

BOROUGH OF ELMER

SALEM COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

BOROUGH OF ELMER

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BOROUGH OF ELMER

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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Independent Auditor's Report

The Honorable Mayor and Members
of the Borough Committee
Borough of Elmer, New Jersey

We have audited the accompanying balance sheet - regulatory basis of the various funds and account groups of the Borough of Elmer, New Jersey, as of December 31, 2011, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2011. These financial statements are the responsibility of the Borough of Elmer's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated April 18, 2011 expressed an unqualified opinion under the Regulatory Basis of Accounting and an adverse opinion under Generally Accepted Accounting Principles.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 1, the Borough of Elmer prepares and presents its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Borough's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph of this report, 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 Elmer as of December 31, 2011 or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough of Elmer, New Jersey, as of December 31, 2011 and 2010 and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012 on our consideration of the Borough of Elmer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 conducted for the purpose of forming an opinion on the financial statements of the Borough of Elmer, New Jersey, taken as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants

March 14, 2012

EXHIBIT A - CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET -
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

ASSETS	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Cash -			
Treasurer	A-4	\$671,061	402,841
Collector	A-5	1,683	1,589
Change Fund		200	200
		<u>672,944</u>	<u>404,630</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	88,779	124,087
Tax Title Lien Receivable	A-7	9,667	272
Revenue Accounts Receivable	A-8	7,165	6,903
		<u>105,611</u>	<u>131,262</u>
Deferred Charges:			
Special Emergency (40A:4-55)		1,300	2,600
Overexpenditure of Appropriations	A-3	683	0
	A	<u>1,983</u>	<u>2,600</u>
		<u>780,538</u>	<u>538,492</u>
Federal and State Grant Fund:			
State Grant Fund:			
Due from Current Fund	A	119,825	382
State Grants Receivable	A-11	745,970	863,936
		<u>865,795</u>	<u>864,318</u>
		<u>\$1,646,333</u>	<u>1,402,810</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
COMPARATIVE BALANCE SHEET -
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

LIABILITIES, RESERVES AND FUND BALANCE	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$81,931	88,032
Reserve for Encumbrances/Accounts Payable	A-3	16,274	27,625
Taxes Collected in Advance		39,938	37,227
Tax Overpayments		188	1,824
Due to State of New Jersey - Senior Citizens and Veterans		575	325
Due to Grant Fund	A	119,825	382
Due to County-Added and Omitted Taxes		1,310	1,286
Local District School Tax Payable	A-10	156,896	0
Reserve for Sale of Municipal Assets		71,110	71,110
Reserve for Codification of Ordinances		<u>6,733</u>	<u>6,733</u>
		494,780	234,544
Reserves for Receivables and Other Assets	A	105,611	131,262
Fund Balance	A-1	<u>180,147</u>	<u>172,686</u>
		<u>\$780,538</u>	<u>538,492</u>

**CURRENT FUND
COMPARATIVE BALANCE SHEET -
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

LIABILITIES, RESERVES AND FUND BALANCE	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-12	\$42,640	675
Due to General Capital	C	194,053	87,398
Reserve for State Grants			
Appropriated	A-12	626,018	761,827
Unappropriated	A-13	<u>3,084</u>	<u>14,418</u>
		<u>865,795</u>	<u>864,318</u>
		<u><u>\$1,646,333</u></u>	<u><u>1,402,810</u></u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$115,000	150,000
Miscellaneous Revenue Anticipated	A-2	279,817	689,596
Receipts from Delinquent Taxes	A-2	124,456	116,886
Receipts from Current Taxes	A-2	2,668,909	2,590,611
Non Budget Revenue	A-2	22,275	53,101
Other Credits to Income:			
Interfunds Returned		0	5,484
Cancellation of Prior Year Liabilities		0	306
Unexpended Balance of Approp Reserves	A-9	54,426	41,594
		<u>3,264,883</u>	<u>3,647,578</u>
Total Income			
		<u>3,264,883</u>	<u>3,647,578</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	237,511	250,840
Other Expenses	A-3	515,801	504,321
Deferred Charges and Statutory Expenditures	A-3	47,659	56,609
Capital Improvements	A-3	10,000	425,000
Municipal Debt Service	A-3	83,228	117,093
Transfer to Board of Education	A-3	7,987	8,138
Local District School Tax	A-10	1,233,057	1,151,659
County Tax		1,006,302	1,029,928
County Share of Added Taxes		1,310	1,286
Cancellation of Prior Year Revenue		250	0
		<u>3,143,105</u>	<u>3,544,874</u>
Total Expenditures			
		<u>3,143,105</u>	<u>3,544,874</u>
Excess in Revenue		121,778	102,704

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		683	0
Statutory Excess to Fund Balance		122,461	102,704
Fund Balance January 1	A	172,686	219,982
		295,147	322,686
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	115,000	150,000
Balance December 31	A	<u>\$180,147</u>	<u>172,686</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

		ANTICIPATED				
Ref.	BUDGET	SPECIAL NJS 40A:4-87	REALIZED	REALIZED	EXCESS OR (DEFICIT)	
Fund Balance Anticipated	A-1	\$115,000		115,000		
Miscellaneous Revenues:						
Section A: Local Revenues						
Fines and Costs:						
Municipal Court	A-8	103,000		92,059	(10,941)	
Interest and Costs on Taxes	A-5	20,000		21,674	1,674	
Interest on Investments and Deposits	A-8	2,900		4,594	1,694	
Total Section A		125,900	0	118,327	(7,573)	
Section B: State Aid Without Offsetting Appropriations						
Energy Receipts Tax	A-8	97,401		97,401	0	
Consolidated Municipal Property Tax Relief Act	A-8	29,152		29,152	0	
Total Section B		126,553	0	126,553	0	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87		
Section F: Special Items of General Revenue					
Anticipated-State and Federal Revenues					
Offset with Appropriations-Public and Private					
Revenues offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse		4,178		4,178	
Recycling Tonnage		2,363		2,363	
Alcohol Education and Rehabilitation Fund		50		50	
Small Cities Reimbursements		13,445		13,445	
Salem County Improvement Authority-REA Grant		3,547		3,547	
Body Armor Grant		973		973	
Salem County Safe Roadways Project			2,000	2,000	
NJ Department of Environmental Protection					
Clean Communities			4,000	4,000	
Total Section F	A-11	24,556	6,000	30,556	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Ref.	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items						
Uniform Fire Safety Act		5,076			4,381	(695)
Sale of Municipal Assets						
Total Section G		5,076	0		4,381	(695)
Total Miscellaneous Revenues	A-1	282,085	6,000		279,817	(8,268)
Receipts from Delinquent Taxes	A-1:A-2	115,000			124,456	9,456
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	519,621			564,371	44,750
Budget Totals		1,031,706	6,000		1,083,644	45,938
Non-Budget Revenues: Other Non-Budget Revenue	A-2				22,275	22,275
	Ref.	\$1,031,706	6,000		1,105,919	68,213
		A-3	A-3			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-6	\$2,668,909
Allocated to:		
School, County Taxes		<u>2,240,669</u>
Balance for Support of Municipal Budget Appropriations		428,240
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>136,131</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>564,371</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-6	119,303
Tax Title Liens	A-7	<u>5,153</u>
	A-2	<u><u>\$124,456</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Ref.</u>	
Analysis of Non-Budget Revenue		
Miscellaneous Revenue not Anticipated:		
Revenue Accounts Receivable:		
Tax Searches	A-8	\$20
Tax Collector:		
Tax Sale Costs	A-5	0
Treasurer		
Fire Safety Fines & Permits		1,773
Housing & Zoning Permits		1,760
Senior Citizen & Veteran's Administrative Fee		410
Police Detail		600
Registrar Fees		11,472
Insurance Dividend		128
Cable Franchise Fee		4,405
Other Miscellaneous		<u>1,707</u>
	A-4	<u>22,255</u>
	A-1:A-2	<u><u>\$22,275</u></u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED		OVER-
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	
GENERAL GOVERNMENT:							
Mayor and Council							
Salaries and Wages	\$16,725	16,725	16,725				
Other Expenses	6,250	6,250	4,686	88	1,476		
Municipal Clerk							
Salaries and Wages	17,500	17,500	15,682		1,818		
Other Expenses	4,750	4,750	3,334	346	1,070		
Elections							
Other Expenses	5	5	0		5		
Financial Administration							
Salaries and Wages	15,945	15,945	15,945				
Other Expenses	12,200	12,200	9,951	75	2,174		
Audit Services							
Other Expenses	9,300	9,300	9,300				
Assessment of Taxes							
Salaries and Wages	11,121	11,121	11,121				
Other Expenses	3,000	3,000	507		2,493		
Tax Collector							
Salaries and Wages	12,121	12,121	11,121		1,000		
Other Expenses	3,000	3,000	2,707	76	217		
Legal Services and Costs							
Other Expenses	16,000	16,000	9,786		6,214		
Engineering Services and Costs							
Other Expenses	4,000	4,000	0		4,000		
Public Buildings and Grounds							
Salaries and Wages	5,702	5,702	5,702				
Other Expenses	20,090	20,090	15,945	41	4,104		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS			EXPENDED		UNEXPENDED		OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED		
Insurance								
Liability	23,003	23,003	23,003					
Worker's Compensation Insurance	20,673	20,673	19,619		1,054			
Employee Group Insurance	976	976	879		97			
Health Insurance Opt-Out	8,360	8,360	8,360					
Municipal Land Use Law (N.J.S.A. 40:55D-1)								
Land Use Board								
Salaries and Wages	5,524	6,014	6,014					
Other Expenses	5,616	4,726	2,186		2,540			
Technology								
Other Expenses	11,000	11,200	10,918	553				271
PUBLIC SAFETY:								
Fire								
Other Expenses								
Miscellaneous Other Expenses	36,000	36,000	32,358	616	3,026			
Police								
Salaries and Wages	130,258	130,258	124,620		5,638			
Other Expenses	16,500	16,500	13,089	2,547	864			
Emergency Management Service								
Salaries and Wages	2,302	2,302	2,302					
Other Expenses	1,000	1,000	735		265			
First Aid Organization - Contribution								
Salaries and Wages	7,500	7,500	7,500					
Housing Inspections								
Salaries and Wages	3,028	3,028	3,028					
Other Expenses	150	150	0		150			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED		OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	
Fire Code Inspector	7,306	7,306	5,806		1,500		
Salaries and Wages	3,145	3,145	1,281	500	1,364		
Other Expenses							
STREETS AND ROADS:							
Road Repairs and Maintenance	20,000	19,000	12,532		6,468		
Other Expenses							
SANITATION:							
Garbage and Trash Removal	94,034	93,099	80,541	4,464	8,094		
Other Expenses - Contractual							
Recycling	34,000	33,500	30,094	2,417	989		
Other Expenses							
HEALTH AND WELFARE:							
Board of Health	8,810	8,810	6,266		2,544		
Salaries and Wages	2,100	2,100	1,131	906	63		
Other Expenses							
Animal Control Services	679	679	679				
Salaries and Wages	4,000	4,000	1,925	230	1,845		
Other Expenses							
RECREATION AND EDUCATION:							
Parks and Playgrounds	9,500	9,500	5,100		4,400		
Other Expenses							
Celebration of Public Event, Anniversary or Holiday	3,000	3,000	2,328	672			
Other Expenses							
Grantsman	500	0	0				
Other Expenses							

