

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2009 and 2008**

***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  
FINANCIAL STATEMENTS – REGULATORY BASIS

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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 – regulatory basis of the various funds and governmental fixed assets of the Borough of Keyport, Monmouth County, New Jersey, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Borough's financial statements and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2009. 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 States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government 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 regulatory 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, 2009 and 2008 or the results of its operations, or cash flows of its proprietary fund type for the years then ended.

However, in our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Keyport, Monmouth County, New Jersey, as of December 31, 2009 and 2008 and the results of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2009, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated August 12, 2010 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 awards are presented for the 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 are 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 the categorization of federal and state funding sources for certain grants, along with the reporting of various CFDA and account numbers included within the aforementioned schedules of financial assistance, on which we express no opinion, has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation 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*

Robert S. Morrison  
Registered Municipal Accountant, No. 412

Highland Park, New Jersey  
August 12, 2010



## FINANCIAL STATEMENTS – REGULATORY BASIS

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2009 AND DECEMBER 31, 2008

ASSETS	REF.	BALANCE DEC. 31, 2009	BALANCE DEC. 31, 2008	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2009	BALANCE DEC. 31, 2008
Cash and Investments - Treasurer	A-4	\$ 1,056,138.69	\$ 1,336,284.84	Liabilities:			
Cash - Change Fund	A-5	525.00	525.00	Special Emergency Note Payable	A-15	\$ 100,000.00	\$ 150,000.00
Due from State of N.J. per Ch. 20, P.L. 1976	A-6	1,889.20	3,191.94	Appropriation Reserves	A-3, A-11	397,756.62	460,773.25
				Reserve for Encumbrances	A-3, A-11	130,875.13	129,338.50
				Prepaid Taxes	A-7	71,965.54	92,500.84
		1,058,552.89	1,340,001.78	Various Payables	A-14	91,700.00	
				Various Reserves	A-14	61,521.06	240,144.93
Receivables With Offsetting Reserves:				Tax Overpayments	A-12	2,704.48	
Taxes Receivable	A-7	653,326.41	596,099.29	County Taxes Payable	A-13		10,299.89
Tax Title Lien Receivable	A-7	110,877.51	102,263.07	School Taxes Payable	A-13	13,942.00	3.50
Property Acquired for Taxes (At Assessed Valuation)				Due to Trust Other Fund	A-10		39.37
Revenue Accounts Receivable	A-7	97,100.00	97,100.00	Due to General Capital Fund	A-10		613.04
Due from Trust Other Fund	A-8	31,949.58	24,940.31	Due Grant Fund		27,276.29	
Due from Payroll Fund	A-10	63.36	614.24			897,741.12	1,083,713.32
Due from Grant Fund	A-10	614.24	16,253.74				
Due from General Capital Fund	A-10	305.29		Reserve for Receivables	Reserve	894,236.39	837,270.65
		894,236.39	837,270.65	Fund Balance	A-1	260,811.77	406,288.46
Deferred Charges:							
Special Emergency				Total Current Fund		2,052,789.28	2,327,272.43
Authorization N.J.S.A 40A:4-53	A-9	100,000.00	150,000.00				
		100,000.00	150,000.00	State & Federal Grant Fund:			
Total Current Fund		2,052,789.28	2,327,272.43	Due to Current Fund	A-17		16,253.74
State & Federal Grant Fund:				Reserve for State and Federal Grants:			
Grants Receivable	A-16	216,676.17	285,737.26	Appropriated	A-18	182,884.19	209,056.65
Due from Current Fund	A-10	27,276.29		Unappropriated	A-19	9,188.18	6,877.53
				Reserve for Encumbrances	A-18	51,880.09	53,549.34
Total State & Federal Grant Fund		243,952.46	285,737.26	Total State & Federal Grant Fund		243,952.46	285,737.26
		\$ 2,296,741.74	\$ 2,613,009.69			\$ 2,296,741.74	\$ 2,613,009.69

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2009</u>	<u>YEAR 2008</u>
Fund Balance Utilized	A-1, A-2	\$ 400,000.00	\$ 410,000.00
Miscellaneous Revenues Anticipated	A-2	2,230,996.92	2,773,428.47
Receipts from Delinquent Taxes	A-2	596,291.53	513,094.26
Receipts from Current Taxes	A-7	15,447,238.93	15,224,518.92
Non-Budget Revenue	A-2	112,096.09	72,501.91
Other Credits to Income:			
Unexpended Balances of Approp. Reserves	A-11	192,678.76	226,751.59
Unexpended Balances of Approp. Cancelled	A-3		
Cancellation of Grant Reserves	A-18	7.68	215.24
Due from Taxpayer			
Cancellation of Tax Appeal Reserves	A-14	953.50	
Reversal School Tax Advanced	A-13		1.00
Interfunds Advanced - Net	Var.	15,885.09	
		<u>18,996,148.50</u>	<u>19,220,511.39</u>
Total Revenues			
		<u>18,996,148.50</u>	<u>19,220,511.39</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating			
Salaries and Wages	A-3	3,091,350.00	3,142,650.00
Other Expenses	A-3	3,550,749.00	3,380,489.00
State and Federal Programs Off-Set by Revenue	A-3	388,235.80	669,323.83
Municipal Debt Service	A-3	724,375.00	673,958.03
Capital Improvements	A-3	20,000.00	
Deferred Charges and Statutory Expend.-Mun.	A-3	203,300.00	207,600.00
Transferred to Board of Education	A-3	58,139.00	64,604.00
County Taxes	A-13	1,969,794.89	1,886,019.15
Local District School Taxes	A-13	8,419,849.50	8,528,422.50
Business Improvement District Taxes	A-13	125,000.00	150,000.00
Municipal Open Space Taxes	A-13	190,022.00	82,825.78
Prior Year Senior Citizen Deduction Disallowed	A-6	750.00	1,592.39
Refund of Prior Year Revenue	A-4	60.00	19,536.85
Interfunds Advanced - Net	Var.		13,058.21
		<u>18,741,625.19</u>	<u>18,820,079.74</u>
Total Expenditures			
		<u>18,741,625.19</u>	<u>18,820,079.74</u>
Excess in Revenue (Balance Forward)		254,523.31	400,431.65

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2009</u>	<u>YEAR 2008</u>
Statutory Excess to Fund Balance (brought forward)		\$ 254,523.31	\$ 400,431.65
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>406,288.46</u>	<u>415,856.81</u>
		660,811.77	816,288.46
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>400,000.00</u>	<u>410,000.00</u>
Balance - December 31	A	\$ <u><u>260,811.77</u></u>	\$ <u><u>406,288.46</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

REF.	ANTICIPATED 2009 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2009 BUDGET	REALIZED	EXCESS OR (DEFICIT)
A-1	\$ 400,000.00	\$	\$ 400,000.00	\$ 400,000.00	\$
Fund Balance Anticipated					
Miscellaneous Revenues:					
Licenses:					
A-8	25,600.00		25,600.00	33,454.63	7,854.63
A-8	13,000.00		13,000.00	2,813.00	(10,187.00)
A-8	100,000.00		100,000.00	121,743.25	21,743.25
Fees and Permits					
Fines and Costs:					
A-8	320,000.00		320,000.00	288,387.19	(31,612.81)
A-8	110,000.00		110,000.00	141,759.95	31,759.95
A-8	40,000.00		40,000.00	6,283.11	(33,716.89)
A-8	23,600.00		23,600.00	23,994.00	394.00
Payment in Lieu of Taxes:					
A-8	232,300.00		232,300.00	236,558.89	4,258.89
A-8	69,500.00		69,500.00	70,927.00	1,427.00
A-8	309,739.00		309,739.00	309,739.00	
A-8	588,405.00		588,405.00	588,405.00	
Consolidated Municipal Property Tax Relief Aid					
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)					
Dedicated Uniform Construction Code Fees Offset					
with Appropriations (N.J.S.A. 40A:4-36 and					
N.J.A.C. 5:23-4.17):					
A-8	60,000.00		60,000.00	60,599.00	599.00
Uniform Construction Code Fees					
Public and Private Revenues Offset with Approps.:					
A-16	5,025.40		5,025.40	5,025.40	
A-16		8,523.16	8,523.16	8,523.16	
A-16	9,501.28	2,620.59	12,121.87	12,121.87	
A-16	4,338.24		4,338.24	4,338.24	
A-16	26,704.00		26,704.00	26,704.00	
A-16	28,202.00		28,202.00	28,202.00	
A-16	36,000.00		36,000.00	36,000.00	
A-16	1,852.13		1,852.13	1,852.13	
Recycling Tonnage Grant					
Drunk Driving Enforcement Fund					
Clean Communities Program					
Alcohol Education and Rehabilitation Fund					
Municipal Alliance on Alcoholism and Drug Abuse					
Safe and Secure Communities Program					
Office on Aging Grant					
Body Armor Replacement Grant					

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

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

REF.	ANTICIPATED 2009 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2009 BUDGET	REALIZED	EXCESS OR (DEFICIT)
A-16	\$ 100,000.00	\$	100,000.00	\$ 100,000.00	\$
A-16	8,000.00	10,000.00	18,000.00	18,000.00	
A-16		4,000.00	4,000.00	4,000.00	
A-16		6,000.00	6,000.00	6,000.00	
A-8	69,000.00		69,000.00	65,566.10	(3,433.90)
A-8	10,000.00		10,000.00	10,000.00	
A-8	20,000.00		20,000.00	20,000.00	
A-1, A-4, A-8	2,210,767.05	31,143.75	2,241,910.80	2,230,996.92	(10,913.88)
A-1	590,000.00		590,000.00	596,291.53	6,291.53
	3,200,767.05	31,143.75	3,231,910.80	3,227,288.45	(4,622.35)
A-7	5,423,497.08		5,423,497.08	5,361,831.62	(61,665.46)
	8,624,264.13	31,143.75	8,655,407.88	8,589,120.07	(66,287.81)
A-1, A-4, A-8				112,096.09	
	\$ 8,624,264.13	\$ 31,143.75	\$ 8,655,407.88	\$ 8,701,216.16	
Ref.	A-3		A-3	A-1	

Public and Private Revenues Offset with Approps. (Cont'd):  
 Neighborhood Housing Rehabilitation 2009  
 DWJ Saturation Patrol Grant  
 NJ Highway Safety - Click it or Ticket  
 NJ Highway Safety - Over the Limit Under Arrest

Other Special Items:  
 Uniform Fire Safety Act

Reserve for Debt Service - General Capital Fund  
 General Capital Fund Balance

Total Miscellaneous Revenues

Receipts from Delinquent Taxes

Subtotal General Revenues

Amount to be Raised by Taxes for Support of

Municipal Budget:  
 Local Tax for Municipal Purposes Including  
 Reserve for Uncollected Taxes

Budget Totals

Non-Budget Revenues

( ) Denotes Deficit

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 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	\$ 71,300.00	\$ 72,300.00	\$ 72,027.14	\$ 464.99	\$ 272.86	\$
Other Expenses	8,500.00	8,500.00	5,852.59		2,182.42	
Mayor and Council						
Salaries and Wages	19,700.00	19,700.00	19,700.00		306.02	
Other Expenses	3,500.00	3,500.00	3,120.03	73.95		
Municipal Clerk						
Salaries and Wages	49,100.00	49,100.00	37,901.95		11,198.05	
Other Expenses						
Miscellaneous	8,500.00	8,500.00	6,203.64	2,016.12	278.24	
Revision and Codification of Ordinances	6,000.00	6,000.00		5,840.00	160.00	
Financial Administration						
Salaries and Wages	51,600.00	51,600.00	49,984.00		1,616.00	
Other Expenses	9,000.00	9,000.00	8,006.77	930.55	62.68	
Audit Services						
Other Expenses	17,000.00	17,000.00	17,000.00			
Collection of Taxes						
Salaries and Wages	75,200.00	75,200.00	73,863.74		1,336.26	
Other Expenses	9,000.00	9,000.00	8,286.41	422.75	290.84	
Assessment of Taxes						
Salaries and Wages	21,600.00	21,600.00	21,134.40		465.60	
Other Expenses						
Revision of Tax Map/Revaluation	2,500.00	2,500.00			2,500.00	
Miscellaneous	4,000.00	4,000.00	726.49	1,047.18	2,226.33	
Legal Services						
Other Expenses	110,000.00	120,000.00	101,558.26	9,903.56	8,538.18	
Environmental Commission						
Other Expenses	650.00	650.00	560.00		90.00	
Engineering Services						
Other Expenses	30,000.00	30,000.00	19,569.51		10,430.49	
Keyport Historical Society Contracted	1,000.00	1,000.00	1,000.00			
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning/Zoning Board						
Salaries and Wages	3,200.00	3,200.00	2,999.88		200.12	
Other Expenses						
Revision of Master Plan	100.00	100.00	-		100.00	
Miscellaneous	6,000.00	6,000.00	5,048.53	466.61	484.86	
Property Maintenance Code						
Salaries and Wages	13,700.00	13,700.00	9,926.05		3,773.95	
Other Expenses	800.00	800.00	125.77		674.23	
<b>INSURANCES</b>						
Liability Insurance	\$ 188,000.00	\$ 188,000.00	\$ 184,577.40	\$	\$ 3,422.60	\$
Workers Compensation Insurance	136,000.00	136,000.00	134,289.60		1,710.40	
Employee Group Insurance	688,000.00	701,000.00	698,019.46		2,980.54	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>PUBLIC SAFETY</b>						
Police Department	2,134,300.00	\$ 2,134,300.00	2,041,417.79		92,882.21	
Salaries and Wages						
Other Expenses	86,325.00	86,325.00	61,309.84	15,475.78	9,539.38	
Miscellaneous	30,000.00	30,000.00	25,771.58	874.23	3,354.19	
Clothing Allowance						
Emergency Management Services	1,500.00	1,500.00	70.30	1,410.25	19.45	
Other Expenses	24,220.00	24,220.00	23,720.00		500.00	
Aid to Volunteer Fire Companies	15,800.00	15,800.00	15,329.03	112.50	358.47	
First Aid Contributions						
Fire Department						
Salaries and Wages	2,000.00	2,000.00	2,000.00		1,656.10	
Other Expenses	80,200.00	80,200.00	46,701.53	31,842.37		
Uniform Fire Safety Act						
Salaries and Wages	37,600.00	37,600.00	32,584.98		5,015.02	
Other Expenses	30,000.00	30,000.00	15,638.25	4,259.49	10,102.26	
Municipal Prosecutor						
Salaries and Wages	13,400.00	13,400.00	12,910.11		489.89	
Municipal Court						
Salaries and Wages	98,200.00	98,200.00	91,912.62		6,287.38	
Other Expenses	11,700.00	11,700.00	10,639.53	568.59	491.88	
Public Defender						
Salaries and Wages	4,000.00	4,000.00	466.00		3,534.00	
Other Expenses	100.00	100.00	-		100.00	
<b>PUBLIC WORKS</b>						
Road Repairs and Maintenance						
Salaries and Wages	303,600.00	303,600.00	254,214.31		49,385.69	
Other Expenses	64,000.00	64,000.00	51,225.42	7,096.63	5,677.95	
Garbage and Trash Removal						
Salaries and Wages	43,400.00	\$ 44,900.00	\$ 44,393.91	\$	\$ 506.09	\$
Other Expenses	21,000.00	21,000.00	19,083.30	682.00	1,234.70	
Contracted (40A:4-85)	240,000.00	244,000.00	223,952.15		20,047.85	
Public Buildings and Grounds						
Salaries and Wages	55,000.00	57,000.00	55,334.79	1,199.65	465.56	
Other Expenses						



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND					
STATEMENT OF EXPENDITURES - REGULATORY BASIS					
FOR THE YEAR ENDED DECEMBER 31, 2009					
		BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	UNEXPENDED BALANCE CANCELLED
	2009 BUDGET			ENCUMBERED	RESERVED

OPERATIONS WITHIN "CAPS"HEALTH AND HUMAN SERVICES

Blood Borne Pathogens - Hepatitis B  
Salaries and Wages  
Other Expenses  
Board of Health  
Salaries and Wages  
Other Expenses  
Monmouth County Regional Health  
Other Expenses  
Other Expenses  
Animal Control Services  
Other Expenses  
Bayshore Youth Services Bureau Contribution

