....	(72,376.34)		(66,409.62)	(5,966.72)			
Transfers							
Tax Lien.....							
Tax Sale and Adjustments.....			(5,819.45)			\$ 5,819.45	
Arrears.....							
Adjustments.....							
A-1							
Property Acquired for Tax.....							
Adjustments.....							
Revenue							
Sr.Citizens & Vets.....	(66,750.00)		(66,750.00)				
Original Levy.....	4,289.03		500.00	3,789.03			
Allowed/Disallowed.....	(15,123,859.59)		(14,575,982.46)	(479,413.51)			
Cash Receipts.....	(631.96)			(631.96)			
Transfer from Overpayments.....							
Prepaid Applied.....	77,779.70		(77,779.70)				
Balance 12/31/2007 .....	\$ 641,496.23	\$ (68,463.62)	\$ 512,776.24	\$ 6,251.91	\$	\$ 93,831.70	\$ 97,100.00
Ref.		A	A, A-7	A	A	A	A
Analysis of 2006 Property Tax Levy:							
Tax Levy:							
Local School District Tax	\$ 15,065,536.72		\$	\$ 8,481,567.00			\$ 66,250.00
County Tax	150,841.16		A-13	1,726,712.22			14,575,982.46
County Open Space	75,681.17		A-13	107,889.23			77,779.70
Due County - Added & Omitted			A-13	9,231.55			
Municipal Open Space Tax			A-13	83,193.65			
Business Improvement District			A-13	150,000.00			
	\$ 15,292,059.05						14,720,012.16
							584,573.23
							15,304,585.39
Local Tax for Municipal Purposes			A-2	10,558,593.65			(10,558,593.65)
Add. Additional Tax Levied				4,666,280.23			
				67,185.17			
	\$ 15,292,059.05						4,745,991.74

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

	12/31/06	Accrued/ Adjustments	Cash Receipts	12/31/07
<b>Revenue Accounts Receivable:</b>				
Licenses:				
Alcoholic Beverages		\$ 25,678.44	\$ (25,678.44)	
Other		2,110.00	(2,110.00)	
Fees and Permits				
Construction Code Fees	\$ 9,527.00	88,776.00	(92,330.00)	5,973.00
Other	1,525.00	86,733.20	(86,563.20)	1,695.00
Fines and Costs - Municipal Court	15,238.00	289,983.67	(276,284.56)	28,937.11
Interest and Costs on Taxes		105,035.98	(105,035.98)	
Anticipated Utility Surplus		130,000.00	(130,000.00)	
Cable Television Fees		22,721.00	(22,721.00)	
Payment in Lieu of Taxes:				
Senior Citizen Housing		263,624.49	(263,624.49)	
Bethany Manor Annex		67,550.00	(67,550.00)	
Extraordinary Aid		100,000.00	(100,000.00)	
Consolidated Municipal Property Tax Relief Aid		538,496.00	(538,496.00)	
Municipal Efficiency Promo Aid Program		33,194.00	(33,194.00)	
Energy Receipts Tax		496,023.00	(496,023.00)	
Supplemental Energy Receipts Tax		12,076.00	(12,076.00)	
Municipal Homeland Security Assistance Aid		50,000.00	(50,000.00)	
Uniform Fire Safety Act		70,624.55	(71,301.05)	
Municipal Property Tax Assistance Aid		21,010.00	(21,010.00)	
	26,290.00	2,403,636.33	(2,393,997.72)	36,605.11
<b>Analysis of Miscellaneous Revenues:</b>				
	Ref.	A	Reserve	A
Account Receivable Collections	A-2, A-4		\$ 26,290.00	
Current Year Collections	A-2, A-4		<u>2,367,707.72</u>	
Subtotal	A-2, A-4		2,393,997.72	
Grants Realized - Grant Fund	A-16		423,499.63	
Total Miscellaneous Revenues Realized	A-2		<u>\$ 2,817,497.35</u>	

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

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Miscellaneous Revenues Not Anticipated:

Photocopies	\$ 1,122.40
Tire Recycling	\$ 35.00
Scrap Metal Recycling	2,337.00
Post Office Land Rent	2,475.00
NSF Charges	140.00
Miscellaneous	9,061.16
Fire Museum Rent	1.00
Interfaith Neighbor Lease	3,600.00
Postage	5.46
Interest on Investments and Deposits	149,739.32
Liquor License Application Fee	196.14
Senior Citizen & Veteran Administrative Fee	1,295.00
Board of Health	4,562.40
NJ DMV Inspections	700.00
Special Council Fees Refund	5,000.00
Fire Arms Report	124.00
Fingerprinting	124.00
Miscellaneous - UCC	5,260.00
Viacom Lease	9,000.00
Historical Society Rent	1.00
Polling Place Fees	2,000.00
	<hr/>
<u>Ref.</u>	A-1, A-2, A-4
	<u>\$ 196,778.88</u>

SCHEDULE OF DEFERRED CHARGES

	<u>Date Authorized</u>	<u>BALANCE DEC. 31, 2006</u>	<u>RAISED IN 2007 BUDGET</u>	<u>AMOUNT RESULTING IN 2007</u>	<u>BALANCE DEC. 31, 2007</u>
Special Emergency	5/16/06	250,000.00	50,000.00		\$ 200,000.00
Revision of Tax Map/Revaluation					
		<u>\$ 250,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ -</u>	<u>\$ 200,000.00</u>
<u>Ref.</u>	A	A-3	A-3	A-3	A

CURRENT FUND  
SCHEDULE OF INTERFUNDS

	12/31/06	Cash Receipts	Cash Disbursements	Budget Revenues	Budget Appropriations	Adjustments	12/31/07
<b>Interfunds</b>							
General Capital Fund.....	\$ 5,376.39	\$ 345,170.18	\$ (400,000.00)		\$ 50,000.00	\$	546.57
Water and Sewer Operating Fund.....		250,000.00	(250,000.00)				
Water and Sewer Capital Fund.....		1,000,000.00	(1,000,000.00)				
Payroll Agency Fund.....	(614.24)						(614.24)
Grant Fund.....	175,024.16		\$	(423,499.63)	\$ 563,847.63	(318,425.97)	(3,053.81)
Trust - Other Fund.....	(323.52)	49,521.98	(49,340.18)				(141.72)
<b>Total.....</b>	<b>\$ 179,462.79</b>	<b>\$ 1,644,692.16</b>	<b>\$ (1,699,340.18)</b>	<b>\$ (423,499.63)</b>	<b>\$ 563,847.63</b>	<b>\$ (268,425.97)</b>	<b>\$ (3,263.20)</b>
	<u>Ref.</u>	<u>A</u>	<u>A-4</u>	<u>A-4</u>	<u>A-2</u>	<u>A-3</u>	<u>A</u>
Receivables	\$ (937.76)					\$	(3,809.77)
Payables	180,400.55					546.57	
	<u>\$ 179,462.79</u>					<u>\$</u>	<u>(3,263.20)</u>
Special Emergency Note Payable	A-15					50,000.00	
Grants Appropriations Cancelled	A-1					(150.00)	
Grant Revenue Deposited in Current Fund	A-4,A-16					105,064.41	
Grant Expenditures Paid in Current Fund	A-4,A-18					(423,340.38)	
						<u>\$ (268,425.97)</u>	

## SCHEDULE OF 2006 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2006	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
<b>Operations Within "CAPS"</b>				
Salaries and Wages:	\$	\$	\$	
Administrative and Executive	4,243.05	4,893.05	4,875.15	17.90
Municipal Clerk	6,533.20	3,333.20	3,252.18	81.02
Financial Administration	1,447.42	1,447.42	1,248.88	198.54
Collection of Taxes	7,400.62	2,400.62	1,100.00	1,300.62
Assessment of Taxes	1,620.30	1,620.30	400.00	1,220.30
Planning/Zoning Board	30.93	30.93		30.93
Property Maintenance Code	77.42	77.42		77.42
Police Department	27,742.82	18,342.82		18,342.82
Uniform Fire Safety Act	6,990.88	6,990.88	285.00	6,705.88
Municipal Prosecutor	486.50	486.50		336.50
Municipal Court	1,623.97	3,223.97	3,177.88	46.09
Public Defender	65.46	165.46	97.00	68.46
Road Repairs and Maintenance	6,055.79	6,055.79	1,726.20	4,329.59
Garbage and Trash Removal	755.77	755.77	148.00	607.77
Public Buildings and Grounds				
Blood Borne Pathogens - Hepatitis B	389.52	389.52		389.52
Board of Health	1,062.29	1,062.29		1,062.29
Recreation	572.75	572.75		572.75
Senior Citizen Community Center	2,104.28	2,104.28	1,527.50	576.78
State Uniform Construction Code Officials	553.71	1,353.71	1,308.00	45.71
<b>Total Salaries and Wages - Within "CAPS"</b>	<b>69,756.68</b>	<b>55,306.68</b>	<b>19,295.79</b>	<b>36,010.89</b>
<b>Other Expenses:</b>				
Administrative and Executive	1,206.00	1,356.00	1,311.69	44.31
Mayor and Council	230.22	530.22	519.75	10.47
Municipal Clerk	1,605.41	1,605.41	1,426.04	179.37
Revision & Codification of Ordinance	982.25	982.25		982.25
Financial Administration	2,376.96	2,376.96	2,304.50	72.46
Audit Services				
Collection of Taxes	2,076.88	2,076.88	1,039.37	1,037.51
Assessment of Taxes	9,245.85	5,245.85	3,878.23	1,367.62
Revision of Tax Map				
Legal Services	15,806.21	20,806.21	18,963.83	1,842.38
Environmental Commission	735.53	735.53		735.53
Engineering Services	4,521.69	6,521.69	6,330.17	191.52
Keyport Historical Society Contracted	5,000.00	5,000.00	4,000.00	1,000.00
Planning/Zoning Board	874.40	1,874.40	1,348.48	525.92
Revision of Master Plan	750.00	750.00		750.00
Property Maintenance Code	578.43	578.43		578.43