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS			EXPENDED		UNEXPENDED		OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED		
Unclassified:								
Electric	14,000	17,335	16,119	1,134	82			
Telephone	7,200	8,900	7,818	722	360			
Gasoline	10,000	10,000	9,162		838			
Heating	12,540	12,540	12,412	540				412
Street Lighting	18,000	16,000	13,354	319	2,327			
TOTAL OPERATIONS WITHIN "CAPS"	678,413	678,313	593,671	16,246	69,079	0	0	683
Contingent		0					0	
TOTAL OPERATIONS INCLUDING CONTINGENT - WITHIN "CAPS"	678,413	678,313	593,671	16,246	69,079	0	0	683
Detail:								
Salaries and Wages	237,021	237,511	225,011	0	12,500			0
Other Expenses	441,392	440,802	368,660	16,246	56,579			683
DEFERRED CHARGES AND STATUTORY EXPENDITURES:								
Deferred Charges:								
None								
Statutory Expenditures:								
Contribution to:								
Public Employees' Retirement System	24,559	24,559	24,559					
Social Security	20,000	20,000	17,629		2,371			
Unemployment Insurance	1,500	1,600	1,527		73			
Defined Contribution Retirement Program	200	200	33		167			
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	46,259	46,359	43,748	0	2,611	0	0	0
Cash Deficit of Preceding Year							0	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	724,672	724,672	637,419	16,246	71,690	0	0	683

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED	BALANCE	OVER- EXPENDED
OPERATIONS - EXCLUDED FROM "CAPS"								
Recycling Tax Appropriation	1,667	1,667	0		1,667			
Public Employees Retirement System	0	0	0					
Aid to Library	2,000	2,000	1,972	28				
Insurance								
Employee Group Insurance	43	43	0		43			
Interlocal Service Agreements:								
Joint Municipal Court	39,000	39,000	30,469		8,531			
Alcohol Education Rehabilitation Fund-DWI								
	50	50	50					
Recycling Tonnage Grant	2,363	2,363	2,363					
Clean Communities Grant	4,000	4,000	4,000					
Body Armor Fund	973	973	973					
Salem County Improvement Authority- REA Grant Program	3,547	3,547	3,547					
Small Cities Reimbursements	13,445	13,445	13,445					
Salem County Safe Roadways Project	2,000	2,000	2,000					
Municipal Drug Alliance Grant								
State Share	4,178	4,178	4,178					
Local Match	1,050	1,050	1,050					
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	74,316	74,316	64,047	28	10,241	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED	BALANCE	OVER- EXPENDED
Detail:								
Salaries and Wages		0	0				0	
Other Expenses (Including Contingent)	74,316	74,316	64,047	28	10,241		0	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"								
Capital Improvement Fund	10,000	10,000	10,000					
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	10,000	10,000	10,000	0	0	0	0	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"								
Payment of Bond Anticipation Notes and Capital Notes	75,000	75,000	75,000					
Interest on Notes	8,300	8,300	8,228					72
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	83,300	83,300	83,228	0	0	0	72	0
DEFERRED CHARGES								
Special Emergency Authorization-5 years	1,300	1,300	1,300					
TOTAL DEFERRED CHARGES	1,300	1,300	1,300	0	0	0	0	0
(N) Transferred to Board of Education for Use of Local schools (N.J.S.A. 40:48-17.1 & 17.3)	7,987	7,987	7,987					
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	176,903	176,903	166,562	28	10,241		72	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS		EXPENDED		UNEXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED
	901,575	901,575	803,981	16,274	81,931	72	683
SUBTOTAL GENERAL APPROPRIATIONS	136,131	136,131					
Reserve for Uncollected Taxes							
TOTAL GENERAL APPROPRIATIONS	\$1,037,706	1,037,706	940,112	16,274	81,931	72	683
	A-2		A-1		A:A-1		
Budget Appropriations by 40A:4-87	A-3	1,031,706					
		<u>6,000</u>					
		<u>\$1,037,706</u>					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants		\$31,606
Deferred Charges		1,300
Reserve for Uncollected Taxes		136,131
Disbursed	A-4	<u>771,075</u>
		<u>\$940,112</u>

EXHIBIT B - TRUST FUND

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**TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Animal Control Fund:			
Cash - Treasurer	B-1	\$1,369	104
		<u>1,369</u>	<u>104</u>
Other Funds			
Cash - Treasurer	B-1	52,070	31,825
		<u>52,070</u>	<u>31,825</u>
		<u>53,439</u>	<u>31,929</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund			
Reserve for Dog Expenditures	B-2	339	104
Prepaid Licenses:			
Dogs		680	0
Cats		350	0
		<u>1,369</u>	<u>104</u>
Other Funds			
Due to State of New Jersey - Payroll Taxes		2,449	2,787
Reserve for Escrows	B-3	7,381	7,564
Reserve for Tax Title Lien Redemptions	B-4	30,183	1,013
Reserve for Tax Sale Premiums	B-5	4,133	12,563
Reserve for Performance Guarantee	B-6	6,349	6,323
Reserve for Fire Safety Fees	B-7	1,575	1,575
		<u>52,070</u>	<u>31,825</u>
		<u>\$53,439</u>	<u>31,929</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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EXHIBIT C - CAPITAL FUND

