

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED

DECEMBER 31, 2012

Oliwa & Company
Certified Public Accountants

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

Year Ended December 31, 2012

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COUNTY OF MONMOUTH
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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORTS

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BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FINANCIAL STATEMENTS
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BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Oliwa & Company

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Borough Commission
Borough of Monmouth Beach
County of Monmouth
Monmouth Beach, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and the account group of the Borough of Monmouth Beach, County of Monmouth, State of New Jersey (the "Borough") as of December 31, 2012 and 2011, the related statement of operations and change in fund balance - regulatory basis for the years then ended, the related statements of fund balance - regulatory basis for the years then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements listed as financial statement exhibits 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 policies used

Auditor's Responsibility (Continued)

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, the Borough prepares its financial statements in accordance with 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. 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 as of December 31, 2012 and 2011, or changes in its financial position for the years then ended.

Basis for Qualified Opinion on the General Fixed Assets Account Group

The Borough did not record capital asset additions and dispositions occurring in 2012 to the General Fixed Assets Account Group - Regulatory Basis as of December 31, 2012. It was not practicable to determine capital asset additions and dispositions occurring in 2012 that should have recorded in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Basis for Disclaimer of Opinion on Length of Service Award Program Fund

The financial statements of the Length of Service Award Program ("LOSAP") Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 8.18% and 7.36% of the assets and liabilities, reserves and net assets of the Borough's Trust Fund as of December 31, 2012 and 2011, respectively.

Disclaimer of Opinion on Length of Service Award Program Fund

Since the financial statements of the Length of Service Award Program ("LOSAP") Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements, we do not express an opinion on the LOSAP Fund financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments had capital asset additions and dispositions occurring in 2012 been recorded to the Borough's general fixed assets account group, the regulatory basis financial statements referred to above present fairly, in all material respects, the balance sheets - regulatory basis of the various funds and the account group of the Borough as of December 31, 2012 and 2011, the statement of operations and change in fund balance - regulatory basis for the years then ended, the statements of fund balance - regulatory basis for the years then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis for the year ended December 31, 2012 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the Borough's basic financial statements. The supplementary schedules and comments section listed in the table of contents 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 part of the basic financial statements. Except for the LOSAP Fund supplementary schedules, 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 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 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 November 29, 2013 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.



Robert S. Oliwa
Certified Public Accountant
Registered Municipal Accountant #414

Oliwa & Company

Freehold, New Jersey
November 29, 2013

**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor and
Members of the Borough Commission
Borough of Monmouth Beach
County of Monmouth
Monmouth Beach, New Jersey

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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the regulatory basis financial statements of the Borough of Monmouth Beach, County of Monmouth, State of New Jersey (the "Borough") as of and for the year ended December 31, 2012, and the related notes to the regulatory basis financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated November 29, 2013, in which we expressed an adverse opinion on the conformity of the regulatory basis financial statements with accounting principles generally accepted in the United States of America, due to the differences between those principles and the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In addition, we expressed a qualified opinion on the regulatory basis financial statements since the Division of Local Government Services, Department of Community Affairs, State of New Jersey does not require the Length of Service Award Program Fund to be audited, and due to the effect of any adjustments that might have been determined to be necessary had capital asset additions and dispositions occurring in 2012 been recorded to the Borough's general fixed assets account group.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 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. A significant deficiency is a deficiency, or a combination of

Internal Control Over Financial Reporting (Continued)

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying comments and recommendations section as Finding #2012-1, that we consider to be a significant deficiency.

Compliance and Other Matters

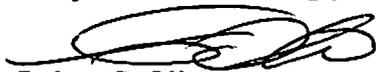
As part of obtaining reasonable assurance about whether the Borough's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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. However, we noted certain matters that we have reported to the management of the Borough in a separate letter dated November 29, 2013.

Borough's Response to Findings

The Borough's response to the finding in our audit is described in the accompanying comments and recommendations section. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Robert S. Oliwa
Certified Public Accountant
Registered Municipal Accountant #414

Oliwa & Company

Freehold, New Jersey
November 29, 2013

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$5,081,156	\$4,708,997
Cash - Change Funds		500	500
Due from State of New Jersey (P.L. 1971, Ch. 20)			250
		<u>5,081,656</u>	<u>4,709,747</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	220,509	239,765
Tax Title Liens Receivable	A-7	23,772	20,961
Property Acquired for Taxes - Assessed Valuation		60,750	60,750
Revenue Accounts Receivable	A-8	2,287	6,206
Due from Federal and State Grant Fund			6,082
	A	<u>307,318</u>	<u>333,764</u>
Deferred Charge:			
Special Emergency Authorization (40A:4-54)		1,000,000	
		<u>6,388,974</u>	<u>5,043,511</u>
Federal and State Grant Fund:			
Due from Current Fund		93,025	
Grants Receivable	A-13	343,750	588,669
		<u>436,775</u>	<u>588,669</u>
		<u>\$6,825,749</u>	<u>\$5,632,180</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3:A-9	\$307,883	\$372,762
Accounts Payable	A-12	113,904	21,987
Local School District Tax Payable	A-10	1,303,107	1,270,193
Prepaid Taxes		150,753	141,668
Tax Overpayments		20,326	23,013
Due State - Marriage Licenses		200	250
Due to State of New Jersey (P.L. 1971, Ch. 20)		1,000	
Regional High School Tax Payable	A-11	1,318,642	1,401,517
Reserve for P.E.O.S.H.A.		2,897	2,897
Due County for Added and Omitted Taxes		18,016	19,144
Due to Federal and State Grant Fund		93,025	
Special Emergency Note Payable		1,000,000	
Reserve for Tax Appeals		30,689	31,976
Reserve for Revaluation		5,622	5,622
Reserve for Monmouth Beach Bathing Pavilion Bathhouse/Locker		12,860	10,510
Reserve for Hurricane Sandy		31,587	
Reserve for Monmouth Beach Bathing Pavilion Concession		2,500	
		<u>4,413,011</u>	<u>3,301,539</u>
Reserves for Receivables and Other Assets	A	307,318	333,764
Fund Balance	A-1	<u>1,668,645</u>	<u>1,408,208</u>
		<u>6,388,974</u>	<u>5,043,511</u>
 Federal and State Grant Fund:			
Due to Current Fund			6,082
Appropriated Reserves	A-14	425,595	571,213
Unappropriated Reserves	A-15	11,180	11,374
		<u>436,775</u>	<u>588,669</u>
		<u>\$6,825,749</u>	<u>\$5,632,180</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE
REGULATORY BASIS
Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	A-2	\$1,180,500	\$1,040,000
Miscellaneous Revenue Anticipated	A-2	1,710,224	1,756,870
Receipts from Delinquent Taxes	A-2	239,996	209,415
Receipts from Current Taxes	A-2	16,010,916	16,039,727
Non-Budget Revenues	A-2	489,407	156,688
Unexpended Balance of Appropriation Reserves	A-9	261,965	199,605
Other Credits to Income:			
Prior Year Payables Canceled			351
Tax Overpayments Canceled		8	
Cancellation of Appropriated Reserves	A-14	79,740	
Interfunds Returned		6,082	2,418
Miscellaneous			36
Total Revenue		<u>19,978,838</u>	<u>19,405,110</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	2,241,050	2,243,650
Other Expenses	A-3	3,339,025	2,190,281
Statutory Expenditures	A-3	502,420	556,500
Budget Appropriations Excluded From "CAPS"	A-3	1,239,894	1,184,414
County Taxes		3,892,051	3,869,082
Local District School Tax	A-10	4,317,142	4,251,318
Regional High School Tax	A-11	3,892,650	4,058,313
Cancellation of Grants Receivable	A-13	113,669	
Total Expenditures		<u>19,537,901</u>	<u>18,353,558</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE
REGULATORY BASIS
Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Excess in Revenue		\$440,937	\$1,051,552
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which Are by Statute			
Deferred Charges to Budget of Succeeding Years		<u>1,000,000</u>	
Statutory Excess to Fund Balance		1,440,937	1,051,552
Fund Balance January 1	A	<u>1,408,208</u>	<u>1,396,656</u>
		2,849,145	2,448,208
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	<u>1,180,500</u>	<u>1,040,000</u>
Fund Balance December 31	A	<u><u>\$1,668,645</u></u>	<u><u>\$1,408,208</u></u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess/ (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Fund Balance Anticipated	A-1	<u>\$1,180,500</u>		<u>\$1,180,500</u>	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-8	1,000		1,469	\$469
Municipal Court Fines and Costs	A-8	65,000		77,593	12,593
Interest and Costs on Taxes	A-8	45,000		53,302	8,302
Bathing Pavilion	A-8	900,000		1,021,746	121,746
Energy Receipts Tax	A-8	291,039		291,039	
NJ Transportation Trust Fund Authority Act	A-13		\$225,000	225,000	
Drunk Driving Enforcement Fund	A-13	2,213		2,213	
Clean Communities Program	A-13	7,469		7,469	
Body Armor Replacement Fund	A-13	1,268		1,268	
Alcohol Education and Rehabilitation Fund	A-13	425		425	
Reserve for Seawall Debt Service	A-8	28,700		28,700	
	A-1	<u>1,342,114</u>	<u>225,000</u>	<u>1,710,224</u>	<u>368,110</u>
Receipts from Delinquent Taxes	A-1:A-2	<u>220,000</u>		<u>239,996</u>	<u>19,996</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2:A-6	<u>4,134,556</u>		<u>4,682,473</u>	<u>547,917</u>
Budget Totals		<u>6,877,170</u>	<u>225,000</u>	<u>7,813,193</u>	<u>\$936,023</u>
Non-Budget Revenues	A-2			<u>489,407</u>	
	<u>Ref.</u>	<u>\$6,877,170</u>	<u>\$225,000</u>	<u>\$8,302,600</u>	
		A-3	A-3		