## SCHEDULE OF 2006 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2006	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operations Within "CAPS"	\$	\$	\$	\$
Other Expenses (cont'd):				
Police Department	17,791.29	17,791.29	15,246.76	2,544.53
Police Clothing Allowance	5,126.08	5,126.08	2,182.69	2,943.39
Emergency Management Service	1,997.46	1,997.46	1,797.84	199.62
Aid to Volunteer Fire Companies	9,740.00	9,740.00	9,000.00	740.00
First Aid Contributions	119.61	119.61	76.19	43.42
Fire Department	16,951.02	16,951.02	14,672.81	2,278.21
Uniform Fire Safety Act	5,351.85	5,351.85	4,202.33	1,149.52
Municipal Court	3,936.87	3,936.87	1,417.92	2,518.95
Public Defender	100.00	100.00		100.00
Road Repairs and Maintenance	4,026.61	7,026.61	5,532.26	1,494.35
Garbage and Trash Removal	1,447.28	2,447.28	1,913.02	534.26
Garbage and Trash Removal - Contracted (40A:4-85)	23,983.40	23,983.40	22,901.57	1,081.83
Public Buildings and Grounds	3,902.31	3,902.31	1,684.10	2,218.21
Blood Borne Pathogens - Hepatitis B	985.00	985.00		985.00
Board of Health	1,650.26	1,650.26	811.49	838.77
Bayshore Youth Services Bureau	355.25	355.25	348.25	7.00
Recreation	186.55	186.55		186.55
Senior Citizen Community Center	8,202.00	8,202.00	1,681.84	6,520.16
Senior Citizen Transportation Contracted	1,664.10	1,664.10	789.60	874.50
Parks and Playgrounds	6,677.80	6,677.80		6,677.80
State Uniform Construction Code Officials	1,169.30	1,169.30	167.75	1,001.55
Celebration of Public Events	500.00	500.00	390.00	110.00
Postage	695.31	695.31	351.00	344.31
Fuel for Motor Vehicles	6,455.32	6,455.32	3,954.27	2,501.05
Telephone	4,050.24	4,050.24	3,735.58	314.66
Street Lighting	8,519.62	8,519.62	7,720.30	799.32
Fuel Oil	1,896.10	1,896.10	1,137.77	758.33
Natural Gas	8,466.71	8,466.71	3,338.65	5,128.06
Electricity	10,125.16	10,125.16	5,945.04	4,180.12
Landfill Disposal Costs	23,717.90	23,717.90	17,823.42	5,894.48
Liability Insurance	12,017.50	12,017.50		12,017.50
Workmen's Compensation	360.00	360.00		360.00
Employee Group Insurance	36,176.63	36,176.63		36,176.63
Contingent	500.00	500.00		500.00
Contribution to Social Security Systems (O.A.S.I.)	1,545.27	1,545.27		1,545.27
Pension Adjustment Fund	63.44	63.44		63.44
Total Other Expenses - Within "CAPS"	276,443.07	284,893.07	169,944.51	114,948.56
Total Appropriation Reserves - Within "CAPS"	346,199.75	340,199.75	189,240.30	150,959.45



## SCHEDULE OF 2006 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2006	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operations Excluded from "CAPS"				
Other Expenses:				
Maintenance of Free Public Library (P.L. 1985, Ch. 541)	\$ 743.39	\$ 743.39	\$	743.39
Monmouth County Regional Health II (P.L. 1975, Ch. 329)	30.30	30.30		30.30
Municipal Services Act	4,220.00	4,220.00	4,220.00	
Contributions to Police and Firemen's Retirement System	11.60	11.60		11.60
Public Employees' Retirement System	2,091.60	2,091.60		2,091.60
911 Services (County of Monmouth)	1,607.86	1,607.86		1,607.86
Recycling (Hazard)	1,066.96	1,066.96		1,066.96
Public Building & Grounds (Keyport Board of Education)	41.97	6,041.97	5,982.88	59.09
Total Other Expenses Excluded from "CAPS"	9,813.68	15,813.68	10,202.88	5,610.80
Total Appropriation Reserves - Excluded from "CAPS"	9,813.68	15,813.68	10,202.88	5,610.80
Total Appropriation Reserves	\$ 356,013.43	\$ 356,013.43	\$ 199,443.18	\$ 156,570.25
				A-1
CY 2006 Appropriation Reserves	\$ 299,339.93			
Reserve for Encumbrances	56,673.50			
	\$ 356,013.43			
Cash Disbursements			\$ 195,223.18	
Accounts Payable			4,220.00	
			\$ 199,443.18	

CURRENT FUND  
SCHEDULE OF PROPERTY TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance - December 31, 2006.....	A	\$ 2,379.32
Decreased By:		
Overpayments Applied	A-7	<u>631.96</u>
Balance - December 31, 2007.....	A	<u><u>\$ 1,747.36</u></u>

CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

	12/31/06	Taxes Levied	Cash Disbursements	Adjustments	12/31/07
County Taxes Payable.....		\$ 1,834,601.45	\$ (1,834,601.45)		
County - Added and Omitted.....	\$ 10,701.25	9,231.55	(10,701.05)		\$ 9,231.75
Municipal Open Space Tax Payable.....		83,193.65	(83,193.65)		
Local School District Taxes.....	3.04	8,481,567.00	(8,481,571.04)		(1.00)
Business Improvement District Taxes		150,000.00	(150,000.00)		
Total.....	\$ 10,704.29	\$ 10,558,593.65	\$ (10,560,067.19)	\$ -	\$ 9,230.75
<u>Ref.</u>	A	A-1, A-7	A-4	A-8	A

CURRENT FUND  
SCHEDULE OF VARIOUS ACCOUNTS PAYABLES & RESERVES

	12/31/06	Cash Receipts	Cash Disbursements	Adjustments	12/31/07
Accounts Payable:					
Vendor Accounts Payable.....	\$ -			\$ 4,220.00	\$ 4,220.00
Subtotal				4,220.00	4,220.00
Reserve for:					
Senior Programs.....	21,078.84	50,119.00	(50,851.36)		20,346.48
Tax Appeals.....	50,000.00		(50,000.00)		
Reserve for Tax Map/Revaluation.....	250,000.00		(14,883.11)		235,116.89
Subtotal	321,078.84	50,119.00	(65,734.47)	(50,000.00)	255,463.37
Total.....	\$ 321,078.84	\$ 50,119.00	\$ (65,734.47)	\$ (45,780.00)	\$ 259,683.37
	Ref. A	A-4	A-4		A
Payment Tax Appeals	A-4			\$ (50,000.00)	
Transfer Approp. Res.	A-11			4,220.00	
				\$ (45,780.00)	

SCHEDULE OF SPECIAL EMERGENCY NOTE PAYABLE

ORD# NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2006	INCREASE	DECREASE	BALANCE DEC. 31, 2007
8-06	Revision of Tax Map/Revaluation	12/20/06	12/20/06	12/20/07	0.00%	\$ 250,000.00		\$ 50,000.00	\$ 200,000.00
						<u>\$ 250,000.00</u>	<u>\$ -</u>	<u>\$ 50,000.00</u>	<u>\$ 200,000.00</u>
						A		A-3	A
		<u>Ref.</u>							

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

GRANT	2007 BUDGET		COLLECTED 2007	UNAPPROPRIATED REALIZED	BALANCE DEC. 31, 2007
	BALANCE DEC. 31, 2006	REVENUE REALIZED			
Municipal Drug Alliance Grant	\$ 20,384.00	\$ 28,674.00	\$ 29,863.08	\$	\$ 19,194.92
Office on Aging	36,000.00	36,000.00	36,000.00		36,000.00
Safe and Secure Communities Program		29,053.00	12,099.00		16,954.00
Federal Bulletproof Vest Program	15,992.26				15,992.26
US Homeland Security Grant		85,500.00		85,500.00	
Recycling Tonnage Grant		1,859.10		1,859.10	
NJ Treasury - Senior Center Sidewalks					
DWI Saturation Patrol Grant	6,400.00		5,000.00		1,400.00
Community Forestry Management Plan	3,000.00				3,000.00
Drunk Driving Enforcement Fund					
Clean Communities		3,928.85	3,928.85		
Alcohol Education and Rehabilitation		8,478.54	8,478.54		
Body Armor Replacement Grant		1,296.94		1,296.94	
Monmouth Cty Open Space - Therese Ave Park		1,709.20		1,709.20	
Monmouth Cty Open Space - Beach Park		60,000.00			60,000.00
Neighborhood Preservation - Balanced Housing		42,000.00			42,000.00
Municipal Stormwater Regulation Program		125,000.00	3,556.00	12,500.00	108,944.00
	4,234.00				4,234.00
	\$ 86,010.26	\$ 423,499.63	\$ 98,925.47	\$ 102,865.24	\$ 307,719.18
Ref.	A	A-2, A-17	A-4	A-19	A