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**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	C-2	\$346,809	122,362
Due from Grant Fund	A	194,053	87,398
Deferred Charges to Future Taxation - Unfunded	C-5	<u>618,658</u>	<u>367,900</u>
		<u>1,159,520</u>	<u>577,660</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-8	618,658	367,900
Accounts Payable		37,749	0
Reserve for Preliminary Expenses Elmer Train Station Relocation Project		389	1,100
Improvement Authorizations Unfunded	C-7	385,049	111,774
Capital Improvement Fund	C-6	34,940	12,085
Fund Balance	C-1	<u>82,735</u>	<u>54,801</u>
		<u>\$1,159,520</u>	<u>547,660</u>

There were Bonds and Notes authorized but not issued at December 31, 2011 and December 31, 2010 of \$0

**GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE
REGULATORY BASIS**

	<u>Ref.</u>	
Balance December 31, 2010	C	\$54,801
Increased by:		
Improvement Authorizations Cancelled	C-7	<u>27,934</u>
Balance December 31, 2011	C	<u><u>\$82,735</u></u>

EXHIBIT D - WATER UTILITY FUND

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**WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

	Ref.	<u>2011</u>	<u>2010</u>
ASSETS			
Operating Fund:			
Cash - Treasurer	D-5	\$97,254	88,154
Cash - Collector	D-6	14,663	1,050
Cash - Change Fund		25	25
		<u>111,942</u>	<u>89,229</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	8,147	5,388
		<u>8,147</u>	<u>5,388</u>
Total of Operating Fund		<u>120,089</u>	<u>94,617</u>
Capital Fund:			
Cash	D-5	210,930	200,930
Fixed Capital - Water	D-8	2,055,902	2,055,902
Total of Capital Fund		<u>2,266,832</u>	<u>2,256,832</u>
		<u><u>\$2,386,921</u></u>	<u><u>2,351,449</u></u>

**WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
BALANCE AS OF DECEMBER 31,**

	Ref.	<u>2011</u>	<u>2010</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4:D-9	\$28,603	29,244
Reserve for Encumbrances	D-4	4,173	9,319
		<u>32,776</u>	<u>38,563</u>
Reserve for Receivables	Res.	8,147	5,388
Fund Balance	D-1	79,166	50,666
		<u>120,089</u>	<u>94,617</u>
Total of Operating Fund			
Capital Fund:			
Capital Improvement Fund	D-10	150,959	140,959
Reserves for:			
Amortization - Water	D-11	2,055,902	2,055,902
Fund Balance	D-2	59,971	59,971
		<u>2,266,832</u>	<u>2,256,832</u>
Total of Capital Fund			
Total Liabilities, Reserves and Fund Balance			
		<u>\$2,386,921</u>	<u>2,351,449</u>

**WATER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	Ref.	<u>2011</u>	<u>2010</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	D-3	\$45,952	46,288
Rents	D-3	202,862	168,119
Miscellaneous Revenue Anticipated	D-3	15,114	1,430
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-9	26,025	39,281
Total Income		<u>289,953</u>	<u>255,118</u>
<u>Expenditures</u>			
Operating	D-4	185,901	185,305
Capital Improvements	D-4	20,000	11,000
Deferred Charges and Statutory Expenditures	D-4	9,600	8,151
Total Expenditures		<u>215,501</u>	<u>204,456</u>
Excess in Revenue		<u>74,452</u>	<u>50,662</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		0	0
Statutory Excess to Fund Balance		<u>74,452</u>	<u>50,662</u>
Fund Balance January 1	D	50,666	46,292
		<u>125,118</u>	<u>96,954</u>
Decreased by:			
Utilization as Anticipated Revenue	D-1:D-3	45,952	46,288
Balance December 31	D	<u><u>\$79,166</u></u>	<u><u>50,666</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**WATER CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE
REGULATORY BASIS**

	Ref.	
Balance December 31, 2010	D	\$59,971
No Activity During 2011		
Balance December 31, 2011	D	<u>\$59,971</u>

**WATER OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref	ANTIC. BUDGET	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	D-1	\$45,952	45,952	
Water Rents	D-1:D-3	168,119	202,862	34,743
Miscellaneous	D-1:D-3	1,430	15,114	13,684
		<u>\$215,501</u>	<u>263,928</u>	<u>48,427</u>

ANALYSIS OF REALIZED REVENUES

Rents

Consumer Accounts Receivable:

Collected	D-7	202,862
		<u>202,862</u>

Miscellaneous

Interest Earned by Treasurer,

Collector and Other Miscellaneous
Fees and Costs

D-5	<u>15,114</u>
-----	---------------

**WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
OPERATING							
Salaries and Wages	\$49,173	49,173	48,564		609		
Other Expenses	129,928	129,928	107,981	4,173	17,774		
Liability Insurance	4,800	4,800	4,800		0		
Group Insurance for Employees	282	282	250		32		
Health Insurance Opt-Out	1,718	1,718	1,640		78		
	185,901	185,901	163,235	4,173	18,493	0	0
CAPITAL IMPROVEMENTS							
Capital Improvement Fund	10,000	10,000	10,000				
Capital Outlay	10,000	10,000			10,000		
	20,000	20,000	10,000	0	10,000	0	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES							
Statutory Expenditure:							
Contribution to:							
Public Employees' Retirement System	5,100	5,100	5,100				
Social Security System	4,000	4,000	4,000				
Unemployment Compensation Insurance	500	500	390		110		
	9,600	9,600	9,490	0	110	0	0
	\$215,501	215,501	182,725	4,173	28,603	0	0

Ref. D-3 D-3 D-1 D:D-1 D:D-1 D:D-8

Budget
Emergency Authorizations

D-4 215,501
0
\$215,501

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**WATER OPERATING FUND
STATEMENT OF EXPENDITURES (Cont'd)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	<u>PAID OR CHARGED</u>
Disbursed	D-5	182,725
	D-4	<u>\$182,725</u>

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EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

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**BOROUGH OF ELMER
STATEMENT OF GENERAL FIXED ASSETS
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$83,845	83,845
Buildings and Improvements	713,296	713,296
Vehicles	620,420	620,420
Furniture, Fixtures and Equipment	<u>892,177</u>	<u>878,921</u>
	<u>2,309,738</u>	<u>2,296,482</u>
 Investment in General Fixed Assets	 <u>\$2,309,738</u>	 <u>2,296,482</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Elmer include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Elmer, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough has no component units.

B. Description of Funds

The accounting policies of the Borough of Elmer 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 the respect to public funds. Under this method of accounting, the Borough of Elmer 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.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

Water Operating and Capital Funds -- account for the operations and acquisitions of capital facilities, other than those acquired in the current fund.

As permitted by generally accepted accounting principles, the Borough has elected to apply all applicable GASB pronouncements, as well as applicable FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Accounting Procedure, issued before November 30, 1989 in its accounting and reporting practices for its water utility fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

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

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally, 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. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets -- The Borough has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition.

No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by the Water Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

The following schedule is a summarization of the changes in general fixed assets by category for the calendar year ended December 31, 2011.

	Balance as of <u>12-31-10</u>	<u>Additions</u>	Adjustments <u>Disposals</u>	Balance as of <u>12-31-11</u>
Land	\$83,845			83,845
Bldgs & Improv.	713,296			713,296
Vehicles	620,420			620,420
Furniture, Fixtures and Equipment	878,921	13,256		892,177
	<u>\$2,296,482</u>	<u>13,256</u>	<u>0</u>	<u>2,309,738</u>

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. A ten (10) day grace period is permitted provided a resolution has been adopted by the Borough Council. NJSA 54:4-67 permits municipalities to charge interest on delinquent balances at a rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount of taxes in excess of \$1,500. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Capitalization of Interest -- It is the policy of the Borough of Elmer to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey Municipalities are permitted to accrue a compensated absences liability. The Borough has not begun to accumulate funds for accrued absences. See Note 14 for additional information on the Borough's compensated absences policy.