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-6	\$ 16,010,916
Allocated to School and County Taxes		<u>12,101,843</u>
Balance for Support of Municipal Budget Appropriations		3,909,073
Add:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>773,400</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$4,682,473</u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	A-2:A-6	<u>\$239,996</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
Year Ended December 31, 2012

Analysis of Non-Budget Revenues

Insurance Refunds	\$250,000
FEMA Reimbursements	83,708
Sewerage Authority Contribution	30,000
Verizon Franchise Fees	17,810
Monmouth County Joint Insurance Fund Refund	16,391
Code Enforcement	12,260
Other Refunds and Reimbursements	10,451
Cable TV	10,000
Zoning Permits	9,565
Monmouth County Regional Health Reimbursements	9,406
Police Traffic Control Costs	7,649
Fire Prevention Fees	4,506
Planning Board	4,475
Other Insurance Reimbursements	3,495
Street Opening Permits	3,300
Land Disturbance Permits	3,100
Insurance Reimbursement for Vehicle Repairs	2,422
Bid Packages and Specifications	2,225
Board of Health Fees	1,948
Vital Statistics	1,770
Boat Launch Fees	850
Senior Citizens and Veterans Administrative Fee	775
Police Reports and Fees	762
NJ DMV Fines	750
Interest	714
Raffle Licenses	680
NJ Homestead Credit Administrative Costs	255
Tax Search Fees	140
	<u>\$489,407</u>

Ref.

A-1:A-2:A-4

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<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>					
<u>DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY</u>					
Director's Office:					
Salaries and Wages	\$3,000	\$3,000	\$3,000		
Other Expenses	10,400	12,400	9,557	\$2,843	
Administrative and Executive:					
Salaries and Wages	101,000	101,000	100,039	961	
Other Expenses	16,200	16,200	12,312	3,888	
Borough Administrator:					
Salaries and Wages	54,000	54,000	53,452	548	
Other Expenses	1,000	1,000	815	185	
Municipal Clerk:					
Salaries and Wages	32,700	33,200	33,044	156	
Other Expenses	22,000	22,000	13,212	8,788	
Public Buildings, Parks and Grounds:					
Salaries and Wages	53,000	45,500	43,534	1,966	
Other Expenses	45,000	50,000	47,101	2,899	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY (continued)					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries and Wages	\$6,500	\$6,500	\$5,599	\$901	
Other Expenses	22,000	22,000	16,921	5,079	
Bathing Pavilion:					
Salaries and Wages	211,000	216,000	215,568	432	
Other Expenses	78,000	78,000	76,581	1,419	
Bathing Pavilion Repairs:					
Salaries and Wages	7,500	2,500	1,180	1,320	
Other Expenses	20,000	20,000	18,315	1,685	
Police:					
Salaries and Wages	1,080,000	1,097,500	1,086,018	11,482	
Other Expenses	36,000	36,000	32,890	3,110	
Maintenance of Police Computer:					
Other Expenses	6,000	6,000	5,550	450	
Lease/Purchase Police Car	22,000	22,000	21,330	670	
Municipal Prosecutor:					
Salaries and Wages	11,500	11,500	11,028	472	
Other Expenses	250	250		250	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY (continued)					
Board of Health:					
Salaries and Wages	\$16,100	\$16,100	\$16,015	\$85	
Other Expenses	40,000	40,000	39,781	219	
Animal Control Services Expense	10,000	11,500	10,507	993	
Municipal Court:					
Salaries and Wages	22,500	20,850	20,804	46	
Other Expenses	4,000	2,800	2,779	21	
Public Defender (P.L. 1997, Chapter 256)					
Salaries and Wages	1,500	1,500	1,500		
Emergency Management Services:					
Salaries and Wages	4,000	4,000	4,000		
Other Expenses	13,000	13,000	8,192	4,808	
Recreation Commission:					
Salaries and Wages	2,500	2,500	2,244	256	
Other Expenses	11,500	11,500	7,321	4,179	
Shade Tree Commission:					
Other Expenses	5,400	5,400	5,400		
Environmental Commission (R.S. 40:56A-1 et seq.):					
Salaries and Wages	1,500	1,500	1,344	156	
Other Expenses	2,700	2,700	555	2,145	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEPARTMENT OF PUBLIC AFFAIRS AND PUBLIC SAFETY (continued)					
Housing Officer:					
Salaries and Wages	\$9,500	\$9,500	\$8,735	\$765	
Other Expenses	500	500		500	
Zoning Officer:					
Salaries and Wages	24,000	24,000	22,271	1,729	
Other Expenses	500	500		500	
DEPARTMENT OF PUBLIC WORKS, PARKS AND PUBLIC PROPERTY					
Director's Office:					
Salaries and Wages	1,500	1,500	1,500		
Other Expenses	500	500	450	50	
Fire:					
Other Expenses:					
Fire Hydrant Service	40,000	40,800	37,270	3,530	
Miscellaneous Other Expenses	38,700	38,700	37,866	834	
Turnout Gear & Additional Equipment	19,000	19,000	18,810	190	
Municipal Services Act (P.L. 1989, Ch. 299)					
Other Expenses	5,000	2,500	1,092	1,408	
Fire Safety LEA Rebate (P.L. 1983, Ch. 383):					
Salaries and Wages	7,000	7,000	5,557	1,443	
Other Expenses	2,250				
First Aid Organization - Contribution	16,000	16,000	16,000		

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEPARTMENT OF PUBLIC WORKS, PARKS AND PUBLIC PROPERTY (continued)					
Road Repairs and Maintenance:					
Salaries and Wages	\$350,000	\$350,000	\$342,673	\$7,327	
Other Expenses:	37,800	37,800	28,795	9,005	
Garbage and Trash Removal:					
Salaries and Wages	133,000	113,000	104,007	8,993	
Other Expenses	4,500	4,500	168	4,332	
Sanitary Landfill:					
Other Expenses	230,000	210,800	170,597	40,203	
Hurricane Sandy					
Other Expenses (Emergency \$1,000,000)		1,000,000	1,000,000		
Repair to Public Access Beach Stairways					
Other Expenses	57,500	57,500	57,500		
Vehicle Maintenance	90,000	97,500	97,090	410	
Senior Citizen's Transportation:					
Salaries and Wages	5,500	5,500	4,648	852	
Other Expenses	250	250		250	
Drainage:					
Salaries and Wages	300	300		300	
Other Expenses	10,800	10,800	6,150	4,650	
Street Lighting:					
Other Expenses	55,000	55,000	47,810	7,190	
Engineering Services and Costs:					
Other Expenses	90,000	90,000	85,596	4,404	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEPARTMENT OF REVENUE AND FINANCE					
Director's Office:					
Salaries and Wages	\$1,500	\$1,500	\$1,500		
Financial Administration:					
Salaries and Wages	66,100	66,100	65,058	\$1,042	
Other Expenses	1,125	1,125	196	929	
Auditing Fees	24,000	24,000	24,000		
Assessment of Taxes:					
Salaries and Wages	29,250	29,250	29,207	43	
Other Expenses	7,500	7,500	5,693	1,807	
Collection of Taxes:					
Salaries and Wages	16,250	16,250	16,106	144	
Other Expenses	3,500	3,500	3,148	352	
Legal Services and Costs:					
Other Expenses:					
Miscellaneous	70,000	70,000	64,139	5,861	
Insurance:					
General Liability	80,000	81,000	80,893	107	
Workers Compensation	115,000	115,000	111,168	3,832	
Employee Group Health	676,000	676,000	618,230	57,770	
Accumulated Leave Compensation	15,500	15,500	15,500		
Computerized Data Processing	35,000	39,000	31,240	7,760	
Celebration of Public Event - Community Day	13,000	13,000	12,500	500	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
UNCLASSIFIED					
Utilities:					
Gasoline	\$50,000	\$56,000	\$46,700	\$9,300	
Fuel Oil	25,000	31,000	29,704	1,296	
Electricity	53,000	53,000	44,720	8,280	
Telephone and Telegraph	30,000	30,000	27,362	2,638	
Natural Gas	23,000	23,000	14,149	8,851	
Water	14,500	17,000	16,804	196	
Sewer	7,500	7,500	3,423	4,077	
Monmouth County Improvement Authority Administrative Expense	1,500	1,500	300	1,200	
Total Operations - Within "CAPS"	4,561,075	5,561,075	5,283,813	277,262	
Contingent	19,000	19,000	13,872	5,128	
Total Operations Including Contingent Within "CAPS"	4,580,075	5,580,075	5,297,685	282,390	
Detail:					
Salaries and Wages	2,252,200	2,241,050	2,199,631	41,419	
Other Expenses (including Contingent)	2,327,875	3,339,025	3,098,054	240,971	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
STATUTORY EXPENDITURES					
Contribution To:					
Public Employees' Retirement System of NJ	\$105,509	\$105,509	\$105,509		
Social Security System (O.A.S.I.)	190,000	190,000	185,571	\$4,429	
Police and Firemen's Retirement System of NJ	195,411	195,411	195,411		
NJ Unemployment Trust Fund	10,000	10,000	10,000		
Defined Contribution Retirement Program	1,500	1,500		1,500	
Total Statutory Expenditures	<u>502,420</u>	<u>502,420</u>	<u>496,491</u>	<u>5,929</u>	
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>5,082,495</u>	<u>6,082,495</u>	<u>5,794,176</u>	<u>288,319</u>	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Aid to Privately Owned Libraries (N.J.S.A. 40:54-35):	55,000	55,000	36,027	18,973	
Length of Service Awards Program	17,500	17,500	17,332	168	
State Recycling Tax	8,500	8,500	8,500		
Insurance:					
Group Health	22,500	22,500	22,500		
Total Other Operations - Excluded from "CAPS"	<u>103,500</u>	<u>103,500</u>	<u>84,359</u>	<u>19,141</u>	
Shared Services Agreements - County of Monmouth:					
911	4,800	4,800	4,757	43	
Dispatcher Services	31,000	31,000	30,620	380	
Municipal Court - Borough of Eatontown					
Other Expenses	37,500	37,500	37,500		
Total Interlocal Municipal Service Agreements	<u>73,300</u>	<u>73,300</u>	<u>72,877</u>	<u>423</u>	