SCHEDULE OF DUE CURRENT FUND  
GRANT FUND

	<u>Ref.</u>		
Balance December 31, 2006 - Due From	A	\$	(175,024.16)
Increased By:			
Grant Appropriations Cancelled	A-18	\$	150.00
2006 Budget Revenue	A-16		423,499.63
Grant Expenditures Paid in Current Fund	A-18		<u>423,340.38</u>
			846,990.01
Decreased By:			
2006 Budget Appropriations	A-18		563,847.63
Grant Revenue Deposited in Current Fund	A-16,A-19		<u>105,064.41</u>
			<u>668,912.04</u>
Balance December 31, 2007 - Due To	A	\$	<u><u>3,053.81</u></u>

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

GRANT/AID PROGRAM	BALANCE DEC. 31, 2006	ENC. DEC. 31, 2006	TRANSFERRED FROM 2007 BUDGET	PAID OR CHARGED	ENC. DEC. 31, 2007	ADJUSTMENTS/ CANCELLED	BALANCE DEC. 31, 2007
Alcohol Education and Rehabilitation	\$ 927.39	\$	1,296.94	\$	\$	\$	2,224.33
Municipal Drug Alliance	2,623.18	17,266.39	35,842.00	40,325.19	13,273.69		2,132.69
Monmouth County Open Space - Therese Av Park			60,000.00				60,000.00
Monmouth County Open Space - Beach Park			42,000.00				42,000.00
Police Charitable Bequest	2,775.02						2,775.02
Drunk Driving Enforcement Fund	14,792.69						14,925.25
Recycling Tonnage Grant	333.47		3,928.85	3,796.29			2,192.57
Clean Communities Program			1,859.10				1,438.68
Safe and Secure Communities Program			8,478.54	6,039.86	1,000.00		9,684.00
Office on Aging	29,053.00		80,403.00	99,772.00			1,543.00
Body Armor Replacement Grant	6,300.11			87,188.65	932.50	150.00	2,513.46
Federal DOJ Bulletproof Vest Program	13,213.78	1,484.15	88,330.00	5,495.85			12,138.28
Neighborhood Preservation Program			1,709.20	1,075.50			122,058.45
US Homeland Security Grant			150,000.00	27,941.55			3,294.51
NJ Treasury - Roadway Impt - First St	50,000.00		90,000.00	86,705.49			
NJ Treasury - Sidewalks Senior Center	10,000.00			50,000.00			1,400.00
DWI Saturation Patrol	6,400.00			10,000.00			3,000.00
Community Forestry Management Grant	3,000.00			5,000.00			
	<u>\$ 139,418.64</u>	<u>\$ 18,750.54</u>	<u>\$ 563,847.63</u>	<u>\$ 423,340.38</u>	<u>\$ 15,206.19</u>	<u>\$ 150.00</u>	<u>\$ 283,320.24</u>
Ref.	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>	<u>BALANCE</u> <u>DEC. 31, 2006</u>	<u>RECEIPTS</u>	<u>APPLIED TO</u> <u>STATE &amp; FED</u> <u>GRANTS</u> <u>RECEIVABLE</u>	<u>BALANCE</u> <u>DEC. 31, 2007</u>
Alcohol Education and Rehab. Program	\$ 1,296.94	\$ 958.47	\$ 1,296.94	\$ 958.47
US Homeland Security - Fire	85,500.00	-	\$ 85,500.00	
Neighborhood Preservation Program	12,500.00	-	\$ 12,500.00	
Recycling Tonnage Grant	1,859.10	2,304.51	1,859.10	2,304.51
Body Armor Replacement Grant	1,709.20	2,023.30	1,709.20	2,023.30
Clean Communities Grant	-	852.66		852.66
	<u>\$ 102,865.24</u>	<u>\$ 6,138.94</u>	<u>\$ 102,865.24</u>	<u>\$ 6,138.94</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, 2006	\$ 2,797.17	\$ 609,300.87	\$ 145,405.52
Increased by Receipts:			
Animal Control Fees	\$ 4,027.20		
Budget Appropriation	10,500.00		
Interfunds		\$5,518.20	
Receipts of Various Trust Fund			
Deposits & Reserves		532,925.02	83,193.65
Tax Levy			6,484.27
Interest on Deposits			
State Fees		1,975.00	
	<u>14,527.20</u>	<u>540,418.22</u>	<u>89,677.92</u>
Decreased by Disbursements:			
Expenditures for Animal Control	14,787.50		
Expenditures for Open Space		1,149,719.09	235,083.44
Interfunds		5,700.00	91,460.00
Due to the State of New Jersey		1,300.00	
Disbursements of Various Trust Fund			
Deposits & Reserves		475,629.10	
	<u>14,787.50</u>	<u>482,629.10</u>	<u>91,460.00</u>
Balance - December 31, 2007	<u>\$ 2,536.87</u>	<u>\$ 667,089.99</u>	<u>\$ 143,623.44</u>

ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2006	B	\$	2,797.17
Increased by:			
Dog and Cat Licenses	B-1	\$	4,027.20
Budget Appropriation	B-1		<u>10,500.00</u>
			<u>14,527.20</u>
			17,324.37
Decreased by:			
Expenditures	B-1		<u>14,787.50</u>
Balance December 31, 2007	B	\$	<u><u>2,536.87</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2006	B	\$	225.00
Increased by:			
State Fees Collected	B-1		<u>1,975.00</u>
			2,200.00
Decreased by:			
Payments to State of New Jersey	B-1		<u>1,300.00</u>
Balance December 31, 2007	B	\$	<u><u>900.00</u></u>

OTHER TRUST FUNDS  
DUE CURRENT FUND

	<u>Ref.</u>	
Balance December 31, 2006	B	\$ 323.52
Increased by:		
Receipts	B-1	<u>5,518.20</u>
		5,841.72
Decreased by:		
Cash Disbursement	B-1	<u>5,700.00</u>
Balance December 31, 2007	B	<u>\$ 141.72</u>

OTHER TRUST FUNDS  
SCHEDULE OF TRUST FUND DEPOSITS AND RESERVES

	Balance December 31, 2006	.....Cash..... Receipts	Disbursements	Balance December 31, 2007
Cellular Tower Lease	\$ 6,267.02			\$ 6,267.02
Premium on Tax Sale	111,502.00	\$ 43,700.00	\$ 49,700.00	105,502.00
Welcome Center	100.00			100.00
Contractor Deposits	45,598.46			45,598.46
Interest on Contractor Deposits	13,602.68			13,602.68
Cash Repair Deposits	36,836.00	1,621.00	27.00	38,430.00
POAA	2,436.09	1,001.00	648.00	2,789.09
Public Defender Fees	2,385.75	1,850.00	1,800.00	2,435.75
Municipal Drug Alliance	7,181.71		297.72	6,883.99
Tax Title Lien Redemptions		136,700.65	135,721.33	979.32
Construction Debris Deposits	7,800.00	2,459.00	1,256.00	9,003.00
Material Disposition	350.00			350.00
Law Enforcement Trust	6,683.44	967.67	1,651.01	6,000.10
Developer's Escrow Deposits	301,592.00	241,593.07	183,371.70	359,813.37
Bayfront Improvements	25,683.52	58,503.21	49,266.34	34,920.39
Recreation Commission	19,740.78	24,253.00	32,515.93	11,477.85
Unemployment	20,992.90	20,276.42	19,374.07	21,895.25
				-
<b>Total</b>	<b>\$ 608,752.35</b>	<b>\$ 532,925.02</b>	<b>\$ 475,629.10</b>	<b>\$ 666,048.27</b>
<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, 2006	B	\$ 145,405.52
Increased by:		
Receipts	B-1	<u>89,677.92</u>
		235,083.44
Decreased by:		
Cash Disbursement	B-1	<u>91,460.00</u>
Balance December 31, 2007	B	<u><u>\$ 143,623.44</u></u>

GENERAL CAPITAL FUND



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

	<u>REF.</u>	
Balance - December 31, 2006	C	\$ 1,539,003.96
Increased by Receipts:		
Various Grants and Other Receivables	C-4	\$ 37,500.00
Premium Received on Sale of Notes	C-1	17,894.65
Budget Appropriations - Note Paydowns	C-6	97,000.00
Interfunds	C-7	8,239,396.24
Budget Appropriations -		
Capital Improvement Fund	C-11	20,000.00
Various Reserves	C-12	148,022.66
Green Trust Loan Issued	C-13	339,068.00
Reimbursement Improvement Authorizations	C-8	50,000.00
Proceeds from Sale of Bond Anticip. Notes	C-10	<u>5,645,000.00</u>
		<u>14,593,881.55</u>
		16,132,885.51
Decreased by Disbursements:		
Improvement Authorizations	C-8	1,119,936.34
Interfunds	C-7	8,234,566.42
Redemption of Bond Anticip. Notes	C-10	<u>5,499,000.00</u>
		<u>14,853,502.76</u>
Balance - December 31, 2007	C, C-3	<u><u>\$ 1,279,382.75</u></u>
Cash & Investments	C	\$ 1,079,382.75
Investment in Special Emergency Note	C	<u>200,000.00</u>
		<u><u>\$ 1,279,382.75</u></u>