PARK AND RECREATION

Recreation  
Salaries and Wages  
Other Expenses  
Senior Citizen Community Center  
Salaries and Wages  
Other Expenses  
Senior Citizen Transportation Contracted  
Parks and Playgrounds  
Other Expenses

OTHER COMMON OPERATING

Celebration of Public Events  
Other Expenses  
Postage  
Other Expenses  
Accumulated Leave Compensation  
Salaries and Wages  
Salary and Wage Adjustments  
Uniform Construction Code - Appropriation Offset  
by Dedicated Revenue (N.J.A.C. 5:23-4.17)  
State Uniform Construction Code Officials  
Salaries and Wages  
Other Expenses

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>UTILITY EXPENSES AND BULK PURCHASES</u>						
Fuel for Motor Vehicles	80,000.00	65,000.00	49,317.37		15,682.63	
Telephone	50,000.00	50,000.00	40,168.79	7,600.36	2,230.85	
Street Lighting	127,700.00	135,700.00	129,717.93	3,114.64	2,867.43	
Fuel Oil	11,000.00	11,000.00	7,844.31	298.69	2,857.00	
Natural Gas	31,000.00	31,000.00	21,964.80	2,331.88	6,683.32	
Electricity	65,000.00	57,000.00	50,245.19	1,959.57	4,795.24	
Landfill Disposal Costs	250,000.00	220,000.00	183,743.82		36,256.18	
Total Operations Within "CAPS"	5,692,245.00	5,690,845.00	5,220,561.94	105,888.98	364,394.08	-
Contingent	500.00	500.00	-	-	500.00	
Total Operations Including Contingent Within "CAPS"	5,692,745.00	5,691,345.00	5,220,561.94	105,888.98	364,894.08	-
Detail:						
Salaries and Wages	3,078,350.00	3,091,350.00	2,909,438.74		181,911.26	
Other Expenses	2,614,395.00	2,599,995.00	2,311,123.20	105,888.98	182,982.82	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Social Security System (O.A.S.I.)	\$ 143,700.00	\$ 143,700.00	\$ 135,550.52	\$	\$ 8,149.48	\$
Pension Adjustment Fund	9,600.00	9,600.00			9,600.00	
Total Deferred Charges and Statutory Expenditures	153,300.00	153,300.00	135,550.52		17,749.48	
Total General Appropriations for Municipal Purposes Within "CAPS"	5,846,045.00	5,844,645.00	5,356,112.46	105,888.98	382,643.56	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library (P.L. 1975, Ch. 329)	265,930.00	265,930.00	263,439.32		2,490.68	
Contributions to:						
Police and Firemen's Retirement System of NJ	414,210.00	414,210.00	414,209.20		0.80	
Public Employees' Retirement System	136,714.00	136,714.00	127,054.00		9,660.00	
Total Other Operations - Excluded from "CAPS"	816,854.00	816,854.00	804,702.52		12,151.48	
<u>Interlocal Municipal Service Agreements</u>						
911 Services (County of Monmouth)	8,000.00	8,000.00	7,308.10		691.90	
Other Expenses						
Recycling (Hazlet)	4,500.00	4,500.00	2,787.00	1,713.00		
Other Expenses						
Bldgs & Grounds-Board of Education	38,000.00	39,400.00	35,709.17	3,324.75	366.08	
Other Expenses	82,000.00	82,000.00	80,148.00		1,852.00	
Services of Regional Health Association (P.L. 1975, Ch. 329)						
Total Interlocal Municipal Service Agreements	132,500.00	133,900.00	125,952.27	5,037.75	2,909.98	

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>						
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities Grant	\$ 9,501.28	\$ 12,121.87	\$ 12,121.87	\$	\$	
Neighborhood Preservation Program						
Local Share	7,000.00	7,000.00	7,000.00			
Body Armor Replacement Grant	1,852.13	1,852.13	1,852.13			
Recycling/Tonnage Grant	5,025.40	5,025.40	5,025.40			
Safe and Secure Communities Program:						
State Share	28,202.00	28,202.00	28,202.00			
Local Share	65,793.00	65,793.00	65,793.00			
Office on Aging Grant						
Grant Share	36,000.00	36,000.00	36,000.00			
Local Share	58,000.00	58,000.00	58,000.00			
NJ - Division of Highway Safety - Over the Limit Under Arrest						
Enforcement Fund	4,338.24	4,338.24	4,338.24			
NJ - Division of Highway Safety - Click it or Ticket						
DWI Saturation Patrol	4,000.00	4,000.00	4,000.00			
Drunk Driving Enforcement Fund	8,000.00	18,000.00	18,000.00			
Municipal Drug Alliance Program						
Local Share	6,676.00	6,676.00	6,676.00			
State Share	26,704.00	26,704.00	26,704.00			
Neighborhood Housing Rehabilitation 2009	100,000.00	100,000.00	100,000.00			
Total Public and Private Programs Offset by Revenues	357,092.05	388,235.80	388,235.80			
Total Operations Excluded from "CAPS"	1,306,446.05	1,338,989.80	1,318,890.59	5,037.75	15,061.46	
<u>Detail:</u>						
Salaries and Wages						
Other Expenses	1,306,446.05	1,338,989.80	1,318,890.59	5,037.75	15,061.46	
<b>Capital Improvements Excluded from "CAPS"</b>						
Acquisition of Firefighter Turnout Gear						
Total Capital Improvements Excluded from "CAPS"	20,000.00	20,000.00		19,948.40	51.60	
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Principal	285,000.00	285,000.00	285,000.00			
Payment of Bond Anticipation Notes and Capital Notes	142,700.00	142,700.00	142,700.00			
Interest on Bonds	212,395.00	212,395.00	212,395.00			
Interest on Notes	84,280.00	84,280.00	84,280.00			
Total Municipal Debt Service Excluded from "CAPS"	724,375.00	724,375.00	724,375.00			

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>						
Deferred Charges						
Special Emergency Authorizations 5 Years (N.J.S.A. 40A:4-55)	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)	58,139.00	58,139.00	58,139.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,158,960.05	2,191,503.80	2,151,404.59	24,986.15	15,113.06	-
Subtotal General Appropriations	8,005,005.05	8,036,148.80	7,507,517.05	130,875.13	397,756.62	-
Reserve for Uncollected Taxes	619,259.08	619,259.08	619,259.08			
Total General Appropriations	\$ 8,624,264.13	\$ 8,655,407.88	\$ 8,126,776.13	\$ 130,875.13	\$ 397,756.62	\$ -
2009 Adopted Budget	A-2	A-2		A	A	
2009 Budget added by N.J.S. 40A:4-87		\$ 8,624,264.13				
		31,143.75				
		\$ 8,655,407.88				
Disbursed	A-4		\$ 7,069,281.25			
Reserve for Uncollected Taxes	A-7		619,259.08			
Deferred Charges - Special Emerg. Auth.	A-9		50,000.00			
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-10, A-18		388,235.80			
			\$ 8,126,776.13			

Note. See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2009 AND 2008

		December <u>31, 2009</u>	December <u>31, 2008</u>
<u>ASSETS</u>			
	<u>Ref.</u>		
Animal Control Fund			
Cash.....	B-1	\$ 5,955.87	\$ 3,207.17
Due From Board of Health.....	B-1		7.00
Due from St. of NJ	B-1	<u>                    </u>	<u>1.20</u>
Total Animal Control Fund		<u>5,955.87</u>	<u>3,215.37</u>
Other Trust Fund			
Cash.....	B-1	805,170.60	613,490.05
Due from Current Fund.....	B-4	<u>                    </u>	<u>39.37</u>
Total Other Trust Fund		<u>805,170.60</u>	<u>613,529.42</u>
Open Space Trust Fund			
Cash.....	B-1	<u>\$ 134,461.82</u>	<u>\$ 34,972.21</u>
Total Open Space Fund		<u>\$ 134,461.82</u>	<u>\$ 34,972.21</u>
Total Trust Funds		<u><u>\$ 945,588.29</u></u>	<u><u>\$ 651,717.00</u></u>

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2009 AND 2008

		December <u>31, 2009</u>	December <u>31, 2008</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal License Expen	B-2	\$ 5,955.87	\$ 3,215.37
Total Animal Control Fund		<u>5,955.87</u>	<u>3,215.37</u>
Other Trust Fund			
Due State of New Jersey -			
Fees & Licenses.....	B-3	275.00	465.00
Due to Current Fund.....	B-4	63.36	
Reserve for Various Trust Activitie	B-5	<u>804,832.24</u>	<u>613,064.42</u>
Total Other Trust Fund		<u>805,170.60</u>	<u>613,529.42</u>
Open Space Trust Fund			
Reserve for Encumbrances.....	B-6	\$ 15,660.00	\$ 21,547.93
Reserve for Open Space.....	B-6	<u>118,801.82</u>	<u>13,424.28</u>
		<u>\$ 134,461.82</u>	<u>\$ 34,972.21</u>
Total Trust Funds		<u><u>\$ 945,588.29</u></u>	<u><u>\$ 651,717.00</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>BALANCE</u> <u>DEC. 31, 2008</u>
Cash and Investments - Treasurer	C-2	\$ 892,687.82	\$ 1,109,355.63
Investment in Special Emergency Note	C-2	100,000.00	150,000.00
Due from State of New Jersey DEP	C-4	1,197,602.34	525,102.34
Due from State of New Jersey DOT	C-4	810,000.00	175,000.00
Due from C.D.B.G.	C-4	187,114.00	
Due from Current Fund	C-7		613.04
Deferred Charges to Future Taxation:			
Funded	C-5	5,484,068.00	5,769,068.00
Unfunded	C-6	8,567,233.00	7,657,933.00
		<u>\$ 17,238,705.16</u>	<u>\$ 15,387,072.01</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Serial Bonds	C-9	\$ 5,145,000.00	\$ 5,430,000.00
Bond Anticipation Notes	C-10	7,068,300.00	5,476,000.00
Green Trust Loan Payable	C-13	339,068.00	339,068.00
Reserve for Encumbrances	C-8	1,864,286.38	1,782,900.51
Due to Current Fund	C-7	305.29	
Improvement Authorizations:			
Funded	C-8	36,801.91	29,563.10
Unfunded	C-8	1,781,271.90	1,965,592.18
Reserve for:			
Capital Improvement Fund	C-11	41,948.69	46,834.69
Receivable and Other Assets	C-12	171,563.76	179,454.30
DEP Grant Receivable	C-12	772,602.34	100,102.34
Fund Balance	C-1	17,556.89	37,556.89
		<u>\$ 17,238,705.16</u>	<u>\$ 15,387,072.01</u>
 Authorized But Not Issued	 C-14	 \$ 1,504,933.00	 \$ 2,187,933.00

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 STATEMENT OF FUND BALANCE- REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>REF.</u>		
Balance - December 31, 2008	C	\$	37,556.89
Decreased by:			
Appropriated 2009 Current Revenue	C-2	<u>20,000.00</u>	<u>20,000.00</u>
Balance - December 31, 2009	C	\$	<u><u>17,556.89</u></u>

Note: See Notes to Financial Statements.



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY  
WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2009</u>	<u>BALANCE DEC. 31, 2008</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2009</u>	<u>BALANCE DEC. 31, 2008</u>
<u>Operating Fund:</u>							
Cash and Investments - Treasurer	D-5	\$ 449,488.55	\$ 230,802.33	<u>Liabilities:</u>	D-4, D-14	\$ 32,865.72	\$ 85,561.00
				Appropriation Reserves	D-9	56,648.61	56,652.09
		449,488.55	230,802.33	Reserve for Encumbrances	D-19	2,204.10	170.34
				Water and Sewer Overpayment	D-20	241,138.20	6,120.77
Receivables With Full Reserves:	D-8	208,329.24	192,101.62	Prepaid Consumer Accounts	D-15	22,062.20	28,805.77
Consumer Accounts Receivable				Accrued Int. on Bonds, Notes & Loans	D-7	5,400.00	
		208,329.24	192,101.62	Accounts Payable	D-10	100,000.00	
				Due to Water/Sewer Capital Fund			
Deferred Charges						460,318.83	177,509.97
Deficit in Operations	D-1	12,122.64		Reserve for Receivables	Reserve	208,329.24	192,101.62
		12,122.64		Fund Balance	D-1	1,292.36	53,292.36
Total Operating Fund		669,940.43	422,903.95	Total Operating Fund		669,940.43	422,903.95
<u>Capital Fund:</u>				<u>Capital Fund:</u>			
Cash and Investments - Treasurer	D-5	10,826.65	172,024.80	Serial Bonds Payable	D-16	430,000.00	525,000.00
Fixed Capital	D-10	3,674,005.39	3,674,005.39	Bond Anticipation Notes	D-17	1,651,600.00	1,708,600.00
Fixed Capital - Authorized and				Reserve for Encumbrances	D-9	146,161.54	48,172.21
Uncompleted	D-13	3,550,000.00	1,950,000.00	Improvement Authorizations			
State & Federal Grants and Loans	Reserve	3,500,000.00		Funded	D-18	1,660,521.86	219,709.34
Due from Water/Sewer Operating	D-11	100,000.00		Unfunded	D-18	45,687.00	45,687.00
				Capital Improvement Fund	D-21	3,244,005.39	3,149,005.39
				Reserve for Amortization	D-22	148,400.00	91,400.00
				Reserve for Deferred Amortization	D-23	3,500,000.00	
				Reserve for State & Federal Grants / Loans	Reserve		
				Fund Balance	D-2	8,456.25	8,456.25
Total Capital Fund		10,834,832.04	5,796,030.19	Total Capital Fund		10,834,832.04	5,796,030.19
		\$ 11,504,772.47	\$ 6,218,934.14			\$ 11,504,772.47	\$ 6,218,934.14

There were Bonds and Notes Authorized but not Issued at December 31, 2009 in the amount of \$1,750,000.00 (Exhibit D-24).

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2009</u>	<u>YEAR 2008</u>
Fund Balance	D-3	\$ 52,000.00	\$ 126,000.00
Water and Sewer Rents	D-3	3,048,478.94	3,115,894.02
Miscellaneous	D-3	196,823.66	238,469.74
Unexpended Balance of Approp. Reserves	D-14	<u>50,462.65</u>	<u>50,724.53</u>
Total Revenues		<u>3,347,765.25</u>	<u>3,531,088.29</u>
<u>EXPENDITURES</u>			
Operating:			
Salaries and Wages	D-4	600,000.00	645,000.00
Other Expenses	D-4	545,000.00	560,600.00
Bayshore Regional Sewerage Authority	D-4	1,391,000.00	1,373,000.00
Acquisition of Water	D-4	549,800.00	525,000.00
Debt Service	D-4	213,124.41	207,638.09
Deferred Charges and Statutory Expenditures	D-4	56,000.00	56,000.00
Surplus (General Budget)	D-4		130,000.00
Refunds of Prior Year Revenues	D-5	<u>4,963.48</u>	
Total Expenditures		<u>3,359,887.89</u>	<u>3,497,238.09</u>
Excess/(Deficit) in Revenues		(12,122.64)	33,850.20
Operating Deficit to be Raised in Budget of Succeeding Year	D	<u>12,122.64</u>	
Statutory Excess to Fund Balance			33,850.20
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>53,292.36</u>	<u>145,442.16</u>
		53,292.36	179,292.36
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>52,000.00</u>	<u>126,000.00</u>
Balance - December 31	D	<u>\$ 1,292.36</u>	<u>\$ 53,292.36</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND  
 STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>REF.</u>		
Balance - December 31, 2008	D	\$	8,456.25
Balance - December 31, 2009	D	\$	<u><u>8,456.25</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>REF.</u>	2009 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Operating Surplus Anticipated		\$ 52,000.00	\$ 52,000.00	\$
Water and Sewer Rents		3,115,000.00	3,048,478.94	(66,521.06)
Miscellaneous		<u>210,000.00</u>	<u>196,823.66</u>	<u>(13,176.34)</u>
		\$ <u>3,377,000.00</u>	\$ <u>3,297,302.60</u>	\$ <u>(79,697.40)</u>

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

Analysis of Realized Revenues:

Water and Sewer Rents:

Consumer Accounts Receivable -

Collected	D-8	\$ 3,042,187.83
Overpayments Applied	D-19	170.34
Prepays Applied	D-20	<u>6,120.77</u>
	D- 3	\$ <u>3,048,478.94</u>