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Public and Private Programs Offset by Revenues:					
Drunk Driving Enforcement Fund	\$2,213	\$2,213	\$2,213		
Body Armor Replacement Fund	1,268	1,268	1,268		
Alcohol Education and Rehabilitation Fund	425	425	425		
Clean Communities Program	7,469	7,469	7,469		
Total Public and Private Programs Offset by Revenues	<u>11,375</u>	<u>11,375</u>	<u>11,375</u>		
Total Operations - Excluded from "CAPS"	<u>188,175</u>	<u>188,175</u>	<u>168,611</u>	<u>\$19,564</u>	
Detail:					
Other Expenses	<u>188,175</u>	<u>188,175</u>	<u>168,611</u>	<u>19,564</u>	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	100,000	100,000	100,000		
Improvements to Library Building	25,000	25,000	25,000		
Improvements to Roads	25,000	25,000	25,000		
Sand Replenishment Program	75,000	75,000	75,000		
Improvements to Bathing Pavilion	400,000	400,000	400,000		
NJ Transportation Trust Fund Authority Act (40A:4-87, \$225,000+)		225,000	225,000		
Total Capital Improvements - Excluded from "CAPS"	<u>625,000</u>	<u>850,000</u>	<u>850,000</u>		

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Anticipation and Capital Notes	\$100,000	\$100,000	\$100,000		
Interest on Notes	65,000	65,000	59,162		\$5,838
Capital Lease Obligations	43,100	43,100	42,557		543
Total Municipal Debt Service - Excluded from "CAPS"	<u>208,100</u>	<u>208,100</u>	<u>201,719</u>		<u>6,381</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,021,275</u>	<u>1,246,275</u>	<u>1,220,330</u>	<u>\$19,564</u>	<u>6,381</u>
Subtotal General Appropriations	6,103,770	7,328,770	7,014,506	307,883	6,381
Reserve for Uncollected Taxes	773,400	773,400	773,400		
Total General Appropriations	<u><u>\$6,877,170</u></u>	<u><u>\$8,102,170</u></u>	<u><u>\$7,787,906</u></u>	<u><u>\$307,883</u></u>	<u><u>\$6,381</u></u>
Ref.					
Budget	A-3	\$6,877,170			
Appropriation by 40A:4-87	A-2	225,000			
Emergency Appropriation 40A:4-54		1,000,000			
		<u>\$8,102,170</u>			
	Ref.				
Reserve for Uncollected Taxes	A-2		\$773,400		
Reserve for Grants	A-14		236,375		
Accounts Payable	A-12		33,838		
Cash Disbursements	A-4		5,744,293		
Reserve for Hurricane Sandy			1,000,000		
			<u>\$7,787,906</u>		

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Unemployment Fund:			
Cash and Cash Equivalents	B-2	<u>\$26,241</u>	<u>\$14,070</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-2	<u>1,763</u>	<u>192</u>
Other Trust Fund:			
Cash and Cash Equivalents	B-2	<u>855,910</u>	<u>714,899</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Investments	B-6	<u>78,748</u>	<u>57,952</u>
		<u><u>\$962,662</u></u>	<u><u>\$787,113</u></u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Unemployment Fund:			
Reserve for Unemployment Expenditures	B-5	<u>\$26,241</u>	<u>\$14,070</u>
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	B-4	<u>1,763</u>	<u>192</u>
Other Trust Fund:			
Reserve for Other Trust Fund Deposits	B-3	850,608	709,597
Fund Balance	B-1	<u>5,302</u>	<u>5,302</u>
		<u>855,910</u>	<u>714,899</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Reserve for Length of Service Award Program Fund	B-7	<u>78,748</u>	<u>57,952</u>
		<u>\$962,662</u>	<u>\$787,113</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

B-1

TRUST FUND
COMPARATIVE STATEMENT OF OTHER TRUST FUND BALANCE
REGULATORY BASIS
Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	B	\$5,302	\$5,302
Increased/(Decreased)		<u>-</u>	<u>-</u>
Balance, December 31	B	<u>\$5,302</u>	<u>\$5,302</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

C

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash and Cash Equivalents	C-2	\$902,791	\$778,360
Deferred Charges to Future Taxation:			
Unfunded	C-8	5,084,250	4,733,250
Leased Assets under Capital Lease		40,600	79,700
		<u>\$6,027,641</u>	<u>\$5,591,310</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-7	\$5,084,000	\$4,733,000
Improvement Authorizations:			
Funded	C-6	23,233	63,918
Unfunded	C-6	137,873	275,481
Reserve for Improvements to Bathing Pavilion		144,208	137,454
Reserve for Computer System Upgrades		128	128
Reserve for Sand Replenishment		425,529	174,568
Reserve for Road Program		35,666	31,536
Reserve for Municipal Generator		646	646
Reserve for Dump Truck		20	20
Reserve for Telephone System for Police Department		357	357
Reserve for Preliminary Costs for Drainage			
Improvements at Drew Court		8,150	8,150
Reserve for Purchase of Bleachers for Park		7,000	7,000
Reserve for Purchase of Wood Chipper		8,309	8,309
Reserve for Improvements to Park Lights		350	10,800
Reserve for Purchase of Equipment for Bathing Pavilion Concession		236	236
Reserve for Improvements to Police Computers		2,337	2,337
Reserve for Purchase of Utility Vehicle		696	696
Reserve for Improvements to Library Building		14,735	
Reserve for Debt Service for Seawall		24	28,724
Lease Obligation Payable	C-4	40,600	79,700
Capital Improvement Fund	C-5	66,128	20,128
Fund Balance	C-1	27,416	8,122
		<u>\$6,027,641</u>	<u>\$5,591,310</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$250 and \$250, respectively.

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

C-1

GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE
REGULATORY BASIS
Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$8,122	\$47,667
Increased by:			
Premium on Sale of Notes	C-2	<u>19,294</u>	<u>3,455</u>
		27,416	51,122
Decreased by:			
Appropriated to Finance Improvement Authorization		<u>-</u>	<u>43,000</u>
Balance, December 31	C	<u>\$27,416</u>	<u>\$8,122</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
General Fixed Assets:			
Land, Buildings and Improvements		\$3,849,934	\$3,849,934
Equipment		3,370,086	3,370,086
Total General Fixed Assets		<u>\$7,220,020</u>	<u>\$7,220,020</u>
<u>Reserves</u>			
Investment in General Fixed Assets	D-1	<u>\$7,220,020</u>	<u>\$7,220,020</u>

See Accompanying Notes

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Monmouth Beach, County of Monmouth, State of New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A: 5-5. The financial statements of the Borough do not include the operations of the school boards, first aid squad or volunteer fire department, which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") established criteria to be used to determine if component units should be included in the financial statements of the oversight entity. These criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of a local governmental entity, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2012.

B. Description of Funds

The GASB is the recognized standard-setting body for establishing governmental accounting and financial reporting principles generally accepted in the United States of America. The GASB codification establishes certain fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division. 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 accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

Current Fund - used to record revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Animal Control Fund - used to record animal license revenues and expenditures.

Unemployment Fund - used to record unemployment revenues and expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Description of Funds (continued)

Other Trust Fund - used to record assets held by the Borough in a trustee capacity or as an agent for individuals and other governmental agencies.

Length of Service Award Program Fund - used to record Borough contributions, changes in market value and administrative charges for program-eligible volunteers.

General Capital Fund - used to record resources, including federal and state grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - used to record fixed assets used in general government operations.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

Property Taxes and Other Revenues - Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures - Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Appropriation Reserves - Until lapsed at the close of the succeeding year, appropriation reserves are available to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Deferred Charges - The regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

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

Interfunds - Advances in the Current Fund are reported as interfund receivables with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

General Fixed Assets - In accordance with N.J.A.C. 5:30-5.6, issued by the Local Finance Board, Department of Community Affairs, State of New Jersey, which differs in certain respects from GAAP, the Borough is required to develop a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are required to be 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. For fixed assets acquired through December 31, 1985, valuation is required at historical cost or estimated historical cost if actual historical cost is not available. For assets acquired beginning on January 1, 1986, the required basis for valuation is historical cost. Depreciation is not required. GAAP requires fixed assets to be valued at cost and be depreciated.

D. Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Borough presents its financial statements, as listed in the table of contents, as required by the Division, which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

2. TAXES COLLECTED IN ADVANCE

Taxes collected in advance and set forth as cash liabilities in the financial statements were as follows:

	<u>Balance December 31,</u>	
	<u>2012</u>	<u>2011</u>
Prepaid Taxes	\$150,753	\$141,668

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include cash on hand, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The Governmental Unit Deposit Protection Act (“GUDPA”) requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits. GUDPA requires that the market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed seventy five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. Although the Borough does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. 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, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2012 and 2011 the Borough’s bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Uninsured and Uncollateralized	\$411,218	\$266,127
Uninsured and Collateralized with Securities Held by Pledging Financial Institutions	<u>5,792,455</u>	<u>4,882,167</u>
	<u><u>\$6,203,673</u></u>	<u><u>\$5,148,294</u></u>

In addition, as of December 31, 2012 and 2011, the Borough had \$1,263,775 and \$1,267,562 respectively, on deposit in the New Jersey Cash Management Fund (the “Fund”). These deposits are subject to custodial credit risk as described in this section. The operations of this Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments for the Fund.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A: 5-14, the Borough may use available funds for the purchase of the following types of securities, which, if suitable for registry, may be registered, in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local Government investment pools, subject to certain requirements.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P. L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a GUDPA bank;
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments (continued)

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal investment policy for custodial credit risk for investments. Length of Service Award Program investments were exposed to custodial credit risk and are invested at the discretion of each individual participant and not the Borough. The fair value and book value of the Borough's Length of Service Award Program investments as reported on December 31, 2012 and 2011 were \$78,748 and \$57,952, respectively.

Credit Risk - State law limits investments as described in prior sections of this note to the financial statements. As of December 31, 2012 and 2011 no such investments were held by the Borough.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy for interest rate risk.

4. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes (the "notes") are issued to temporarily finance capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. No notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which the notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

Long-Term Debt

The Borough had no outstanding long-term debt at December 31, 2012 and 2011.

4. DEBT (continued)

Short-Term Debt

At December 31, 2012 and 2011 the Borough's outstanding bond anticipation notes were as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec.31, 2012</u>
Various Capital Improvements and Sand Replenishment	10/3/12	10/3/13	1.50%	\$4,633,000
2012 Sand Replenishment	12/27/12	10/3/13	2.50%	451,000
				<u>\$5,084,000</u>

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec.31, 2011</u>
Various Capital Improvements and Sand Replenishment	10/3/11	10/4/12	1.25%	\$4,733,000

Special Emergency Note

At December 31, 2012 the Borough's outstanding special emergency note was as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
Current Fund: Hurricane Sandy	12/27/12	10/3/13	2.00%	\$1,000,000

As of December 31, 2011 the Borough had no special emergency notes.

Short-term debt transactions for the years ended December 31, 2012 and 2011 are summarized as follows:

	<u>Balance Dec. 31, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2012</u>
General Capital Fund	\$4,733,000	\$5,084,000	\$4,733,000	\$5,084,000
Current Fund		1,000,000		1,000,000
	<u>\$4,733,000</u>	<u>\$6,084,000</u>	<u>\$4,733,000</u>	<u>\$6,084,000</u>

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2011</u>
General Capital Fund	\$4,269,000	\$4,733,000	\$4,269,000	\$4,733,000

4. DEBT (continued)

Bonds and Notes Authorized but not Issued

At December 31, 2012 and 2011 the Borough had authorized but not issued bonds and notes as follows:

	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>
General Capital Fund	\$250	\$250

5. FUND BALANCE APPROPRIATED

Fund balances at December 31, 2012 and 2011, which were appropriated and included as anticipated revenue in the current fund budget for the years ended December 31, 2013 and 2012 were as follows:

For the year ended December 31, 2013,

Current Fund	\$1,450,000
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For the year ended December 31, 2012,

Current Fund	\$1,180,500
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6. LEASE OBLIGATION PAYABLE

The Borough participates in the Capital Equipment Lease Program of the Monmouth County Improvement Authority (the "Authority"). The Authority has issued revenue bonds in which the Borough pays the debt service as part of the lease agreement. The minimum lease payments are raised annually in the Borough's current fund budget.

In 2003 the Borough executed a capital lease agreement for capital equipment in the amount of \$337,900. The lease obligation payable balance at December 31, 2012 and 2011 was \$40,600 and \$79,700, respectively.

Minimum future lease payments due to the Authority are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$40,600</u>	<u>\$2,030</u>	<u>\$42,630</u>

7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the local unit tax assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, School Districts and County the tax rate is struck by the County Tax Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough tax collector on or before May 13. New Jersey statutes require that each local unit provide for sufficient anticipated cash receipts equal to the “lawful yearly expenditure” which includes the total amount of property taxes to be raised by the local unit.

Taxes are levied on an annual basis and are due quarterly on February 1, May 1, August 1, and November 1. Any taxes not paid as of December 31 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

The Borough is responsible for remitting one hundred percent of school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the Borough and not the school districts or county.

8. SCHOOL TAXES

Regulations provide for deferral of not more than fifty percent of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough raises its share of local and regional school taxes on a school year basis and has elected to defer these taxes at December 31, 2012 and 2011 as follows:

	Local District School Tax		Regional High School Tax	
	2012	2011	2012	2011
Balance of Tax	\$2,158,571	\$2,125,657	\$1,947,225	\$2,030,100
Deferred	855,464	855,464	628,583	628,583
Tax Payable	<u>\$1,303,107</u>	<u>\$1,270,193</u>	<u>\$1,318,642</u>	<u>\$1,401,517</u>

9. PENSION PLANS

Description of Systems

The Borough contributes to the Public Employees' Retirement System ("PERS"), and the Police and Firemen's Retirement System ("PFRS"), cost-sharing multiple employer defined benefit pension plans administered by the Division of Pensions and Benefits in the Department of the Treasury, State of New Jersey. The plans provide retirement, death, disability benefits and medical benefits to certain qualifying members and beneficiaries. PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. PFRS was established on July 1, 1944, under the provisions of N.J.S.A. 43:16A. PERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

Funding Policy

PERS employee contributions were 6.50% of base wages through June 30, 2012. Effective July 1, 2012 PERS employee contributions were 6.64% of base wages. PERS prosecutor employee contributions were 10.00% of base wages. PFRS employee contributions were 10.00% of base wages. The Division of Pensions actuarially determines employer's contributions annually. Contributions to the plans for the past three years were as follows:

<u>PERS</u>		<u>PFRS</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$105,509	2012	\$195,411
2011	101,330	2011	258,670
2010	88,233	2010	224,385

All contributions by the Borough were equal to the required contributions for each of the three years.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution.

10. POSTEMPLOYMENT RETIREMENT BENEFITS

In addition to the pension benefits described in Note 9, the Borough provides post-employment health and dental care for all employees who meet certain service requirements. Benefits consist of full medical and dental coverage and costs are reported as they are paid.

Plan Description

The Borough contributes to the State Health Benefits Program (“SHBP”), a cost sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey, Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et. seq., to provide health benefits to employees of the State of New Jersey, retirees, and their dependents. Rules governing the operation and administration of the SHBP are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. In 1994 the Borough authorized participation in the SHBP through resolution 16-94.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey, Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. The financial report of the SHBP may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postemployment retirement health benefits under the SHBP have been funded on a pay-as-you-go basis since 1994. Prior to 1994, health benefits were funded on an actuarial basis.

Contributions to pay health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough’s postemployment retirement health benefits contributions to the SHBP for the years ended December 31, 2012, 2011, and 2010 were \$222,820, \$240,250 and \$203,855 respectively, which equaled the required contributions for each year.

11. UNEMPLOYMENT COMPENSATION INSURANCE

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq.). The Borough has elected to fund a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The reserve for unemployment compensation insurance at December 31, 2012, 2011 and 2010 was \$26,241, \$14,070 and \$9,234, respectively.

12. ACCRUED UNPAID SICK PAY BENEFITS - UNAUDITED

As discussed in Note 1 and in accordance with accounting principles prescribed by the Division, the cash basis of accounting is followed for recording the Borough's liability related to unused sick pay. The Borough permits its employees to accumulate unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current costs of such unpaid compensation at December 31, 2012 and 2011 were \$249,481 and \$206,005, respectively. In accordance with accounting principles and practices prescribed by the Division, this amount is not reported as an expenditure or liability in the accompanying financial statements.

13. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts, theft and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough is a member of the Monmouth Municipal Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation, and is sustained through member premiums. In addition, the Fund participates in the Municipal Excess Liability Joint Insurance Fund which has a contract for excess liability insurance.

14. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. In accordance with New Jersey Statutes the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

15. INTERFUND BALANCES

The balances of interfund receivables and payables at December 31, 2012 and 2011 are presented below:

	December 31, 2012	December 31, 2011
<u>Receivables</u>		
Current Fund		\$6,082
Federal and State Grant Fund	\$93,025	
<u>Payables</u>		
Federal and State Grant Fund		\$6,082
Current Fund	\$93,025	

16. FIXED ASSETS

Fixed assets activity for the years ended December 31, 2012 and 2011 was as follows:

	Balance Dec. 31, 2011	Additions	Dispositions	Balance Dec. 31, 2012
Land, Buildings and Improvements	\$3,849,934			\$3,849,934
Equipment	3,370,086			3,370,086
	<u>\$7,220,020</u>	<u>-</u>	<u>-</u>	<u>\$7,220,020</u>

	Balance Dec. 31, 2010	Additions	Dispositions	Balance Dec. 31, 2011
Land, Buildings and Improvements	\$3,787,322	\$62,612		\$3,849,934
Equipment	2,997,494	784,709	\$412,117	3,370,086
	<u>\$6,784,816</u>	<u>\$847,321</u>	<u>\$412,117</u>	<u>\$7,220,020</u>

In 2012 the Borough was impacted by Hurricane Sandy. The accompanying flooding caused significant damage to certain of the Borough's buildings and equipment. The Borough expects to receive insurance proceeds and Federal Emergency Management Agency funds to recover most of the costs associated with the repair and replacement of assets damaged by the storm. The Borough's fixed asset inventory has not been adjusted for additions and dispositions occurring in 2012. The carrying amount of the Borough's impaired buildings and equipment that are idle as of December 31, 2012 has yet to be determined.

17. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

At December 31, 2012 the following deferred charge was reflected on the balance sheet of the current fund:

	Balance Dec. 31, 2012	2013 Budget Appropriation *	Balance to Succeeding Budgets
Special Emergency Authorization (40A:4-54)	<u>\$1,000,000</u>	<u>\$913,845</u>	<u>\$86,155</u>

*The 2013 budget appropriation represents funding for a special emergency authorization approved by the Borough in 2012 relative to damage caused by Hurricane Sandy. The appropriation in the 2013 budget is not less than required by statute.

In addition, on January 8, 2013 the Borough approved a special emergency authorization of \$2,900,000 in response to extraordinary expenses associated with damage caused by Hurricane Sandy.

18. LENGTH OF SERVICE AWARD PROGRAM

The Borough has established a Length of Service Award Program for retention and recruitment of volunteer first aid personnel. The Length of Service Award Program has been established under the laws of the State of New Jersey with the intent that it meets requirements under Section 457(e)(11)(B) of the Internal Revenue Code.

Annual Contribution - The Borough's annual contribution, as increased by the cost of living adjustment, for each eligible volunteer member that met certain eligibility criteria was \$1,238 in 2012 and \$1,202 in 2011.

Appropriations - Appropriations for the purpose of funding the Borough's Length of Service Award Program are included as a separate line item in the Borough's budget.

Periodic Increases - The annual contribution to be made by the Borough for each eligible volunteer member shall be increased by adding a cost of living adjustment as published by the New Jersey Department of Community Affairs.

19. DEFERRED COMPENSATION

The Borough has adopted a Deferred Compensation Plan (the "Plan") in accordance with Section 457 of the Internal Revenue Code and P.L. 1977, C.381; P.L. 1978, C.39; P.L. 1980, C.78; and P.L. 1997, C.116 of the statutes of the State of New Jersey.

The Plan enables the Borough's employees to voluntarily authorize a portion of their salary to be withheld and invested in certain investments permitted under applicable regulations.

20. CONTINGENT LIABILITIES

Grant Financial Assistance

The Borough receives certain financial assistance in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. The Borough's administration anticipates that no material liabilities will result from such audits.

21. SUBSEQUENT EVENTS

On January 8, 2013 the Borough adopted a special emergency resolution to provide funds for response to extraordinary expenses resulting from damage caused by Hurricane Sandy and further authorizing the issuance of special emergency notes to fund the special emergency appropriation in the amount of \$2,900,000.

On January 22, 2013 the Borough adopted an ordinance authorizing the issuance of bonds and notes of \$1,000,000 for reconstruction of the Monmouth Beach bathing pavilion.

On May 14, 2013 the Borough approved a resolution authorizing a promissory note for a Community Disaster Loan in the amount of \$896,810 from the Federal Emergency Management Agency.

On August 13, 2013 the Borough adopted an ordinance wherein it guarantees the payment of principal and interest on the 2013 capital equipment lease revenue bonds of the Monmouth County Improvement Authority in a principal amount not to exceed \$117,719, relative to the Shore Regional School District Project.

On September 3, 2013 the Borough adopted an ordinance authorizing the issuance of bonds and notes of \$1,841,000 for various capital improvements.

On October 2, 2013 the Borough issued a special emergency note in the principal amount of \$2,986,155 at an interest rate of 0.90% per annum. All special emergency note principal with interest thereon is due on January 7, 2014.

On November 12, 2013 the Borough adopted an ordinance authorizing the issuance of bonds and notes of \$333,000 for reconstruction of the Monmouth Beach firehouse, fire museum and first aid squad building.

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

PART II

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF CASH - TREASURER
Year Ended December 31, 2012

Balance, December 31, 2011	<u>Ref.</u> A		\$4,708,997
Increased by Receipts:			
Miscellaneous Revenue not Anticipated	A-2	\$489,407	
Due from State of New Jersey for Senior Citizens and Veterans Deductions		38,750	
Collector	A-5	16,302,757	
Revenue Accounts Receivable	A-8	1,420,547	
Grants Receivable	A-13	356,250	
Unappropriated Reserves	A-15	11,181	
Petty Cash Funds		800	
Reserve for Monmouth Beach Bathing Pavilion Bathhouse/Locker		17,500	
Reserve for Concession Maintenance		2,500	
Special Emergency Note		1,000,000	
State Library Aid		123	
Reserve for Outside Liens		54,209	
Due to State of New Jersey - Marriage Licenses Exchange		500	
		<u>39,664</u>	
			<u>19,734,188</u>
			24,443,185
Decreased by Disbursements:			
Appropriations	A-3	5,744,293	
Petty Cash Funds		800	
Appropriated Reserves	A-14	302,253	
Appropriation Reserves	A-9	110,797	
Reserve for Tax Appeals		1,287	
Reserve for Hurricane Sandy		888,347	
Refund of Tax Overpayments		29,637	
County Taxes		3,893,179	
Regional High School Tax	A-11	3,975,525	
Local District School Tax	A-10	4,284,228	
Due to State of New Jersey - Marriage Licenses		550	
Reserve for Outside Liens		54,209	
Reserve for Monmouth Beach Bathing Pavilion Bathhouse/Locker		15,150	
State Library Aid		123	
Accounts Payable	A-12	21,987	
Exchange		<u>39,664</u>	
			<u>19,362,029</u>
Balance, December 31, 2012	A		<u><u>\$5,081,156</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF CURRENT FUND CASH - COLLECTOR
Year Ended December 31, 2012

	<u>Ref.</u>		
Increased by Receipts:			
Taxes Receivable	A-6	\$16,070,989	
Prepaid Taxes		150,753	
Revenue Accounts Receivable-			
Interest and Costs on Taxes	A-8	53,302	
Tax Overpayments		<u>27,713</u>	
			<u><u>\$16,302,757</u></u>
Decreased by Disbursements:			
Payment to Treasurer - Current Fund	A-4		<u><u>\$16,302,757</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
Year Ended December 31, 2012

Year	Balance	2012 Levy	Added Taxes	Collections by Cash		Senior Citizens and Veterans	Canceled and Overpayments	Transferred to Tax Title Liens	Balance
	Dec. 31, 2011			2011	2012	Deductions Allowed			
2011	\$239,765		\$250		\$239,996		\$19		
2012		\$16,298,628		\$141,668	15,830,993	\$37,500	64,392	\$755	\$220,509
	<u>\$239,765</u>	<u>\$16,298,628</u>	<u>\$250</u>	<u>\$141,668</u>	<u>\$16,070,989</u>	<u>\$37,500</u>	<u>\$64,411</u>	<u>\$755</u>	<u>\$220,509</u>
Ref.	A				A-5			A-7	A

Analysis of 2012 Property Tax Levy

Tax Yield:	
General Purpose Tax	\$16,223,103
Added Taxes (54:4-63.1 Et Seq.)	75,525
	<u>\$16,298,628</u>
Tax Levy:	
Regional High School Tax	A-11 \$3,892,650
Local District School Tax	A-10 4,317,142
County Taxes:	
County Tax	3,470,857
County Library Tax	201,881
County Open Space Tax	201,297
Amount Due County for Added Taxes	18,016
Total County Taxes	3,892,051
Local Tax for Municipal Purposes	A-2 4,134,556
Add: Additional Tax Levied	62,229
Local Tax for Municipal Purposes Levied	4,196,785
	<u>\$16,298,628</u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	A	\$20,961
Increased by:		
Transfers from Taxes Receivable	A-6	<u>2,811</u>
Balance, December 31, 2012	A	<u><u>\$23,772</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
Year Ended December 31, 2012

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Accrued in 2012</u>	<u>Collected</u>	<u>Balance Dec. 31, 2012</u>
Alcoholic Beverage Licenses	A-2		\$1,469	\$1,469	
Municipal Court Fines and Costs	A-2	\$6,206	73,674	77,593	\$2,287
Interest and Costs on Taxes	A-2		53,302	53,302	
Bathing Pavilion	A-2		1,021,746	1,021,746	
Energy Receipts Tax	A-2		291,039	291,039	
Reserve for Seawall Debt Service	A-2		28,700	28,700	
		<u>\$6,206</u>	<u>\$1,441,230</u>	<u>\$1,473,849</u>	<u>\$2,287</u>