GENERAL CAPITAL  
SCHEDULE OF ANALYSIS OF CASH

Ord.	Description	Ref	Deferred Charges	Ordinance Balance	Notes Outstanding	Grants Receivable	Other	Cash Balance
21-96, 06-04	Improvements to Various Roads.....		\$ (62,500.00)		\$ 62,500.00			
21-99, 23-00	Construction of Municipal Building and Other.....							
12-03	Related Expenses.....		(939,000.00)	\$ 46,344.72	939,000.00			\$ 46,344.72
10-01	Various Capital Improvements.....			75.30				75.30
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles.....		(100.00)	2,891.15				2,791.15
32-02	Road Improvements.....			57,241.71		\$ (42,500.00)		14,741.71
8-03, 5-04	Improvements to Therese Street.....		(418,500.00)	48,171.16	378,500.00			8,171.16
15-03	Construction of a Public Works Complex.....		(807,500.00)	750,535.53	47,000.00			(9,964.47)
20-03, 12-04	Improvements to Atlantic Street.....		(528,000.00)	148,440.20	428,000.00			48,440.20
26-03	Various 2003 Capital Improvements.....		(154,760.00)	134.99	154,500.00			(125.01)
28-03	Improvements to Benjamin Terry Park Bulkhead.....		(92,000.00)	54,221.53	38,000.00			221.53
11-04	Replacement of William A. Ralph Pier.....		(465,932.00)	75,043.78	805,000.00			414,111.78
14-04, 22-05	Construction of Waterfront Park.....		(1,332,000.00)	461,652.62	1,332,000.00			461,652.62
08-05	Reconstruction of Third Street.....		(372,573.00)	101,246.46	372,500.00			101,173.46
25-05, 04-06	Replacement of Borough Hall Roof.....		(427,500.00)	97,172.02	327,500.00			(2,827.98)
27-05	Preliminary Planning for Redevelopment Project.....		(142,500.00)	17,021.43	142,500.00			17,021.43
09-06	Reconstruction of Warren St & Colucco Place & Drainage Impls to Green Grove Ave.....		(375,000.00)	113,154.62	375,000.00	(37,500.00)		75,654.62
07-07	Improvements to Cedar Street		(243,000.00)	42,996.14	243,000.00	(193,207.00)		(150,210.86)
Reserve for Encumbrances.....				468,241.42				468,241.42
Due from County of Monmouth.....		C-8					\$ (464,845.74)	(464,845.74)
Due from Current Fund.....		C-8					(546.57)	(546.57)
Capital Improvement Fund.....		C-7					69,834.69	69,834.69
Fund Balance.....		C-11					17,908.93	17,908.93
Reserve for:		C-1						
Pay Debt Service.....		C-12					115,022.66	115,022.66
Drainage Improvements.....		C-12					11,496.00	11,496.00
Infrastructure Improvements		C-12					35,000.00	35,000.00
Total.....		Ref	\$ (6,360,865.00)	\$ 2,484,584.78	\$ 5,645,000.00	\$ (273,207.00)	\$ (216,130.03)	\$ 1,279,382.75
			C,C-6	C,C-8	C,C-10	C,C-4		C,C-2

SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

	Ordinance Number	Balance December 31, 2006	Increases	Decreases	Balance December 31, 2007
Receivables:					
State of NJ DOT:					
Improvements to Atlantic Street	20-03, 12-04	\$ 37,500.00	\$	37,500.00	\$
Improvements to Washington Street	32-02	42,500.00			42,500.00
Reconstruction of Warren St & Coluco Place & Drainage Impts to Green Grove Ave.	09-06	37,500.00			37,500.00
CDBG:					
Reconstruction of Third Street	8-05		193,207.00		193,207.00
Improvements to Cedar Street	07-07				
Subtotal		<u>117,500.00</u>	<u>193,207.00</u>	<u>37,500.00</u>	<u>273,207.00</u>
Receivables Offset by Reserves:					
State of NJ DEP:					
Replacement of William A. Ralph Pier	11-04	340,750.00		240,647.66	100,102.34
Subtotal		<u>340,750.00</u>		<u>240,647.66</u>	<u>100,102.34</u>
		<u>\$ 458,250.00</u>	<u>\$ 193,207.00</u>	<u>\$ 278,147.66</u>	<u>\$ 373,309.34</u>
	Ref.	C			C
Cash Transactions					
Reserve for Grants Receivable	C - 2	\$	\$	37,500.00	
Improvement Authorizations	Reserve C - 8		193,207.00	240,647.66	
		<u>\$</u>	<u>193,207.00</u>	<u>\$ 278,147.66</u>	

## SCHEDULE OF DEFERRED CHARGES - FUNDED

	<u>Ref.</u>	
Balance - December 31, 2006	C	\$ 5,940,000.00
Increased by:		
Green Trust Loans Issued	C-13	<u>339,068.00</u>
		6,279,068.00
Decreased by:		
Serial Bonds From Budget Appropriation	C-9	<u>255,000.00</u>
Balance - December 31, 2007	C	<u><u>\$ 6,024,068.00</u></u>

## SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ANALYSIS OF BALANCE  
DECEMBER 31, 2007

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2006	2007 AUTHOR.	2007 FUNDING	BALANCE DEC. 31, 2007	BOND ANTICIPATION NOTES	EXPENDED	UNEXPENDED BALANCE IMPROV. AUTHOR.
<u>General Improvements:</u>								
21-96	Improvements to Various Roads	\$ 64,500.00	\$	2,000.00	\$ 62,500.00	\$ 62,500.00	\$	
21-99, 23-00	Construction of Municipal Building and							
12-03	Other Related Expenses	952,000.00		13,000.00	939,000.00	939,000.00		
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	428,500.00		10,000.00	418,500.00	378,500.00		40,000.00
15-03	Construction of a Public Works Complex	809,500.00		2,000.00	807,500.00	47,000.00	9,964.47	750,535.53
20-03, 12-04	Improvements to Atlantic Street	540,000.00		12,000.00	528,000.00	428,000.00		100,000.00
26-03	Various 2003 Capital Improvements	164,760.00		10,000.00	154,760.00	154,500.00	125.01	134.99
28-03	Improvements to Benjamin Terry Park							
	Bulkhead	95,000.00		3,000.00	92,000.00	38,000.00		54,000.00
11-04	Replacement of William A. Ralph Pier	850,000.00		384,068.00	465,932.00	465,932.00		
14-04, 22-05	Construction of Waterfront Park	1,332,000.00			1,332,000.00	1,332,000.00		
08-05	Reconstruction of Third Street	372,573.00			372,573.00	372,500.00		73.00
25-05, 04-06	Replacement of Borough Hall Roof	427,500.00			427,500.00	327,500.00	2,827.98	97,172.02
27-05	Preliminary Planning for Redevelopment Project	142,500.00			142,500.00	142,500.00		
09-06	Reconstruction of Warren St & Colucco Place							
	& Drainage Impls to Green Grove Ave.	375,000.00			375,000.00	375,000.00		
07-07	Improvements to Cedar Street		243,000.00		243,000.00	243,000.00		
		<u>\$ 6,553,933.00</u>	<u>\$ 243,000.00</u>	<u>\$ 436,068.00</u>	<u>\$ 6,360,865.00</u>	<u>\$ 5,305,932.00</u>	<u>\$ 12,917.46</u>	<u>\$ 1,042,015.54</u>

Ref. C C-8 C

Budget Appropriations	C-2	\$ 97,000.00
Green Trust Loan Issued	C-13	339,068.00
		<u>\$ 436,068.00</u>

Excess Note Cash - Ord. No. 11-04 \$ 339,068.00

Bond Anticipation Notes Outstanding December 31, 2007 \$ 5,645,000.00

SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

	BALANCE DEC. 31, 2006	INCREASES	DECREASES	BALANCE DEC. 31, 2007
Due Current Fund	\$ (5,376.39)	\$ 704,178.64	\$ 699,348.82	\$ (546.57)
Due Water & Sewer Operating Fund		66,115.75	66,115.75	
Due Water & Sewer Capital Fund		7,386,101.85	7,386,101.85	
Open Space Trust Fund		83,000.00	83,000.00	
	<u>\$ (5,376.39)</u>	<u>\$ 8,239,396.24</u>	<u>\$ 8,234,566.42</u>	<u>\$ (546.57)</u>
Ref.	C			C
Receivables	\$ (5,376.39)			\$ (546.57)
Payables	<u>-</u>			<u>-</u>
	<u>\$ (5,376.39)</u>			<u>\$ (546.57)</u>
Investment in Special Emergency Note			50,000.00	
Cash Receipts		704,178.64		
Cash Disbursements			649,348.82	
Interfunds - Contra		7,535,217.60	7,535,217.60	
		<u>\$ 8,239,396.24</u>	<u>\$ 8,234,566.42</u>	