Miscellaneous:

Cell Tower Leases		\$ 126,138.52
Water Connection Fees		
Sewer Connection Fees		4,720.00
Interest on Delinquent Accounts		23,927.05
Interest Earned on Deposits		30.43
Turn On Charges		3,700.00
Meter Charges		1,396.50
Pool Fill Permit		225.00
NSF Charges		300.00
Fire Connection Charges		9,653.88
Other		<u>26,732.28</u>
	D-5	\$ <u>196,823.66</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 BUDGET	Transfers	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
				PAID OR CHARGED	ENCUMBERED	RESERVED	
Operating:							
Salaries and Wages	\$ 646,000.00	(46,000.00)	\$ 600,000.00	\$ 583,357.41	\$ 16,642.59	\$	\$
Other Expenses	540,000.00	5,000.00	545,000.00	520,629.95	16,648.61	7,721.44	7,721.44
Bayshore Regional Sewerage Authority	1,383,000.00	8,000.00	1,391,000.00	1,390,933.09		66.91	66.91
Acquisition of Water	516,800.00	33,000.00	549,800.00	509,444.06	40,000.00	355.94	355.94
Debt Service:							
Payment on Bond Principal	95,000.00		95,000.00	95,000.00			
Payment on Bond Anticipation Notes	57,000.00		57,000.00	57,000.00			
Interest on Bonds	27,100.00		27,100.00	27,082.04			17.96
Interest on Notes	56,100.00		56,100.00	34,042.37			22,057.63
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System	2,000.00		2,000.00	2,000.00			
Social Security System (O.A.S.I.)	54,000.00		54,000.00	45,921.16		8,078.84	
Total Water & Sewer Utility Appropriations	\$ 3,377,000.00		\$ 3,377,000.00	\$ 3,265,410.08	\$ 56,648.61	\$ 32,865.72	\$ 22,075.59
Ref.	D-3			D-1	D-1, D-9	D, D-1	
Disbursed							
Accrued Interest on Bonds, Notes and Loans				\$ 3,204,285.67			
				61,124.41			
				\$ 3,265,410.08			

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

PAYROLL AGENCY FUND  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>	<u>BALANCE</u> <u>DEC. 31, 2008</u>
Cash	E-1	\$ <u>5,623.67</u>	\$ <u>3,561.91</u>
		\$ <u><u>5,623.67</u></u>	\$ <u><u>3,561.91</u></u>
 <u>LIABILITIES</u>			
Due to Current Fund	E	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-1	<u>5,009.43</u>	<u>2,947.67</u>
		\$ <u><u>5,623.67</u></u>	\$ <u><u>3,561.91</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS  
DECEMBER 31, 2009 AND 2008

<u>GOVERNMENTAL FIXED ASSETS:</u>	DECEMBER 31 <u>2009</u>	DECEMBER 31 <u>2008</u>
Land	\$ 5,186,100.00	\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00	5,481,800.00
Motor Vehicles and Equipment	2,847,471.08	2,567,777.04
Machinery and Equipment	344,731.30	344,731.30
Office Furniture and Equipment	163,066.09	163,066.09
Other Equipment	<u>218,914.00</u>	<u>218,914.00</u>
Total Governmental Fixed Assets	<u>\$ 14,242,082.47</u>	<u>\$ 13,962,388.43</u>
Investments in Governmental Fixed Assets	<u>\$ 14,242,082.47</u>	<u>\$ 13,962,388.43</u>

Note: See Notes to Financial Statements

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2009 AND 2008

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.



## NOTES TO FINANCIAL STATEMENTS

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

#### B. Description of Funds (Cont'd.)

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

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

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

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

#### C. Basis of Accounting and Measurement Focus

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

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

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

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

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

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

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over- expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2009 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, 2009 and 2008, the Borough's financial statements reflect a cumulative total of \$97,100.00. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough has performed an inventory and included the Governmental Fixed Asset Schedule in the financial statements for years ended December 31, 2009 and 2008.

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. 53, "Accounting and Financial Reporting for Derivative Instruments" in June 2008. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments.

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

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

GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund" in March 2009. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" in December 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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 2008 financial statements to conform with classifications used in fiscal year 2009.

# NOTES TO FINANCIAL STATEMENTS

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

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

### A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2009</u>	<u>YEAR 2008</u>
<u>Issued:</u>		
General:		
Bonds and Notes and Loans	\$ 12,552,368.00	\$ 11,245,068.00
Water and Sewer Utility:		
Bonds and Notes	<u>2,081,600.00</u>	<u>2,233,600.00</u>
Total Issued	<u>14,633,968.00</u>	<u>13,478,668.00</u>
Net Issued	<u>14,633,968.00</u>	<u>13,478,668.00</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	1,504,933.00	2,187,933.00
Water and Sewer Utility:		
Bonds and Notes	<u>1,750,000.00</u>	<u>150,000.00</u>
Total Authorized But Not Issued	<u>3,254,933.00</u>	<u>2,337,933.00</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 17,888,901.00</u>	<u>\$ 15,816,601.00</u>

NOTES TO FINANCIAL STATEMENTS

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, 2009 and 2008:

	<u>YEAR 2009</u>	<u>YEAR 2008</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%.	5,145,000.00	5,430,000.00
\$7,068,300, General Capital Bond Anticipation Notes issued on 8/6/09 due on 8/5/10, interest at 1.650%.	7,068,300.00	5,476,000.00
Green Trust Loan (CY 2007 Drawdown)	339,068.00	339,068.00
Total General Capital Debt	<u>\$ 12,552,368.00</u>	<u>\$ 11,245,068.00</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%.	430,000.00	525,000.00
\$1,651,600, Water and Sewer Utility Bond Anticipation Notes issued on 8/6/09 due on 8/5/10, interest at 1.650%.	1,651,600.00	1,708,600.00
Total Utility Debt	<u>2,081,600.00</u>	<u>2,233,600.00</u>
Total Debt Issued and Outstanding	<u>\$ 14,633,968.00</u>	<u>\$ 13,478,668.00</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>2009</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 7,180,000.00	\$ 7,180,000.00	
Water Utility and Sewer Utility Debt	3,831,600.00	2,679,163.80	1,152,436.20
General Debt	14,057,301.00	204,803.36	\$ 13,852,497.64
	<u>\$ 25,068,901.00</u>	<u>\$ 10,063,967.16</u>	<u>\$ 15,004,933.84</u>

Net Debt \$13,433,001.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$776,794,557.00 = 1.93%

<u>2008</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,535,000.00	\$ 3,535,000.00	
Water Utility and Sewer Utility Debt	2,383,600.00	2,383,600.00	
General Debt	13,433,001.00	214,803.36	\$ 13,218,197.64
	<u>\$ 19,351,601.00</u>	<u>\$ 6,133,403.36</u>	<u>\$ 13,218,197.64</u>

Net Debt \$13,433,001.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$763,072,932.00 = 1.73%

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

	<u>2009</u>	<u>2008</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 27,187,809.50 <u>15,004,933.84</u>	\$ 26,707,552.62 <u>13,218,197.64</u>
Remaining Borrowing Power	<u>\$ 12,182,875.66</u>	<u>\$ 13,489,354.98</u>

CY 2009 Equalized Valuation Basis

2007 Equalized Valuation Basis of Real Property	\$ 785,135,680.00
2008 Equalized Valuation Basis of Real Property	795,777,170.00
2009 Equalized Valuation Basis of Real Property	<u>749,470,822.00</u>
Average Equalized Valuation	<u>\$ 776,794,557.33</u>



NOTES TO FINANCIAL STATEMENTS

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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

CY 2008 Equalized Valuation Basis

2006 Equalized Valuation Basis of Real Property	\$	708,305,946.00
2007 Equalized Valuation Basis of Real Property		785,135,680.00
2008 Equalized Valuation Basis of Real Property		<u>795,777,170.00</u>
Average Equalized Valuation	\$	<u><u>763,072,932.00</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>2009</u>	<u>2008</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,297,302.60	\$ 3,480,363.76
Deductions:		
Operating & Maintenance Cost	3,141,800.00	3,159,600.00
Debt Service Per Water & Sewer Acct.	<u>213,124.41</u>	<u>207,638.09</u>
Total Deductions	<u>3,354,924.41</u>	<u>3,367,238.09</u>
Excess/(Deficit) in Revenue	\$ <u><u>(57,621.81)</u></u>	\$ <u><u>113,125.67</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>2009</u>	<u>2008</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ (12,122.64)	\$ 33,850.20
Add: Refunds of Prior Year Revenues	4,963.48	
Fund Balance Utilized as Anticipated Revenue in Municipal Budget	<u>                    </u>	<u>130,000.00</u>
	<u>4,963.48</u>	<u>130,000.00</u>
	(7,159.16)	163,850.20
Less: Unexpended Balance of Appropriation Reserves	50,462.65	50,724.53
Cancel Excess Accrued Interest	<u>                    </u>	<u>                    </u>
	<u>50,462.65</u>	<u>50,724.53</u>
Excess/(Deficit) in Revenue	\$ <u><u>(57,621.81)</u></u>	\$ <u><u>113,125.67</u></u>

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

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

Year Ending December 31	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
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>\$ 5,145,000.00</u>	<u>\$ 1,583,200.00</u>	<u>\$ 430,000.00</u>	<u>\$ 62,437.50</u>	<u>\$ 7,220,637.50</u>

D. Green Acres Loan - 1324-03-067

Year Ending December 31	Principal	Interest	Total Payments
2011	\$ 31,908.45	\$ 34,745.33	\$ 66,653.78
2012	32,549.82	11,981.60	44,531.42
2013	33,204.07	11,327.34	44,531.41
2014	33,871.47	10,659.94	44,531.41
2015	34,552.28	9,979.12	44,531.40
2016	35,246.78	9,284.62	44,531.40
2017	35,955.24	8,576.16	44,531.40
2018	36,677.94	7,853.46	44,531.40
2019	37,415.17	7,116.23	44,531.40
2020	38,167.22	6,364.19	44,531.41
2021	38,934.38	5,597.03	44,531.41
2022	39,716.96	4,814.45	44,531.41
2023	40,515.27	4,016.13	44,531.40
2024	41,329.62	3,201.78	44,531.40
2025	42,160.35	2,371.05	44,531.40
2026	43,007.77	1,523.63	44,531.40
2027	43,872.23	659.17	44,531.40
	<u>\$ 639,085.04</u>	<u>\$ 140,071.25</u>	<u>\$ 779,156.29</u>

E. Bond Anticipation Notes

The Borough has issued General Capital Bond Anticipation Notes in the amount of \$7,068,300.00 and Water and Sewer Capital Bond Anticipation Notes in the amount of \$1,651,600.00, bearing and interest rate of 1.650% due on August 5, 2010.

## 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>2010</u>	Appropriated <u>2009</u>
Current Fund	\$255,000.00	\$400,000.00
Water and Sewer Utility Fund	0.00	52,000.00

### 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, 2009, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December <u>31, 2008</u>	Amount Raised <u>in 2009</u>	Amount Resulting <u>from 2009</u>	Balance December <u>31, 2009</u>
Current Fund:				
Special Emergency Authorization for Revision of Tax Map/Revaluation	<u>\$150,000</u>	<u>\$50,000</u>	<u>\$0.00</u>	<u>\$100,000</u>
	<u>\$150,000</u>	<u>\$50,000</u>	<u>\$0.00</u>	<u>\$100,000</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 (CONT'D.)

#### 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, 2009 and 2008, cash and cash equivalents of the Borough on deposit and on-hand consisted of the following:

	<u>2009</u>	<u>2008</u>
Cash (Demand) Accounts	\$3,329,937.44	\$3,882,772.39
Change Funds (On Hand)	<u>525.00</u>	<u>525.00</u>
	<u>\$3,330,462.44</u>	<u>\$3,883,297.39</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 \$3,360,878.73 and the bank balance was \$3,329,937.44. Of the bank balance, \$750,000.00 was covered by Federal depository insurance and \$2,579,937.44 was covered under the provisions of NJGUDPA.

In addition, the Borough maintains an investment in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amount of \$100,000 as at December 31, 2009 and \$150,000 as at December 31, 2008. The Special Emergency Notes are reported as an investment within the General Capital Fund. The Note is not included above.

At December 31, 2008, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover

## NOTES TO FINANCIAL STATEMENTS

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

#### Deposits (Cont'd.)

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

As of December 31, 2009, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Borough's bank balances was considered exposed to custodial credit risk.

#### 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;

## NOTES TO FINANCIAL STATEMENTS

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

#### Investments (Cont'd)

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 \$100,000 as at December 31, 2009 and \$150,000 as at December 31, 2008. The Special Emergency Notes are reported as an investment within the General Capital Fund.

### 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

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: GOVERNMENTAL FIXED ASSETS

The Borough's fixed assets are reported as follows:

	<u>Balance</u> <u>December 31, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2009</u>
Land	\$5,186,100.00			\$5,186,100.00
Buildings/ Bldg. Improvements	5,481,800.00			5,481,800.00
Motor Vehicles & Equipment	2,567,777.04	279,694.04		2,847,471.08
Machinery & Equipment	344,731.30			344,731.30
Office Furniture & Equipment	163,066.09			163,066.09
Other Equipment	<u>218,914.00</u>			<u>218,914.00</u>
	\$13,962,388.43	\$279,694.04	0.00	\$14,242,082.47

### Note 10: PENSION AND RETIREMENT PLANS

Employees of the Borough of Keyport are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plan are not available. For 2009, the Borough contributed amounts of \$127,054.00 for PERS and \$414,209.20 for PFRS. For 2008, the Borough contributed amounts of \$89,684.00 for PERS and \$360,615.60 for PFRS.

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

Note 11: POST RETIREMENT HEALTH BENEFITS

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

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

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Borough of Keyport has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Borough permits its employees to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. Effective for financial statements dated December 31, 1987, the state has required all municipalities to disclose the estimated current cost of such unpaid compensation would be \$372,242.07 and \$326,732.93 at December 31, 2009 and 2008, respectively. In accordance with New Jersey principles, this amount is not reported as an expenditure or liability for accrued compensated absences in accordance with GAAP.

Note 13: RISK MANAGEMENT

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

The Borough did not have the Insurance Fund reports on file for the year ended December 31, 2009.

At December 31, 2008, the Property and Liability Fund reported for all years combined, total assets of \$18,397,913.00, liabilities and reserves of \$16,191,068.00, which includes liabilities recorded for reported and unreported events in the amount of \$9,539,900.00 and a fund balance for all years of \$2,206,845.00.

At December 31, 2008, the Workers Compensation Fund reported for all years combined, total assets of \$11,388,599.00, liabilities and reserves of \$15,570,400.00, which includes liabilities recorded for reported and unreported events in the amount of \$7,052,603.00 and a deficit fund balance for all years of \$4,181,801.00.

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



## NOTES TO FINANCIAL STATEMENTS

### Note 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	28,259.18	\$ 27,276.29
Trust Fund		63.36
General Capital Fund		305.29
Payroll Agency Fund		614.24
Water and Sewer Operating Fund		100,000.00
Water and Sewer Capital Fund	100,000.00	
Total	<u>\$ 128,259.18</u>	<u>\$ 128,259.18</u>

### Note 15: COMMITMENTS AND CONTINGENT

#### Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by grantors or their representatives. As of December 31, 2009, the Borough does not believe that any material liabilities will result from such audits.

#### Contingencies – Pending Litigation

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

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

During 2009, the Borough was awarded a total of \$3,500,000 under the ARRA program by the United States Department of Agriculture (USDA) for Sanitary Sewer System Upgrades and Inflow/Infiltration Reduction Projects, consisting of a grant in the amount of \$844,000 and a loan of \$2,656,000. The Borough has recorded a receivable offset by a reserve in the total amount of \$3,500,00 within the Sewer and Utility Capital Fund. The Borough has appropriated and authorized \$1,600,000 for project expenditures and has reported incurred expenditures of \$2,737.46 as at December 31, 2009.

### Note 17: SUBSEQUENT EVENTS

The Borough has issued \$9,165,900 Bond Anticipation Notes maturing on August 4, 2011. The Bond Anticipation Notes issued are comprised of \$6,571,300 of General Capital Fund Notes and \$2,594,600 of Water & Sewer Utility Fund Notes at a rate of 1.50%, sold on August 4, 2010.