<u>Ref.</u>	A				A
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	<u>Ref.</u>	
Collected By:		
Treasurer	A-4	\$1,420,547
Tax Collector:		
Interest and Costs on Taxes	A-5	53,302
		<u>\$1,473,849</u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES
Year Ended December 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid</u>	<u>Balance</u> <u>Lapsed</u>
Director:				
Other Expenses	\$234	\$234	\$217	\$17
Administrative and Executive:				
Salaries and Wages	529	529		529
Other Expenses	2,506	2,506		2,506
Borough Administrator:				
Salaries and Wages	87	87		87
Other Expenses	837	837	38	799
Municipal Clerk:				
Salaries and Wages	83	83		83
Other Expenses	7,125	7,125	2,480	4,645
Public Buildings and Grounds:				
Salaries and Wages	9,533	9,533		9,533
Other Expenses	8,732	8,732	919	7,813
Sand Reclamation:				
Other Expenses	5,000	1,800		1,800
Municipal Land Use Law:				
Planning Board:				
Salaries and Wages	1,010	1,010		1,010
Other Expenses	10,181	7,681	6,881	800
Bathing Pavilion:				
Salaries and Wages	413	413		413
Other Expenses	3,857	3,857	472	3,385
Bathing Pavilion Repairs:				
Salaries and Wages	2,573	2,573		2,573
Other Expenses	5,551	5,551		5,551
Police:				
Salaries and Wages	7,755	7,755		7,755
Other Expenses	1,163	1,163	698	465
Maintenance of Police Computer:				
Other Expenses	65	65		65
Lease/Purchase Police Car	70	70		70
Municipal Prosecutor:				
Salaries and Wages	688	688		688
Other Expenses	250	250		250
Board of Health:				
Salaries and Wages	99	99		99
Other Expenses	3,071	1,071		1,071
Animal Control Services Expense	915	915	908	7

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES
Year Ended December 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid</u>	<u>Balance</u> <u>Lapsed</u>
Municipal Court:				
Salaries and Wages	\$5,530	\$5,030		\$5,030
Other Expenses	26	526	\$358	168
Emergency Managing Services:				
Other Expenses	893	4,393	4,222	171
Recreation Commission:				
Salaries and Wages	283	283		283
Other Expenses	2,379	2,379	2,379	
Environmental Commission:				
Salaries and Wages	183	183		183
Other Expenses	2,271	2,271		2,271
Housing Officer:				
Salaries and Wages	593	593		593
Other Expenses	500	500		500
Zoning Officer:				
Salaries and Wages	1,494	1,494		1,494
Other Expenses	500	500		500
Fire:				
Other Expenses:				
Fire Hydrant Service	3,481	3,481	3,367	114
Miscellaneous Other Expenses	1,041	1,541	1,147	394
Municipal Services Act (P.L. 1989, Ch. 299):				
Other Expenses	408	408		408
Fire Safety LEA Rebate (P.L. 1983, Ch. 383):				
Salaries and Wages	1,552	1,552		1,552
Other Expenses	2,250	2,250		2,250
Road Repairs and Maintenance:				
Salaries and Wages	12,076	12,076		12,076
Other Expenses	2,779	2,779	2,629	150
Garbage and Trash Removal:				
Salaries and Wages	1,241	1,241		1,241
Other Expenses	2,675	2,675		2,675
Sanitary Landfill:				
Other Expenses	87,199	73,499	13,347	60,152
Repair to Public Access Beach Stairways:				
Other Expenses	820	820		820
Vehicle Maintenance	870	10,370	9,976	394

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES
Year Ended December 31, 2012

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
Senior Citizens Transportation:				
Salaries and Wages	\$3,428	\$3,428		\$3,428
Other Expenses	250	250		250
Drainage:				
Salaries and Wages	300	300		300
Other Expenses	3,380	3,380		3,380
Street Lighting:				
Other Expenses	2,198	4,398	\$4,381	17
Engineering Services and Costs:				
Other Expenses	6,705	11,705	11,649	56
Financial Administration:				
Salaries and Wages	1,128	1,128		1,128
Other Expenses	701	701		701
Auditing Fees	1,000	1,000		1,000
Assessment of Taxes:				
Salaries and Wages	16	16		16
Other Expenses	970	970	160	810
Collection of Taxes:				
Salaries and Wages	110	110		110
Other Expenses	1,824	1,824		1,824
Legal Services and Costs:				
Miscellaneous Other Expenses	6,687	6,687	4,352	2,335
Insurance:				
General Liability	18,823	18,823		18,823
Employee Group Health	42,434	42,434	27,041	15,393
Computerized Data Processing	308	308		308
Celebration of Public Events	250	250		250
Utilities:				
Gasoline	4,075	4,075	3,237	838
Fuel Oil	3,839	3,839	3,393	446
Electricity	8,624	8,624	173	8,451
Telephone and Telegraph	4,180	4,180	2,080	2,100
Natural Gas	10,791	10,791	3,010	7,781
Water	337	1,037	974	63
Sewer	3,990	3,990		3,990

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES
Year Ended December 31, 2012

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
MCIA Administrative Expense	\$1,200	\$1,200		\$1,200
Contingent	8,734	8,734		8,734
Contribution to Social Security System	11,852	11,852	\$309	11,543
Defined Contribution Retirement Program	1,500	1,500		1,500
Aid to Privately Owned Libraries (N.J.S.A. 40:54-35)	18,496	18,496		18,496
Length of Service Awards Program	1,202	1,202		1,202
911 Service	32	32		32
Dispatcher Services	27	27		27
	<u>\$372,762</u>	<u>\$372,762</u>	<u>\$110,797</u>	<u>\$261,965</u>
<u>Ref.</u>	A		A-4	A-1

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011:			
School Tax Payable	A	\$1,270,193	
School Tax Deferred		<u>855,464</u>	\$2,125,657
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>4,317,142</u>
			6,442,799
Decreased by:			
Payments	A-4		<u>4,284,228</u>
Balance, December 31, 2012:			
School Tax Payable	A	1,303,107	
School Tax Deferred		<u>855,464</u>	<u>\$2,158,571</u>
<u>2012 Liability for Local District School Tax:</u>			
Tax Paid	A-10		\$4,284,228
School Tax Payable, December 31, 2012	A-10		<u>1,303,107</u>
			5,587,335
Less: School Tax Payable, December 31, 2011	A-10		<u>1,270,193</u>
Amount Charged to 2012 Operations	A-1		<u>\$4,317,142</u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011:			
School Tax Payable	A	\$1,401,517	
School Tax Deferred		<u>628,583</u>	\$2,030,100
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>3,892,650</u>
			<u>5,922,750</u>
Decreased by:			
Payments	A-4		<u>3,975,525</u>
Balance, December 31, 2012:			
School Tax Payable	A	1,318,642	
School Tax Deferred		<u>628,583</u>	<u>\$1,947,225</u>
 <u>2012 Liability for Regional High School Tax:</u>			
Tax Paid	A-11		\$3,975,525
School Tax Payable, December 31, 2012	A-11		<u>1,318,642</u>
			5,294,167
Less: School Tax Payable, December 31, 2011	A-11		<u>1,401,517</u>
Amount Charged to 2012 Operations	A-1		<u>\$3,892,650</u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	A		\$21,987
Increased by:			
Transferred from 2012 Appropriations	A-3	\$33,838	
Reserve for Hurricane Sandy		<u>80,066</u>	
			<u>113,904</u>
			135,891
Decreased by:			
Cash Disbursed	A-4		<u>21,987</u>
Balance, December 31, 2012	A		<u><u>\$113,904</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
Year Ended December 31, 2012

Grant	Ref.	Balance Dec. 31, 2011	2012 Appropriated Revenue	Unappropriated Reserves Realized	Cash Receipts	Cancelled	Balance Dec. 31, 2012
NJ Transportation Trust Fund							
Authority Act	A-2	\$588,669	\$225,000		\$356,250	\$113,669	\$343,750
Clean Communities Program	A-2		7,469	\$7,469			
Drunk Driving Enforcement Fund	A-2		2,213	2,213			
Alcohol Education and Rehabilitation Fund	A-2		425	425			
Body Armor Replacement Fund	A-2		1,268	1,268			
		<u>\$588,669</u>	<u>\$236,375</u>	<u>\$11,375</u>	<u>\$356,250</u>	<u>\$113,669</u>	<u>\$343,750</u>
	<u>Ref.</u>	A		A-15	A-4	A-1	A

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES
Year Ended December 31, 2012

Grant	Balance Dec. 31, 2011	Transfer from 2012 Budget Appropriation	Expended	Cancelled	Balance Dec. 31, 2012
Alcohol Education and Rehabilitation Fund	\$317	\$425			\$742
Drunk Driving Enforcement Fund	1,932	2,213	\$2,147		1,998
Body Armor Replacement Fund	4,129	1,268	869		4,528
Clean Communities Program	8,423	7,469	5,800		10,092
NJ Transportation Trust Fund Authority Act	554,740	225,000	293,437	\$79,740	406,563
Stormwater Regulation	1,672				1,672
	<u>\$571,213</u>	<u>\$236,375</u>	<u>\$302,253</u>	<u>\$79,740</u>	<u>\$425,595</u>
<u>Ref.</u>	A	A-3	A-4	A-1	A

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES
Year Ended December 31, 2012

