

BOROUGH OF ELMER

COUNTY OF SALEM

REPORT OF AUDIT

DECEMBER 31, 2014

BOROUGH OF ELMER
COUNTY OF SALEM
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BOROUGH OF ELMER

COUNTY OF SALEM

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

FOR THE YEAR ENDED DECEMBER 31, 2014

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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May 21, 2015

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Elmer
County of Salem
Elmer, New Jersey 08318

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance – regulatory basis of the various funds of the Borough of Elmer, in the County of Salem, State of New Jersey, as of December 31, 2014 and 2013, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and statement of general fixed assets group of accounts for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consideration of internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Elmer, in the County of Salem, State of New Jersey, as of December 31, 2014 and 2013, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance – regulatory basis of the various funds of the Borough of Elmer, in the County of Salem, State of New Jersey as of December 31, 2014 and 2013, and the results of its operations and changes in fund balance – regulatory basis of such funds for the years then ended, and the revenues – regulatory basis, expenditures - regulatory basis of the various funds, and general fixed assets, for the year ended December 31, 2014 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

Other Matters

The financial statements of the Borough of Elmer as of December 31, 2013, were audited by other auditors whose report, dated March 31, 2014, expressed an unmodified opinion on those statements.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance programs are presented for purposes of additional analysis as required by the State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the financial statements.

The supplementary financial statements presented for the various funds and the schedule of expenditures of state financial assistance programs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other addition procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015, on our consideration of the Borough of Elmer's, in the County of Salem, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Elmer's internal control over financial reporting.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

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May 21, 2015

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Elmer
County of Salem
Elmer, New Jersey 08318

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed Division of Local Government Services, Department of Community Affairs, State of New Jersey of the Borough of Elmer, County of Salem, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated May 21, 2015. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Elmer's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be significant deficiencies or material weaknesses. We did not identify any material deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Elmer'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** and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant

CURRENT FUND
COMPARATIVE BALANCE SHEET

	<u>Ref.</u>	<u>Balance December 31, 2014</u>	<u>Balance December 31, 2013</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Chief Financial Officer	A-4	\$ 744,576	\$ 701,420
Cash - Collector	A-5	1,392	70,266
Change Fund		200	200
		<u>746,168</u>	<u>771,886</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	37,473	96,433
Tax Title Liens Receivable	A-7	8,142	6,672
Property Acquired for Taxes - Assessed Valuation	A-8	20,500	18,100
Revenue Accounts Receivable	A-10	5,496	6,643
Interfunds Receivable	A-11	2,187	1,044
Miscellaneous Accounts Receivable (DCRP)	A-4	434	
		<u>74,232</u>	<u>128,892</u>
Deferred Charges			
Emergency Authorizations (40A-4-48)	A-12	1,044	
Total Regular Fund		<u>821,444</u>	<u>900,778</u>
Federal and State Grant Fund:			
State Grants Receivable	A-17	14,876	168,246
Amount Due from Current Fund	A-11	27,696	119,410
Total Grant Fund		<u>42,572</u>	<u>287,656</u>
Total Current Fund		<u>\$ 864,016</u>	<u>\$ 1,188,434</u>

CURRENT FUND
COMPARATIVE BALANCE SHEET

		Balance December 31, 2014	Balance December 31, 2013
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
	<u>Ref.</u>		
Regular Fund			
Liabilities			
Appropriation Reserves	A-3,13	\$ 82,628	\$ 84,547
Encumbrances Payable	A-20	43,833	31,219
Prepaid Taxes	A-5	48,997	39,494
Amount Due to State of New Jersey for Senior Citizen and Veterans Tax Exemptions	A-9	2,799	1,549
Amount Due to Grant Fund	A-11	27,696	119,410
Amount Due to State of New Jersey	A-12	25	25
Local District School Taxes Payable	A-15	208,438	184,753
Amount Due County for Added Taxes	A-16	2,241	614
County Tax Payable	A-16	27	27
Reserve for Codification of Ordinances	A-22		6,733
Reserve to Pay Debt Service	A-22	44,446	85,000
Reserve for Sale of Municipal Assets	A-22	64,610	64,610
Total Liabilities		525,740	617,981
Reserve for Receivables and Other Assets	A	74,232	128,892
Fund Balance	A-1	221,472	153,905
Total Regular Fund		821,444	900,778
Federal and State Grant Fund			
Amount Due to General Capital Fund	A-11		87,398
Reserve for State Grants - Unappropriated	A-18	3,735	3,505
Reserve for State Grants - Appropriated	A-19	37,248	193,950
Encumbrances Payable	A-20	1,589	2,803
Total Grant Fund		42,572	287,656
Total Current Fund		\$ 864,016	\$ 1,188,434