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

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PART II  
SUPPLEMENTAL FINANCIAL STATEMENTS  
SUPPLEMENTARY DATA  
GENERAL COMMENTS AND RECOMMENDATIONS

SINGLE AUDIT SECTION

HODULIK & MORRISON, P.A.  
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NEW JERSEY SOCIETY OF CPAS  
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, 2009, which collectively comprise the Borough of Keyport's financial statements and have issued our report thereon dated August 12, 2010. Our report was modified because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2 and was unqualified based upon the Other Comprehensive Basis of Accounting financial statement presentation. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Keyport's internal control 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough 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 noted certain other matters that we have reported to the management of the Borough in the General Comments section of the Report of Audit.

This report is intended solely for the information of the Mayor and Borough Council, management, 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.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
August 12, 2010

HODULIK & MORRISON, P.A.  
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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 the New Jersey Compliance Manual "State Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the year ended December 31, 2009. The Borough's major state programs are 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'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 Local Government Services, Department of Community Affairs, State of 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 OMB circulars A-133 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Keyport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2009.

## 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 the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Keyport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that the material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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 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 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.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
August 12, 2010

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE



BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDING DECEMBER 31, 2009

Schedule B

State of New Jersey Department / Program Title	Grant Number/State Loan Number	Grant Period	Grant Award	2009 Grant Receipts	2009 Expenditures	Cumulative Expenditures/ Cancellations
Neighborhood Preservation Program	022-8020-100-092	2009	\$ 150,000.00	\$ 69,170.24	\$ 60,172.89	\$ 117,104.89
Neighborhood Housing Rehab	022-8020-100-101	2009	100,000.00	6,475.00	15,915.26	15,915.26
Municipal Alliance	2000-475-995120-60	2008	35,842.00	17,461.00	15,646.80	35,842.00
Municipal Alliance	2000-475-995120-60	2009	33,380.00	14,093.00	21,104.24	21,401.24
			319,222.00	107,199.24	112,839.19	190,263.39
<b>New Jersey Department of Environmental Protection</b>						
Recycling Tonnage Grants	042-4900-752-001	2007	2,192.57		105.20	105.20
Recycling Tonnage Grants	042-4900-752-001	2008	2,304.51			
Recycling Tonnage Grants	042-4900-752-001	2009	5,025.40	5,025.40		
Clean Communities Program	042-4900-765-004	2008	10,285.19		2,224.24	10,285.19
Clean Communities Program	042-4900-765-004	2009	12,121.87	12,121.87	10,829.38	10,829.38
Hazardous Discharge Site Remediation						
Municipal Grant Program	P24381	2008	407,511.00		75,087.42	383,150.75
Green Acres Grant/Loan (William A. Ralph Pier)	042-4800-002/003-6120-04	2004	340,750.00		230.06	316,040.43
Green Acres Grant (Waterfront Park)	042-4800-003-6120-08	2008	724,375.00		479,804.32	284,262.45
Green Acres Loan (Waterfront Park)	042-4800-002-6120-08	2008	373,125.00		245,753.43	249,565.71
			1,877,690.54	17,147.27	814,034.05	1,256,239.11
<b>Dept of Law and Public Safety</b>						
Safe and Secure Communities	066-1020-100-232	2008	78,140.00		8,930.00	78,140.00
Safe and Secure Communities	066-1020-100-232	2009	93,995.00	26,790.00	84,595.00	84,595.00
Drunk Driving Enforcement Fund	N/A	2008	9,559.17		4,747.28	9,559.17
Drunk Driving Enforcement Fund	N/A	2009	8,523.16	8,523.16	4,165.96	4,165.96
			190,217.33	35,313.16	102,438.24	176,460.13
<b>Judiciary</b>						
Alcohol Education and Rehabilitation	098-9735-760-001	2007	2,224.33		1,000.00	1,850.00
Alcohol Education and Rehabilitation	098-9735-760-001	2008	3,528.66			
Alcohol Education and Rehabilitation	098-9735-760-001	2009	4,338.24	4,316.09		
			10,091.23	4,316.09	1,000.00	1,850.00
			\$ 2,397,221.10	\$ 163,975.76	\$ 1,070,311.48	\$ 1,624,812.63

Footnotes:

NOTE: See accompanying Notes to Schedule of Expenditures of State Financial Assistance. Also, see paragraph on the accompanying schedule of state financial assistance with respect to a partial disclaimer of opinion, included within the independent auditor's report.

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 generally accepted accounting principles.

N/A - Not Available or Not Applicable

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

**NOTES TO SCHEDULES OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2009**

**NOTE 1: GENERAL**

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

**NOTE 2: BASIS OF ACCOUNTING**

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

**NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS**

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

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

**Section 1 – Summary of Auditor's Results**

**Financial Statements**

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

Internal Control over financial reporting:

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

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

Noncompliance material to financial  
statements noted?        Yes   X   No

**State Awards**

Internal Control over financial reporting:

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

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

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

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

Identification of major programs:

<u>State Account Number(s)</u>	<u>Name of State Program or Cluster</u>
<u>042-4800-003-6120</u>	<u>Green Acres Grants</u>
<u>042-4800-002-6120</u>	<u>Green Acres Loans</u>

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

Auditee qualified as low-risk auditee?        Yes   X   No

BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

(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, 2009

(continued)

**Section III – State Award Findings and Questioned Costs**

**State Award Programs:**

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

**Significant Deficiency(s):**

None noted.

**Non-Compliance:**

None noted.

BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2008.....	A	\$	1,336,284.84
Increased by Cash Receipts			
Miscellaneous Anticipated Revenue.....	A-2, A-8	\$	1,980,230.12
Miscellaneous Revenue Not Anticipated.....	A-2, A-8		112,096.09
Taxes Receivable.....	A-7		15,963,949.64
Due NJ Sr Citizens and Veterans Deductions.....	A-6		62,302.74
Interfunds.....	A-10, A-17		646,046.28
Various Accounts Payable & Reserves.....	A-14		41,534.03
Petty Cash Returned.....	A-5		800.00
Unappropriated Grant Reserves.....	A-19		9,188.18
Grants Receivable.....	A-16		<u>312,950.36</u>
Total Cash Receipts.....			19,129,097.44
Decreased by Disbursements			
Prior Year Revenue Refund.....	A-1	\$	(60.00)
Budget Appropriations.....	A-3		(7,069,281.25)
Appropriated Grant Reserves.....	A-18		(416,069.83)
Appropriation Reserves.....	A-11		(305,732.99)
Tax Overpayments			
Taxes Payable.....	A-13		(10,701,027.78)
Interfunds.....	A-10, A-17		(697,067.34)
Various Accounts Payable & Reserves.....	A-14		(219,204.40)
Petty Cash/Change Funds Advanced.....	A-5		<u>(800.00)</u>
Total Cash Disbursements.....			(19,409,243.59)
Cash Balance December 31, 2009.....	A	\$	<u><u>1,056,138.69</u></u>



CURRENT FUND  
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

	Balance December 31, 2008	Advanced	Returned	Balance December 31, 2009
Change Fund				
Tax Collector	\$ 175.00			\$ 175.00
Municipal Court.....	200.00			200.00
Construction.....	50.00			50.00
Board of Health.....	50.00			50.00
Borough Clerk.....	50.00			50.00
Petty Cash Funds:				
Administration.....		200.00	200.00	
Senior Center.....		200.00	200.00	
Public Works.....		200.00	200.00	
Police.....		200.00	200.00	
	\$ 525.00	\$ 800.00	\$ 800.00	\$ 525.00
<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, 2008	A	\$	3,191.94
Increased by:			
Allowable Deductions per			
Tax Billings	A- 7	\$	59,250.00
2009 Sr. Citizens and Vet.			
Ded. Allowed by Collector	A- 7		2,750.00
2008 Sr. Citizens And Vet.			
Ded. Allowed by Collector	A-7		<u>1,000.00</u>
			<u>63,000.00</u>
			66,191.94
Decreased by:			
Collected	A- 4		62,302.74
2008 Sr. Citizens and Vet.			
Ded. Disallowed by Collector 2009	A- 7		1,250.00
Ded. Disallowed by Collector 2008	A- 1		<u>750.00</u>
			<u>64,302.74</u>
Balance - December 31, 2009	A	\$	<u><u>1,889.20</u></u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2009 Taxes</u>			
Per Tax Billings	A- 7	\$	59,250.00
Allowed (Disallowed) by Tax Collector (Net)	A- 7		<u>1,500.00</u>
	A-7	\$	<u><u>60,750.00</u></u>

CURRENT FUND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

19,392.25									
	Ref	CY 10	CY 09	Prior Years	Delinquent	Arrears	Tax	Property	
	A	Prepaid	Current				Liens	Acquired	
								for Taxes	
Balance 12/31/2008	\$	702,961.52	\$	(92,500.84)	\$	\$	102,263.07	\$	97,100.00
Billing / Levy									
Original Levy	Res	16,134,107.55	16,134,107.55						
Added & Omitted	Res								
Added by Assessor	Res	19,392.21	19,392.21						
Year End Penalty	Res								
TTL Interest & Costs	Res								
Remitted/Canceled Taxes	Res	(46,537.98)	(46,537.98)	(1,636.47)					
Transfers									
Tax Lien	Res	660.24		(2,372.47)			10,405.38		
Tax Sale and Adjustments	Res						660.24		
Arrears	A-1								
Adjustments									
Property Acquired for Tax									
Adjustments									
Revenue									
Sr Citizens & Vets	A-6	(59,250.00)	(59,250.00)	750.00					
Original Levy	A-6	(750.00)	(1,500.00)						
Allowed/Disallowed									
State Audit Adjustment	A-4	(15,963,949.64)	(15,297,603.28)	(593,592.53)			(2,451.18)		
Cash Receipts	A-12	2,704.48	3,615.19	752.18					
Transfer from Overpayments									
Prepaid Applied			(92,500.84)						
Balance 12/31/2009	\$	789,338.38	\$	(71,985.54)	\$	\$	110,877.51	\$	97,100.00
Analysis of 2009 Property Tax Levy									
Tax Yield	Ref								
General Purpose Tax	Ref	16,007,521.00	16,007,521.00	8,419,849.50					60,750.00
Special District Taxes	A-13	126,586.55	126,586.55	1,848,414.64					15,297,603.28
Added Taxes	A-13			121,380.25					92,500.84
	A-13			190,022.00					(1,615.19)
	A-13			123,000.00					15,447,238.93
	A-13			10,704,666.39					619,259.08
	A-2			5,423,497.08					16,066,498.01
	A-2			5,944.08					(10,704,666.39)
	A-2			16,134,107.55					5,161,811.62

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

	12/31/08	Accrued/ Adjustments	Cash Receipts	12/31/09
<b>Revenue Accounts Receivable:</b>				
Licenses:				
Alcoholic Beverages		\$ 33,454.63	\$ (33,454.63)	
Other		2,813.00	(2,813.00)	
Fees and Permits				
Construction Code Fees	\$ 3,601.00	65,086.00	(60,599.00)	8,088.00
Other	-	121,743.25	(121,743.25)	-
Fines and Costs - Municipal Court	21,339.31	290,909.46	(288,387.19)	23,861.58
Interest and Costs on Taxes		141,759.95	(141,759.95)	
Interest on Deposits		6,283.11	(6,283.11)	
Anticipated Utility Surplus				
Cable Television Fees		23,994.00	(23,994.00)	
Payment in Lieu of Taxes:				
Senior Citizen Housing		236,558.89	(236,558.89)	
Bethany Manor Annex		70,927.00	(70,927.00)	
Reserve for Debt Service - Capital		10,000.00	(10,000.00)	
Extraordinary Aid				
Consolidated Municipal Property Tax Relief Aid		309,739.00	(309,739.00)	
Municipal Efficiency Promo Aid Program				
Energy Receipts Tax		576,329.00	(576,329.00)	
Supplemental Energy Receipts Tax		12,076.00	(12,076.00)	
Municipal Homeland Security Assistance Aid				
Uniform Fire Safety Act		65,566.10	(65,566.10)	
Municipal Property Tax Assistance Aid				
Interfund Liquidation - Water/Sewer Operating				
General Capital Fund Balance		20,000.00	(20,000.00)	
	<u>24,940.31</u>	<u>1,987,239.39</u>	<u>(1,980,230.12)</u>	<u>31,949.58</u>
<b>Analysis of Miscellaneous Revenues:</b>				
	<u>Ref.</u>	<u>A</u>	<u>Reserve</u>	<u>A</u>
Account Receivable Collections	A-2, A-4		\$ 24,940.31	
Current Year Collections	A-2, A-4		<u>1,955,289.81</u>	
Subtotal	A-2, A-4		1,980,230.12	
Grants Realized - Grant Fund	A-16		<u>250,766.80</u>	
Total Miscellaneous Revenues Realized	A-2		<u>\$ 2,230,996.92</u>	

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

Miscellaneous Revenues Not Anticipated:

Photocopies	\$ 721.00
Tire Recycling	30.00
Scrap Metal Recycling	1,944.60
Post Office Land Rent	1,375.00
NSF Charges	280.00
Miscellaneous	679.21
Film Permit Application	500.00
Restitution	174.23
Postage	11.15
Senior Citizen & Veteran Administrative Fee	1,246.05
Board of Health	3,080.00
NJ DMV Inspections	14,250.00
Void Municipal Court O/S Checks	131.50
Prior Year Reimbursements	11,003.58
Fire Arms Report	67.00
Fingerprinting	202.00
Miscellaneous - UCC	2,785.00
CBS Outdoor Billboard Lease	9,000.00
CBS Outdoor - 15% Sales Rent	6,119.67
Bid Specs	675.00
Verizon FIOS Fee	5,866.21
Borough Developer Review/Inspection	168.00
Central Jersey Health Insurance Dividend	7,480.14
Rental - Senior Center	100.00
Prior Year Library Reimbursement - Workers Comp, Pension, Loan	23,422.50
Current Year Library Reimbursement - Loan	12,059.25
Hybrid Rebate	4,000.00
Auction - Municipal Property	4,425.00
Duplicate Tax Sale Certificate Fee	300.00

<u>Ref.</u>	A-1, A-2, A-4	<u>\$ 112,096.09</u>
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SCHEDULE OF DEFERRED CHARGES

	<u>Date Authorized</u>	<u>BALANCE DEC. 31, 2008</u>	<u>RAISED IN 2009 BUDGET</u>	<u>AMOUNT RESULTING IN 2009</u>	<u>BALANCE DEC. 31, 2009</u>
Special Emergency Revision of Tax Map/Revaluation	5/16/06	150,000.00	50,000.00		\$ 100,000.00
		<u>\$ 150,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ -</u>	<u>\$ 100,000.00</u>
	<u>Ref.</u>	A	A-3	A-3	A

CURRENT FUND  
SCHEDULE OF INTERFUNDS

	12/31/08	Cash Receipts	Cash Disbursements	Budget Revenues	Budget Appropriations	Adjustments	12/31/09
<b>Interfunds</b>							
General Capital Fund.....	\$ 613.04	\$ 430,000.00	\$ (480,918.33)	-		\$ 50,000.00	\$ (305.29)
Water and Sewer Operating Fund.....		5,246.28	(5,246.28)				
Grant Fund.....	(16,253.74)			\$ (250,766.80)	\$ 388,235.80	(93,938.97)	27,276.29
Trust - Other Fund.....	39.37	210,800.00	(210,902.73)	-			(63.36)
<b>Total.....</b>	<b>\$ (15,601.33)</b>	<b>\$ 646,046.28</b>	<b>\$ (697,067.34)</b>	<b>\$ (250,766.80)</b>	<b>\$ 388,235.80</b>	<b>\$ (43,938.97)</b>	<b>\$ 26,907.64</b>
	<u>Ref</u>	<u>A</u>	<u>A-4</u>	<u>A-2</u>	<u>A-3</u>		<u>A</u>
Receivables	\$ (16,214.37)					\$ (368.65)	
Payables	<u>613.04</u>					<u>27,276.29</u>	
	<b>\$ (15,601.33)</b>					<b>\$ 26,907.64</b>	