Basic Financial Statements – GASB 34 prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the Regulatory basis of accounting in the State of New Jersey. GAAP prescribes that the financial statements must be presented on an entity wide basis including all funds exclusive of fiduciary funds and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the Statement of Revenues – Regulatory Basis and Statement of

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Expenditures – Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$136,131 and \$115,340, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budget's was \$115,000 and \$150,000, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Council. The following significant transfers were approved during the 2011 and 2010 calendar years:

	<u>2011</u>	<u>2010</u>
Street Lighting		
Other Expenses	(\$2,000)	0
Electricity		
Other Expenses	3,335	0
Prior Year Reserves:		
Streets and Roads		
Other Expenses	3,440	\$2,337
Public Buildings and Grounds		
Other Expenses	0	(2,337)
Municipal Court		
Other Expenses	0	3,000
Legal Services & Costs		
Other Expenses	(3,440)	(3,000)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2011 and 2010 calendar years, Borough Council approved the following budget insertions:

	<u>2011</u>	<u>2010</u>
Salem County Safe Roadways Project	\$ 2,000	3,500
NJDEP Clean Communities	4,000	0
Shared Service Agreement - Wastewater Management Plan	0	5,000

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose that was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. No emergency or special emergency resolutions were adopted by Borough Council during the 2011 or 2010 calendar years. As of December 31, 2011 the following special emergency appropriations were outstanding:

<u>Date Adopted</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Balance @ 12/31/11</u>
3/14/07	Amendment to Master Plan	6,500	1,300
			<u>\$1,300</u>

Note 3: INVESTMENTS

As of December 31, 2011, the Borough had no investments.

Interest Rate Risk. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits Borough investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the Borough or the school districts of which the Borough is a part; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The Borough places no limit on the amount the Borough may invest in any one issuer.

Note 4: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011 and 2010, \$0 of the government’s bank balance of \$1,401,180 and \$870,899 was exposed to custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 5: LONG TERM DEBT

As of December 31, 2011, the Borough of Elmer did not have any long-term debt.

Summary of Municipal Debt

<u>Summary of Municipal Debt</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
Issued:			
General – Bonds and Notes	\$ 618,658	367,900	473,400
Water Utility - Bonds and Notes	0	0	0
Total Issued	<u>618,658</u>	<u>367,900</u>	<u>473,400</u>
Authorized but not Issued:			
General – Bonds and Notes	0	0	0
Net Bonds & Notes Issued and Authorized But Not Issued	\$ <u>618,658</u>	<u>367,900</u>	<u>473,400</u>

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 0.56%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$0	0	0
Water Utility Debt	0	0	0
General Debt	618,658	0	618,658
	<u>\$618,658</u>	<u>0</u>	<u>618,658</u>

Net Debt \$618,658 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$111,354,789 = 0.56%.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 ½ % of Equalized Valuation Basis (Municipal)	\$3,897,418
Net Debt	<u>618,658</u>
Remaining Borrowing Power	<u>\$3,278,760</u>

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

None

The foregoing information is in agreement with the Annual Debt Statement filed by the Borough.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 6: NOTES PAYABLE

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes	\$367,900	325,758	75,000	618,658

The Borough has outstanding at December 31, 2011 the following bond anticipation notes:

<u>Project</u>	<u>2011 Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2010 Amount</u>
General Capital:				
Repaving of Center St. and Hitchner Ave.	\$55,000	1.69%	5/11/12	70,000
Replacement of Borough Hall HVAC	100,000	1.69%	5/11/12	120,000
Reconstruction of Center Street	15,500	1.69%	9/7/12	30,500
Reconstruction of Penn Street	92,500	1.69%	4/13/12	112,500
Purchase of four wheel drive Vehicle	29,900	1.69%	4/13/12	34,900
Construction of Sidewalks	285,000	1.69%	5/11/12	0
Purchase of 4 Wheel Drive Vehicle	40,758	1.69%	6/15/12	0
Total General Capital	<u>\$618,658</u>			<u>367,900</u>

All bond anticipation notes are with the First National Bank of Elmer or Pennsville National Bank. The Borough intends to renew these notes in 2012 and intends to pay down \$83,758 of the outstanding balance. During 2010, the Borough paid down \$75,000 through the current operating budget.

As of December 31, 2011, the carrying value of the above notes approximates the fair value of the notes.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 and 2010 that were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 and 2011 were as follows:

		<u>2012</u>	<u>2011</u>
Current Fund	\$	126,500	115,000
Water Operating Fund		45,000	45,952

As of the date of this audit report, the Borough has not adopted their 2012 Local Municipal Budget and these amounts are subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Borough to appropriate in the 2012 budget is \$178,254 in the current fund and \$76,166 in the water operating fund.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance 12/31/11</u>	<u>2012 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Operating Fund:			
Special Emergency (40A:4-55)	\$1,300	1,300	0
Overexpenditure of Appropriations	683	683	0
	<u>1,983</u>	<u>1,983</u>	<u>0</u>

The appropriations in the 2012 Budget are not less than that required by statute.

Note 9: SCHOOL TAXES

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	<u>Local District Balance 12/31/11</u>	<u>School Tax Balance 12/31/10</u>
Balance of Tax	\$570,907	414,011
Deferred	414,011	414,011
Tax Payable	<u>\$156,896</u>	<u>\$0</u>

Note 10: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance 12/31/11</u>	<u>Balance 12/31/10</u>
Prepaid Taxes	\$39,938	\$37,227
Cash Liability for Taxes Collected in Advance	<u>\$39,938</u>	<u>\$37,227</u>

Note 11: PENSION FUNDS

Description of Plans

Substantially all of the Borough's employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division).

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at

http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any County, Municipality, School District or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy

The contribution policy for the PERS is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and NJSA 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.9% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2011, 2010 and 2009 were \$24,559, \$22,276, and \$16,047 respectively, equal to the required contributions for each year.

NOTE 12: POST-RETIREMENT BENEFITS

As indicated in Note 11 above, employees of the Borough of Elmer are members of the Public Employees' Retirement System (PERS) however, as of December 31, 2011 they were not members of the State Health Benefits Plan.

Note 13: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted full-time employees to accrue vacation time based on their length of service with the Borough. No more than one week of vacation may be carried over from one calendar year to the next, and these days must be used by June 1 of that year. Full-time employees also earn five sick days per year, which may be carried over to the following calendar year up to a maximum of 15 accumulated sick days at any time. Employees will not be reimbursed for carried-over or unused sick time upon the conclusion of their employment. Based on this policy, the estimated current cost of such unpaid compensation would approximate \$0 as of December 31, 2011 and 2010.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 14: JOINT MUNICIPAL COURT

The Borough is a member of the Mid-Salem County Municipal Court which includes the Borough of Woodstown, the Borough of Elmer, Township of Mannington and the Township of Quinton. Woodstown serves as the lead agency for the joint municipal court. All fines and costs are distributed to the municipality in which the complaint, charge, event, acts or violation occurred. Each municipality includes a line item in their annual budget to cover their share of the courts administration expenses.

Note 15: ECONOMIC DEPENDENCY

The Borough of Elmer is not economically dependent on any one business or industry within the Borough.

Note 16: LITIGATION

From time to time, the Borough is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Borough's management, the outcome of any present legal proceedings will not have an adverse material effect on the accompanying financial statements.

Note 17: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – the Borough maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2011 and 2010, the Borough did not incur claims in excess of this coverage and there was no reduction in the stated coverage.

Note 18: LEASE AGREEMENTS

At December 31, 2011, the Borough had a 48 month lease agreement in effect for a copy machine. This lease commenced October 1, 2007 and is payable in monthly installments of \$124.55 which includes \$8.00 for insurance. Future minimum lease payments are as follows:

Year ending December 31	
2012	1,049
2013	0
2014	0
2015	0
2016	0
Total	<u>\$1,049</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 19: GRANTS AND CONTRACTS

During the 2009 calendar year, the Borough was awarded a grant for the Safe Routes to Schools program. A contract in the amount of \$123,753 has been awarded for this project. As of December 31, 2011, a balance of \$31,298 remained on this contract.