## SCHEDULE OF IMPROVEMENT AUTHORIZATIONS - GENERAL CAPITAL FUND

ORD NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	2007 AUTHORIZATIONS					RES FOR ENCUM. 2006	PAID OR CHARGED	RES FOR ENCUM. 2007	BALANCE - DEC 31, 2007	
				BALANCE - DEC 31, 2006 FUNDED	UNFUNDED	CAPITAL IMPROV. FUND	DEFERRED UNFUNDED	OTHER FUNDING				FUNDED	UNFUNDED
13-01/	General Improvements												
13-02/	Road Improvements (NIDOT \$665,000)	09/04/01	200,000.00										
21-99/		12/03/02	250,000.00	\$ 74,211.69	\$	\$	\$	\$	7,541.69	16,969.98	7,541.69	\$ 57,241.71	\$
23-00/	Construction of Municipal Building	09/21/99	3,000,000.00										
12-03	and Other Related Expenses	11/21/00	400,000.00										
10-01	Various Capital Improvements	03/06/03	1,000,000.00	49,614.38					513.18	3,782.84		73.30	46,344.72
	Acquisition of Fire Truck, Equipment	07/10/01	273,000.00	73.30									
28-02	and Non-Passenger Vehicles	10/01/02	837,000.00	2,791.15	100.00							2,791.15	100.00
08-03		03/18/03	500,000.00										
05-04	Improvements to Thomas Street (CDBG \$199,635)	05/04/04	150,000.00	48,378.60					209.42	416.86	596.59		48,171.16
15-03	Construction of Public Works Complex	05/20/03	850,000.00	760,756.50					26.41	9,650.79			750,555.53
20-03		05/05/03	400,000.00										
12-04	Improvements to Atlantic Street (NIDOT \$110,000)	07/06/04	450,000.00	146,600.75					15,265.95	10,489.75	2,736.75		148,440.20
26-03	Various 2003 Capital Improvements	10/08/03	173,000.00	219.67					17,062.03	173.35	16,973.36		134.99
	Improvements to Benjamin Terry Park												
28-03	Bulkhead	10/07/03	100,000.00	54,242.36					22.10	42.93	202.00		54,221.53
11-04	Replacement of William A. Ralph Pier (NIDEP \$340,750)	07/06/04	850,000.00	159,831.14					576,807.20	661,412.56			73,043.78
14-04		08/03/04	1,000,000.00										
22-05	Construction of Waterfront Park	10/18/05	400,000.00	166,318.32					24,854.57	(396,132.64)	125,872.91		461,652.62
08-05	Reconstruction of Third Street (CDBG \$176,173)	06/06/05	645,000.00	71,403.46					20,064.25	(17,742.81)	7,964.06		101,246.46
23-05		11/01/05	300,000.00										
04-06	Replacement of Borough Hall Roof	03/07/06	150,000.00	97,487.51					176.54	492.03			97,172.02
26-05	Reappropriation - Trucks and Various Equipment	12/06/05	65,732.62	15,930.14					6,570.82	5,479.53			17,021.43
27-05	Preliminary Planning for Redevelopment Projects	12/06/05	150,000.00										
09-06	Reconstruction of Warren St. & Colucco Place												
	& Drainage Improvements to Green Grove Ave												
07-07	Improvements to Cedar Street	05/16/06	525,000.00	108,563.87					213,996.38	209,405.63	306,354.06		113,154.62
			450,000.00			13,793.00	243,000.00	193,207.00		100,649.80			42,996.14
				\$ 77,078.14	\$ 1,679,486.70	\$ 13,793.00	\$ 243,000.00	\$ 193,207.00	\$ 883,110.34	\$ 603,090.60	\$ 468,241.42	\$ 60,108.16	\$ 1,956,235.20
				C	C	C - 11	C - 6	C - 4	C	C	C	C	C
				Ref.									
				Cash Disbursements									
				Cash Receipts Refunds/Reimb.	C-2					\$ 1,119,936.34			
				Reclassification of Expenditures -	C-2					(50,000.00)			
				Due from Nounmouth County	C					(464,845.74)			
										\$ 603,090.60			

Ref.



SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2006			BALANCE DEC. 31, 2007
							INCREASE	DECREASE	
08-03, 05-04	Improvements to Therese Street	2/17/04	8/9/07	8/8/08	4.125%	\$ 388,500.00	\$ 378,500.00	\$ 388,500.00	\$ 378,500.00
12-03	Construction of Municipal Building	2/17/04	8/9/07	8/8/08	4.125%	952,000.00	939,000.00	952,000.00	939,000.00
15-03	Construction of Public Works Complex	2/17/04	8/9/07	8/8/08	4.125%	49,000.00	47,000.00	49,000.00	47,000.00
20-03, 12-04	Improvements to Atlantic Street	2/17/04	8/9/07	8/8/08	4.125%	440,000.00	428,000.00	440,000.00	428,000.00
26-03	Various 2003 Capital Improvements	2/17/04	8/9/07	8/8/08	4.125%	164,500.00	154,500.00	164,500.00	154,500.00
28-03	Improvements to Benjamin Terry Park Bulkhead	2/17/04	8/9/07	8/8/08	4.125%	41,000.00	38,000.00	41,000.00	38,000.00
11-04	Replacement of William A. Ralph Pier	8/12/04	8/9/07	8/8/08	4.125%	850,000.00	805,000.00	850,000.00	805,000.00
21-96, 06-04	Improvements to Various Roads	8/12/04	8/9/07	8/8/08	4.125%	64,500.00	62,500.00	64,500.00	62,500.00
14-04, 22-05	Waterfront Park/Bulkhead Improvements	8/11/05	8/9/07	8/8/08	4.125%	1,332,000.00	1,332,000.00	1,332,000.00	1,332,000.00
08-05	Reconstruction of Third Street	8/10/06	8/9/07	8/8/08	4.125%	372,500.00	372,500.00	372,500.00	372,500.00
25-05, 04-06	Replacement of Borough Hall Roof	8/10/06	8/9/07	8/8/08	4.125%	327,500.00	327,500.00	327,500.00	327,500.00
27-05	Preliminary Planning - Redevelopment	8/10/06	8/9/07	8/8/08	4.125%	142,500.00	142,500.00	142,500.00	142,500.00
09-06	Reconst. Warren Pl. & Collucco Pl. and Green Grove Drainage Impls	8/10/06	8/9/07	8/8/08	4.125%	375,000.00	375,000.00	375,000.00	375,000.00
7-Jul	Improvements to Cedar Street	8/9/07	8/9/07	8/8/08	4.125%		243,000.00		243,000.00
						<u>\$ 5,499,000.00</u>	<u>\$ 5,645,000.00</u>	<u>\$ 5,499,000.00</u>	<u>\$ 5,645,000.00</u>
<u>Ref.</u>						C	C-2	C-2	C

SCHEDULE OF RESERVE FOR  
CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2006	C	\$ 63,627.69
Increased by:		
Budget Appropriation	C - 2	20,000.00
		<hr/> 83,627.69
Decreased by:		
Appropriated to Finance Improvement Authorizations	C - 8	<hr/> 13,793.00
Balance - December 31, 2007	C	<hr/> <u>\$ 69,834.69</u>

SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2006	Increases (Decreases)	Balance December 31, 2007
Reserve for:			
Cash or Appropriated Reserves:			
Pay Debt Service	\$ 2,000.00	\$ 113,022.66	\$ 115,022.66
Drainage Improvements	11,496.00		11,496.00
Reserve for Infrastructure Improvements		35,000.00	35,000.00
Subtotal	<u>13,496.00</u>	<u>148,022.66</u>	<u>161,518.66</u>
Grants, Loans & Other Receivables:			
State of NJ DEP:			
Replacement of William A. Ralph Pier	340,750.00	(240,647.66)	100,102.34
Subtotal	<u>340,750.00</u>	<u>(240,647.66)</u>	<u>100,102.34</u>
	<u>\$ 354,246.00</u>	<u>\$ (92,625.00)</u>	<u>\$ 261,621.00</u>
<u>Ref.</u>	C	C	C

SCHEDULE OF GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Increased by:		
Green Trust Loans Issued	C-2	<u>339,068.00</u>
Balance - December 31, 2007	C	<u>\$ 339,068.00</u>

## SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE	2007	ANTICIPATION		2007	BALANCE
		DEC. 31, 2006	AUTHOR.	NOTES NOT REISSUED	NOTES BONDS ISSUED	FUNDED	DEC. 31, 2007
<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		388,500.00	378,500.00	10,000.00	40,000.00
12-03	Construction of Municipal Building			952,000.00	939,000.00	13,000.00	
15-03	Construction of a Public Works Complex	760,500.00		49,000.00	47,000.00	2,000.00	760,500.00
20-03, 12-04	Improvements to Atlantic Street	100,000.00		440,000.00	428,000.00	12,000.00	100,000.00
26-03	Various Capital Improvements	260.00		164,500.00	154,500.00	10,000.00	260.00
28-03	Improvements to Benjamin Terry Park Bulkhead	54,000.00		41,000.00	38,000.00	3,000.00	54,000.00
21-96, 06-04	Improvements to Various Roads			64,500.00	62,500.00	2,000.00	
11-04	Replacement of William A Ralph Pier			850,000.00	805,000.00	384,068.00	
14-04, 22-05	Construction of Waterfront Park						
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
27-05	Preliminary Planning for Redevelopment Project						
09-06	Reconstruction of Warren St & Coluco Place & Drainage Impts to Green Grove Ave.						
07-07	Improvements to Cedar street		243,000.00		243,000.00		
		1,054,933.00	\$ 243,000.00	\$ 2,949,500.00	\$ 3,095,500.00	\$ 436,068.00	\$ 1,054,933.00

Ref.