Special Emergency Note Payable	A-15	50,000.00
Grants Appropriations Cancelled	A-1	(7.68)
Grant Revenue Deposited in Current Fund	A-4, A-16	322,138.54
Grant Expenditures Paid in Current Fund	A-4, A-18	(416,069.83)
		<u>\$ (43,938.97)</u>

SCHEDULE OF 2008 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2008	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
<b>Operations Within "CAPS"</b>				
Salaries and Wages:	\$	\$	\$	\$
Administrative and Executive	2,949.99	2,949.99	1,920.00	1,029.99
Mayor and Council	43.75	43.75		43.75
Municipal Clerk	1,502.33	1,602.33	1,000.00	602.33
Financial Administration	1,555.37	1,755.37	1,355.27	400.10
Collection of Taxes	2,655.17	2,655.17	2,500.97	154.20
Assessment of Taxes	784.00	784.00	700.00	84.00
Planning/Zoning Board	183.20	183.20		183.20
Property Maintenance Code	0.08	0.08		0.08
Police Department	114,043.35	112,043.35	85,740.45	26,302.90
Uniform Fire Safety Act	4,431.50	4,431.50		4,431.50
Municipal Prosecutor	1,270.80	1,270.80		1,270.80
Municipal Court	4,014.77	4,014.77	4,000.00	14.77
Public Defender	534.00	534.00		534.00
Road Repairs and Maintenance	68,475.20	68,475.20	4,300.64	64,174.56
Garbage and Trash Removal	1,814.67	1,814.67	775.43	1,039.24
Blood Borne Pathogens - Hepatitis B	63.06	63.06		63.06
Board of Health	187.71	187.71	178.16	9.55
Recreation	2.16	2.16		2.16
Senior Citizen Community Center	4.00	4.00		4.00
Accumulated Leave Compensation	36.00	36.00		36.00
State Uniform Construction Code Officials	2,561.13	3,561.13	664.65	2,896.48
Salary and Wage Adjustments	18,000.00			
<b>Total Salaries and Wages - Within "CAPS"</b>	<b>225,112.24</b>	<b>206,412.24</b>	<b>103,135.57</b>	<b>103,276.67</b>
<b>Other Expenses:</b>				
Administrative and Executive	3,896.58	896.58	268.09	628.49
Mayor and Council	2,162.56	2,162.56	128.95	2,033.61
Municipal Clerk	3,123.12	3,123.12	2,592.46	530.66
Revision & Codification of Ordinance	2,500.00	2,500.00		2,500.00
Financial Administration	1,702.11	1,702.11	106.88	1,595.23



SCHEDULE OF 2008 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2008</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operations Within "CAPS"				
Other Expenses (cont'd):				
Collection of Taxes	1,851.22	1,851.22	1,585.39	265.83
Assessment of Taxes	1,465.64	1,465.64	352.97	1,112.67
Legal Services	14,410.08	19,410.08	17,241.77	2,168.31
Environmental Commission	50.00	50.00		50.00
Engineering Services	3,170.81	6,170.81	1,675.28	4,495.53
Keyport Historical Society Contracted	1,000.00	1,000.00		1,000.00
Planning/Zoning Board	1,896.87	3,896.87	3,419.56	477.31
Revision of Master Plan	100.00	100.00		100.00
Property Maintenance Code	838.21	838.21		838.21
Liability Insurance	3,386.40	386.40		386.40
Workmen's Compensation	1,616.00	616.00		616.00
Employee Group Insurance	1,682.57	1,682.57		1,682.57
Police Department	35,480.97	39,480.97	38,304.50	1,176.47
Police Clothing Allowance	4,422.34	4,422.34	2,885.58	1,536.76
Emergency Management Service	1,067.06	1,067.06	830.36	236.70
Aid to Volunteer Fire Companies	3,260.00	3,260.00	2,760.00	500.00
First Aid Contributions	537.48	537.48	21.75	515.73
Fire Department	21,853.17	21,853.17	21,740.31	112.86
Uniform Fire Safety Act	21,090.56	21,090.56	6,493.94	14,596.62
Municipal Court	1,378.02	1,378.02	1,347.11	30.91
Public Defender	100.00	100.00		100.00
Road Repairs and Maintenance	27,686.54	15,686.54	11,898.38	3,788.16
Garbage and Trash Removal	10,982.16	10,982.16	4,550.45	6,431.71
Garbage and Trash Removal - Contracted (40A:4-85)	26,878.87	23,878.87	23,250.00	628.87
Public Buildings and Grounds	6,082.20	6,082.20	2,415.89	3,666.31
Blood Borne Pathogens - Hepatitis B	2,200.00	2,200.00		2,200.00
Board of Health	2,099.59	2,099.59	438.12	1,661.47
Bayshore Youth Services Bureau	250.00	250.00	250.00	
Recreation	4,776.84	4,776.84	581.67	4,195.17
Senior Citizen Community Center	3,092.20	3,092.20	2,018.74	1,073.46

SCHEDULE OF 2008 APPROPRIATION RESERVES

	<u>BALANCE DEC. 31, 2008</u>	<u>AMOUNT AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operations Within "CAPS"				
Other Expenses (cont'd):				
Senior Citizen Transportation Contracted	1,287.36	1,587.36	1,494.72	92.64
Parks and Playgrounds	1,910.07	1,910.07		1,910.07
Celebration of Public Events	125.00	125.00		125.00
Postage	2,287.54	2,287.54		2,287.54
State Uniform Construction Code Officials	1,824.13	1,824.13	1,743.43	80.70
Fuel for Motor Vehicles	4,400.68	4,400.68	3,975.23	425.45
Telephone	5,513.37	5,513.37	2,476.45	3,036.92
Street Lighting	14,721.02	12,721.02	11,857.01	864.01
Fuel Oil	1,287.45	1,287.45		1,287.45
Natural Gas	8,862.65	11,262.65	11,218.13	44.52
Electricity	18,181.20	8,181.20	5,334.30	2,846.90
Landfill Disposal Costs	31,591.38	67,591.38	67,302.67	288.71
Contingent	500.00	500.00		500.00
Contribution to Social Security Systems (O.A.S.I.)	9,691.80	9,691.80	2,000.00	7,691.80
Pension Adjustment Fund	9.36	9.36		9.36
Total Other Expenses - Within "CAPS"	320,283.18	338,983.18	254,560.09	84,423.09
Total Appropriation Reserves - Within "CAPS"	545,395.42	545,395.42	357,695.66	187,699.76
Operations Excluded from "CAPS"				
Other Expenses:				
Maintenance of Free Public Library (P.L. 1985, Ch 541)	36,100.30	36,100.30	36,100.30	
Municipal Services Act	84.40	84.40		84.40
Contributions to Police and Firemen's Retirement System				
Public Employees' Retirement System	572.96	572.96		572.96
911 Services (County of Monmouth)	2,043.00	2,043.00	540.00	1,503.00
Recycling (Hazlet)				

SCHEDULE OF 2008 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2008</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operations Excluded from "CAPS"				
Other Expenses (cont'd):				
Public Building & Grounds (Keyport Board of Education)	3,932.67	3,932.67	3,097.03	835.64
Monmouth County Regional Health II (P.L. 1975, Ch 329)	1,983.00	1,983.00		1,983.00
Acquisition of Leaf Dumpsters				
Total Other Expenses Excluded from "CAPS"	<u>44,716.33</u>	<u>44,716.33</u>	<u>39,737.33</u>	<u>4,979.00</u>
Total Appropriation Reserves - Excluded from "CAPS"	<u>44,716.33</u>	<u>44,716.33</u>	<u>39,737.33</u>	<u>4,979.00</u>
Total Appropriation Reserves	<u>\$ 590,111.75</u>	<u>\$ 590,111.75</u>	<u>\$ 397,432.99</u>	<u>\$ 192,678.76</u>
Ref.	A			A-1
2008 Appropriation Reserves	\$ 460,773.25			
Reserve for Encumbrances	<u>129,338.50</u>			
	<u>\$ 590,111.75</u>			
Cash Disbursements			305,732.99	
Accounts Payable			<u>91,700.00</u>	
			<u>397,432.99</u>	

CURRENT FUND  
SCHEDULE OF PROPERTY TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance - December 31, 2008.....	A	\$ -
Increased By:		
Transfer from Taxes Receivable	A-4	2,704.48
Balance - December 31, 2009.....	A	<u>\$ 2,704.48</u>

CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

	12/31/08	Taxes Levied	Cash Disbursements	Adjustments	12/31/09
County Taxes Payable.....		\$ 1,969,794.89	\$ (1,969,794.89)		
County - Added and Omitted.....	\$ 10,299.89		(10,299.89)		\$ -
Municipal Open Space Tax Payable.....		190,022.00	(190,022.00)		
Local School District Taxes.....	3.50	8,419,849.50	(8,405,911.00)		13,942.00
Business Improvement District Taxes		125,000.00	(125,000.00)		
Total.....	\$ 10,303.39	\$ 10,704,666.39	\$ (10,701,027.78)	\$ -	\$ 13,942.00
<u>Ref.</u>	A	A-1, A-7	A-4	A-8	A

CURRENT FUND  
SCHEDULE OF VARIOUS ACCOUNTS PAYABLES & RESERVES

	12/31/08	Transfer from/(to) Budget	Cash Receipts	Cash Disbursements	Adjustments	12/31/09
Accounts Payable:						
Vendor Accounts Payable.....	\$ -	91,700.00			\$	91,700.00
Subtotal		91,700.00				91,700.00
Reserve for:						
Senior Programs.....	25,490.44		41,534.03	(37,771.75)		29,252.72
Codification of Ordinances.....						
Tax Appeals.....	95,000.00			(94,046.50)	(953.50)	
Reserve for Tax Map/Revaluation.....	119,654.49			(87,386.15)		32,268.34
Subtotal	240,144.93		41,534.03	(219,204.40)	(953.50)	61,521.06
Total.....	\$ 240,144.93	\$ 91,700.00	\$ 41,534.03	\$ (219,204.40)	\$ (953.50)	\$ 153,221.06
Ref:	A	A-11	A-4	A-4	A-1	A

SCHEDULE OF SPECIAL EMERGENCY NOTE PAYABLE

ORD# NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2008	INCREASE	DECREASE	BALANCE DEC. 31, 2009
8-06	Revision of Tax Map/Revaluation	12/20/06	12/20/06	12/20/07	0.00%	\$ 150,000.00		\$ 50,000.00	\$ 100,000.00
						<u>\$ 150,000.00</u>	<u>\$ -</u>	<u>\$ 50,000.00</u>	<u>\$ 100,000.00</u>
						A	A-3	A	
		<u>Ref.</u>							

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

Exhibit - A-16

GRANT	2009 BUDGET				
	BALANCE DEC. 31, 2008	REVENUE REALIZED	COLLECTED 2009	UNAPPROPRIATED REALIZED	BALANCE DEC. 31, 2009
Municipal Drug Alliance Grant	\$ 17,461.00	\$ 26,704.00	\$ 31,554.00	\$	12,611.00
Office on Aging	36,000.00	36,000.00	36,000.00		36,000.00
Safe and Secure Communities Program	14,691.00	28,202.00	26,790.00		16,103.00
Federal Bulletproof Vest Program	15,992.26				15,992.26
Neighborhood Housing Rehabilitation - 2009		100,000.00	6,475.00		93,525.00
NJ DEP Hazardous Discharge Site Remediation					
US Homeland Security Grant					
Recycling Tonage Grant		5,025.40		5,025.40	
Body Armor Replacement Grant		1,852.13		1,852.13	
Drunk Driving Enforcement Fund		8,523.16	8,523.16		
Clean Communities		12,121.87	12,121.87		22.15
Alcohol Education and Rehabilitation		4,338.24	4,316.09		
Municipal Stormwater Regulation Program					
NJ Treasury - Senior Center Sidewalks					
Monmouth Cty Open Space - Therese Ave Park	60,000.00		53,000.00		7,000.00
Monmouth Cty Open Space - Beach Park	42,000.00		42,000.00		
DWJ Saturation Patrol Grant	1,450.00	18,000.00	8,000.00		11,450.00
Community Forestry Management Plan	3,000.00				3,000.00
Neighborhood Preservation - Balanced Housing	90,143.00		69,170.24		20,972.76
NJ Hwy Safety - Over Limit Year End Crackdown	5,000.00		5,000.00		
NJ Hwy Safety - Click it or Ticket		4,000.00	4,000.00		
NJ Hwy Safety - Over the Limit Under Arrest		6,000.00	6,000.00		
	<u>\$ 285,737.26</u>	<u>\$ 250,766.80</u>	<u>\$ 312,950.36</u>	<u>\$ 6,877.53</u>	<u>\$ 216,676.17</u>
Ref.	A	A-2, A-17	A-4	A-19	A
2005 Budgeted Revenues	\$	250,766.80			
N.J.S.A. 40A:4-87 Revenues					
	\$	<u>250,766.80</u>			



SCHEDULE OF DUE CURRENT FUND  
GRANT FUND

	<u>Ref.</u>		
Balance December 31, 2008 - Due To	A	\$	16,253.74
Increased By:			
Grant Appropriations Cancelled	A-18	\$	7.68
2008 Budget Revenue	A-16		250,766.80
Grant Expenditures Paid in Current Fund	A-18		<u>95,340.54</u>
			346,115.02
Decreased By:			
Close Grant Fund Account to Current Fund	A-4		
2009 Budget Appropriations	A-18		388,235.80
Cash Transfer - Local Match	A-4		
Grant Revenue Deposited in Current Fund	A-16,A-19		<u>1,409.25</u>
			<u>389,645.05</u>
Balance December 31, 2009 - Due From	A	\$	<u>(27,276.29)</u>



SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS  
UNAPPROPRIATED GRANT FUND

<u>GRANTS</u>	<u>BALANCE DEC. 31, 2008</u>	<u>RECEIPTS</u>	<u>APPLIED TO STATE &amp; FED GRANTS RECEIVABLE</u>	<u>BALANCE DEC. 31, 2009</u>
Alcohol Education and Rehab. Program				\$ -
Recycling Tonnage Grant	5,025.40	9,188.18	5,025.40	9,188.18
Body Armor Replacement Grant	1,852.13		1,852.13	
Clean Communities Grant	-			
	<u>\$ 6,877.53</u>	<u>\$ 9,188.18</u>	<u>\$ 6,877.53</u>	<u>\$ 9,188.18</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, 2008		\$ 3,207.17	\$ 613,490.05	\$ 34,972.21
Increased by Receipts:				
Animal Control Fees	B-2	\$ 4,473.00		
Budget Appropriation	B-2	16,000.00		
Due from Board of Health	B	7.00		
Due from State of NJ	B	1.20		
Interfunds	B-4		\$419.39	
Receipts of Various Trust Fund				
Deposits & Reserves	B-5		676,084.24	190,022.00
Tax Levy	B-6			221.11
Interest on Deposits/Miscellaneous	B-6			
State Fees	B-3		1,025.00	
		20,481.20	677,528.63	190,243.11
Decreased by Disbursements:				
Expenditures for Animal Control	B-2	17,732.50		
Expenditures for Open Space	B-6			
Interfunds	B-4		316.66	90,753.47
Due to the State of New Jersey	B-3		1,215.00	
Disbursements of Various Trust Fund				
Deposits & Reserves	B-5		484,316.42	
		17,732.50	485,848.08	90,753.47
Balance - December 31, 2009		\$ 5,955.87	\$ 805,170.60	\$ 134,461.85

ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2008	B	\$	3,215.37
Increased by:			
Dog and Cat Licenses	B-1	\$	4,473.00
Budget Appropriation	B-1		16,000.00
Due from Board of Health	Res.		
Due from State of NJ	Res.		
			<u>20,473.00</u>
			23,688.37
Decreased by:			
Expenditures	B-1		<u>17,732.50</u>
Balance December 31, 2009	B	\$	<u><u>5,955.87</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2008	B	\$	465.00
Increased by:			
State Fees Collected	B-1		<u>1,025.00</u>
			1,490.00
Decreased by:			
Payments to State of New Jersey	B-1		<u>1,215.00</u>
Balance December 31, 2009	B	\$	<u><u>275.00</u></u>

OTHER TRUST FUNDS  
DUE CURRENT FUND

Ref.