CURRENT FUNDCOMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

	Ref.	Year 2014	Year 2013
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 121,000	\$ 126,500
Miscellaneous Revenue Anticipated	A-2	333,392	410,143
Receipts from Delinquent Taxes	A-2	95,825	104,709
Receipts from Current Taxes	A-2	2,896,487	2,732,381
Non-Budget Revenue	A-2	37,952	36,335
Other Credits to Income			
Cancellation of Prior year Reserves	A-11	2,978	
Unexpended Balance of Appropriation Reserves	A-13	64,308	60,039
Cancellation of Prior year Encumbrances	A-20	594	
Total Income		3,552,536	3,470,107
<u>Expenditures</u>			
Budget and Emergency Appropriations			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	257,065	254,173
Other Expenses	A-3	458,023	449,766
Deferred Charges and Statutory Expenditures	A-3	51,543	46,702
Appropriations Excluded from "CAPS":			
Operations:			
Other Expenses	A-3	66,713	212,571
Emergency Appropriations			
Capital Improvements	A-3	10,000	10,000
Debt Service	A-3	164,717	93,512
Transfer to Board of Education	A-3	8,440	8,239
Interfund Advanced	A-11	1,577	1,015
Local District School Taxes	A-15	1,310,569	1,284,978
County Taxes	A-16	1,034,125	978,249
County Taxes - Added	A-16	2,241	614
Prior Year Adjustment			23,324
Total Expenditures		3,365,013	3,363,143
Excess in Revenue		187,523	106,964
Adjustments to Income before Fund Balance			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-12	1,044	
Statutory Excess to Fund Balance		188,567	106,964
Fund Balance, January 1	A	153,905	173,441
		342,472	280,405
Decreased by			
Utilization of Anticipated Revenue	A-2	121,000	126,500
Fund Balance, December 31	A	\$ 221,472	\$ 153,905

CURRENT FUND
STATEMENT OF REVENUES

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 121,000	\$ 121,000	\$
Miscellaneous Revenues:				
Fines and Costs - Municipal Court	A-10	82,200	72,182	(10,018)
Interest and Costs on Taxes	A-10	21,000	24,541	3,541
Interest on Investments	A-10	2,600	3,201	601
Consolidated Municipal Property Tax Relief Act	A-10	21,199	21,199	
Energy Receipts Tax (P.L. 1987 Ch. 162 & 167)	A-10	105,354	105,354	
Uniform Fire Safety act	A-10	5,392	5,144	(248)
Municipal Alliance on Alcoholism and Drug Abuse	A-17	6,266	6,266	
Salem County Safe Roadways	A-17	3,000	3,000	
Clean Communities Program	A-17	4,000	4,000	
Reserve for Recycling Tonnage Grant	A-18	2,000	2,000	
Recycling Tonnage Grant	A-18	320	320	
Body Armor Fund	A-18	1,185	1,185	
Reserve for Debt Service	A-21	85,000	85,000	
Total Miscellaneous Revenue	A-1	339,516	333,392	(6,124)
Receipts from Delinquent Taxes	A-2(2)	88,001	95,825	7,824
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	A-2	585,903	668,439	82,536
Budget Totals	A-3	\$ 1,134,420	1,218,656	\$ 84,236
Non-budget Revenue	A-1,10		37,952	
			\$ 1,256,608	

CURRENT FUND
STATEMENT OF REVENUES

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Allocation of Current Tax Collections			
Revenue from Collections	A-6	\$	2,896,487
Allocated to			
County and School Taxes	A-15,16		2,347,007
Balance for Support of Municipal Budget Appropriations			549,480
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		118,959
Amount for Support of Municipal Budget Appropriations	A-2	\$	668,439
Receipts from Delinquent Taxes			
Delinquent Tax Collections	A-6,2	\$	95,271
Tax Title Lien Collections	A-7		554
	A-1,2		\$ 95,825
<u>Analysis of Anticipated Interest Earned:</u>			
Revenue Accounts Receivable:			
Treasurer	A-10	\$	2,098
Interest Earned - Interfunds	A-11		1,103
	A-1, 2(1)		\$ 3,201