During the 2010 calendar year, the Borough was awarded Federal ARRA funds through the New Jersey Department of Transportation for the Train Station Relocation Project. As of December 31, 2011 no contracts have been awarded and no expenditures were made.

Note 20: INTERFUND BALANCES

As of December 31, 2011, the following interfunds were included on the balance sheets of the various funds of the Borough of Elmer.

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		119,825
Grant Fund:		
Current Fund	119,825	
General Capital		194,053
General Capital:		
Grant Fund	<u>194,053</u>	
	<u>\$313,878</u>	<u>313,878</u>

The amount due to/from the grant fund is due to the fact that there is no separate grant bank account. The remaining interfunds are due to amounts that should have been transferred to the proper bank account.

Note 21: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through March 14, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

SUPPLEMENTARY DATA

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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

The Honorable Mayor and
Members of Borough Council
Borough of Elmer, New Jersey

We have audited the financial statements - regulatory basis of the Borough of Elmer, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated March 14, 2012. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Elmer, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Elmer, New Jersey'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 - regulatory basis but not for the purpose of expressing an opinion on the effectiveness of the Borough of Elmer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Elmer'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying audit findings and responses that we consider to be significant deficiencies in internal control over financial reporting (#11-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Elmer, New Jersey'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 or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services.

We noted certain matters that we reported to management of the Borough of Elmer, New Jersey in a separate letter dated March 14, 2012.

The Borough of Elmer's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Borough of Elmer's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Finance Committee and the State of New Jersey, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

Robert E. Swartz, CPA

Robert E. Swartz
Certified Public Accountant
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants

March 14, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal or State Grantor/Pass - Through Grantor/Program Title	CFDA#/Pass-Through Grantor's #	Grant Period	Program or Award Amount	Balance at 1/1/2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cancelled	Encumbered	Balance at 12/31/2011	Total Cumulative State Expenditures
FEDERAL										
Department of Community Affairs										
Division of Housing and Community Resources										
Small Cities Community Development Block Grant	14.219 95-100-022-8020-078-F292-6110	1/1/07 - 12/31/07 1/1/09 - 12/31/09 1/1/11 - 12/31/11	22,969 23,333 13,445	4,110 18,253	13,445	7,500		41,748	4,110 10,753 13,445	
Small Cities Reimbursements										
Passed through:										
NJ Department of Transportation Safe Routes to Schools	20.205	1/1/09 - 12/31/09	300,000	300,000		106,655		41,748	151,597	
ARRA - NJ Department of Transportation Transportation Enhancement Program Elmer Train Station Relocation Project	20.500	1/1/10 - 12/31/11	395,000	395,000					395,000	
Total Federal Assistance				717,363	13,445	114,155	0	41,748	574,905	
STATE										
Passed through the State of New Jersey										
NJ Transportation Trust Fund Authority Act										
Local Aid Center of Place Reconstruction of Elmer Street	6320-480-601385-61	1/1/05 - 12/31/05	135,000	6,741					6,741	128,259
Reconstruction of Garrison Road	6320-480-601385-61	1/1/08 - 12/31/08	100,000	15,235					15,235	84,765
	6320-480-601385-61	1/1/09 - 12/31/09	130,000	4,893					4,893	125,107
Department of Environmental Protection										
Recycling Tonnage Grant	4830-752-050580-50	1/1/09 - 12/31/09	1,043	593		593			0	1,043
Recycling Tonnage Grant	4830-752-050580-50	1/1/10 - 12/31/10	1,933	1,933		182			1,751	182
Recycling Tonnage Grant	4830-752-050580-50	1/1/11 - 12/31/11	2,363		2,363				2,363	3,688
Clean Communities	4900-765-042-4900-004	1/1/11 - 12/31/11	4,000		4,000				312	3,688
Stormwater Grant	4850-800054-201	1/1/08 - 12/31/08	5,000	1,437					1,437	3,563
Shared Service Agreement - Wastewater Management Plan		1/1/10 - 12/31/10	5,000	5,000					5,000	
Division of Criminal Justice										
Body Armor Fund	1020-718-066-1020-001	1/1/09 - 12/31/09	597	38		38			0	597
Body Armor Fund	1020-718-066-1020-001	1/1/10 - 12/31/10	647	647		647			0	647
Body Armor Fund	1020-718-066-1020-001	1/1/11 - 12/31/11	973		973	65			908	65
Alcohol Education Rehabilitation		1/1/11 - 12/31/11	50		50				50	
Total State Assistance				36,517	7,386	5,213	0	41,748	38,690	
Total All Assistance				\$753,880	20,831	119,368	0	41,748	613,595	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2011**

Note 1: BASIS OF PRESENTATION

The accompanying schedule of federal and state awards includes the federal and state grant activity of the Borough of Elmer, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the Borough's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the Borough's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Expenditures per Schedule of Federal And State Awards	\$5,213	114,155	119,368
Add: Local Funding	5,407		5,407
Encumbrances	892	41,748	42,640
Expenditures reported in Basic Financial Stmtns	<u>\$11,512</u>	<u>155,903</u>	<u>167,415</u>

Audit Findings and Responses

11-1. Criteria

Entities must employ or contract with someone who has sufficient knowledge and experience to accurately prepare a complete set of financial statements, including related disclosures.

Condition

The Borough currently does not employ or contract with an individual who has sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

Cause

Based on the size of the Borough it is not cost effective for the Borough to employ an individual with the requisite training and experience to be able to prepare financial statements and related disclosures.

Effect

The Borough does not have sufficient information to accurately monitor financial activity throughout the year.

Recommendation

That someone in the Borough receive additional current training in financial statement preparation, including all required disclosures, or the Borough consider employing an outside consultant to prepare the financial statements.

Management Response

Based on the size of the Borough it would not be cost effective to employ, or contract with, an individual who has sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2010		\$402,841
Increased by Receipts:		
Collector	A-5	2,797,176
Revenue Accounts Receivable	A-8	226,128
State of New Jersey Senior Citizens Senior Citizens and Veterans		20,500
Miscellaneous Revenue	A-2	22,255
Due From Grant Fund	A-11	<u>137,188</u>
		<u>3,203,247</u>
		3,606,088
Decreased by Disbursements:		
2011 Appropriations	A-3	771,075
2010 Appropriation Reserves	A-9	61,231
Due To Grant Funds - Reserves	A-12	18,120
Refund of Overpaid Taxes		852
County Taxes		1,007,588
Local District School Tax	A-10	<u>1,076,161</u>
		<u>2,935,027</u>
Balance December 31, 2011	A	<u><u>\$671,061</u></u>

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$1,589
Increased by Receipts:			
Prepaid Taxes - 2012		39,938	
Revenue Accounts Receivable	A-8	20	
Taxes Receivable	A-6	2,730,485	
Tax Title Liens	A-7	5,153	
Interest and Costs on Taxes	A-2	<u>21,674</u>	
			<u>2,797,270</u>
			2,798,859
Payment to Treasurer	A-4		<u>2,797,176</u>
Balance December 31, 2011	A		<u><u>\$1,683</u></u>

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

YEAR	BALANCE DEC. 31, 2010	2011 LEVY	ADDED TAXES	DISALLOWED SENIOR CITIZEN	OVERPAYMENTS CREATED	COLLECTIONS BY CASH		OVERPAYMENTS APPLIED	CANCELLATIONS	TRANSFERRED TO TAX TITLE LIENS	BALANCE DEC. 31, 2011
						2010	2011				
2010	124,087		3,633	250		119,303				8,667	0
	124,087	0	3,633	250	0	119,303	0	0	0	8,667	0
2011		2,762,932				37,227	2,631,682			5,244	88,779
	<u>\$124,087</u>	<u>2,762,932</u>	<u>3,633</u>	<u>250</u>	<u>0</u>	<u>37,227</u>	<u>2,750,985</u>	<u>0</u>	<u>0</u>	<u>13,911</u>	<u>88,779</u>

Ref. A

Cash Collected	A-5	\$2,730,485
Senior Citizen & Veteran Allowances		<u>20,500</u>
		<u>\$2,750,985</u>

A

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

Analysis of 2011 Property Tax Levy

Tax Yield

General Property Tax	\$2,759,344	
Added Taxes (54:4-63.1,63.12 et.seq.)	<u>3,588</u>	
		<u><u>2,762,932</u></u>