Balance December 31, 2008 ( Due from )	B	\$ (39.37)
Increased by:		
Cash Receipts	B-1	<u>419.39</u>
		380.02
Decreased by:		
Cash Disbursements	B-1	<u>316.66</u>
Balance December 31, 2009 ( Due to )	B	<u>\$ 63.36</u>

OTHER TRUST FUNDS  
SCHEDULE OF TRUST FUND DEPOSITS AND RESERVES

	Balance December 31, 2008	Cash..... Receipts	Disbursements	Balance December 31, 2009
Cellular Tower Lease	\$ 6,267.02			\$ 6,267.02
Premium on Tax Sale	72,902.00	\$ 210,500.00	\$ 41,302.00	242,100.00
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	38,924.00	840.00		39,764.00
POAA	2,023.91	322.00	149.39	2,196.52
Public Defender Fees	7,129.75	5,806.00	4,700.00	8,235.75
Municipal Drug Alliance	6,843.50		424.40	6,419.10
Tax Title Lien Redemptions	1,932.73	290,288.61	292,221.34	(0.00)
Construction Debris Deposits	10,103.00	1,200.00	600.00	10,703.00
Material Disposition	350.00			350.00
Law Enforcement Trust	6,132.81	2,569.60	4,973.36	3,729.05
Developer's Escrow Deposits	315,061.07	38,582.51	31,659.12	321,984.46
Bayfront Improvements	36,967.23	56,264.63	46,829.46	46,402.40
Recreation Commission	12,105.52	17,617.95	11,229.82	18,493.65
Unemployment	21,618.63	19,220.84	22,899.87	17,939.60
Donations - Maint. & Beautification	2,488.88	3,107.10	2,281.03	3,314.95
Reserve for Recreation Events	12,913.23	29,765.00	25,046.63	17,631.60
Total	\$ 613,064.42	\$ 676,084.24	\$ 484,316.42	\$ 804,832.24
<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, 2008	B		\$ 13,424.28
Increased by:			
Res. For Encumbrances - Beg.	B	21,547.93	
Cash Receipts	B-1	<u>190,243.08</u>	
			<u>211,791.01</u>
			225,215.29
Decreased by:			
Res. For Encumbrances - Beg.	B	15,660.00	
Cash Disbursement	B-1	<u>90,753.47</u>	
			<u>106,413.47</u>
Balance December 31, 2009	B		<u><u>\$ 118,801.82</u></u>

## GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL FUND CASH  
AND INVESTMENTS - TREASURER

	<u>REF.</u>		
Balance - December 31, 2008	C	\$	1,109,355.63
Increased by Receipts:			
Budget Appropriations - Note Paydowns	C-6	188,700.00	
Interfunds	C-7	707,925.97	
Various Reserves	C-12	2,109.46	
Reimbursement Improvement Authorizations	C-8	178,600.00	
Proceeds from Sale of Bond Anticip. Notes	C-10	<u>7,068,300.00</u>	
			<u>8,145,635.43</u>
			9,254,991.06
Decreased by Disbursements:			
Improvement Authorizations	C-8	2,199,295.60	
Interfunds	C-7	657,007.64	
Anticipated as Current Revenue	C-1	20,000.00	
Various Reserves	C-12	10,000.00	
Redemption of Bond Anticip. Notes	C-10	<u>5,476,000.00</u>	
			<u>8,362,303.24</u>
Balance - December 31, 2009	C, C-3	<u>\$</u>	<u>892,687.82</u>
Cash & Investments	C	\$	892,687.82
Investment in Special Emergency Note	C	<u>100,000.00</u>	
		<u>\$</u>	<u>992,687.82</u>

GENERAL CAPITAL  
SCHEDULE OF ANALYSIS OF CASH

Ord.	Description	Ref	Deferred Charges	Ordinance Balance	Notes Outstanding	Other	Cash Balance
21-96, 06-04	Improvements to Various Roads.....	\$	(58,500.00)		\$ 58,500.00		\$ -
12-03	Related Expenses.....		(913,000.00)	116,460.08	913,000.00		116,460.08
10-01	Various Capital Improvements.....			75.30			75.30
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles.....		(100.00)				
32-02	Road Improvements.....			2,891.15			2,791.15
8-03, 5-04	Improvements to Therese Street.....		(398,500.00)	17,238.34			17,238.34
15-03	Construction of a Public Works Complex.....		(803,500.00)	42,065.64	358,500.00		2,065.64
20-03, 12-04	Improvements to Atlantic Street.....		(504,000.00)	706,986.16	93,000.00		(3,513.84)
26-03	Various 2003 Capital Improvements.....		(134,760.00)	147,843.31	404,000.00		47,843.31
28-03	Improvements to Benjamin Terry Park Bulkhead.....		(86,000.00)	16,957.12	134,500.00		16,697.12
11-04	Replacement of William A. Ralph Pier.....		(376,000.00)	54,185.19	32,000.00		185.19
14-04, 22-05	Construction of Waterfront Park.....		(1,253,000.00)	58,497.97	376,000.00		58,497.97
08-05	Reconstruction of Third Street.....		(352,873.00)	157,105.58	1,253,000.00		157,105.58
25-05, 04-06	Replacement of Borough Hall Roof.....		(416,200.00)	49,552.41	352,800.00		49,479.41
27-05	Preliminary Planning for Redevelopment Project.....		(137,500.00)	96,823.50	316,200.00		(3,176.50)
09-06	Reconstruction of Warren St & Colucco Place & Drainage Impts to Green Grove Ave.....			17,640.81	137,500.00		17,640.81
07-07	Improvements to Cedar Street.....		(359,300.00)	767.10	359,300.00		767.10
09-08	Improvements Beers Street.....		(243,000.00)	44,911.56	243,000.00		44,911.56
23-08	Waterfront Park and Related Improvements.....		(300,000.00)	1,801.08	300,000.00		1,801.08
25-08	Various Capital Improvements.....		(1,325,000.00)	105,311.65	825,000.00		(394,688.35)
2-09	Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug.....		(308,000.00)	66,707.75	308,000.00		66,707.75
	Reserve for Encumbrances.....	C-8	(598,000.00)	114,252.11	598,000.00		114,252.11
	Investment in Special Emergency Note.....	C		1,864,286.38			1,864,286.38
	Excess BAN Cash.....	C-6			6,000.00	(100,000.00)	(100,000.00)
	State & Federal Grants Receivable.....	C-4				(1,422,114.00)	6,000.00
	Due from Current Fund.....	C-7				305.29	(1,422,114.00)
	Capital Improvement Fund.....	C-11				41,948.69	305.29
	Fund Balance.....	C-1				17,556.89	41,948.69
	Reserve for:						17,556.89
	Pay Debt Service.....	C-12				104,701.02	104,701.02
	Drainage Improvements.....	C-12				11,496.00	11,496.00
	State of N.J. DEP Grant Receivable.....	C-12					
	Infrastructure Improvements.....	C-12				55,366.74	-
Total.....		Ref.	\$ (8,567,233.00)	\$ 3,682,360.19	\$ 7,068,300.00	\$ (1,290,739.37)	\$ 892,687.82
			C,C-6	C,C-8	C,C-10		C,C-2

SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

	Ordinance Number	Balance December 31, 2008	Increases	Balance December 31, 2009
State & Federal Grant Receivables:				
State of NJ DOT:				
Beers Street Improvements	09-08	\$ 175,000.00	\$	175,000.00
Rte. 35/36 Jughandle Improvements	02-09		410,000.00	410,000.00
Beers Street Phase II	02-09		225,000.00	225,000.00
Subtotal		<u>175,000.00</u>	<u>635,000.00</u>	<u>810,000.00</u>
State of NJ DEP:				
Replacement of William A. Ralph Pier	11-04	100,102.34		100,102.34
Waterfront Park and Related Improvements - Grants	23-08,09-09	425,000.00	299,375.00	724,375.00
Waterfront Park and Related Improvements - Loans	23-08		373,125.00	373,125.00
Subtotal		<u>525,102.34</u>	<u>672,500.00</u>	<u>1,197,602.34</u>
CDBG:				
Maple Place Streetscape	02-09		187,114.00	187,114.00
Subtotal			<u>187,114.00</u>	<u>187,114.00</u>
		\$ <u>700,102.34</u>	\$ <u>1,494,614.00</u>	\$ <u>2,194,716.34</u>
	<u>Ref.</u>	C	C-8	C
Improvement Authorizations Funded				
Reserve for State & Federal Grants, Loans and Other Receivables		\$	822,114.00	
	C-8		<u>672,500.00</u>	
	C-12	\$	<u>1,494,614.00</u>	

## SCHEDULE OF DEFERRED CHARGES - FUNDED

	<u>Ref.</u>	
Balance - December 31, 2008	C	\$ 5,769,068.00
Decreased by:		
Serial Bonds From Budget Appropriation	C-9	285,000.00
		<hr/>
Balance - December 31, 2009	C	<u>\$ 5,484,068.00</u>

## SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ANALYSIS OF BALANCE  
DECEMBER 31, 2009

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2008	2009 AUTHOR.	2009 FUNDING	BALANCE DEC. 31, 2009	BOND ANTICIPATION NOTES	EXPENDED	UNEXPENDED BALANCE IMPROV. AUTHOR.
General Improvements:								
21-96	Improvements to Various Roads	\$ 60,500.00	\$	2,000.00	\$ 58,500.00	\$	\$	
21-99, 23-00	Construction of Municipal Building and							
12-03	Other Related Expenses	926,000.00		13,000.00	913,000.00			
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	408,500.00		10,000.00	398,500.00	358,500.00		40,000.00
15-03	Construction of a Public Works Complex	805,500.00		2,000.00	803,500.00	93,000.00	3,513.84	706,986.16
20-03, 12-04	Improvements to Atlantic Street	516,000.00		12,000.00	504,000.00	404,000.00		100,000.00
26-03	Various 2003 Capital Improvements	144,760.00		10,000.00	134,760.00	134,500.00		260.00
28-03	Improvements to Benjamin Terry Park							
	Bulkhead	89,000.00		3,000.00	86,000.00	32,000.00		54,000.00
11-04	Replacement of William A. Ralph Pier	421,000.00		45,000.00	376,000.00	376,000.00		
14-04, 22-05	Construction of Waterfront Park	1,299,000.00		46,000.00	1,253,000.00	1,253,000.00		
08-05	Reconstruction of Third Street	372,573.00		19,700.00	352,873.00	352,800.00		73.00
25-05, 04-06	Replacement of Borough Hall Roof	427,500.00		11,300.00	416,200.00	316,200.00	3,176.50	96,823.50
27-05	Preliminary Planning for Redevelopment Project	142,500.00		5,000.00	137,500.00	137,500.00		
09-06, 17-08,	Reconstruction of Warren St & Coluco Place							
18-08	& Drainage Impits to Green Grove Ave.	369,000.00		9,700.00	359,300.00	359,300.00		
07-07	Improvements to Cedar Street	243,000.00			243,000.00	243,000.00		
09-08	Beers Street Improvement	300,000.00			300,000.00	300,000.00		
23-08	Waterfront Park and Related Improvements	825,000.00	500,000.00		1,325,000.00	825,000.00	394,688.35	105,311.65
25-08	Various Capital Improvements	308,000.00			308,000.00	308,000.00		
2-09	Various Capital Improvements - Beers II,							
	Maple Pl, 35/36 Jug		598,000.00		598,000.00	598,000.00		
		\$ 7,657,933.00	\$ 1,098,000.00	\$ 188,700.00	\$ 8,567,233.00	\$ 7,062,300.00	\$ 401,378.69	\$ 1,103,554.31

Ref

C

C-8

C-2

C

Excess Note Cash - Ord. No. 18-08

\$

6,000.00

Bond Anticipation Notes Outstanding December 31, 2009

\$

7,068,300.00

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

## Improvement Authorization Balance - Unfunded:

## Less: Unexpended BAN Cash

Ord #	12-03		
Ord #	05-04	(116,460.08)	
Ord #	12-04	(2,065.64)	
Ord #	28-03	(47,843.31)	
Ord #	11-04	(185.19)	
Ord #	14-04, 22-05	(58,497.97)	
Ord #	8-05, 22-07	(157,105.58)	
Ord #	27-05	(49,479.41)	
Ord #	18-08	(17,640.81)	
Ord #	07-07	(767.10)	
Ord #	09-08	(44,911.56)	
Ord #	25-08	(1,801.08)	
Ord #	02-09	(66,707.75)	
		<u>(114,252.11)</u>	
		\$ 1,781,271.90	
			\$ <u><u>1,103,554.31</u></u>



SCHEDULE OF INTERFUNDS  
GENERAL CAPITAL FUND

	BALANCE DEC. 31, 2008	INCREASES	DECREASES	BALANCE DEC. 31, 2009
Due Current Fund	\$ (613.04)	\$ 707,925.97	\$ 707,007.64	305.29
Due Water & Sewer Operating Fund		95,336.72	95,336.72	
Due Water & Sewer Capital Fund		1,651,600.00	1,651,600.00	
Open Space Trust Fund		1,736,187.74	1,736,187.74	
	<u>\$ (546.57)</u>	<u>\$ 4,191,050.43</u>	<u>\$ 4,190,132.10</u>	<u>\$ 305.29</u>
Ref.	C			C
Receivables	\$ (613.04)			305.29
Payables	<u>-</u>			<u>\$ 305.29</u>
	<u>\$ (5,376.39)</u>			<u>\$ 305.29</u>
Investment in Special Emergency Note			50,000.00	
Cash Receipts		707,925.97		
Cash Disbursements			657,007.64	
Interfunds - Contra		3,483,124.46	3,483,124.46	
	<u>\$ 4,191,050.43</u>	<u>\$ 4,190,132.10</u>		



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SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit - C-10

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2008	INCREASE	DECREASE	BALANCE DEC. 31, 2009
08-03, 05-04	Improvements to Therese Street	2/17/04	8/6/09	8/5/10	1.650%	\$ 368,500.00	\$ 358,500.00	\$ 368,500.00	\$ 358,500.00
12-03	Construction of Municipal Building	2/17/04	8/6/09	8/5/10	1.650%	926,000.00	913,000.00	926,000.00	913,000.00
15-03	Construction of Public Works Complex	2/17/04	8/6/09	8/5/10	1.650%	45,000.00	93,000.00	45,000.00	93,000.00
20-03, 12-04	Improvements to Atlantic Street	2/17/04	8/6/09	8/5/10	1.650%	416,000.00	404,000.00	416,000.00	404,000.00
26-03	Various 2003 Capital Improvements	2/17/04	8/6/09	8/5/10	1.650%	144,500.00	134,500.00	144,500.00	134,500.00
28-03	Improvements to Benjamin Terry Park Bulkhead	2/17/04	8/6/09	8/5/10	1.650%	35,000.00	32,000.00	35,000.00	32,000.00
11-04	Replacement of William A. Ralph Pier	8/12/04	8/6/09	8/5/10	1.650%	421,000.00	376,000.00	421,000.00	376,000.00
21-06, 06-04	Improvements to Various Roads	8/12/04	8/6/09	8/5/10	1.650%	60,500.00	58,500.00	60,500.00	58,500.00
14-04, 22-05	Waterfront Park/Bulkhead Improvements	8/11/05 8/10/06	8/6/09 8/6/09	8/5/10 8/5/10	1.650% 1.650%	919,000.00 380,000.00	886,000.00 367,000.00	919,000.00 380,000.00	886,000.00 367,000.00
08-05	Reconstruction of Third Street	8/10/06	8/6/09	8/5/10	1.650%	372,500.00	352,800.00	372,500.00	352,800.00
25-05, 04-06	Replacement of Borough Hall Roof	8/10/06	8/6/09	8/5/10	1.650%	327,500.00	316,200.00	327,500.00	316,200.00
27-05	Preliminary Planning - Redevelopment	8/10/06	8/6/09	8/5/10	1.650%	142,500.00	137,500.00	142,500.00	137,500.00
09-06	Reconst. Warren Pl. & Colluco Pl. and Green Grove Drainage Impls	8/10/06	8/6/09	8/5/10	1.650%	375,000.00	365,300.00	375,000.00	365,300.00
07-07	Improvements to Cedar Street	8/9/07	8/6/09	8/5/10	1.650%	243,000.00	243,000.00	243,000.00	243,000.00
09-08	Improvements Beers Street	8/8/08	8/6/09	8/5/10	1.650%	300,000.00	300,000.00	300,000.00	300,000.00
23-08	Waterfront Park and Related Improvements	8/6/09	8/6/09	8/5/10	1.650%		825,000.00		825,000.00
25-08	Various Capital Improvements - Ambulance / PW Trucks	8/6/09	8/6/09	8/5/10	1.650%		308,000.00		308,000.00
02-09	Various Capital Improvements - Beers II, Maple Pl. 35/36 Jug	8/6/09	8/6/09	8/5/10	1.650%		598,000.00		598,000.00
						<u>\$ 5,476,000.00</u>	<u>\$ 7,068,300.00</u>	<u>\$ 5,476,000.00</u>	<u>\$ 7,068,300.00</u>

Ref.