CURRENT FUNDSTATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS"</u>				
<u>GENERAL GOVERNMENT</u>				
Mayor and Council:				
Salaries and Wages	\$ 18,153	\$ 18,603	\$ 18,583	\$ 20
Other Expenses	5,700	5,700	3,778	1,922
Municipal Clerk:				
Salaries and Wages	18,416	18,416	16,637	1,779
Other Expenses	5,250	5,850	5,813	37
Elections				
Other Expenses	5	5		5
Financial Administration (Treasury):				
Salaries and Wages	16,589	16,589	16,589	
Other Expenses	12,400	12,400	7,190	5,210
Audit Services:				
Other Expenses	9,300	9,300	9,300	
Revenue Administration (Tax Collection)				
Salaries and Wages	12,687	12,687	11,687	1,000
Other Expenses	4,000	4,650	3,770	880
Tax Assessment Administration:				
Salaries and Wages	11,687	11,687	11,687	
Other Expenses	2,700	3,200	2,512	688
Legal Services and Costs:				
Other Expenses	21,105	19,405	7,105	12,300
Engineering Services:				
Other Expenses	4,000	4,000	1,333	2,667
Public Building and Grounds:				
Salaries and Wages	10,874	10,874	7,214	3,660
Other Expenses	14,140	14,640	14,216	424
Insurance				
Liability	24,867	24,867	24,229	638
Workers' Compensation Insurance	18,200	18,200	18,193	7
Health Insurance Opt-Out	8,700	8,700	6,871	1,829
Technology				
Other Expenses	14,000	14,000	9,020	4,980

CURRENT FUNDSTATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>				
<u>LAND USE ADMINISTRATION</u>				
Land Use Board:				
Salaries and Wages	\$ 6,534	\$ 6,534	\$ 6,534	
Other Expenses	4,500	4,500	2,768	1,732
<u>PUBLIC SAFETY FUNCTION</u>				
Police Department:				
Salaries and Wages	140,512	140,512	133,577	6,935
Other Expenses	26,000	26,000	25,737	263
Fire:				
Other Expenses	36,000	36,000	35,618	382
Emergency Management Services:				
Salaries and Wages	2,349	2,349	2,348	1
Other Expenses	1,000	1,000	835	165
First Aid Organization Contribution	6,000	6,000	4,000	2,000
Housing Inspections				
Salaries and Wages	3,089	3,089	3,089	
Other Expenses	150	150		150
Fire Code Inspector (Uniform Fire Code)				
Salaries and Wages	7,422	7,422	5,922	1,500
Other Expenses	3,145	3,145	2,119	1,026
<u>PUBLIC WORKS FUNCTION</u>				
Streets and Road Maintenance				
Other Expenses	17,677	19,677	17,284	2,393
<u>SANITATION FUNCTION</u>				
Garbage and Trash Removal:				
Other Expenses	94,034	89,234	86,069	3,165
Recycling:				
Other Expenses	34,000	34,000	31,155	2,845

CURRENT FUNDSTATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>				
<u>HEALTH AND WELFARE FUNCTION</u>				
Board of Health:				
Salaries and Wages	\$ 7,600	\$ 7,600	\$ 6,676	\$ 924
Other Expenses	2,100	2,700	2,272	428
Animal Control Services:				
Salaries and Wages	703	703	703	
Other Expenses	4,000	4,000	3,901	99
<u>RECREATION AND EDUCATION FUNCTION</u>				
Other Expense	11,500	11,500	9,745	1,755
Celebration of Public Event Anniversary or Holiday				
Other Expenses	3,300	3,300	3,009	291
Grantsman				
Other Expenses	600	1,800	595	1,205
<u>UNCLASSIFIED</u>				
Electric	19,000	19,000	18,140	860
Street Lighting	20,000	20,000	15,730	4,270
Telephone	9,500	9,500	9,467	33
Heating	10,000	10,000	7,529	2,471
Gasoline	11,600	11,600	8,319	3,281
Total Operations Within "CAPS"	\$ 715,088	\$ 715,088	\$ 638,868	\$ 76,220