Footnote C

WATER AND SEWER UTILITY FUND

## SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	OPERATING FUND	CAPITAL FUND
Balance - December 31, 2006	D	\$ 511,269.42	\$ 1,129,864.67
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$ 2,951,753.18	
Consumer Account Overpayments	D-18	831.73	
Prepaid Consumer Accounts	D-19	207,770.66	
Miscellaneous Revenue	D-3	269,244.28	
Interfund Loans Received	D-8, D-9	250,000.00	1,005,501.85
Proceeds from Sale of Bond Anticipation Notes	D-16		1,735,600.00
Premium on Sale of Notes			<u>5,501.85</u>
		<u>3,679,599.85</u>	<u>2,746,603.70</u>
Decreased by Disbursements:			
Refund Prior Year Revenues	D-1	14,822.56	
Budget Expenditures	D-4	3,215,923.23	
Appropriation Reserves	D-13	84,129.08	
Improvement Authorizations	D-17		92,618.89
Interfund Loans Disbursed	D-8, D-9	250,000.00	1,005,501.85
Accrued Interest on Bonds, Notes and Loans	D-14	105,229.51	
Bond Anticipation Note Redeemed	D-16		<u>1,735,600.00</u>
		<u>3,670,104.38</u>	<u>2,833,720.74</u>
Balance - December 31, 2007	D	\$ 520,764.89	\$ 1,042,747.63

WATER AND SEWER CAPITAL FUND  
SCHEDULE OF ANALYSIS OF CASH

Ord.	Description	Ref	Deferred Charges	Ordinance Balance	Notes Outstanding	Other	Cash Balance
13-04	Various Improvements to Water and Sewer System....			27,985.32	\$ 238,000.00		\$ -
21-05	Perry Street Water Treatment Facility Upgrade.....		(250,000.00)	43,126.44	1,047,600.00		15,985.32
05-06	Cass Street Standpipe Painting Project.....		(1,100,000.00)	184,614.28	450,000.00		(9,273.56)
	Reserve for Encumbrances.....	D-17	(600,000.00)	882,878.34			34,614.28
	Capital Improvement Fund.....	D-20				\$ 45,687.00	882,878.34
	Fund Balance.....	D-2				8,456.25	45,687.00
	Reserve for Deferred Amortization.....	D-22				64,400.00	8,456.25
							64,400.00
Total.....			\$ (1,950,000.00)	\$ 1,138,604.38	\$ 1,735,600.00	\$ 118,543.25	\$ 1,042,747.63
		Ref.	D-12	D-17	D-16		D, D-5



SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 133,108.14
Increased by:		
Water and Sewer Utility Billings	Reserve	<u>3,205,650.88</u>
		3,338,759.02
Decreased by:		
Overpayments Applied	D-18	1,545.81
Prepays Applied	D-19	203,746.75
Collected	D-5	<u>2,951,753.18</u>
		<u>3,157,045.74</u>
Balance - December 31, 2007	D	<u><u>\$ 181,713.28</u></u>

SCHEDULE OF INTERFUNDS  
WATER AND SEWER OPERATING FUND

	BALANCE DEC. 31, 2006	INCREASES	DECREASES	BALANCE DEC. 31, 2007
Due Current Fund	\$ -	\$ 250,000.00	\$ 250,000.00	\$ -
	\$ -	\$ 250,000.00	\$ 250,000.00	\$ -

Ref.

Interfunds - Contra:  
Cash Receipts  
Cash Disbursements

D-5	\$ 250,000.00	\$ 250,000.00
D-5	\$ 250,000.00	\$ 250,000.00

SCHEDULE OF INTERFUNDS  
WATER AND SEWER CAPITAL FUND

	BALANCE DEC. 31, 2006	INCREASES	DECREASES	BALANCE DEC. 31, 2007
Due General Capital Fund	\$ -	5,501.85	\$ 5,501.85	\$
Due Current Fund		1,000,000.00	1,000,000.00	
	<u>\$</u>	<u>\$ 1,005,501.85</u>	<u>\$ 1,005,501.85</u>	<u>\$</u>
<u>Ref.</u>		D-5	D-5	
Interfunds - Contra:				
Cash Receipts			\$1,005,501.85	
Cash Disbursements		\$ 1,005,501.85		
		<u>\$ 1,005,501.85</u>	<u>\$1,005,501.85</u>	

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, 2006	D	\$ 49,248.46	\$ 25,074.78	\$ 24,173.68
Increased by:				
CY 2007 Reserve for Encumbrances	D-4, D-17	905,631.78	22,753.44	882,878.34
		954,880.24	47,828.22	907,052.02
Decreased by:				
Transferred to Approp. Res./Improv. Auth.	D-13, D-17	49,248.46	25,074.78	24,173.68
Balance - December 31, 2007	D	<u>\$ 905,631.78</u>	<u>\$ 22,753.44</u>	<u>\$ 882,878.34</u>

SCHEDULE OF FIXED CAPITAL  
WATER AND SEWER UTILITY CAPITAL FUND

<u>ACCOUNT</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2007</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		151,000.00		151,000.00
	<u>\$ 3,523,005.39</u>	<u>\$ 151,000.00</u>	<u>\$ 0.00</u>	<u>\$ 3,674,005.39</u>
<u>Ref.</u>	D	D-12	-	D

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 FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
WATER AND SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2005	DECREASE- TRANSFERRED FIXED CAPITAL	BALANCE DEC. 31, 2006
15-93, 31-94	Rehabilitation of Sewer System	\$ 151,000.00	\$ 151,000.00	\$
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
		<u>\$ 2,101,000.00</u>	<u>\$ 151,000.00</u>	<u>\$ 1,950,000.00</u>
	<u>Ref.</u>	D	D-11	D

SCHEDULE OF 2006 APPROPRIATION RESERVES  
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2006</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2006</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	\$ 20,531.55	\$	\$ 20,531.55	\$ 11,386.17	\$ 9,145.38
Other Expenses	48,561.94	25,074.78	73,636.72	30,142.02	43,494.70
Bayshore Regional Sewerage Authority	932.00		932.00		932.00
Acquisition of Water	43,960.71		43,960.71	42,600.89	1,359.82
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	<u>2,252.35</u>		<u>2,252.35</u>		<u>2,252.35</u>
	<u>\$ 116,238.55</u>	<u>\$ 25,074.78</u>	<u>\$ 141,313.33</u>	<u>\$ 84,129.08</u>	<u>\$ 57,184.25</u>

Ref.

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, 2006	D	\$	43,894.61
Increased by:			
Accrued Interest Charged to:			
Budget Appropriations	D-4		111,400.00
			<hr/> 155,294.61
Decreased by:			
Payment	D-5	\$	105,229.51
Excess Accrued Interest Cancelled	D-1		<u>6,021.53</u>
			<hr/> 111,251.04
Balance - December 31, 2007	D	<u>\$</u>	<u>44,043.57</u>

Analysis of Balance - December 31, 2007:

<u>Principal Outstanding Dec. 31, 2007</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
1994 Refunding Bonds 615,000.00	Various	7/15	12/31	5.5 Mos.	\$ 15,803.91
Bond Anticipation Notes 1,735,600.00	4.125%	8/10	12/31	143 Days	28,239.66
					<hr/>
Total					<u>\$ 44,043.57</u>

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</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2006</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2007</u>
			<u>OUTSTANDING - DATE</u>	<u>DEC. 31, 2007 AMOUNT</u>				
Water and Sewer Utility Refunding Bonds - Series 1994	7/1/94	1,315,000	7/1/08	90,000	5.500%			
			7/1/09	95,000	5.625%			
			7/1/10	100,000	5.625%			
			7/1/11	100,000	5.625%			
			7/1/12	110,000	5.625%			
			7/1/13	120,000	5.625%	700,000.00	85,000.00	615,000.00
						<u>\$ 700,000.00</u>	<u>\$ 85,000.00</u>	<u>\$ 615,000.00</u>
					<u>Ref.</u>	D	D-22	D



SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit - D-16

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL		DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE		INCREASE	DECREASE	BALANCE DEC. 31, 2007
		DATE ISSUED					DEC. 31, 2006				
13-04	Repair and Improvement to Water/Sewer System	8/11/05		8/9/07	8/8/08	3.820%	\$ 238,000.00	\$	238,000.00	\$	238,000.00
21-05	Perry Street Water Treatment Facility Upgrade	8/10/06		8/9/07	8/8/08	3.820%	1,047,600.00		1,047,600.00		1,047,600.00
05-06	Cass Street Standpipe Painting Project	8/10/06		8/9/07	8/8/08	3.820%	450,000.00		450,000.00		450,000.00
							<u>\$ 1,735,600.00</u>	<u>\$</u>	<u>1,735,600.00</u>	<u>\$</u>	<u>1,735,600.00</u>
							<u>Ref.</u>	<u>D</u>	<u>D-5</u>	<u>D-5</u>	<u>D</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
WATER AND SEWER UTILITY CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE - DEC. 31, 2006		PAID OR CHARGED	RESERVE FOR ENCUMB. DEC. 31, 2007	BALANCE - DEC. 31, 2007	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED
15-93 31-94	Repairs and Improvements to Water/Sewer System	05/25/93 04/05/94	\$ 65,000.00 86,000.00	\$ 19,695.04	\$	\$	19,695.04	\$	\$
13-04	Various Improvements to Water/Sewer System	08/03/04	250,000.00		27,677.29	258.74	229.96		27,985.32
21-05	Perry Street Water Treatment Facility Upgrade	10/18/05	1,100,000.00		973,705.87	90,760.47	862,953.34	0.00	43,126.44
05-06	Cass Street Standpipe Painting Project	03/07/06	600,000.00		185,971.39	1,599.68			184,614.28
				\$ 19,695.04	\$ 1,187,354.55	\$ 92,618.89	\$ 882,878.34	\$ 0.00	\$ 255,726.04
		Ref		D	D	D - 5	D - 10	D	D