C

C-2

C-2

C

SCHEDULE OF RESERVE FOR  
CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2008	C	\$ 46,834.69
Decreased by:		
Appropriated to Finance Improvement Authorizations	C - 8	<u>4,886.00</u>
Balance - December 31, 2009	C	<u>\$ 41,948.69</u>

SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2008	Increases (Decreases)	Balance December 31, 2009
Reserve for:			
Cash or Appropriated Reserves:			
Pay Debt Service	\$ 114,701.02	\$ (10,000.00)	\$ 104,701.02
Drainage Improvements	11,496.00		11,496.00
Reserve for Infrastructure Improvements	53,257.28	2,109.46	55,366.74
Subtotal	<u>179,454.30</u>	<u>(7,890.54)</u>	<u>171,563.76</u>
Grants, Loans & Other Receivables:			
State of NJ DEP:			
Waterfront Park and Related Improvements - Grants		299,375.00	299,375.00
Waterfront Park and Related Improvements - Loans		373,125.00	373,125.00
Replacement of William A. Ralph Pier	100,102.34		100,102.34
Subtotal	<u>100,102.34</u>	<u>672,500.00</u>	<u>772,602.34</u>
	<u>\$ 279,556.64</u>	<u>\$ 664,609.46</u>	<u>\$ 944,166.10</u>
	Ref.	C	C
Res. For State & Federal Grants & Loans	Res.		
Cash Receipts	C-2	\$ 672,500.00	
Cash Disbursements	C-2	2,109.46	
		<u>(10,000.00)</u>	
		\$ 664,609.46	

SCHEDULE OF GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Balance - December 31, 2008	C	<u>\$ 339,068.00</u>
Balance - December 31, 2009	C	<u><u>\$ 339,068.00</u></u>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BOND ANTICIPATION</u>			<u>BALANCE DEC. 31, 2009</u>
		<u>BALANCE DEC. 31, 2008</u>	<u>2009 AUTHOR.</u>	<u>NOTES BONDS ISSUED</u>	
	<u>General Improvements:</u>				
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00	\$	\$	100.00
08-03, 05-04 15-03	Improvements to Therese Street	40,000.00			40,000.00
20-03, 12-04 26-03	Construction of a Public Works Complex	760,500.00		50,000.00	710,500.00
28-03	Improvements to Atlantic Street	100,000.00			100,000.00
08-05	Various Capital Improvements	260.00			260.00
25-05, 04-06 09-08	Improvements to Benjamin Terry Park Bulkhead Reconstruction of Waterfront Park	54,000.00 73.00			54,000.00 73.00
23-08, 09-09 25-08	Replacement of Borough Hall Roof Improvements Beers Street	100,000.00			100,000.00
02-09	Waterfront Park and Related Improvements	825,000.00	500,000.00	825,000.00	500,000.00
	Various Capital Improvements	308,000.00		308,000.00	
	Various Road Improvements		598,000.00	598,000.00	
		<u>2,187,933.00</u>	<u>1,098,000.00</u>	<u>1,781,000.00</u>	<u>1,504,933.00</u>

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, 2008	D	\$ 230,802.33	\$ 172,024.80
Increased by Receipts:			
Consumer Accounts Receivable	D-8	\$ 3,042,187.83	
Consumer Account Overpayments	D-19	2,204.10	
Prepaid Consumer Accounts	D-20	241,138.20	
Miscellaneous Revenue	D-3	196,823.66	
Interfunds	D-11, D-12	100,000.00	
Proceeds from Sale of Bond Anticipation Notes	D-17		1,651,600.00
Refunds - Contra	Contra		57,000.00
		3,582,353.79	1,708,600.00
Decreased by Disbursements:			
Refund of Prior Years Revenues	D-1	4,963.48	
Budget Expenditures	D-4	3,204,285.67	
Appropriation Reserves	D-14	86,550.44	
Petty Cash Advanced			
Improvement Authorizations	D-18		61,198.15
Water and Sewer Overpayments Refunded			
Accrued Interest on Bonds, Notes and Loans	D-15	67,867.98	
Suspense Account			
Bond Anticipation Note Redeemed	D-17		1,651,600.00
Interfunds	D-11, D12		100,000.00
Refunds - Contra	Contra		57,000.00
		3,363,667.57	1,869,798.15
Balance - December 31, 2009	D	\$ 449,488.55	\$ 10,826.65

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....		(184,000.00)	7,770.78	\$ 184,000.00		\$ -
21-05	Perry Street Water Treatment Facility Upgrade.....		(1,033,600.00)	17,514.45	1,033,600.00		7,770.78
05-06	Cass Street Standpipe Painting Project.....		(584,000.00)	184,135.63	434,000.00		17,514.45
08-09	Sanitary Sewer System Upgrades		(1,600,000.00)	1,451,101.00			34,135.63
	Reserve for Encumbrances.....	D-9		146,161.54			(148,899.00)
	Due to Water and Sewer Operating Fund.....	D-11				\$ (100,000.00)	146,161.54
	Capital Improvement Fund.....	D-21				\$ 45,687.00	(100,000.00)
	Fund Balance.....	D-2				8,456.25	45,687.00
							8,456.25
Total.....			\$ (3,401,600.00)	\$ 1,806,683.40	\$ 1,651,600.00	\$ (45,856.75)	\$ 10,826.65
		Ref.	D-13	D-18	D-17	Var.	D, D-5

SCHEDULE OF ACCOUNTS PAYABLE  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ -
Increased By:		
Budget Appropriation	D-4	5,400.00
Balance - December 31, 2009	D	<u>\$ 5,400.00</u>

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>		
Balance - December 31, 2008	D		\$ 192,101.62
Increased by:			
Water and Sewer Utility Billings	Reserve		<u>3,064,706.56</u>
			3,256,808.18
Decreased by:			
Overpayments Applied	D-19	170.34	
Prepays Applied	D-20	6,120.77	
Collected	D-5	<u>3,042,187.83</u>	
			<u>3,048,478.94</u>
Balance - December 31, 2009	D		<u>\$ 208,329.24</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, 2008	D	\$ 105,024.30	\$ 56,852.09	\$ 48,172.21
Increased by:				
CY 2008 Reserve for Encumbrances	D-4, D-18	202,810.15	56,648.61	146,161.54
		307,834.45	113,500.70	194,333.75
Decreased by:				
Transferred to Approp. Res./Improv. Auth.	D-14, D-18	105,024.30	56,852.09	48,172.21
Balance - December 31, 2009	D	<u>\$ 202,810.15</u>	<u>\$ 56,648.61</u>	<u>\$ 146,161.54</u>

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

<u>ACCOUNT</u>	<u>BALANCE DECEMBER 31, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>BALANCE DECEMBER 31, 2009</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>\$ 3,674,005.39</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 3,674,005.39</u>
<u>Ref.</u>	D	-	-	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 INTERFUNDS  
WATER AND SEWER OPERATING FUND

	BALANCE DEC. 31, 2008	INCREASES	DECREASES	BALANCE DEC. 31, 2009
Due Water & Sewer Capital Fund	-	\$ 100,000.00		\$ 100,000.00
	<u>\$</u>	<u>\$ 100,000.00</u>	<u>\$ -</u>	<u>\$</u>
Payables	<u>\$ -</u>			<u>\$ 100,000.00</u>
	\$ -			\$ 100,000.00
Ref.				
Cash Receipts		<u>\$ 100,000.00</u>		
		<u>\$ 100,000.00</u>	<u>\$ -</u>	

SCHEDULE OF INTERFUNDS  
WATER AND SEWER CAPITAL FUND

	BALANCE DEC. 31, 2008	INCREASES	DECREASES	BALANCE DEC. 31, 2009
Due Water & Sewer Operating Fund	\$ -		100,000.00	\$ (100,000.00)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000.00</u>	<u>\$ -</u>
Payables	\$ -			\$ -
Receivables	<u>\$ -</u>			<u>(100,000.00)</u>
	\$ -			(\$100,000.00)
<u>Ref.</u>				
Interfunds - Contra:				
Cash Disbursements			<u>\$ 100,000.00</u>	
		<u>\$ -</u>	<u>\$ 100,000.00</u>	



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

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2008</u>	<u>AUTHORIZED 2009</u>	<u>BALANCE DEC. 31, 2009</u>
13-04	Various Improvements to Water Sewer System	\$ 250,000.00	\$	\$ 250,000.00
21-05	Perry Street Water Treatment Facility Upgrade	1,100,000.00		1,100,000.00
05-06	Cass Street Standpipe Painting Project	600,000.00		600,000.00
08-09	Sanitary Sewer System Upgrades USDA		1,600,000.00	1,600,000.00
		<u>\$ 1,950,000.00</u>	<u>\$ 1,600,000.00</u>	<u>\$ 3,550,000.00</u>
<u>Ref.</u>		D		D

SCHEDULE OF 2008 APPROPRIATION RESERVES  
WATER AND SEWER UTILITY OPERATING FUND

	<u>BALANCE</u> <u>DEC. 31, 2008</u>	<u>RESERVE FOR</u> <u>ENCUMBRANCES</u> <u>DEC. 31, 2008</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	\$ 37,881.66	\$	37,881.66	\$ 13,839.83	\$ 24,041.83
Other Expenses	33,926.65	16,852.09	50,778.74	36,487.74	14,291.00
Bayshore Regional Sewerage Authority	332.48		332.48		332.48
Acquisition of Water	6,512.81	40,000.00	46,512.81	41,222.87	5,289.94
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	6,907.40		6,907.40	400.00	6,507.40
	<u>\$ 85,561.00</u>	<u>\$ 56,852.09</u>	<u>\$ 142,413.09</u>	<u>\$ 91,950.44</u>	<u>\$ 50,462.65</u>
	<u>D</u>	<u>D</u>			<u>D-1</u>
Cash Disbursements				\$ 86,550.44	
Accounts Payable				<u>5,400.00</u>	
				<u>\$ 91,950.44</u>	

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

	<u>REF.</u>		
Balance - December 31, 2008	D	\$	28,805.77
Increased by:			
Accrued Interest Charged to:			
Budget Appropriations	D-4		61,124.41
			<hr/>
			89,930.18
Decreased by:			
Payment	D-5		67,867.98
			<hr/>
Balance - December 31, 2009	D, D-15	\$	<u>22,062.20</u>

Analysis of Balance - December 31, 2009:

<u>Principal Outstanding Dec. 31, 2009</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
1994 Refunding Bonds 430,000.00	5.625%	7/15	12/31	5.5 Mos.	\$ 11,085.94
Bond Anticipation Notes 1,651,600.00	1.650%	8/8	12/31	145 Days	10,976.26
					<hr/>
Total					<u>\$ 22,062.20</u>
				<u>REF.</u>	D-15

SCHEDULE OF SERIAL BONDS PAYABLE  
WATER AND SEWER UTILITY CAPITAL FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2009</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2008</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2009</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Water and Sewer Utility Refunding Bonds - Series 1994	7/1/94	1,315,000	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%	525,000.00	95,000.00	430,000.00
						<u>\$ 525,000.00</u>	<u>\$ 95,000.00</u>	<u>\$ 430,000.00</u>
			<u>Ref.</u>			D	D-22	D

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2008	INCREASE	DECREASE	BALANCE DEC. 31, 2009
13-04	Repair and Improvement to Water/Sewer System	8/11/05	8/6/09	8/5/10	1.650%	\$ 211,000.00	\$ 184,000.00	\$ 211,000.00	\$ 184,000.00
21-05	Perry Street Water Treatment Facility Upgrade	8/10/06	8/6/09	8/5/10	1.650%	1,047,600.00	1,033,600.00	1,047,600.00	1,033,600.00
05-06	Cass Street Standpipe Painting Project	8/10/06	8/6/09	8/5/10	1.650%	450,000.00	434,000.00	450,000.00	434,000.00
						<u>\$ 1,735,600.00</u>	<u>\$ 1,651,600.00</u>	<u>\$ 1,708,600.00</u>	<u>\$ 1,651,600.00</u>
						Ref.	D	D-5	D
						D-5			
						Contra			
						Notes Redeemed		\$ 1,651,600.00	
						Paid by Operating Fund		<u>57,000.00</u>	
								<u>\$ 1,708,600.00</u>	

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
WATER AND SEWER UTILITY CAPITAL FUND

ORD NO.	IMPROVEMENT DESCRIPTION	ORDINANCE DATE	AMOUNT	BALANCE - DEC. 31, 2008		2009 AUTHOR.	PAID OR CHARGED	RESERVE FOR ENCUMB. DEC. 31, 2009	BALANCE - DEC. 31, 2009	
				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	\$	\$	\$	\$	\$	\$	\$
13-04	Various Improvements to Water/Sewer System	08/03/04	250,000.00		7,864.15	121.17	214.54			7,770.78
21-05	Perry Street Water Treatment Facility Upgrade	10/18/05	1,100,000.00		27,489.33	47,792.62	57,767.50			17,514.45
05-06	Cass Street Standpipe Painting Project	03/07/06	600,000.00		184,355.86	258.42	478.65			184,135.63
08-09	Sanitary Sewer System Upgrades	09/01/09	1,600,000.00				2,737.46	146,161.54		1,451,101.00
			\$	\$	219,709.34	48,172.21	61,198.15	146,161.54	\$	1,660,521.86
			Ref	D	D	D, D-9	D-5	D - 9	D	D

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

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ 170.34
Increased by:		
Collections	D-5	<u>2,204.10</u>
		2,374.44
Decreased by:		
Applied water Sewer Rents Receivable	D-8	<u>170.34</u>
Balance - December 31, 2009	D	<u><u>\$ 2,204.10</u></u>

SCHEDULE OF PREPAID CONSUMER DEPOSITS  
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ 6,120.77
Increased by:		
Prepaid Rents Collected	D-5	<u>241,138.20</u>
		247,258.97
Decreased by:		
Prepays Applied	D-8	<u>6,120.77</u>
Balance - December 31, 2009	D	<u><u>\$ 241,138.20</u></u>

Exhibit - D-21

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

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ 45,687.00
Balance - December 31, 2009	D	<u>\$ 45,687.00</u>

Exhibit - D-22

SCHEDULE OF RESERVE FOR AMORTIZATION  
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ 3,149,005.39
Increased By:		
Serial Bonds Paid	D-16	<u>95,000.00</u>
Balance - December 31, 2009	D	<u>\$ 3,244,005.39</u>

Exhibit - D-23

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

	<u>REF.</u>	
Balance - December 31, 2008	D	\$ 91,400.00
Increased by:		
Operating Budget - Notes Paid	D-17	<u>57,000.00</u>
Balance - December 31, 2009	D	<u>\$ 148,400.00</u>



SCHEDULE OF BONDS AND NOTES  
AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2008</u>	<u>AUTHORIZED 2009</u>	<u>BALANCE DEC. 31, 2009</u>
05-06	Cass Street Standpipe Painting Project	\$ 150,000.00	\$	150,000.00
08-09	Sewer Upgrades USDA		1,600,000.00	1,600,000.00
		\$ 150,000.00	\$ 1,600,000.00	1,750,000.00

Ref.