CURRENT FUNDSTATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>				
Detail:				
Salaries and Wages	\$ 256,615	\$ 257,065	\$ 241,246	\$ 15,819
Other Expenses (Incl. Contingent)	458,473	458,023	397,622	60,401
DEFERRED CHARGES AND STATUTORY EXPENDITURES - <u>MUNICIPAL WITHIN "CAPS"</u>				
Deferred Charges:				
PY Bill - Salem County Treasurer (Dispatching Services)	4,500	4,500	4,500	
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	24,713	23,713	22,197	1,516
Social Security System (O.A.S.I.)	20,200	20,200	19,346	854
Unemployment Compensation Insurance	1,700	1,700	1,488	212
Defined Contribution Retirement Program	430	1,430	370	1,060
Total Deferred Charges and Statutory Expenditures - Municipal Within "Caps"	<u>51,543</u>	<u>51,543</u>	<u>47,901</u>	<u>3,642</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>\$ 766,631</u>	<u>\$ 766,631</u>	<u>\$ 686,769</u>	<u>\$ 79,862</u>

CURRENT FUND
STATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Recycling Tax Appropriation	\$ 2,000	\$ 2,000	\$ 1,904	\$ 96	
Municipal Library (Aid to Library)	2,500	2,500	2,500		
<u>SHARED SERVICE AGREEMENTS</u>					
Joint Municipal Court	43,875	43,875	41,205	2,670	
Public and Private Programs Offset by Revenues:					
Body Armor Fund	1,185	1,185	1,185		
Municipal Alliance Program					
State Share	6,266	6,266	6,266		
Local Share	523	1,567	1,567		
Clean Communities Program					
Other Expenses	4,000	4,000	4,000		
Salem County Safe Roadways	3,000	3,000	3,000		
Recycling Tonnage Grant	2,320	2,320	2,320		
Total Public and Private Programs Offset By Revenues	<u>17,294</u>	<u>18,338</u>	<u>18,338</u>	<u>-</u>	
Total Operations Excluded from "CAPS":	<u>65,669</u>	<u>66,713</u>	<u>63,947</u>	<u>2,766</u>	
Detail:					
Other Expenses	<u>65,669</u>	<u>66,713</u>	<u>63,947</u>	<u>2,766</u>	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	10,000	10,000	10,000		
Total Capital Improvements - Excluded from "CAPS"	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>		
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>					
Payment of Bond Anticipation and Capital Notes	161,900	161,900	161,900		
Interest on Notes	2,821	2,821	2,817		4
Total Municipal Debt Service Excluded From "CAPS"	<u>164,721</u>	<u>164,721</u>	<u>164,717</u>		<u>4</u>
Transferred to Board of Education for Use of Local Schools	<u>8,440</u>	<u>8,440</u>	<u>8,440</u>		

CURRENT FUND

STATEMENT OF EXPENDITURES

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations Excluded from "CAPS"	\$ 248,830	\$ 249,874	\$ 247,104	\$ 2,766	\$ 4
Subtotal General Appropriations	1,015,461	1,016,505	933,873	82,628	4
Reserve for Uncollected Taxes	118,959	118,959	118,959		
Total General Appropriations	<u>\$ 1,134,420</u>	<u>\$ 1,135,464</u>	<u>\$ 1,052,832</u>	<u>\$ 82,628</u>	<u>\$ 4</u>
	<u>Ref.</u>	<u>A-2</u>	<u>A-1</u>	<u>A:A-1</u>	
Adopted Budget		\$ 1,123,242			
Emergency Authorizations	A-12	1,044			
Chapter 159		11,178			
Reserve for Uncollected Taxes	A-2(2)		\$ 118,959		
Disbursed	A-4		871,702		
Borough Matching Share on Grants	A-11,19		1,567		
Federal and State Grants	A-19		16,771		
Encumbrances Payable	A-14		43,833		
		<u>\$ 1,135,464</u>	<u>\$ 1,052,832</u>		