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

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 1,545.81
Increased by:		
Collections		<u>831.73</u>
		2,377.54
Decreased by:		
Applied water Sewer Rents Receivable	D-7	<u>1,545.81</u>
Balance - December 31, 2007	D	<u><u>\$ 831.73</u></u>

SCHEDULE OF PREPAID CONSUMER DEPOSITS  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 203,746.75
Increased by:		
Prepaid Rents Collected	D-7	<u>207,770.66</u>
		411,517.41
Decreased by:		
Prepays Applied	D-7	<u>203,746.75</u>
Balance - December 31, 2007	D	<u><u>\$ 207,770.66</u></u>

Exhibit - D-20

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

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 45,687.00
Balance - December 31, 2007	D	<u>\$ 45,687.00</u>

Exhibit - D-21

SCHEDULE OF RESERVE FOR AMORTIZATION  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 2,823,005.39
Increased By:		
Transferred Deferred Reserve for Amortization	D-22	151,000.00
Serial Bonds Paid	D-15	<u>85,000.00</u>
Balance - December 31, 2007	D	<u>\$ 3,059,005.39</u>

Exhibit - D-22

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

	<u>REF.</u>	
Balance - December 31, 2006	D	\$ 215,400.00
Decreased by:		
Transferred to Reserve for Amortization	D-21	<u>151,000.00</u>
Balance - December 31, 2007	D	<u>\$ 64,400.00</u>

SCHEDULE OF BONDS AND NOTES  
AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2006</u>	<u>BALANCE DEC. 31, 2007</u>
05-06	Cass Street Standpipe Painting Project	\$ 150,000.00	\$ 150,000.00
		<u>\$ 150,000.00</u>	<u>\$ 150,000.00</u>
	<u>Ref.</u>		Footnote D

PAYROLL AGENCY FUND

SCHEDULE OF PAYROLL AGENCY ACTIVITY

Exhibit - E-1

	<u>BALANCE</u> <u>DEC 31, 2006</u>	<u>PAYROLL</u> <u>DEDUCTIONS</u>	<u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>DEC 31, 2007</u>
Federal Withholding Tax	\$	\$ 475,568.52	\$ 475,568.52	\$
Social Security/Medicare		394,361.24	394,361.24	
State Withholding Tax		114,239.22	114,239.22	
SUI/Disability		18,425.80	18,425.80	
457B Plan		54,600.00	54,600.00	
AFLAC		9,052.75	9,052.75	
PERS		138,028.73	138,028.73	
PFRS		218,191.49	218,191.49	
Police/Firemens Insurance		4,617.86	4,617.86	
Garnishments		86,276.59	86,276.59	
Monoc Credit Union		88,819.64	88,819.64	
PBA Dues		15,112.50	15,112.50	
Clerical/PW Union Dues		21,082.46	21,082.46	
Life Insurance		7,730.88	7,730.88	
Miscellaneous	2,968.83	76.80		3,045.63
Health Insurance Co-Pay		14,870.00	14,870.00	
	<u>\$ 2,968.83</u>	<u>\$ 1,661,054.48</u>	<u>\$ 1,660,977.68</u>	<u>\$ 3,045.63</u>
<u>Ref.</u>	E			E

GOVERNMENTAL FIXED ASSETS



## SCHEDULE OF GOVERNMENTAL FIXED ASSETS

<u>FIXED ASSETS</u>	<u>BALANCE</u> <u>DEC. 31, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>DEC. 31, 2007</u>
Land	\$ 5,186,100.00			\$ 5,186,100.00
Buildings/Building Improvements	4,781,800.00	700,000.00		5,481,800.00
Motor Vehicles and Equipment	2,583,793.00			2,583,793.00
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>\$ 13,278,404.39</u>	<u>\$ 700,000.00</u>	<u>\$ -</u>	<u>\$ 13,978,404.39</u>

SUPPLEMENTARY DATA

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2007

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL AGENCY FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM ONLY	
							DEC. 31, 2007	DEC. 31, 2006
Cash and Investments	\$ 1,246,976.59	\$ 813,250.30	1,279,382.75	1,563,512.52	3,659.87	\$	\$ 4,906,782.03	\$ 5,488,265.31
Accounts Receivable:								
State, Federal & Local Grants Receivable	307,719.18		373,309.34				681,028.52	86,010.26
Due from County of Monmouth			464,845.74				464,845.74	
Due from State of New Jersey	3,389.20						3,389.20	463,928.23
Taxes, Assessments, Liens & Utility Charges	612,859.85			181,713.28			794,573.13	709,595.46
Interfund Loans	3,809.77		546.57				4,356.34	181,338.31
Prepaid Local District School Tax	1.00						1.00	
Other Accounts Receivable	36,265.11						36,265.11	26,290.99
Property Acquired for Taxes at Assessed Valuation	97,100.00						97,100.00	97,100.00
Inventory								
Fixed Assets - General								
Fixed Capital - Utility				3,674,005.39			13,978,404.39	13,278,404.39
Fixed Capital - Authorized and Uncompleted - Utility				1,950,000.00			3,674,005.39	3,523,005.39
Deferred Charges to Revenue of Succeeding Years	200,000.00						1,950,000.00	2,101,000.00
Deferred Charges to Future Taxation:							200,000.00	250,000.00
General Capital Fund			12,384,933.00				12,384,933.00	12,493,933.00
	\$ 2,508,120.70	\$ 813,250.30	\$ 14,503,017.40	\$ 7,369,231.19	\$ 3,659.87	\$	\$ 39,175,683.85	\$ 38,698,871.34

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS  
FOR THE YEAR ENDING DECEMBER 31, 2007

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL AGENCY FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM ONLY	
							DEC. 31, 2007	DEC. 31, 2006
Bonds and Notes Payable	\$	\$	\$ 11,330,000.00	\$ 2,350,600.00	\$	\$	\$ 13,680,600.00	\$ 13,874,600.00
Loans Payable			339,068.00				339,068.00	
Prepaid Taxes, Assessments, Utility Charges and Licenses	68,463.62			207,770.66			276,234.28	281,526.45
Tax, Assessment, Lien, License and Utility Charge Overpayments	1,747.36			831.73			2,579.09	3,925.13
Appropriation Reserves	319,425.08			99,923.33			419,348.41	415,578.48
Reserve for Encumbrances/ Accounts Payable	194,837.42	27,650.00	468,241.42	22,753.44			713,482.28	1,007,783.04
Other Liabilities		900.00		926,921.91	3,045.63		930,867.54	364,973.45
Due County Taxes	9,231.75						9,231.75	10,701.25
Due School Taxes							3.04	225.00
Due State of New Jersey								4,261,889.95
Amts. Pledged to Specific Purposes	544,922.55	784,558.58	69,834.69	45,687.00			1,445,002.82	2,963,614.43
Improvement Authorizations			2,016,343.36	255,726.04			2,272,069.40	181,338.31
Interfund Loans	3,600.38	141.72			614.24		4,356.34	13,278,404.39
Investments in General Fixed Assets				3,123,405.39			3,123,405.39	242,283.88
Reserve for Amortization								833,924.21
Reserve for State & Federal Grants			261,621.00	181,713.28			1,193,370.01	250,000.00
or Receivables & Inventories	750,035.73						200,000.00	728,100.33
Special Emergency Note Payable	200,000.00						587,664.15	
Fund Balance	415,856.81		17,908.93	153,898.41				
	\$ 2,508,120.70	\$ 813,250.30	\$ 14,503,017.40	\$ 7,369,231.19	\$ 3,659.87	\$	\$ 39,175,683.85	\$ 38,698,871.34

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

Revenue and Other Income Realized	Year 2007		Year 2006	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 570,000.00	3.01	\$ 285,000.00	1.56
Miscellaneous - From Other Than Local Property Tax Levies	2,817,497.35	14.88	2,846,051.58	15.59
Collection of Delinquent Taxes and Tax Title Liens	480,045.47	2.53	473,321.19	2.59
Collection of Current Tax Levy	14,720,012.16	77.71	14,251,678.91	78.06
Other Credits to Income	353,499.09	1.87	400,615.38	2.19
Total Income	18,941,054.07	100.00	18,256,667.06	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	7,949,693.93	42.83	7,629,839.37	42.59
County Taxes	1,843,833.00	9.93	1,838,252.13	10.26
Local School Taxes	8,481,567.00	45.70	8,160,888.00	45.55
Business Improvement District Taxes	150,000.00	0.81	198,476.66	1.11
Municipal Open Space Taxes	83,193.65	0.45	82,965.76	0.46
Other Expenditures	51,272.41	0.28	3,974.29	0.02
Total Expenditures	18,559,559.99	100.00	17,914,396.21	100.00
Less: Expenditures to be Raised by Future Taxes			250,000.00	
Total Adjusted Expenditures	18,559,559.99		17,664,396.21	
Excess in Revenue	381,494.08		592,270.85	
Fund Balance January 1	604,362.73		297,091.88	
	985,856.81		889,362.73	
Less: Utilization as Anticipated Revenue	570,000.00		285,000.00	
Fund Balance December 31	\$ 415,856.81		\$ 604,362.73	