Footnote D

PAYROLL FUND

SCHEDULE OF PAYROLL AGENCY ACTIVITY

Exhibit - E-1

	<u>BALANCE</u> <u>DEC 31, 2008</u>	<u>PAYROLL</u> <u>DEDUCTIONS</u>	<u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>DEC 31, 2009</u>
Federal Withholding Tax	\$	\$ 446,692.58	\$ 446,692.58	\$
Social Security/Medicare		434,904.30	434,904.30	
State Withholding Tax		129,996.50	129,996.50	
SUI/Disability		20,932.54	20,932.54	
457B Plan		58,650.00	58,650.00	
AFLAC		10,229.25	10,229.25	
PERS		157,881.41	155,711.53	2,169.88
PFRS		276,046.67	275,099.61	947.06
Police/Firemens Insurance		4,647.78	4,647.78	
Garnishments		117,665.27	117,665.27	
Monoc Credit Union		77,152.72	77,152.72	
PBA Dues		19,237.50	19,237.50	
Clerical/PW Union Dues		26,847.81	26,847.81	
Life Insurance		9,653.07	9,653.07	
Miscellaneous	2,947.67		1,055.18	1,892.49
Health Insurance Co-Pay		19,795.07	19,795.07	
	<u>\$ 2,947.67</u>	<u>\$ 1,810,332.47</u>	<u>\$ 1,808,270.71</u>	<u>\$ 5,009.43</u>
<u>Ref.</u>	E			E

GOVERNMENTAL FIXED ASSETS

## SCHEDULE OF GOVERNMENTAL FIXED ASSETS

<u>FIXED ASSETS</u>	BALANCE <u>DEC. 31, 2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>DEC. 31, 2009</u>
Land	\$ 5,186,100.00			\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00			5,481,800.00
Motor Vehicles and Equipment	2,567,777.04	\$ 279,694.04		2,847,471.08
Machinery and Equipment	344,731.30			344,731.30
Office Furniture and Equipment	163,066.09			163,066.09
Other Equipment	<u>218,914.00</u>	<u>                    </u>	<u>                    </u>	<u>218,914.00</u>
	<u>\$ 13,962,388.43</u>	<u>\$ 279,694.04</u>	<u>\$ -</u>	<u>\$ 14,242,082.47</u>

## SUPPLEMENTARY DATA

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2009

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL AGENCY FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM ONLY TOTALS	
							DEC. 31, 2009	DEC. 31, 2008
Cash and Investments	\$ 1,056,663.69	\$ 945,588.29	\$ 992,687.82	\$ 460,315.20	\$ 5,623.67	\$	\$ 3,460,878.67	\$ 3,654,223.94
Accounts Receivable:								
State, Federal & Local Grants Receivable								
Due from Board of Health	216,676.17		2,194,716.34	3,500,000.00			5,911,392.51	985,839.60
Due from County of Monmouth								7.00
Due from State of New Jersey	1,889.20						1,889.20	3,193.14
Taxes, Assessments, Liens & Utility Charges								
Interfund Loans	764,203.92			208,329.24			972,533.16	890,463.98
Prepaid Local District School Tax	28,259.18			100,000.00			128,259.18	17,520.39
Other Accounts Receivable	31,949.58						31,949.58	24,940.31
Property Acquired for Taxes at Assessed Valuation	97,100.00						97,100.00	97,100.00
Fixed Assets - General							14,242,082.47	13,962,388.43
Fixed Capital - Utility				3,674,005.39			3,674,005.39	3,674,005.39
Fixed Capital - Authorized and Uncompleted - Utility				3,550,000.00			3,550,000.00	1,950,000.00
Deferred Charges - Deficit in Operations				12,122.64			12,122.64	
Deferred Charges to Revenue of Succeeding Years	100,000.00						100,000.00	150,000.00
Deferred Charges to Future Taxation:								
General Capital Fund			14,051,301.00				14,051,301.00	13,427,001.00
	\$ 2,296,741.74	\$ 945,588.29	\$ 17,238,705.16	\$ 11,504,772.47	\$ 5,623.67	\$ 14,242,082.47	\$ 46,233,513.80	\$ 38,836,683.18

BOROUGH OF KEYPORT  
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDING DECEMBER 31, 2009

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL AGENCY FUND	MEMORANDUM ONLY TOTALS	
						DEC. 31, 2009	DEC. 31, 2008
Bonds and Notes Payable	\$	\$	\$ 12,213,300.00	\$ 2,081,600.00	\$	\$ 14,294,900.00	\$ 13,139,600.00
Loans Payable			339,068.00			339,068.00	339,068.00
Prepaid Taxes, Assessments, Utility Charges and Licenses Tax, Assessment, Lien, License and Utility Charge Overpayments	71,965.54			241,138.20		313,103.74	98,621.61
Appropriation Reserves	2,704.48			2,204.10		4,908.58	170.34
Reserve for Encumbrances/ Accounts Payable	397,756.62			32,865.72		430,622.34	546,334.25
Other Liabilities	274,455.22	15,660.00	1,864,286.38	62,048.61		2,216,450.21	2,044,188.37
Due County Taxes		275.00	168,223.74		5,009.43	173,508.17	80,390.65
Due School Taxes	13,942.00					13,942.00	10,299.89
Due State of New Jersey							3.50
Amts. Pledged to Specific Purposes	253,593.43	929,589.93	41,948.69	45,687.00		1,270,819.05	1,178,304.87
Improvement Authorizations			1,818,073.81	1,660,521.86		3,478,595.67	2,214,864.62
Interfund Loans	27,276.29	63.36	305.29	100,000.00	614.24	128,259.18	17,520.39
Investments in General Fixed Assets						14,242,082.47	13,962,388.43
Reserve for Amortization				3,392,405.39		3,392,405.39	3,240,405.39
Reserve for State & Federal Grants							
Reserve for Certain Assets Acquired or Receivables & Inventories	893,622.15		944,166.10	3,708,329.24		5,546,117.49	1,308,314.67
Special Emergency Note Payable	100,000.00					100,000.00	150,000.00
Fund Balance	261,426.01		17,556.89	9,748.61		288,731.51	506,208.20
	\$ 2,296,741.74	\$ 945,588.29	\$ 17,238,705.16	\$ 11,504,772.47	\$ 5,623.67	\$ 46,233,513.80	\$ 38,876,683.18



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

Revenue and Other Income Realized	Year 2009		Year 2008	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 400,000.00	2.11	\$ 410,000.00	2.13
Miscellaneous - From Other Than				
Local Property Tax Levies	2,230,996.92	11.75	2,773,428.47	14.43
Collection of Delinquent Taxes				
and Tax Title Liens	596,291.53	3.14	513,094.26	2.67
Collection of Current Tax Levy	15,447,238.93	81.32	15,224,518.92	79.21
Other Credits to Income	321,621.12	1.69	299,469.74	1.56
Total Income	18,996,148.50	100.00	19,220,511.39	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	8,036,148.80	42.88	8,138,624.86	43.24
County Taxes	1,969,794.89	10.51	1,886,019.15	10.02
Local School Taxes	8,419,849.50	44.93	8,528,422.50	45.32
Business Improvement District Taxes	125,000.00	0.67	150,000.00	0.80
Municipal Open Space Taxes	190,022.00	1.01	82,825.78	0.44
Other Expenditures	810.00	0.00	34,187.45	0.18
Total Expenditures	18,741,625.19	100.00	18,820,079.74	100.00
Less: Expenditures to be Raised by Future Taxes				
Total Adjusted Expenditures	18,741,625.19		18,820,079.74	
Excess in Revenue	254,523.31		400,431.65	
Fund Balance January 1	406,288.46		415,856.81	
	660,811.77		816,288.46	
Less:				
Utilization as Anticipated				
Revenue	400,000.00		410,000.00	
Fund Balance December 31	\$ 260,811.77		\$ 406,288.46	

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

Revenue and Other Income Realized	Year 2009		Year 2008	
	Amount	%	Amount	%
Fund Balance Utilized	\$52,000.00	1.55	\$126,000.00	3.57
Collection of Water and Sewer Rents	3,048,478.94	91.06	3,115,894.02	88.24
Miscellaneous - From Other Than Water and Sewer Rents	247,286.31	7.39	289,194.27	8.19
Total Income	3,347,765.25	100.00	3,531,088.29	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Operating	3,085,800.00	91.84	3,103,600.00	88.74
Debt Service	213,124.41	6.34	207,638.09	5.94
Deferred Charges and Statutory Expenditures	56,000.00	1.67	56,000.00	1.60
Surplus (General Budget)			130,000.00	3.72
Other Credits	4,963.48	0.15		
Total Expenditures	3,359,887.89	100.00	3,497,238.09	100.00
Excess in Revenue	(12,122.64)		33,850.20	
Operating Deficit to be Raised in Budget of Succeeding Year	12,122.64			
Statutory Excess to Fund Balance	(0.00)		33,850.20	
Fund Balance January 1	53,292.36		145,442.16	
	53,292.36		179,292.36	
Less:				
Utilization as Anticipated Revenue	52,000.00		126,000.00	
Fund Balance December 31	\$ 1,292.36		\$ 53,292.36	

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>
2009	\$ 97,100
2008	97,100
2007	97,100

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>	<u>Billings</u>	<u>*Collections</u>
2009	\$ 3,064,707	\$ 3,048,479
2008	3,126,282	3,115,894
2007	3,205,651	3,157,046

\*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	2009	\$ 260,812	\$ 255,000
	2008	406,288	400,000
	2007	415,857	380,000
	2006	604,363	570,000
	2005	297,092	285,000
Water and Sewer Utility Operating Fund	2009	\$ 1,292	\$ -
	2008	53,292	52,000
	2007	145,442	126,000
	2006	120,769	110,000
	2005	74,737	50,000

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Tax Rate:</u>	<u>\$2.106</u>	<u>\$4.764</u>	<u>\$4.550</u>

Apportionment of Tax Rate:

Municipal	<u>0.739</u>	<u>1.604</u>	<u>1.434</u>
County	<u>0.259</u>	<u>0.570</u>	<u>0.554</u>
Local School	<u>1.108</u>	<u>2.590</u>	<u>2.562</u>

Assessed Valuation:

2009	<u>\$760,091,206.00</u>		
2008		<u>\$329,310,230.00</u>	
2007			<u>\$331,110,697.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Monmouth County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$50,650.00 for the year 2009.

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>	
2009	\$ 16,134,107.55	\$ 15,447,238.93	95.74%
2008	15,925,408.28	15,224,518.92	95.60%
2007	15,292,059.05	14,720,012.16	96.26%

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>
2009	\$110,877.51	\$653,326.41	\$764,203.92	4.74%
2008	102,263.07	596,099.29	698,362.36	4.39%
2007	93,831.70	519,028.15	612,859.85	4.01%

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2009:

<u>NAME</u>	<u>TITLE</u>	AMOUNT OF BOND	<u>NAME OF CORPORATE SURETY</u>
Robert J. Bergen	Mayor		
Joseph E. Sheridan	Council President		
Christian Bolte	Councilperson		
Ezra Hill	Councilperson		
Susan Sefcik	Councilperson		
John Kovacs	Councilperson		
George J. Walling, Sr.	Councilperson		
Lorene K. Wright	Business Administrator		
Valerie T. Heilwell	Borough Clerk		
Thomas P. Fallon	Chief Financial Officer	\$ 1,000,000.00	New Jersey Intergovernmental Insurance Fund
Keri R. Stencel	Tax/Utility Collector, Treasurer	\$ 1,000,000.00	New Jersey Intergovernmental Insurance Fund
Scott Pezarra	Tax Assessor		
Emery Z. Toth	Borough Magistrate	\$ 1,000,000.00	New Jersey Intergovernmental Insurance Fund
Kathryn A. Coffey	Court Administrator	\$ 1,000,000.00	New Jersey Intergovernmental Insurance Fund
Nicole Deverikos	Deputy Court Administrator	\$ 1,000,000.00	New Jersey Intergovernmental Insurance Fund
John S. Wisniewski	Borough Attorney		



**BOROUGH OF KEYPORT  
COUNTY OF MONMOUTH, NEW JERSEY  
FOR YEAR ENDED DECEMBER 31, 2009**

**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, 2009, has been completed. The General Comments are herewith set forth:

**Scope of Audit**

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

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

**INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Borough of Keyport, County of Monmouth, New Jersey as of and for the fiscal year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

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

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

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

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

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

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

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

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 12, 2010 on the financial statements of the Borough of Keyport. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

#### Control Deficiencies:

##### Segregation of Duties - Tax/Water and Sewer Offices

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

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

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

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

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

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



## GENERAL COMMENTS

### OTHER MATTERS

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

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

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

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

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items as stated in the Official Minutes:

#### Materials, Supplies, and Equipment

Gasoline, Postage Machine, Ford\_E450 Class Type III Ambulance, 2007 GVW Dump Truck, F455 4X4 Mason Body Dump Truck, 2009 Ford Escape Hybrid SUV.

#### Service Rentals, Construction and Repairs

Improvements to Maple Place, Improvements to Rt 35/36 Jughandle, Improvements to Beers Street Phase II; Garbage Removal Services, and Waterfront Park Improvements, Pine Street and Walnut Street Water Main.

#### State Contract

Firefighter Turn-out Gear.

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

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

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

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

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

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

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

#### Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 1, 2009 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 2009, at 8% per annum on delinquent taxes in an amount less than \$1,500 and on taxes in an amount in excess of \$1,500, the interest rate shall be 18% per annum and both shall be computed from the tax due date and it shall further provide that a ten (10) day grace period be established for each quarterly due date; and

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

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

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

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

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

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

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

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

#### Delinquent Taxes and Tax Title Liens

A tax sale was held during 2009. The Tax Sale excluded properties that were reported to be in installment agreements, in bankruptcy proceedings and/or disputed items. 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>
2009	13	0
2008	11	0
2007	8	0

#### Interfund Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2009.

These interfunds, in most cases, resulted from 2009 operations and closing entries, and we suggest that all interfund amounts and balances be cleared by cash transfer.

#### Investment of Funds

During 2009, the Borough's funds were invested primarily in interest bearing and sweep accounts.

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

#### Payment of Claims

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

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Purchase Order and Encumbrance System

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

#### Outside Offices/Departments Collecting Fees

Our review of the activities of the various outside offices and departments indicated the following findings for the year ended December 31, 2009:

Exceptions noted with respect to compliance with 48 hour statutory turnover/deposit requirement: Borough Clerk, Police Records Clerk, Board of Health, Construction Code Official.

Lack of Issuance of complete set of duplicate receipt slips/forms: Municipal Clerk, Police Records Clerk, Board of Health, Construction Code Official, Fire Safety, and Municipal Boat Ramp.

Lack of maintenance of a permanent cash receipt journal: Municipal Boat Ramp.

Lack of periodic proof and reconciling of cash receipts journal: Construction Code.

We recommend that all outside offices and departments collecting municipal fees adhere to control policies and procedures and statutory requirements in all respects.

#### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage in effect at December 31, 2009. The Borough has provided evidence of coverage with the blanket bond coverage provided through its joint insurance fund coverage. The evidence provided with respect to the minimum surety bond requirements for both the Tax Collector and Municipal Court for the year 2009 indicate the surety bond coverage met the minimum requirements as set forth by regulation. Pursuant to confirmation of bond coverage with the joint insurance fund: (1) The positions of Tax Collector and Treasurer coverage's by endorsement as employees, and (2) the Municipal Court coverage under Borough employees.

#### Municipal Court

The 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.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Condition of Records - Finance Office

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

#### Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2009, 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 schedules of financial assistance should be prepared and submitted on a timely basis.

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

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

#### Condition of Records - Tax Office

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

#### Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to \$3,347,765.25 and expenditures amounted to \$3,359,887.89 resulting in deficit operations of \$12,122.64. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in a statutory deficit for debt statement purposes of \$57,621.81, which allowed a portion in the amount of \$2,679,163.80 deduction of Water and Sewer Utility Debt in the calculation of statutory net debt of the Borough at December 31, 2009. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Other Compliance Matters

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

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

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

N.J.A.C. 5:30 – 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, 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) 115. We also suggest that the Borough consider utilizing the framework established by the Council of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communications; and Monitoring. In addition, we also suggest that the documentation should also include the internal controls that exist over grant compliance.

#### 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 Business Improvement District Management Corporation have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Municipal Library

As of the date of this report, the Municipal Library did not provide evidence of an independent audit for the periods ended December 31, 2009 and 2008. Accordingly, the Borough did not have the Report of Audit on file in accordance with state statute requirements.

We recommend that the Municipal Library obtain an independent audit and file same with the Borough Clerk in accordance with state statute.

## RECOMMENDATIONS

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

It is recommended that the Business Improvement District Management Corporation have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

It is recommended that the Municipal Library obtain an independent audit and file same with the Borough Clerk in accordance with state statute.

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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