Tax Levy

	<u>Ref.</u>		
Local District School Tax (Abstract)	A-10	1,233,057	
County Tax (Abstract)		1,006,302	
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>1,310</u>	
			2,240,669

Local Tax for Municipal Purposes	A-2	519,621	
Add: Additional Tax Levied		<u>2,642</u>	

Local Tax for Municipal Purposes Levied			<u>522,263</u>
			<u><u>\$2,762,932</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$272
Increased by:			
Tranfers from Taxes Receivable	A-6	13,911	
Interest and Cost Accrued by Sale of January 5, 2011		<u>637</u>	
			<u>14,548</u>
			14,820
Decreased by:			
Collections	A-5		<u>5,153</u>
Balance December 31, 2011	A		<u><u>\$9,667</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	BALANCE DEC. 31, 2010	ACCRUED IN 2011	COLLECTED BY COLLECTOR	TREASURER	BALANCE DEC. 31, 2011
A-2		20	20		
A-2	6,903	92,321		92,059	7,165
A-2		4,594		4,594	
A-2		97,401		97,401	
A-2		29,152		29,152	
A-2		4,381		4,381	
	<u>\$6,903</u>	<u>227,869</u>	<u>20</u>	<u>227,587</u>	<u>7,165</u>
Ref.	A	Res.	A-5	A-4	A

Tax Searches
Municipal Court:
Fines and Costs
Interest on Investments and Deposits
Energy Receipts Tax
Consolidated Municipal Property Tax Relief Act
Uniform Fire Safety Act

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010**

	BALANCE DEC. 31, 2010	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Mayor and Council					
Other Expenses	2,262	2,262	1,158	1,104	
Municipal Clerk					
Other Expenses	1,854	1,854	807	1,047	
Financial Administration					
Other Expenses	270	270	165	105	
Assessment of Taxes					
Other Expenses	2,188	2,188	18	2,170	
Tax Collector					
Other Expenses	1,018	1,018	475	543	
Legal Services and Costs					
Other Expenses	6,204	2,764	1,229	1,535	
Land Use Board					
Other Expenses	2,746	2,746	13	2,733	
Technology Expenses					
Other Expenses	3,329	3,329	3,326	3	
Engineering Services & Costs					
Other Expenses	2,421	2,136		2,136	
Public Buildings & Grounds					
Other Expenses	5,302	5,302	1,915	3,387	
Fire					
Other Expenses	14,090	14,090	12,684	1,406	
Police					
Salaries and Wages	2,231	2,231	1,153	1,078	
Other Expenses	2,215	2,215	881	1,334	
Crossing Guards					
Salaries and Wages	5,235	3,483		3,483	
Emergency Management					
Other Expenses	349	349	50	299	
Fire Code Inspector					
Salaries and Wages	1,500	1,500	1,025	475	
Garbage and Trash Removal					
Other Expenses	14,226	14,226	7,667	6,559	
Recycling					
Other Expenses	6,040	6,040	3,455	2,585	
Board of Health					
Salaries and Wages	2,692	2,692	248	2,444	
Animal Control Services					
Other Expenses	703	988	754	234	
Parks and Playgrounds					
Other Expenses	2,920	2,920	6	2,914	
Road Repairs and Maintenance					
Other Expenses	3,830	7,270	7,270		
Unclassified:					
Electric	452	452	410	42	
Telephone	940	940	652	288	
Gasoline	2,806	2,806	733	2,073	
Heating	2,260	2,260	2,080	180	
Street Lighting	2,231	2,231	1,396	835	
Aid to Library	1,695	1,695	1,695		
Interlocal Service Agreements:					
Joint Municipal Court	8,215	9,967	9,966	1	
Other Accounts - No Changes	13,433	13,433		13,433	
	<u>\$115,657</u>	<u>115,657</u>	<u>61,231</u>	<u>54,426</u>	<u>0</u>
	A	A	A-4	A-1	

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

	<u>Ref.</u>		
Balance December 31, 2010			
School Tax Payable	A	0	
School Tax Deferred		<u>414,011</u>	
			414,011
Increased By:			
Levy - School Year July 1, 2011 to June 30, 2012	A-1:A-6	<u>1,233,057</u>	
			1,647,068
Decreased By:			
Payments	A-4	<u>1,076,161</u>	
Balance December 31, 2011			
School Tax Payable	A	156,896	
School Tax Deferred	A	<u>414,011</u>	
			<u><u>570,907</u></u>
2011 Liability for Local School Tax:			
Tax Paid		1,076,161	
Tax Payable 12/31/2011		<u>156,896</u>	
			1,233,057
Less: Tax Payable 12/31/2010		<u>0</u>	
Amount Charged to 2011 Operations	A-1		<u><u>\$1,233,057</u></u>

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

<u>Grant</u>	Balance DEC. 31, 2010	Transferred from 2011 Budget Appropriations	Expended	Encumbered	Cancel/ Adjusted	Balance DEC. 31, 2011
STATE:						
NJ Department of Environmental Protection						
Recycling Tonnage Grant	2,526	2,363	775			4,114
Stormwater Grant	1,437					1,437
Wastewater Management	5,000					5,000
Body Armor	685	973	750			908
New Jersey Transportation Trust Fund						
Local Aid Center of Place	6,741					6,741
Reconstruction of Garrison Rd	4,893					4,893
Reconstruction of Elmer Street	15,235					15,235
Clean Communities		4,000	3,688			312
Alcohol Education Rehabilitation		50				50
FEDERAL:						
Small Cities Community Development Block Grant						
FEMA Grant						
Small Cities Reimbursements		13,445				13,445
2005 Small Cities	30					30
2007 Small Cities	4,080					4,080
2009 Small Cities	18,253		7,500			10,753
ARRA - NJ Department of Transportation						
Transportation Enhancement Program	395,000					395,000
Elmer Train Station Relocation Project	300,000		106,655	41,748		151,597
Safe Routes to School						
LOCAL:						
Municipal Drug Alliance	7,947	5,228	3,407	892		8,876
Salem County Improvement Authority-REA Grant Program		3,547				3,547
Salem County Safe Roadways Program		2,000	2,000			
	<u>\$761,827</u>	<u>31,606</u>	<u>124,775</u>	<u>42,640</u>	<u>0</u>	<u>626,018</u>

Ref. A A-3 A-4 A
SEE ACCOMPANYING AUDITOR'S REPORT

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

	Balance DEC. 31, 2010	Transferred to 2011 Budget Appropriations	Received	Balance DEC. 31, 2011
<u>Grant</u>				
Small Cities Loan Repayment	13,445	13,445		
Body Armor Fund	973	973	1,011	1,011
Recycling Tonnage Grant			2,073	2,073
	\$14,418	14,418	3,084	3,084
	A			A

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2010	B	\$104	31,825
Increased By:			
Dog License Fees	B-2	2,516	
Cat License Fees	B-2	1,295	
Late Fees	B-2	740	
State Dog License Fees		534	
Prepaid Dog and Cat Licenses		1,030	
Interest Earned	B-2; B-5	10	115
Payroll Trust			305,062
TTL Redemptions	B-4		228,881
Escrow Fees	B-3		<u>5,000</u>
		<u>6,125</u>	<u>539,058</u>
		6,229	570,883
Decreased By:			
Expenditures under NJS 4:19-15.22	B-2	4,326	
State of New Jersey-Dog Licenses		534	
Escrow Fees	B-3		5,183
Tax Title Lien Redemptions	B-4		199,754
Premiums Returned	B-5		8,400
Due to Current Fund	B-4; 5		76
Payroll Trust			<u>305,400</u>
		<u>4,860</u>	<u>518,813</u>
Balance December 31, 2011	B	<u>\$1,369</u>	<u>52,070</u>
Analysis of Other Cash			
Subdivision Escrow			7,381
Payroll Trust			2,449
Performance Guarantee			6,349
Fire Safety Fees			1,575
Tax Title Lien Redemption			30,183
Tax Sale Premiums			<u>4,133</u>
			<u>\$52,070</u>