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

Revenue and Other <u>Income Realized</u>	Year 2006		Year 2006	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$110,000.00	3.06	\$50,000.00	1.41
Collection of Water and Sewer Rents	3,157,045.74	87.71	3,108,079.88	87.56
Miscellaneous - From Other Than Water and Sewer Rents	<u>332,450.06</u>	<u>9.24</u>	<u>391,451.81</u>	<u>11.03</u>
Total Income	<u>3,599,495.80</u>	<u>100.00</u>	<u>3,549,531.69</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	3,075,600.00	88.77	3,107,000.00	89.97
Debt Service	196,400.00	5.67	171,500.00	4.97
Deferred Charges and Statutory Expenditures	48,000.00	1.39	45,000.00	1.30
Surplus (General Budget)	130,000.00	3.75	130,000.00	3.76
Other Credits	<u>14,822.56</u>	<u>0.43</u>		
Total Expenditures	<u>3,464,822.56</u>	<u>100.00</u>	<u>3,453,500.00</u>	<u>100.00</u>
Excess in Revenue	134,673.24		96,031.69	
Fund Balance January 1	<u>120,768.92</u>		<u>74,737.23</u>	
	255,442.16		170,768.92	
Fund Balance December 31	<u>\$ 145,442.16</u>		<u>\$ 120,768.92</u>	

### 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>
2007	\$ 97,100
2006	97,100
2005	97,100

### COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2006	\$ 3,205,651	\$ 3,157,046
2006	3,094,826	3,108,080
2005	3,207,383	3,179,897

\*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	2007	\$ 415,857	\$ 380,000
	2006	604,363	570,000
	2005	297,092	285,000
	2004	335,054	325,000
	2003	409,331	399,000
Water and Sewer Utility Operating Fund	2007	\$ 145,442	\$ 126,000
	2006	120,769	110,000
	2005	74,737	50,000
	2004	59	
	2003	59	

## COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Tax Rate:</u>	<u>\$4.550</u>	<u>\$4.397</u>	<u>\$4.178</u>

### Apportionment of Tax Rate:

Municipal	<u>1.434</u>	<u>1.370</u>	<u>1.241</u>
County	<u>0.554</u>	<u>0.554</u>	<u>0.557</u>
Local School	<u>2.562</u>	<u>2.473</u>	<u>2.380</u>

### Assessed Valuation:

2007	<u>\$331,110,697.00</u>	
2006		<u>\$329,933,774.00</u>
2005		<u>\$328,694,446.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Middlesex County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be 57,000.00 for the year 2007.

## 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>	
2007	\$ 15,216,377.88	\$ 14,720,012.16	96.74%
2006	14,790,417.37	14,251,678.91	96.36%
2005	13,998,052.76	13,479,871.45	96.30%

## 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>
2007	\$93,831.70	\$519,028.15	\$612,859.85	4.03%
2006	88,012.25	488,475.07	\$576,487.32	3.90%
2005	82,388.47	471,071.19	553,459.66	3.95%



OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2007:

<u>NAME</u>	<u>TITLE</u>	AMOUNT OF <u>BOND</u>	<u>NAME OF CORPORATE SURETY</u>
Robert J. Bergen	Mayor		
Richard J. Hassmiller	Council President		
Christian Bolte	Councilperson		
Ezra Hill	Councilperson		
William Ortman	Councilperson		
Joseph Sheridan	Councilperson		
George J. Walling, Sr.	Councilperson		
Peter R. Valesi, P.E., C.M.E.	Administrator/Superintendent of Engineering		
Valerie T. Heilwell	Borough Clerk	\$ 100,000.00	Western Surety Company
Thomas P. Fallon	Chief Financial Officer	325,000.00	Selective Insurance Company
Keri R. Stencil	Tax/Utility Collector, Treasurer		
Scott Pezarra	Tax Assessor		
Robert E. McLead	Borough Magistrate	20,000.00	Western Surety Company
Kathryn A. Coffey	Court Administrator	20,000.00	Western Surety Company
Nicole Deverikos	Deputy Court Administrator	20,000.00	Western Surety Company
John S. Wisniewski	Borough Attorney		

**BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
FOR YEAR ENDED DECEMBER 31, 2007**

**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, 2007, 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**

**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, Municipal Boat Ramp and Municipal Court.

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

## GENERAL COMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

#### 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: Board of Health/Vital Statistics, Police Records, Fire Safety, & Municipal Boat Ramp.

#### Documentation of Components of Internal Control

As required by Statement on Auditing Standards No. 112, entities subject to audit are required to provide documentation of the various components of its internal controls.

The Borough should continue to develop its documentation the components of its internal controls, including controls over outside offices & departments collecting municipal funds.

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result 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.

The control deficiencies reported above are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, these control deficiencies are presented to management and those charged with governance as to the auditing standards requirements with respect to internal controls.

## 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

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

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

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 following items as tested:

#### Materials, Supplies, and Equipment

No Smoke Diesel Exhaust

#### Service Rentals, Construction and Repairs

William A. Ralph Pier Project; Concrete & Curbing

#### State Contract

Air Cleaning Units

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.

The examination of expenditures revealed no 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. 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.

The examination also indicated that there was one (1) contract change requiring the filing of the Annual List of Change Orders, in 2006 by the Borough with the Division of Local Government Services and was prepared in accordance with the provisions of N.J.A.C. 5:30-11.1.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

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

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, 2007 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 2007, 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.
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.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Delinquent Taxes and Tax Title Liens

A tax sale was held during 2007. The Tax Sale excluded properties that were reported to be in bankruptcy proceedings and/or disputed items. E We suggest that the omitted outstanding items be included in the next Tax Sale and be complete in all respects.

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>
2007	8	0
2006	8	0
2005	8	0

#### Interfund Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2007.

These interfunds, in most cases, resulted from 2007 operations and closing entries, and we suggest that all interfund amounts and balances be cleared by cash transfer.

#### Investment of Funds

During 2007, 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."

All investments held by the Borough were directly confirmed as of December 31, 2007 and June 30, 2008.

#### Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in good order with only minor exceptions noted relating to missing (2) vendor signatures, (4) receiving signatures and (2) supporting invoices.

## 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 for the fiscal year ended December 31, 2007:

We noted that all Outside Offices and Departments do not maintain a standardized formal cash receipt journal, do not always issue duplicate receipts for all funds collected, do not prepare and submit formalized monthly reports and remit funds on a timely basis to the Department of Finance, and exceptions to the statutory 48 hour deposit requirement.

In addition, a reconciliation/proof of fees collected and remitted to the Finance Department was not performed.

We recommend that the Borough standardize financial policies and procedures for all outside offices and departments collecting Borough funds.

#### 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, 2007. The minimum surety bond requirements for the Tax/Utility Collector and Municipal Court as required by N.J.A.C. 5-30-8.3 and 8.4 were met.

During July 1998, the Local Finance Board completed a re-adoption of the Board's general rules in the New Jersey Administrative Code. Recently, the Board has issued suggested levels of coverage for Chief Financial Officers. Based upon the new provisions of N.J.A.C. 5:30-8.2, 8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. For the year ending December 31, 2007, the coverage applicable to the Municipal Court met the recommended amount.

#### Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis. However, as part of our procedures certain ATS/ACS reports requested were not available for review.

## GENERAL COMMENTS

### Municipal Court (Cont'd)

We suggest that all ATS/ACS reports be retained in accordance with the AOC Financial Procedures Manual.

### 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/statutory basis preparation.

### Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2007, 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 A-133, the schedule 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 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, with minor reclassification and timing adjustments necessary.

### 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 \$3,599,495.80 and expenditures amounted to \$3,464,822.56 resulting in excess revenues of \$134,822.56. 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 \$201,467.46, which allows for the total deduction of Water and Sewer Utility Debt in the calculation of statutory net debt of the Borough at December 31, 2007. 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 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, at 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 forth by the Statement on Auditing Standards (SAS) 112. 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.

### Reclassification of Expenditures

The Borough entered into an agreement with the County of Monmouth, State of New Jersey for Construction of the Waterfront Park on May 24, 2007. Pursuant to the agreement and timing of the execution of such agreement, funds expended in the previous year were reclassified as due from the County.

### Business Improvement District

The Borough has designated a “District Management Corporation” (meaning “Business Improvement District”) as the entity to administer the special assessment within the Borough of Keyport, County of Monmouth by Local Ordinance pursuant to State Statute.

It is required by the Local Finance Board, State of New Jersey and the Division of Local Government Services, Department of Community Affairs, State of New Jersey that Business (Special) Improvement Districts have an audit performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We recommend that the Borough amend the Business Improvement District Ordinance to require the entity to have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

## GENERAL COMMENTS

### Compliance with Local Finance Notices

The Borough prepared and filed a corrective action plan for 2006, pursuant to Local Finance Notice No. 92-15 issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which was adopted by resolution of the Governing Body.

## RECOMMENDATIONS

It is recommended that the Borough standardize financial policies and procedures for all outside offices and departments collecting Borough funds.

It is recommended that the Borough amend the Business Improvement District Ordinance to require the entity to have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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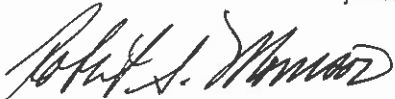
## ACKNOWLEDGMENT

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.



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