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Appropriated</u>	<u>Balance Dec. 31, 2012</u>
Clean Communities Program	\$7,469	\$7,346	\$7,469	\$7,346
Drunk Driving Enforcement Fund	2,213	2,223	2,213	2,223
Body Armor Replacement Fund	1,267	1,288	1,268	1,287
Alcohol Education and Rehabilitation Fund	425	324	425	324
	<u>\$11,374</u>	<u>\$11,181</u>	<u>\$11,375</u>	<u>\$11,180</u>
<u>Ref.</u>	A	A-4	A-13	A

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF CASH
Year Ended December 31, 2012

	<u>Ref.</u>	<u>Unemployment</u>	<u>Animal Control</u>	<u>Other</u>
Balance, December 31, 2011	B	\$14,070	\$192	\$714,899
Increased by Receipts:				
Cat License Fees	B-4		168	
Dog License Fees	B-4		1,734	
State Dog License Fees			190	
Other Trust Fund Deposits	B-3			523,664
Refunds	B-5	4,593		
Budget Appropriation	B-5	10,000		
		<u>14,593</u>	<u>2,092</u>	<u>523,664</u>
Decreased by Disbursements:				
Unemployment Expenditures	B-5	2,422		
Other Trust Fund Expenditures	B-3			382,653
State Dog License Fees			190	
Expenditures Under R.S. 4:19-15.11	B-4		331	
		<u>2,422</u>	<u>521</u>	<u>382,653</u>
Balance, December 31, 2012	B	<u>\$26,241</u>	<u>\$1,763</u>	<u>\$855,910</u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF RESERVE FOR OTHER TRUST FUND DEPOSITS
Year Ended December 31, 2012

	Balance Dec. 31, 2011	Increases	Decreases	Balance Dec. 31, 2012
<u>Reserves for:</u>				
Developers Escrow	\$63,994	\$10,525	\$35,433	\$39,086
Premium Received at Tax Sale	52,000	109,400	55,300	106,100
Uniform Fire Safety Penalties	450	87,893		88,343
Police Traffic	7,049	82,772	76,235	13,586
Recycling	67,819	34,162	8,372	93,609
Construction Code Official Fees	182,985	111,463	133,320	161,128
Recreation	40,192	63,834	49,148	54,878
Kids Day	500			500
Dune Grass	2,108			2,108
Shade Tree	236	7,601	4,845	2,992
Snow Removal	9,000			9,000
Parking Adjudication	613	126		739
Accumulated Absences	86,971	15,500	20,000	82,471
Payroll Deductions Payable	23	146		169
Law Enforcement		242		242
Affordable Housing	195,657			195,657
	<u>\$709,597</u>	<u>\$523,664</u>	<u>\$382,653</u>	<u>\$850,608</u>
<u>Ref.</u>	B	B-2	B-2	B

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	B		\$192
Increased by:			
Dog License Fees Collected	B-2	\$1,734	
Cat License Fees Collected	B-2	168	
			1,902
			2,094
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash	B-2		331
Balance, December 31, 2012	B		\$1,763

License Fees Collected:

Year	Amount
2011	\$1,718
2010	1,854
	\$3,572

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF RESERVE FOR UNEMPLOYMENT FUND EXPENDITURES
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	B	\$14,070
Increased by:		
Budget Appropriation	B-2	\$10,000
Refunds	B-2	<u>4,593</u>
		<u>14,593</u>
		28,663
Decreased by:		
Unemployment Expenditures	B-2	<u>2,422</u>
Balance, December 31, 2012	B	<u><u>\$26,241</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF LENGTH OF SERVICE AWARD
PROGRAM FUND INVESTMENTS
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	B		\$57,952
Increased by:			
Borough Contributions	B-7	\$17,332	
Change in Market Value	B-7	<u>3,864</u>	
			<u>21,196</u>
			79,148
Decreased by:			
Administrative Charges	B-7		<u>400</u>
Balance, December 31, 2012	B		<u><u>\$78,748</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

TRUST FUND
SCHEDULE OF RESERVE FOR LENGTH OF SERVICE AWARD
PROGRAM FUND
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	B		\$57,952
Increased by:			
Borough Contributions	B-6	\$17,332	
Change in Market Value	B-6	<u>3,864</u>	
			<u>21,196</u>
			79,148
Decreased by:			
Administrative Charges	B-6		<u>400</u>
Balance, December 31, 2012	B		<u><u>\$78,748</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF CASH
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance, December 31, 2011	C		\$778,360
Increased by Receipts:			
Budget Appropriations:			
Capital Improvement Fund	C-5	\$100,000	
Deferred Charges to Future Taxation - Unfunded	C-8	100,000	
Reserve for Sand Replenishment		75,000	
Reserve for Improvements to Bathing Pavilion		400,000	
Reserve for Road Program		25,000	
Reserve for Improvements to Library Building		25,000	
Reserve for Sand Replenishment		425,000	
Bond Anticipation Notes	C-7	5,084,000	
Premium on Sale of Notes	C-1	19,294	
		<u> </u>	6,253,294
			<u>7,031,654</u>
Decreased by Disbursements:			
Reserve for Improvements to Bathing Pavilion		393,246	
Reserve for Sand Replenishment		249,039	
Reserve for Road Program		20,870	
Reserve for Improvements to Park Lights		10,450	
Reserve for Improvements to Library Building		10,265	
Reserve for Debt Service for Seawall		28,700	
Bond Anticipation Notes	C-7	4,733,000	
Improvement Authorizations	C-6	683,293	
		<u> </u>	6,128,863
Balance, December 31, 2012	C		<u><u>\$902,791</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
ANALYSIS OF GENERAL CAPITAL FUND CASH
December 31, 2012

	Balance
	<u>Dec. 31, 2012</u>
Capital Improvement Fund	\$66,128
Reserve for Computer System Upgrade	128
Reserve for Sand Replenishment	425,529
Reserve for Road Program	35,666
Reserve for Improvements to Bathing Pavilion	144,208
Reserve for Municipal Generator	646
Reserve for Dump Truck	20
Reserve for Telephone System for Police Department	357
Reserve for Preliminary Costs for Drainage Improvements at Drew Court	8,150
Reserve for Purchase of Bleachers for Park	7,000
Reserve for Purchase of Wood Chipper	8,309
Reserve for Improvements to Park Lights	350
Reserve for Purchase of Equipment for Bathing Pavilion Concession	236
Reserve for Purchase of Utility Vehicle	696
Reserve for Improvements to Police Computers	2,337
Reserve for Improvements to Library Building	14,735
Reserve for Debt Service for Seawall	24
Fund Balance	27,416

Improvement Authorizations:

<u>Ordinance Date</u>	<u>Improvement Description</u>	
03/31/03	Various Capital Improvements	511
06/13/06	Purchase of Breath Alcohol System	90
08/02/07	Sidewalk Improvement Program	20,000
06/24/08	Various Capital Improvements	(250)
11/23/09	Various Capital Improvements	45,243
08/03/10	Purchase of Recording Equipment for the Police Department and Municipal Court	842
08/03/10	Various Capital Improvements	39,205
08/09/11	Various Capital Improvements	1,790
11/08/12	2012 Sand Replenishment Project	53,425
		<u>\$902,791</u>

Ref.

C

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF LEASE OBLIGATION PAYABLE
Year Ended December 31, 2012

<u>Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
Fire Truck	<u>\$79,700</u>	<u>\$39,100</u>	<u>\$40,600</u>
<u>Ref.</u>	C		C

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance, December 31, 2011	C	\$20,128
Increased by:		
2012 Budget Appropriation	C-2	<u>100,000</u>
		120,128
Decreased by:		
Appropriated to Finance Improvement Authorization	C-6	<u>54,000</u>
Balance, December 31, 2012	C	<u><u>\$66,128</u></u>

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
Year Ended December 31, 2012

<u>Improvement Authorizations</u>	<u>Ordinance Amount</u>	<u>Balance Dec. 31, 2011</u>		<u>2012 Authorizations</u>	<u>Paid</u>	<u>Balance Dec. 31, 2012</u>	
		<u>Funded</u>	<u>Unfunded</u>			<u>Funded</u>	<u>Unfunded</u>
Various Capital Improvements	\$38,000	\$511				\$511	
Replacement of the Municipal Building Roof	87,000	5,330			\$5,330		
Improvements to the Municipal Building	20,000	1,275			1,275		
Purchase of Breath Alcohol System	14,000	90				90	
Sidewalk Improvement Program	20,000	20,000				20,000	
Various Capital Improvements	1,750,000		\$175,451		130,208		\$45,243
Purchase of Recording Equipment for the Police Department and Municipal Court	17,000	842				842	
Various Capital Improvements	750,000		100,030		60,825		39,205
Various Capital Improvements	98,000	35,870			34,080	1,790	
Sand Replenishment Project	750,000						
2012 Sand Replenishment Project	475,000			\$475,000	421,575		53,425
Improvements to Public Access Stairways	30,000			30,000	30,000		
		<u>\$63,918</u>	<u>\$275,481</u>	<u>\$505,000</u>	<u>\$683,293</u>	<u>\$23,233</u>	<u>\$137,873</u>
	<u>Ref.</u>	C	C		C-2	C	C
Capital Improvement Fund			<u>Ref.</u>				
Deferred Charges to Future Taxation - Unfunded			C-5	\$54,000			
			C-8	451,000			
				<u>\$505,000</u>			