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL
FUND EXPENDITURES**

	<u>Ref.</u>	
Balance December 31, 2010	B	\$104
Increased by:		
Dog License Fees Collected		2,516
Cat License Fees Collected		1,295
Late Fees		740
Interest Earned		10
	B-1	<u>4,561</u>
		4,665
Decreased by:		
Expenditures under NJSA 4:19-15.11	B-1	<u>4,326</u>
Balance December 31, 2011	B	<u><u>\$339</u></u>

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2010	2,547
	2009	<u>3,310</u>
		<u><u>\$5,857</u></u>

B-3

**TRUST FUND
SCHEDULE OF SUBDIVISION ESCROW**

	<u>Ref.</u>	
Balance December 31, 2010	B	\$7,564
Increased by:		
Escrows Received	B-1	<u>5,000</u>
		12,564
Decreased by:		
Escrows Returned	B-1	<u>5,183</u>
Balance December 31, 2011	B	<u><u>\$7,381</u></u>

B-4

**TRUST FUND
RESERVE FOR TAX TITLE LIEN REDEMPTION**

	<u>Ref.</u>		
Balance December 31, 2010	B		\$1,013
Increased by:			
Third Party Lien Holders		228,881	
Interest earned		<u>56</u>	
	B-1		<u>228,937</u>
			229,950
Decreased by:			
Interest Paid to Current Fund		13	
Redemption of Tax Title Liens		<u>199,754</u>	
	B-1		<u>199,767</u>
Balance December 31, 2011	B		<u><u>\$30,183</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
RESERVE FOR TAX SALE PREMIUMS**

Balance December 31, 2010	<u>Ref.</u> B		\$12,563
Increased by:			
Interest Earned		33	
	B-1	<hr/>	<hr/> 33
			12,596
Decreased by:			
Premiums Returned		8,400	
Interest paid to current fund		63	
	B-1	<hr/>	<hr/> 8,463
Balance December 31, 2011	C		<hr/> <hr/> \$4,133

B-6

**TRUST FUND
RESERVE FOR PERFORMANCE GUARANTEE TRUST**

Balance December 31, 2010	<u>Ref.</u> B		\$6,323
Increased by:			
Interest Earned		<u>26</u>	
	B-1		<u>26</u>
Balance December 31, 2011	B		<u><u>\$6,349</u></u>

B-7

**TRUST FUND
RESERVE FOR FIRE SAFETY FEES**

Balance December 31, 2010	<u>Ref.</u> B		\$1,575
No Activity During 2011			
			<u> </u>
Balance December 31, 2011	B		<u><u>\$1,575</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2010	C		\$122,362
Increased by:			
Bond Anticipation Notes	C-8	325,758	
Due to Current Fund	C-4	<u>11,459</u>	
			<u>337,217</u>
			459,579
Decreased by:			
Reserve for Preliminary Expenses:			
Elmer Train Station Relocation Project		250	
Due from Current Fund	C-4	1,459	
Due to Grant Fund		106,655	
Improvement Authorizations	C-7	<u>4,406</u>	
			<u>112,770</u>
Balance December 31, 2011	C		<u><u>\$346,809</u></u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	RECEIPTS		DISBURSEMENTS		TRANSFERS		BALANCE DEC. 31, 2011	
	BALANCE DEC. 31, 2010	MISC.	BOND ANTIC. NOTES	IMPROVEMENT AUTHORIZATIONS	MISC.	FROM		TO
Fund Balance	54,801						27,934	82,735
Capital Improvement Fund	42,085	10,000				17,145		34,940
Due to Current Fund	0					27,934		0
Due to Grant Fund	(87,398)				106,655			(194,053)
Accounts Payable	0						37,749	37,749
Reserve for Preliminary Expense	1,100				250	461		389
<u>Improvement Authorizations</u>								
06-4 Repaving of Center St & Hitchner Avenue	5,405					5,405		80,496
07-6 Reconstruction of Penn Street	80,496							450
09-13 Safe Routes	3,344			2,894				
09-05 Reconstruction of Garrison Road	22,529					22,529		
11-7 Construction of Sidewalks			285,000				15,000	300,000
11-8 Purchase of 4 Wheel Drive Vehicle for Police Department			40,758			37,288	2,145	4,103
	\$122,362	10,000	325,758	4,406	106,905	110,762	110,762	346,809

Ref.

C

C-2

C-2

C-2

C-2

C

C-2

C-2

C

SEE ACCOMPANYING AUDITOR'S REPORT

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND

	<u>Ref.</u>		
Balance December 31, 2010	C:A		\$0
Increased by:			
Current Fund Budget	C-6	10,000	
Interest Earned on Investments	C-2	<u>1,459</u>	
			11,459
Decreased by:			
Remitted to Current Fund	C-2	<u>11,459</u>	
			<u>11,459</u>
Balance December 31, 2011	C:A		<u><u>\$0</u></u>

**GENERAL CAPITAL FUND
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance #	Improvement Description	Balance DEC. 31, 2010	2011 Authorization	Reappropriated	Paid by Budget Appropriation	Balance DEC. 31, 2011	Analysis of Balance - December 31, 2011		
							Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
04-5	Reconstruction of Center Street	3,700				3,700	3,700		
06-4	Repaving of Center Street and Hitchner Avenue	70,000			15,000	55,000	55,000		
06-5	Replacement of Borough Hall HVAC	120,000			20,000	100,000	100,000		
07-6	Repaving of Penn Street	65,540			20,000	45,540	45,540		
07-7	Purchase of Four Wheel Drive Police Vehicle	34,900			5,000	29,900	29,900		
09-5	Reconstruction of Garrison Road	46,960				46,960	46,960		
09-13	Improving Pedestrian Routes to Elmer Elementary School	26,800			15,000	11,800	11,800		
11-7	Construction of Sidewalks		285,000			285,000	285,000		
11-8	Purchase of 4 Wheel Drive Vehicle for Police Department		40,758			40,758	40,758		
		\$367,900	325,758	0	75,000	618,658	618,658	0	0

Ref. C C-7 C-8 C C-8 C-8

SEE ACCOMPANYING AUDITOR'S REPORT

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

	<u>Ref.</u>	
Balance December 31, 2010	C	\$42,085
Increased by:		
2011 Budget Appropriation	A-3:C-2	<u>10,000</u>
		52,085
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-7	<u>17,145</u>
Balance December 31, 2011	C	<u><u>\$34,940</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	IMPROVEMENT DESCRIPTION	ORD. DATE	AMOUNT	DEC. 31, 2010		2011 AUTHORIZATIONS		PAID OR CHARGED	AUTHORIZATIONS		
				FUNDED	UNFUNDED	CAPITAL IMP FUND	DEFERRED CHARGES TO FUTURE TAXATION		CANCELED	UNFUNDED	
06-4	Repaving of Center Street & Hitchner Avenue	3/8/06	110,000		5,405			5,405			
07-6	Reconstruction of Penn Street	2/14/07	150,000	80,496						80,496	
09-05	Reconstruction of Garrison Road	3/11/09	46,960	22,529				22,529			
09-13	Improving Pedestrian Routes to Elmer Elementary School	9/9/09	37,300	3,344			2,894			450	
11-07	Construction of Sidewalks	4/13/11	300,000			15,000	285,000			300,000	
11-08	Purchase of 4 Wheel Drive Vehicle for Police Department	5/11/11	42,903			2,145	40,758	38,800		4,103	
				\$0	111,774	17,145	325,758	41,694	27,934	0	385,049
Ref.				C	C	C-6	C-5	C-1	C	C	
						Cash	C-2				
						Contracts Payable					
								4,406			
								37,288			
								<u>41,694</u>			

SEE ACCOMPANYING AUDITOR'S REPORT

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord #	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2010	INCREASED	DECREASED	BALANCE DEC. 31, 2011
04-5	Reconstruction of Center Street	9/16/04	9/10/11	9/7/12	1.69%	30,500		15,000	15,500
06-4	Repaving of Center Street and Hitchner Avenue	5/15/06	5/13/11	5/11/12	1.69%	70,000		15,000	55,000
06-5	Replacement of Borough Hall HVAC	5/15/06	5/13/11	5/11/12	1.69%	120,000		20,000	100,000
07-6	Reconstruction of Penn Street	4/14/07	4/14/11	4/13/12	1.69%	112,500		20,000	92,500
07-7	Purchase of 4 Wheel Drive Police Vehicle	4/14/07	4/14/11	4/13/12	1.69%	34,900		5,000	29,900
11-7	Construction of Sidewalks	5/11/11	5/11/11	5/11/12	1.69%		285,000		285,000
11-8	Purchase of 4 Wheel Drive Vehicle for Police Department	6/15/11	6/15/11	6/15/12	1.69%		40,758		40,758
						\$367,900	325,758	75,000	618,658
		Ref.	C	C-2	C-5	C			C