TRUST FUND
COMPARATIVE BALANCE SHEET

	<u>Ref.</u>	<u>Balance December 31, 2014</u>	<u>Balance December 31, 2013</u>
<u>ASSETS</u>			
<u>Animal Control Fund:</u>			
Cash - Chief Financial Officer	B-1	\$ 3,149	\$ 1,329
<u>Other Trust Funds:</u>			
Cash - Chief Financial Officer	B-1	63,107	40,372
		<u>\$ 66,256</u>	<u>\$ 41,701</u>
 <u>LIABILITIES, RESERVES & FUND BALANCE</u>			
<u>Animal Control Fund:</u>			
Due to Current Fund	B-3	\$ 10	\$
Reserve for Animal Control Fund			
Expenditures	B-4	2,029	319
Prepaid Licenses	B-5	1,110	1,010
		<u>3,139</u>	<u>1,329</u>
<u>Other Trust Funds:</u>			
Amount Due to Current Fund	B-6	2,087	159
Payroll Taxes Payable	B-7	2,307	1,213
Reserved for:			
Tax Title Lien Redemptions	B-8	18,472	1,000
Premiums Received at Tax Sale	B-9	23,100	13,500
Escrow Deposits	B-10	2,000	8,401
Performance Guarantee	B-10	6,425	6,401
Fire Safety Fees	B-10	1,575	1,575
Private Contractor's Escrow	B-10	100	100
Snow Removal Trust	B-10	7,041	8,023
		<u>63,107</u>	<u>40,372</u>
		<u>\$ 66,246</u>	<u>\$ 41,701</u>

GENERAL CAPITAL FUND**COMPARATIVE BALANCE SHEET**

	<u>Ref.</u>	<u>Balance December 31, 2014</u>	<u>Balance December 31, 2013</u>
<u>ASSETS</u>			
Cash - Chief Financial Officer	C-2	\$ 338,367	\$ 288,651
Amount Due from Grant Fund	C-4		87,398
Deferred Charges to Future Taxation Unfunded	C-6	248,908	450,400
		<u>\$ 587,275</u>	<u>\$ 826,449</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Improvement Fund	C-7	\$ 65,790	\$ 54,940
Improvement Authorizations			
Funded	C-8	66,000	50,000
Unfunded	C-8	150,160	236,639
Bond Anticipation Notes	C-9	288,500	450,400
Reserve for Preliminary Expenses:			
Elmer Train Station Relocation Project	C-10		850
Amount Due to Current Fund	C-4	90	885
Fund Balance	C-1	16,735	32,735
		<u>\$ 587,275</u>	<u>\$ 826,449</u>

There were no bonds and notes authorized but not issued on December 31, 2014 nor on December 31, 2013 (Exhibit C-9).

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance, December 31, 2013	C	\$ 32,735
Decreased by:		
Appropriated to Finance Improvement Authorizations - Ord. # 2014-18	C-8	16,000
Balance, December 31, 2014	C	\$ <u><u>16,735</u></u>

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

		December 31,	
		2014	2013
<u>ASSETS</u>	<u>Ref.</u>		
Operating Fund			
Cash - Treasurer	D-5	\$ 119,202	\$ 80,774
Cash - Collector	D-6	1,033	1,031
Change Fund		25	25
Due from Water Capital Fund	D-7	61	671
		<u>120,321</u>	<u>82,501</u>
Receivables with Full Reserves			
Water Utility Charges Receivable	D-9	5,947	8,801
Total Operating Fund		<u>126,268</u>	<u>91,302</u>
Capital Fund			
Cash - Treasurer	D-5:D-8	240,991	231,601
Fixed Capital	D-10	2,055,902	2,055,902
Total Capital Fund		<u>2,296,893</u>	<u>2,287,503</u>
Total Utility fund		<u>\$ 2,423,161</u>	<u>\$ 2,378,805</u>

There were no Bonds and Notes Authorized But Not Issued on December 31, 2013 or December 31, 2014.

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

		December 31,	
		2014	2013
<u>Liabilities, Reserves and Fund Balance</u>	Ref.		
 Operating Fund Liabilities			
Appropriation Reserves	D-4:D-11	\$ 34,306	\$ 16,937
Encumbrances Payable	D-12	12,579	6,677
Water Rent Overpayments	D-15	1,055	
Total Liabilities		47,940	23,614
Reserve for Receivables	D	5,947	8,801
Fund Balance	D-1	72,381	58,887
Total Operating Fund		126,268	91,302
 Capital Fund			
Due to Water Operating Fund	D-7	61	671
Capital Improvement Fund	D-13	180,959	170,959
Reserve for Amortization	D-14	2,055,902	2,055,902
Fund Balance	D-2	59,971	59,971
Total Capital Fund		2,296,893	2,287,503
		\$ 2,423,161	\$ 2,378,805

WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
STATUTORY BASIS

	Ref.	Year ended December 31,	
		2014	2013
Revenue and Other Income Realized:			
Fund Balance Utilized	D-1:D-3	\$ 56,000	\$ 55,604
Water Rents	D-3,6	238,705	223,059
Interest on Water Rents	D-3	3,197	
Miscellaneous Revenue not Anticipated	D-3	1,198	1,862
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	D-12	15,663	22,466
		314,763	302,991
Total Revenue and Other Income			
Expenditures:			
Budget Appropriations:			
Operations	D-4	197,734	205,559
Capital Improvements	D-4	30,000	30,000
Deferred Charges and Statutory Expenditures	D-4	9,666	8,545
Prior Year Revenue Adjustment	D-5	7,869	948
		245,269	245,052
Total Expenditures			
		69,494	57,939
Excess in Revenue			
Fund Balance, January 1	D	58,887	56,552
		128,381	114,491
Decreased by:			
Utilized by Operating Budget		56,000	55,604
		72,381	58,887
Fund Balance, December 31	D	\$ 72,381	\$ 58,887

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY CAPITAL FUND
STATEMENT OF WATER CAPITAL FUND BALANCE - STATUTORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2013 and 2014	D	\$ <u>59,971</u>

EXHIBIT D-3

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - STATUTORY BASIS

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	D-1	\$ 56,000	\$ 56,000	\$ -
Water Rents	D-1:D-9	203,400	238,705	35,305
Miscellaneous - Interest on Water Rents	D-1,6	3,000	3,197	197
	D-4	<u>\$ 262,400</u>	<u>\$ 297,902</u>	<u>\$ 35,502</u>

Analysis of Realized Revenue:

Non-budget Revenue

Interest Earned on Bank Deposits	D-5	\$ 424
Interest Earned on Collector's Account	D-6	64
Interest Earned on Water Capital Fund	D-5	710
Total Non-budget Revenue	D-1	<u>\$ 1,198</u>

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Paid or Charged	Reserved	Cancelled
	Budget	Modified			
Operations					
Salaries and Wages	\$ 52,105	\$ 52,105	\$ 50,821	\$ 1,284	\$
Other Expenses	148,404	148,404	115,111	23,293	10,000
Liability Insurance	5,925	5,925	5,026	899	
Health Insurance Opt-Out Insurance	1,300	1,300	1,250	50	
Total Operations	<u>207,734</u>	<u>207,734</u>	<u>172,208</u>	<u>25,526</u>	<u>10,000</u>
Capital Improvements					
Capital Improvement Fund	10,000	10,000	10,000		
Capital Outlay	35,000	35,000	12,046	7,954	15,000
Total Capital Improvements	<u>45,000</u>	<u>45,000</u>	<u>22,046</u>	<u>7,954</u>	<u>15,000</u>
Deferred Charges and Statutory Expenditures					
Public Employees' Retirement System	5,066	5,066	4,546	520	
Contribution to Social Security System	4,100	4,100	3,888	212	
Unemployment Compensation Insurance	500	500	406	94	
Total Statutory Expenditures	<u>9,666</u>	<u>9,666</u>	<u>8,840</u>	<u>826</u>	
	<u>\$ 262,400</u>	<u>\$ 262,400</u>	<u>\$ 203,094</u>	<u>\$ 34,306</u>	<u>\$ 25,000</u>
	Ref. D-3	D-1:D-3		D	
Encumbrances Payable	D-12		\$ 12,579		
Cash Disbursed	D-5		190,515		
			<u>\$ 203,094</u>		

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS**DECEMBER 31, 2014 AND 2013**

	<u>Balance December 31, 2014</u>	<u>Balance December 31, 2013</u>
<u>General Fixed Assets:</u>		
Land	\$ 83,845	\$ 83,845
Building and Improvements	713,296	713,296
Vehicles	633,700	633,700
Furnishings, Fixtures and Equipment	892,926	939,231
	<hr/>	<hr/>
Total General Fixed Assets	\$ <u>2,323,767</u>	\$ <u>2,370,072</u>
	<hr/>	<hr/>
Investments in General Fixed Assets	\$ <u>2,323,767</u>	\$ <u>2,370,072</u>
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

1. **Summary of Significant Accounting Policies**

A. Reporting Entity

The Borough of Elmer is governed by a Mayor and six Council Members, as defined by revised statutes 40:142-1 as amended by New Jersey Statutes Annotated 40A:63-1, with the Mayor serving a four-year term and the Council Members serving three-year terms.

Except as noted below, the financial statements of the Borough of Elmer include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Elmer, as required by **N.J.S.A.** 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 financial statements do not contain any component units of the Borough of Elmer, as defined by Governmental Accounting Standard Board State No. 14, since none exist at December 31, 2014.

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 respect to public funds. Under this method of accounting, the Borough of Elmer accounts for its financial transactions through the following separate funds, which differs from the funds required by generally accepted accounting principles:

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

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

B. Description of Funds - Continued

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital 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.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes. The activities of the public assistance office were transferred to Salem County in early 1999.

Account Group - In addition to the funds listed above, the Borough maintains one account group, which is as follows:

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 of these policies in New Jersey follow:

- A modified accrual basis of accounting is followed with minor exceptions. Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Over-expended appropriations and emergency appropriations are deferred to the succeeding year's operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such differences.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** – Continued

C. Basis of Accounting - Continued

Revenues - are recorded when 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 the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures - are to be recorded on the "budgetary" basis of accounting. Generally expenditures are required to be recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are required to be reported as a cash liability in the financial statements as encumbrances payable. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 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. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year accrued.

Property Tax Revenue - 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. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually and are payable in quarterly installments on February 1, May 1, August 1 and November 1 of each year. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectable taxes is provided. Property taxes unpaid on the 11th day of the 11th month in the fiscal year following their final due date are subject to tax sale in accordance with statutes. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the entities that follow.

Levy of Taxes - 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

C. **Basis of Accounting** - Continued

School Taxes - The municipality is responsible for levying, collecting and remitting school taxes for the Borough of Elmer school district. Operations are charged for the full amount required to be raised from taxation to operate the school district for the period from January 1 to December 31. Elmer Borough raises school taxes on a fiscal year basis.

County Taxes - The municipality is responsible for levying, collecting and remitting County taxes for the County of Salem. Operations are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. Taxes are payable on the 15th day of February, May, August and November. In addition, operations are charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15th of the following year.

Tax Appeals and Other Contingent Losses - Losses, which arise from tax appeals, and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

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.

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

C. Basis of Accounting - Continued

General Fixed Assets - In accordance with Technical Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough has developed a fixed asset accounting and reporting system.

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 recorded at historical cost or estimated historical cost if actual historical cost is not available, in accordance with the State of New Jersey's Technical Accounting Directive 85-2.

Property acquired for taxes (foreclosed property) and by purchase are recorded in the Current Fund at the assessed valuation when such property is acquired or purchased and concurrently fully reserved.

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 have not been accounted for separately. The Borough Hall was acquired from the school board.

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 Water Utility does not record depreciation on fixed assets.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

Interest on Delinquent Taxes - It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten (10) day grace period.

Levy of Utility Charges - The Borough operates a water utility fund. Rates are determined by ordinance and changed as necessary. Water charges are based on flat fees, dependent on meter size, as well as usage. Charges are billed quarterly and are due on designated dates in February, May, August and November.

Interest on Delinquent Utility Charges - It is the policy of the Borough to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge five percent (5%) per annum on any charge becoming delinquent after due date.

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 both the current and utility operating budgets.

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.

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Borough's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68 which is effective for periods beginning after June 15, 2014. These provisions of this statement will require significant modifications to the disclosure requirements related to the Borough's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

F. Budgets and Budgetary Accounting

The Borough of Elmer must adopt an annual budget in accordance with the **N.J.S.A. 40A: et al. N.J.S.A. 40A:4-5** requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for public hearing on the budget and must advertise the time and place in a newspaper published and circulated in the municipality at least 10 days prior to the hearing. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with **N.J.S.A. 40A:4-9**.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

F. Budgets and Budgetary Accounting

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

N.J.S.A. 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 2014 and 2013 calendar years, Borough Council approved the following budget insertions:

	<u>2014</u>	<u>2013</u>
NJ Dept. of Transportation- Sidewalk Project	\$	\$ 150,000
NJDEP Clean Communities	4,000	4,000
Street Lighting Donations		3,145
Municipal Alliance Program	4,178	
Salem County Safe Roadways Project	3,000	

Under New Jersey 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 2014 and 2013 statutory budgets included a reserve for uncollected taxes in the amount of \$118,959.30 and \$117,646, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2014 and 2013 statutory budgets was \$121,000 and \$126,500, 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. There were no significant transfers approved during the 2014 calendar year, except for \$4,800 from Garbage and Trash Removal.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose, which 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. One emergency appropriation was adopted by resolution in 2014, for the local matching share on the Municipal Alliance Program Grant. No special emergency resolutions were adopted by Borough Council during 2014 and no balances remained from prior years special emergency appropriations.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

G. Investments

As of December 31, 2014, 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.

H. Cash and Cash Equivalents

New Jersey municipal units are required by **N.J.S.A.** 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management fund. **N.J.S.A.** 40A:5-15.1 provides a list of securities, which may be purchased by New Jersey municipal units.

The Borough Council designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

2. **Cash**

Custodial Credit Risk

The Governmental Unit Deposit Protection Act, P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30 and December 31, with the Commissioner of Banking.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

2. **Cash (Continued)**

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as credit risk.

Custodial Credit Risk for deposits 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. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or fund that may pass to the municipality relative to the happening of a future condition.

As of December 31, 2014, \$1,272,837.72 of the municipal's bank balance was exposed to custodial credit risk and is covered by GUDPA. The total bank balance was \$1,522,837.72

3. **Fixed Assets**

The following schedules are a summarization of the changes in general fixed assets by category for the calendar year ended December 31, 2014 and 2013.

	Balance as of 12/31/13	Additions	Adjustments (Disposals)	Balance as of 12/31/14
Land	\$ 83,845			\$ 83,845
Buildings & Improv.	713,296			713,296
Vehicles	633,700			633,700
Furniture, Fixtures and Equipment	939,231	12,577	(58,882)	892,926
	<u>\$ 2,370,072</u>	<u>\$ 12,577</u>	<u>\$ (58,882)</u>	<u>\$ 2,323,767</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

4. **Retirement Systems**

Description of Plans

All required employees of the Borough are covered by either the Public Employees' Retirement System, which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits (Division) or by the Defined Contribution Retirement Program (DCRP). 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. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established as of January 1, 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 of New Jersey 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.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

Funding Policy

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

4. **Retirement Systems (Continued)**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 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 provide for employee contributions of 6.78% through June 30, 2014 and 6.92% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 10.92% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2014, and 2013, were \$26,743 and \$28,687 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the years ended December 31, 2014 and 2013 was \$306,501 and \$300,978. Payroll covered by PERS was \$266,775 and \$252,142 respectively.

Significant Legislation - P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

4. Retirement Systems (Continued)

- It increased the PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1.7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the States Defined Contribution Retirement Program.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

4. Retirement Systems (Continued)

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective July 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

The Borough's total payroll for the year ended December 31, 2014 for all employees was \$306,501. Information regarding contributions made by the State of New Jersey on behalf of the Borough is not available. Contributions to the system for the year ended December 31, 2014 is as follows:

	<u>PERS</u>	<u>DCRP</u>
Employees	\$ 15,493	\$ 2,205
Borough	\$ 26,743	\$ 1,045
Total	<u>\$ 42,236</u>	<u>\$ 3,250</u>

5. Long-Term Debt

Summary of Statutory Debt Condition - Annual Debt Statement

As of December 31, 2014, the Borough of Elmer did not have any long term debt.

This 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 .246%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	\$ -	\$ -
Water Utility Debt	-		-
General Debt	288,500	39,592	248,908
	<u>\$ 288,500</u>	<u>\$ 39,592</u>	<u>\$ 248,908</u>

The foregoing information is in agreement with the Annual Debt Statement filed by the Borough, as amended. The deduction against Gross Debt represents cash on hand.