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
86-06	Various Capital Improvements	10/26/06	10/3/11	10/4/12	1.25%	\$536,000		\$536,000	
80-08	Various Capital Improvements	10/23/08	10/3/11	10/4/12	1.25%	799,185		799,185	
80-08	Various Capital Improvements	10/22/09	10/3/11	10/4/12	1.25%	456,815		456,815	
118-09	Various Capital Improvements	4/28/10	10/3/11	10/4/12	1.25%	1,515,000		1,515,000	
100-10	Various Capital Improvements	10/21/10	10/3/11	10/4/12	1.25%	712,000		712,000	
80-11	Sand Replenishment Project	10/3/11	10/3/11	10/4/12	1.25%	714,000		714,000	
86-06	Various Capital Improvements	10/26/06	10/3/12	10/3/13	1.50%		\$473,200		\$473,200
80-08	Various Capital Improvements	10/23/08	10/3/12	10/3/13	1.50%		775,515		775,515
80-08	Various Capital Improvements	10/21/09	10/3/12	10/3/13	1.50%		443,285		443,285
118-09	Various Capital Improvements	4/28/10	10/3/12	10/3/13	1.50%		1,515,000		1,515,000
100-10	Various Capital Improvements	10/21/10	10/3/12	10/3/13	1.50%		712,000		712,000
80-11	Sand Replenishment Project	10/3/11	10/3/12	10/3/13	1.50%		714,000		714,000
113-12	2012 Sand Replenishment Project	12/27/12	12/27/12	10/3/13	2.50%		451,000		451,000
						\$4,733,000	\$5,084,000	\$4,733,000	\$5,084,000
					<u>Ref.</u>	C	C-2	C-2	C:C-8

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Budget Appropriations	Balance Dec. 31, 2012	Analysis of Balance Dec. 31, 2012	
						Financed by Bond Anticipation Notes	Expenditures
86-06	Various Capital Improvements	\$536,000		\$62,800	\$473,200	\$473,200	
80-08	Various Capital Improvements	1,256,250		37,200	1,219,050	1,218,800	\$250
118-09	Various Capital Improvements	1,515,000			1,515,000	1,515,000	
100-10	Various Capital Improvements	712,000			712,000	712,000	
80-11	Sand Replenishment Project	714,000			714,000	714,000	
113-12	2012 Sand Replenishment Project		\$451,000		451,000	451,000	
		<u>\$4,733,250</u>	<u>\$451,000</u>	<u>\$100,000</u>	<u>\$5,084,250</u>	<u>\$5,084,000</u>	<u>\$250</u>
Ref.		C	C-6	C-2	C	C-7	

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF INVESTMENT IN GENERAL FIXED ASSETS
Year Ended December 31, 2012

	Balance Dec. 31, 2011	Additions	Dispositions	Balance Dec. 31, 2012
General Fixed Assets:				
Land, Buildings and Improvements	\$3,849,934			\$3,849,934
Equipment	3,370,086			3,370,086
	<u>\$7,220,020</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,220,020</u>
<u>Ref.</u>	D			D

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

PART III

COMMENTS

YEAR ENDED DECEMBER 31, 2012

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

COMMENTS

YEAR ENDED DECEMBER 31, 2012

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

N.J.S. 40A:11-4 states “Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law.”

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory limit within the fiscal year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the municipal attorney’s opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising for the following items:

- Beach Access Stair Replacement
- Providing Electric Energy Services
- Beach Road Streetscape Project, Phase III
- Bathing Pavilion Phase VIII – North East Roof
- Bathing Pavilion Concession
- Bathing Pavilion Repair and Reconstruction of the Deck and Snack Bar Area

The minutes indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S. 40A:11-5.

Our audit of expenditures did not reveal any individual payments in excess of the statutory limit for the performance of any work or the furnishing of any goods or services 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.

**Purchases, Contracts or Agreements not Required to be Advertised by N.J.S.
40A:11-6.1**

N.J.S. 40A:11-6.1 states, "For all contracts that in the aggregate are less than the bid threshold but exceed 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L. 1971, c. 198 (C.40A:11-5), except for paragraph (a) of that subsection concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered."

Collection of Interest on Delinquent Taxes and Assessments

N.J.S.A 40A:54:4-67 provides the method for authorizing interest and the maximum rates to be charged for nonpayment of taxes or assessments on or before the date when they would become delinquent.

On January 10, 1995 the governing body adopted the following resolution authorizing interest to be charged for nonpayment of taxes or assessments:

WHEREAS, N.J.S.A. 54:5-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

WHEREAS, N.J.S.A. 54:40-67 has been amended to permit the fixing of said rate of 8% per annum of the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year;

NOW, THEREFORE, BE IT RESOLVED that the Governing Body of the Borough of Monmouth Beach, County of Monmouth and State of New Jersey, that it does hereby fix the maximum allowed under N.J.S.A. 54:4-67 to be charged against all properties who become delinquent as defined under N.J.S.A. 54:4-67 and such charges on account of delinquent properties as set forth herein remain in effect from year to year until such time as the Governing Body adopts a new resolution setting forth new or different rates; and

BE IT FURTHER RESOLVED that effective January 1, 1995, there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order, said grace period as set forth herein to remain in effect from year to year until such time as the Governing Body adopts a new resolution setting forth a new or different grace period.

Based upon our audit of the tax collector's records, interest on delinquent taxes was charged in accordance with the foregoing resolution.

Tax Title Liens

The last tax sale was held on July 13, 2012 and was complete.

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

2012	4
2011	4
2010	4

SUMMARY OF MUNICIPAL DEBT

<u>Issued</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Bonds and Notes	\$5,084,000	\$4,733,000	\$4,269,000
<u>Authorized but not Issued</u>			
General Bonds and Notes	250	250	250
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$5,084,250</u>	<u>\$4,733,250</u>	<u>\$4,269,250</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 indicated a statutory net debt of 0.381%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School	\$6,045,232	\$6,045,232	
General Debt	5,191,487	107,237	\$5,084,250
	<u>\$11,236,719</u>	<u>\$6,152,469</u>	<u>\$5,084,250</u>

Net Debt \$5,084,250 divided by Equalized Valuation basis per N.J.S. 40A:2-2 as amended, \$1,333,539,288 equals 0.381%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3½% of Equalized Valuation Basis	\$46,673,875
Net Debt	5,084,250
Remaining Borrowing Power	<u>\$41,589,625</u>

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION AND APPORTIONMENT

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Municipal	\$.328	\$.323	\$.318
Local School	.343	.337	.338
Regional School	.309	.322	.279
County	.307	.305	.305
Total Tax Rate	<u>\$1.287</u>	<u>\$1.287</u>	<u>\$1.240</u>

ASSESSED VALUATIONS

2012	\$1,260,536,256
2011	1,262,410,459
2010	1,259,173,241

COMPARISON OF TAXES LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2012	\$16,298,628	\$16,010,916	98.23%
2011	16,326,535	16,039,727	98.24%
2010	15,699,963	15,453,679	98.43%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens on December 31, in relation to the tax levies of the last three years.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Title Liens	\$23,772	\$20,961	\$18,150
Delinquent Taxes	<u>220,509</u>	<u>239,765</u>	<u>208,008</u>
Total Delinquent	<u>\$244,281</u>	<u>\$260,726</u>	<u>\$226,158</u>
% of Tax Levy	1.50%	1.60%	1.44%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2012	\$60,750
2011	60,750
2010	60,750

COMPARATIVE SCHEDULE OF FUND BALANCE AT DECEMBER 31

<u>Year</u>	<u>Current Fund Balance</u>	<u>Utilized in Succeeding Budget</u>
2012	\$1,668,645	\$1,450,000
2011	1,408,208	1,180,500
2010	1,396,656	1,040,000

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond*</u>
Susan Howard	Mayor	
James F. Cunniff	Commissioner	
William J. McBride, Jr.	Commissioner	
Joyce Escalante	Borough Clerk and Registrar of Vital Statistics	
James C. Fuller	Borough Tax Collector and Chief Financial Officer	
Elizabeth A. Heath	Payroll and Payables Clerk	
Antonetta Heinzinger	Assistant to Borough Tax Collector and Assistant to Chief Financial Officer	
John G. Colannino	Judge	
Jennifer Ingenito	Court Administrator 1/1/12-3/31/12	
Suzann Lorusso	Court Administrator 4/1/12-12/31/12	

*Borough employees are covered by a faithful performance and employee dishonesty bond in the amount of \$1,000,000. This insurance is provided to the Borough through its participation in the Monmouth Municipal Joint Insurance Fund.

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

PART IV

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

BOROUGH OF MONMOUTH BEACH
COUNTY OF MONMOUTH
STATE OF NEW JERSEY

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

Finding #2012-1

We consider the following deficiency in internal control over financial reporting to be a significant deficiency.

Criteria

In accordance with N.J.A.C. 5:30-5.6, the Borough is required to maintain a fixed assets accounting and reporting system for controlling additions and dispositions of fixed assets.

Condition

Additions and dispositions to the fixed assets accounting and reporting system were not currently maintained in 2012.

Effect

The Borough's general fixed assets as of December 31, 2012 have not been adjusted for additions and dispositions occurring in 2012.

Recommendation

It is recommended that the Borough's fixed assets be maintained in accordance with N.J.A.C. 5:30-5.6.

Response

The Borough will maintain a fixed assets accounting and reporting system in accordance with N.J.A.C. 5:30-5.6.