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	<u>OPERATING</u>	<u>CAPITAL</u>
Balance December 31, 2010	D	\$88,154	200,930
Increased By Receipts:			
Collector	D-6	189,249	
Due from Water Operating- Capital Improvement Fund			10,000
Miscellaneous Revenue	D-3	15,114	1,022
		<u>204,363</u>	<u>11,022</u>
		<u>292,517</u>	<u>211,952</u>
Decreased by Disbursements:			
2011 Appropriations	D-4	182,725	
2010 Appropriation Reserves	D-9	12,538	
Reserve for Encumbrances			1,022
Interest Paid to Operating Fund			
		<u>195,263</u>	<u>1,022</u>
Balance December 31, 2011	D	<u><u>\$97,254</u></u>	<u><u>210,930</u></u>

D-6

**WATER OPERATING FUND
SCHEDULE OF CASH - COLLECTOR**

	Ref.		
Balance December 31, 2010	D		\$1,050
Increased by Receipts:			
Consumer Accounts Receivable	D-3:D-7	<u>202,862</u>	202,862
			<u>203,912</u>
Decreased by Disbursements:			
Payment to Treasurer	D-5		189,249
Balance December 31, 2011	D		<u><u>\$14,663</u></u>

D-7

**WATER OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

	Ref.		
Balance December 31, 2010	D		\$5,388
Increased by:			
Utility Rents Levied	Res.		<u>205,621</u>
			211,009
Decreased by:			
Collections	D-6	<u>202,862</u>	<u>202,862</u>
Balance December 31, 2011	D		<u><u>\$8,147</u></u>

**WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL - WATER**

ACCOUNT	BALANCE DEC. 31, 2010	ADDITIONS		BALANCE DEC. 31, 2011
		BY BUDGET CAPITAL OUTLAY	BY ORDINANCE	
Springs and Wells	\$297,096			297,096
Distribution Mains and Accessories	49,678			49,678
Pumping Station and Structures	7,251			7,251
Fire Hydrants	33,324			33,324
Water Tower and Standpipes	672,538			672,538
Water Service Installation	23,527			23,527
Electric Pumping Equipment	18,235			18,235
Maintenance	6,260			6,260
Miscellaneous Equipment	1,827			1,827
New Meters	41,434			41,434
Installation of New Service				
N. Main Street	3,468			3,468
Rehabilitation of Well #6	92,685			92,685
Water System Improvements	588,015			588,015
Purchase of Water Meters	145,564			145,564
Repairs to Water Wells	50,000			50,000
Installation of New Tablet Chlorinator				
Feed System	25,000			25,000
	<u>\$2,055,902</u>	<u>0</u>	<u>0</u>	<u>2,055,902</u>

Ref. D
SEE ACCOMPANYING AUDITOR'S REPORT

D

**WATER OPERATING FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2010	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Operating: Other Expenses	32,304	32,304	12,538	19,766	
Other Accounts - No Changes	6,259	6,259		6,259	
	<u>\$38,563</u>	<u>38,563</u>	<u>12,538</u>	<u>26,025</u>	<u>0</u>

Ref.	D	D	D-5	D-1	D-1
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SEE ACCOMPANYING AUDITOR'S REPORT

D-10

**WATER CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

	Ref.		
Balance December 31, 2010	D		\$140,959
Increased by:			
Received from Water Operating Fund	D-4	<u>10,000</u>	<u>10,000</u>
Balance December 31, 2011	D		<u><u>\$150,959</u></u>

D-11

**WATER CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION -WATER**

	Ref.		
Balance December 31, 2010	D		\$2,055,902
No Activity			
Balance December 31, 2011	D		<u><u>\$2,055,902</u></u>

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BOROUGH OF ELMER

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement".

The Governing Body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$17,500 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.

The minutes indicate the following bids were requested by public advertising during the 2011 calendar year: Construction of Sidewalks and Trash/Recycling Pickup.

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 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 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.

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides 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 become delinquent.

The Governing Body on January 1, 2011 adopted the following resolutions authorizing interest to be charged on delinquent taxes and water charges:

Tax Collections:

WHEREAS, the Borough of Elmer is able to set policies and procedures for the office of the Tax Collector that allows for the best fiscal interest of the municipality.

NOW, THEREFORE, BE IT RESOLVED, that the Tax Collector, is hereby authorized and directed to implement the following:

- a) Interest on taxes shall be eight (8) percent per annum on the first \$1,500 and eighteen (18) percent per annum on all subsequent delinquency until the account is paid in full. All accounts have a ten (10) day grace period after each due date, and if not paid, the interest shall accrue from the due date.
- b) A year end penalty of six percent (6%) for taxpayers with a delinquency in excess of \$10,000 who fail to pay the delinquency before the end of the year.
- c) A tax sale of all delinquent accounts for the year 2011 municipal taxes will be held in January 2012.
- d) Delinquent 2010 and 2011 accounts in the amount of +/- \$5 may, at the discretion of the tax collector be canceled prior to tax sale.

Water Collections:

WHEREAS, the Borough of Elmer is able to set policies and procedures for the office of the Tax Collector that allows for the best fiscal interest of the municipality.

NOW, THEREFORE, BE IT RESOLVED, that the Water Collector, is hereby authorized and directed to implement the following:

- e) Interest on water account shall be eight (8) percent per annum on the first \$1,500 and eighteen (18) percent per annum on all subsequent delinquency until the account is paid in full. All accounts have a ten (10) day grace period after each due date, and if not paid, the interest shall accrue from the due date.
- f) A tax sale of all delinquent accounts for the year 2011 water charges will be held in January 2012.
- g) Delinquent accounts in the amount of +/- \$5 may, at the discretion of the water collector be canceled prior to tax sale.
- h) Final water reads shall be given a charge of \$20.00 per read.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on January 5, 2011 and was complete. There are no properties in bankruptcy.

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

<u>Year</u>	<u>Number of Liens</u>
2011	6
2010	1
2009	2

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulation of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2012 Taxes	25
Payment of 2011 Taxes	25
Delinquent Taxes	13
Payment of Current Water Charges	10
Delinquent Water Utility Charges	0

As of the date of this audit report, all verifications have not been returned. No problems were noted with the verifications that have been returned related to property taxes and utility charges.

Comparison of Tax Levies and Collections 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>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2011	\$2,762,932	2,668,909	96.59%
2010	2,716,721	2,590,611	95.35%
2009	2,619,451	2,504,769	95.62%
2008	2,577,309	2,516,590	97.64%
2007	2,352,525	2,297,324	97.65%

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	2.62	\$2.56	2.47	2.43	2.22
Apportionment of Tax Rate:					
Municipal	0.49	0.49	0.47	0.43	0.37
County	0.96	0.97	0.92	0.92	0.81
Local School	1.17	1.10	1.08	1.08	1.04
Assessed Valuation	105,479,531	106,114,084	105,312,184	105,653,144	105,518,388

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 five years.

<u>Year</u>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2011	\$9,667	88,779	98,446	3.56%
2010	272	124,087	124,359	4.58%
2009	680	113,262	113,942	4.35%
2008	0	60,360	60,360	2.34%
2007	0	60,304	60,304	2.56%

Schedule of Financial Statement Findings

NONE

Status of Prior Recommendations

10-1. Condition

The Borough currently does not employ or contract with an individual who has sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

Current Status

This finding was not corrected in 2011.

Corrective Action to be Taken

Based on the size of the Borough it would not be cost effective to employ, or contract with, an individual who has sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

RECOMMENDATIONS

* 1. That someone in the Borough receive additional current training in financial statement preparation, including all required disclosures, or the Borough consider employing an outside consultant to prepare the financial statements.

* similar recommendation made in prior years

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants