

BOROUGH OF ELMER

SALEM COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

BOROUGH OF ELMER

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BOROUGH OF ELMER

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

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Independent Auditor's Report

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Borough of Elmer, New Jersey, as of December 31, 2010 and 2009, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2010. These financial statements are the responsibility of the Borough of Elmer's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Borough of Elmer prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Borough's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Elmer as of December 31, 2010 and 2009 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the Borough of Elmer, New Jersey, as of December 31, 2010 and 2009 and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2010 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011 on our consideration of the Borough of Elmer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Elmer, New Jersey, taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Robert E. Swartz, CPA

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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

April 18, 2011

EXHIBIT A - CURRENT FUND

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

ASSETS	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Regular Fund:			
Cash -			
Treasurer	A-4	\$402,841	445,425
Collector	A-5	1,589	1,641
Change Fund		<u>200</u>	<u>200</u>
		<u>404,630</u>	<u>447,266</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	124,087	113,262
Tax Title Lien Receivable	A-7	272	680
Due from Grant Fund	A	0	5,484
Revenue Accounts Receivable	A-8	<u>6,903</u>	<u>8,534</u>
		<u>131,262</u>	<u>127,960</u>
Deferred Charges:			
Special Emergency (40A:4-55)		<u>2,600</u>	<u>15,900</u>
	A	<u>2,600</u>	<u>15,900</u>
		<u>538,492</u>	<u>591,126</u>
Federal and State Grant Fund:			
State Grant Fund:			
Due from Current Fund	A	382	0
State Grants Receivable	A-11	<u>863,936</u>	<u>461,178</u>
		<u>864,318</u>	<u>461,178</u>
		<u>\$1,402,810</u>	<u>1,052,304</u>

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$88,032	66,831
Reserve for Encumbrances/Accounts Payable	A-3	27,625	34,873
Taxes Collected in Advance		37,227	28,035
Tax Overpayments		1,824	5,548
Due to State of New Jersey - Senior Citizens and Veterans		325	825
Due to Grant Fund	A	382	0
Due to Fire Safety Fees Trust	B	0	200
Due to County-Added and Omitted Taxes		1,286	7,980
Reserve for Garden State Preservation		0	36
Reserve for Acquisition of Street Lights		0	113
Reserve for Sale of Municipal Assets		71,110	91,110
Reserve for Codification of Ordinances		6,733	7,633
		<u>234,544</u>	<u>243,184</u>
Reserves for Receivables and Other Assets	A	131,262	127,960
Fund Balance	A-1	<u>172,686</u>	<u>219,982</u>
		<u>\$538,492</u>	<u>591,126</u>

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

LIABILITIES, RESERVES AND FUND BALANCE	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-12	\$675	3,204
Due to General Capital	C	87,398	87,398
Due to Current Fund	A	0	5,484
Reserve for State Grants			
Appropriated	A-12	761,827	363,159
Unappropriated	A-13	<u>14,418</u>	<u>1,933</u>
		<u>864,318</u>	<u>461,178</u>
		<u>\$1,402,810</u>	<u>1,052,304</u>

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$150,000	170,000
Miscellaneous Revenue Anticipated	A-2	689,596	774,925
Receipts from Delinquent Taxes	A-2	116,886	60,203
Receipts from Current Taxes	A-2	2,590,611	2,504,769
Non Budget Revenue	A-2	53,101	34,289
Other Credits to Income:			
Interfunds Returned		5,484	0
Cancellation of Prior Year Liabilities		306	843
Unexpended Balance of Approp Reserves	A-9	41,594	41,408
		<u>3,647,578</u>	<u>3,586,437</u>
Total Income			
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	250,840	241,862
Other Expenses	A-3	504,321	507,661
Deferred Charges and Statutory			
Expenditures	A-3	56,609	51,081
Capital Improvements	A-3	425,000	440,000
Municipal Debt Service	A-3	117,093	111,862
Transfer to Board of Education	A-3	8,138	10,352
Local District School Tax	A-10	1,151,659	1,087,648
County Tax		1,029,928	968,077
County Share of Added Taxes		1,286	7,980
Interfunds Created		0	5,484
		<u>3,544,874</u>	<u>3,432,007</u>
Total Expenditures			
Excess in Revenue		102,704	154,430

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		<u>0</u>	<u>0</u>
Statutory Excess to Fund Balance		102,704	154,430
Fund Balance January 1	A	<u>219,982</u>	<u>235,552</u>
		322,686	389,982
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>150,000</u>	<u>170,000</u>
Balance December 31	A	<u><u>\$172,686</u></u>	<u><u>219,982</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87 REALIZED	
Fund Balance Anticipated	A-1	\$150,000	150,000	
Miscellaneous Revenues:				
Section A: Local Revenues				
Fines and Costs:				
Municipal Court	A-8	118,000	103,848	(14,152)
Interest and Costs on Taxes	A-5	17,000	16,950	(50)
Interest on Investments and Deposits	A-8	3,500	2,999	(501)
Total Section A		138,500	123,797	(14,703)
Section B: State Aid Without Offsetting Appropriations				
Garden State Trust		36	36	
Energy Receipts Tax	A-8	94,958	94,958	
Consolidated Municipal Property Tax Relief Act	A-8	31,595	31,471	(124)
Total Section B		126,589	126,465	(124)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Ref.	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
	BUDGET				
Section F: Special Items of General Revenue					
		4,178		4,178	
		1,933		1,933	
			5,000	5,000	
		647		647	
			3,500	3,500	
		395,000		395,000	
		4,000		4,000	
A-11		405,758	8,500	414,258	0

Total Section F

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Ref.	ANTICIPATED			EXCESS OR (DEFICIT)
		BUDGET	SPECIAL NJS 40A:4-87	REALIZED	
Section G: Special Items of General Revenue					
Anticipated with Prior Written Consent of Director					
of Local Government Services - Other Special					
Items					
Uniform Fire Safety Act		5,008		5,076	68
Sale of Municipal Assets		20,000		20,000	
Total Section G		25,008	0	25,076	68
Total Miscellaneous Revenues	A-1	695,855	8,500	689,596	(14,759)
Receipts from Delinquent Taxes	A-1:A-2	105,575		116,886	11,311
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	A-2	517,433		508,860	(8,573)
Budget Totals		1,468,863	8,500	1,465,342	(12,021)
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			53,101	53,101
	Ref.	\$1,468,863	8,500	1,518,443	41,080
		A-3	A-3		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-6	\$2,590,611
Allocated to:		
School, County Taxes		<u>2,197,091</u>
Balance for Support of Municipal Budget Appropriations		393,520
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>115,340</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>508,860</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-6	114,351
Tax Title Liens	A-7	<u>2,535</u>
	A-2	<u><u>\$116,886</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Ref.</u>	
Analysis of Non-Budget Revenue		
Miscellaneous Revenue not Anticipated:		
Revenue Accounts Receivable:		
Tax Searches	A-8	\$20
Tax Collector:		
Tax Sale Costs	A-5	5,199
Treasurer		
Fire Safety Fines & Permits		1,898
Housing & Zoning Permits		1,635
FEMA Reimbursement - December 2009 Storms		2,430
Senior Citizen & Veteran's Administrative Fee		410
Police Detail		16,350
Registrar Fees		12,119
Insurance Dividend		5,413
Cable Franchise Fee		4,399
Other Miscellaneous		<u>3,228</u>
	A-4	<u>47,882</u>
	A-1:A-2	<u><u>\$53,101</u></u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED
GENERAL GOVERNMENT:							
Mayor and Council							
Salaries and Wages	\$16,725	16,725	16,725				
Other Expenses	6,250	6,250	3,988	100	2,162		
Municipal Clerk							
Salaries and Wages	17,500	17,500	16,440		1,060		
Other Expenses	4,750	4,750	2,896	143	1,711		
Elections							
Other Expenses	5	5			5		
Financial Administration							
Salaries and Wages	15,945	15,945	15,945				
Other Expenses	12,200	12,200	11,930	165	105		
Audit Services							
	9,300	9,300	9,300				
Assessment of Taxes							
Salaries and Wages	11,121	11,121	11,121				
Other Expenses	3,000	3,000	812		2,188		
Tax Collector							
Salaries and Wages	12,121	12,121	11,121		1,000		
Other Expenses	3,000	3,000	1,982	75	943		
Legal Services and Costs							
Other Expenses	16,000	16,000	9,796	179	6,025		
Engineering Services and Costs							
Other Expenses	4,000	2,421			2,421		
Public Buildings and Grounds							
Salaries and Wages	5,702	5,702	5,702				
Other Expenses	20,090	20,090	14,788	825	4,477		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
Insurance							
Liability	23,076	23,076	22,991			85	
Worker's Compensation Insurance	20,673	20,673	19,726			947	
Employee Group Insurance	8,570	8,699	8,699				
Municipal Land Use Law (N.J.S.A. 40:55D-1)							
Land Use Board							
Salaries and Wages	5,524	5,524	5,524				
Other Expenses	4,844	4,844	2,098		2,746		
Technology							
Other Expenses	11,000	11,580	8,251	3,326		3	
PUBLIC SAFETY:							
Fire							
Other Expenses							
Miscellaneous Other Expenses	36,000	36,000	21,910	8,710		5,380	
Police							
Salaries and Wages	130,258	130,258	128,027			2,231	
Other Expenses	16,500	16,500	14,285	105		2,110	
Crossing Guards							
Salaries and Wages	13,819	13,819	8,584			5,235	
Emergency Management Service							
Salaries and Wages	2,302	2,302	2,302				
Other Expenses	1,000	1,000	651	50		299	
First Aid Organization - Contribution	5,503	5,503	5,503				
Housing Inspections							
Salaries and Wages	3,028	3,028	3,028				
Other Expenses	150	150				150	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS			EXPENDED			UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED	OVER- EXPENDED	
Fire Code Inspector								
Salaries and Wages	7,306	7,306	5,806		1,500			
Other Expenses	3,145	3,145	2,603		542			
STREETS AND ROADS:								
Road Repairs and Maintenance				705				
Other Expenses	20,000	20,000	16,170		3,125			
SANITATION:								
Garbage and Trash Removal								
Other Expenses - Contractual	95,084	95,084	80,858	4,464	9,762			
Recycling								
Other Expenses	34,000	34,000	27,960	3,357	2,683			
HEALTH AND WELFARE:								
Board of Health								
Salaries and Wages	8,810	8,810	6,118		2,692			
Other Expenses	2,100	2,100	954		1,146			
Animal Control Services								
Salaries and Wages	679	679	679					
Other Expenses	4,000	4,000	3,297	685	18			
RECREATION AND EDUCATION:								
Parks and Playgrounds								
Other Expenses	9,500	9,500	6,580		2,920			
Celebration of Public Event, Anniversary or Holiday								
Other Expenses	3,000	3,000	2,997		3			
Grantsman								
Other Expenses	500	500	500					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER-EXPENDED
Unclassified:							
Electric	14,000	14,870	14,418	268	184		
Telephone	7,200	7,200	6,260	652	288		
Gasoline	10,000	10,000	7,194		2,806		
Heating	12,540	12,540	10,280	2,080	180		
Street Lighting	18,000	18,000	15,769	41	2,190		
TOTAL OPERATIONS WITHIN "CAPS"	689,820	689,820	592,568	25,930	71,322	0	0
Contingent		0					
TOTAL OPERATIONS INCLUDING CONTINGENT - WITHIN "CAPS"	689,820	689,820	592,568	25,930	71,322	0	0
Detail:							
Salaries and Wages	250,840	250,840	237,122	0	13,718	0	0
Other Expenses	438,980	438,980	355,446	25,930	57,604	0	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System	16,609	16,609	16,609				
Social Security	25,000	25,000	18,523		6,477		
Unemployment Insurance	1,500	1,500	1,293		207		
Defined Contribution Retirement Program	200	200	56		144		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	43,309	43,309	36,481	0	6,828	0	0
Cash Deficit of Preceding Year		0					
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	733,129	733,129	629,049	25,930	78,150	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE OVER-EXPENDED
OPERATIONS - EXCLUDED FROM "CAPS"						
Recycling Tax Appropriation	1,667	1,667			1,667	
Public Employees Retirement System	2,016	2,016	2,016			
Aid to Library	2,000	2,000	305	1,695		
Interlocal Service Agreements: Joint Municipal Court	39,000	39,000	30,785		8,215	
Recycling Tonnage Grant	1,933	1,933	1,933			
Clean Communities Grant	4,000	4,000	4,000			
Body Armor Fund	647	647	647			
Shared Service Agreement - Wastewater Management Plan		5,000	5,000			
Salem County Safe Roadways Project		3,500	3,500			
Municipal Drug Alliance Grant						
State Share	4,178	4,178	4,178			
Local Match	1,400	1,400	1,400			
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	56,841	65,341	53,764	1,695	9,882	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS		EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE OVER-EXPENDED
Detail:	0	0	0			
Salaries and Wages						
Other Expenses (Including Contingent)	56,841	65,341	53,764	1,695	9,882	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	30,000	30,000	30,000			
Public & Private Programs Offset by Revenues:						
NJ Department of Transportation						
Elmer Train Station Relocation Project	395,000	395,000	395,000			
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	425,000	425,000	425,000	0	0	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Anticipation Notes and						
Capital Notes	105,500	105,500	105,500			
Interest on Notes	11,615	11,615	11,593			22
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	117,115	117,115	117,093	0	0	22
DEFERRED CHARGES						
Special Emergency Authorization-5 years	13,300	13,300	13,300			
TOTAL DEFERRED CHARGES	13,300	13,300	13,300	0	0	0
(N) Transferred to Board of Education for Use of Local schools (N.J.S.A. 40:48-17.1 & 17.3)	8,138	8,138	8,138			
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	620,394	628,894	617,295	1,695	9,882	22

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS		EXPENDED		UNEXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED
SUBTOTAL GENERAL APPROPRIATIONS	1,353,523	1,362,023	1,246,344	27,625	88,032	22	0
Reserve for Uncollected Taxes	115,340	115,340	115,340				
TOTAL GENERAL APPROPRIATIONS	\$1,468,863	1,477,363	1,361,684	27,625	88,032	22	0
	A-2		A-1		A:A-1		
Budget	A-3	1,468,863					
Appropriations by 40A:4-87		<u>8,500</u>					
		<u>\$1,477,363</u>					

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants		\$415,658
Deferred Charges		13,300
Reserve for Uncollected Taxes		115,340
Disbursed	A-4	<u>817,386</u>
		<u><u>\$1,361,684</u></u>

EXHIBIT B - TRUST FUND

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

	Ref.	2010	2009
ASSETS			
Animal Control Fund:			
Cash - Treasurer	B-1	\$104	161
		<u>104</u>	<u>161</u>
Other Funds			
Cash - Treasurer	B-1	31,825	19,096
Due from Current Fund		0	200
		<u>31,825</u>	<u>19,296</u>
		<u>31,929</u>	<u>19,457</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund			
Reserve for Dog Expenditures	B-2	104	161
		<u>104</u>	<u>161</u>
Other Funds			
Due to State of New Jersey - Payroll Taxes		2,787	2,821
Reserve for Escrows	B-3	7,564	217
Reserve for Tax Title Lien Redemptions	B-4	1,013	1,256
Reserve for Tax Sale Premiums	B-5	12,563	7,136
Reserve for Performance Guarantee	B-6	6,323	6,291
Reserve for Fire Safety Fees	B-7	1,575	1,575
		<u>31,825</u>	<u>19,296</u>
		<u>\$31,929</u>	<u>19,457</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Cash	C-2	\$122,362	144,786
Due from Grant Fund	A	87,398	87,398
Deferred Charges to Future Taxation - Unfunded	C-5	<u>367,900</u>	<u>473,400</u>
		<u>577,660</u>	<u>705,584</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-8	367,900	473,400
Accounts Payable		0	35,078
Reserve for Preliminary Expenses Elmer Train Station Relocation Project		1,100	16,300
Improvement Authorizations			
Funded	C-7	0	1,490
Unfunded	C-7	111,774	112,430
Capital Improvement Fund	C-6	42,085	12,085
Fund Balance	C-1	<u>54,801</u>	<u>54,801</u>
		<u>\$577,660</u>	<u>705,584</u>

There were Bonds and Notes authorized but not issued at December 31, 2010 and December 31, 2009 of \$0

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

	<u>Ref.</u>	
Balance December 31, 2009	C	\$54,801
No Activity During 2010		
Balance December 31, 2010	C	<u>\$54,801</u>

EXHIBIT D - WATER UTILITY FUND

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

	Ref.	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	D-5	\$88,154	93,703
Cash - Collector	D-6	1,050	1,043
Cash - Change Fund		25	25
		<u>89,229</u>	<u>94,771</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	5,388	5,252
		<u>5,388</u>	<u>5,252</u>
Total of Operating Fund		<u>94,617</u>	<u>100,023</u>
Capital Fund:			
Cash	D-5	200,930	199,930
Fixed Capital - Water	D-8	2,055,902	2,055,902
Total of Capital Fund		<u>2,256,832</u>	<u>2,255,832</u>
		<u>\$2,351,449</u>	<u>2,355,855</u>

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

	Ref.	<u>2010</u>	<u>2009</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4:D-9	\$29,244	40,181
Reserve for Encumbrances	D-4	9,319	8,298
		<u>38,563</u>	<u>48,479</u>
Reserve for Receivables	Res.	5,388	5,252
Fund Balance	D-1	50,666	46,292
		<u>94,617</u>	<u>100,023</u>
Capital Fund:			
Capital Improvement Fund	D-10	140,959	139,959
Reserves for:			
Amortization - Water	D-11	2,055,902	2,055,902
Fund Balance	D-2	59,971	59,971
		<u>2,256,832</u>	<u>2,255,832</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$2,351,449</u></u>	<u><u>2,355,855</u></u>

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

	Ref.	<u>2010</u>	<u>2009</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	D-3	\$46,288	71,823
Rents	D-3	168,119	156,788
Miscellaneous Revenue Anticipated	D-3	1,430	1,384
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-9	39,281	29,099
Total Income		<u>255,118</u>	<u>259,094</u>
<u>Expenditures</u>			
Operating	D-4	185,305	188,156
Capital Improvements	D-4	11,000	50,000
Deferred Charges and Statutory Expenditures	D-4	8,151	7,667
Total Expenditures		<u>204,456</u>	<u>245,823</u>
Excess in Revenue		<u>50,662</u>	<u>13,271</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		0	0
Statutory Excess to Fund Balance		<u>50,662</u>	<u>13,271</u>
Fund Balance January 1	D	46,292	104,844
		<u>96,954</u>	<u>118,115</u>
Decreased by:			
Utilization as Anticipated Revenue	D-1:D-3	46,288	71,823
Balance December 31	D	<u><u>\$50,666</u></u>	<u><u>46,292</u></u>

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

	Ref.	
Balance December 31, 2009	D	\$59,971
No Activity During 2010		
Balance December 31, 2010	D	<u>\$59,971</u>

**WATER OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Ref	<u>ANTIC. BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Surplus Anticipated	D-1	\$46,288	46,288	
Water Rents	D-1:D-3	156,788	168,119	11,331
Miscellaneous	D-1:D-3	1,380	1,430	50
		<u>\$204,456</u>	<u>215,837</u>	<u>11,381</u>

ANALYSIS OF REALIZED REVENUES

Rents

Consumer Accounts Receivable:

Collected	D-7	168,119
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<u>168,119</u>

Miscellaneous

Interest Earned by Treasurer,

Collector and Other Miscellaneous

Fees and Costs	D-5	<u>1,430</u>
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**WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	APPROPRIATIONS			EXPENDED		UNEXPENDED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED	OVER- EXPENDED
OPERATING							
Salaries and Wages	\$49,173	49,173	48,172		1,001		
Other Expenses	129,928	129,928	97,624	9,319	22,985		
Liability Insurance	4,524	4,524	4,524				
Group Insurance for Employees	1,680	1,680	1,680				
	185,305	185,305	152,000	9,319	23,986	0	0
CAPITAL IMPROVEMENTS							
Capital Improvement Fund	1,000	1,000	1,000				
Capital Outlay	10,000	10,000	5,200		4,800		
	11,000	11,000	6,200	0	4,800	0	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES							
Statutory Expenditure:							
Contribution to:							
Public Employees' Retirement System	3,651	3,651	3,651				
Social Security System	4,000	4,000	3,685		315		
Unemployment Compensation Insurance	500	500	357		143		
	8,151	8,151	7,693	0	458	0	0
	\$204,456	204,456	165,893	9,319	29,244	0	0

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

Budget
Emergency Authorizations

204,456
0
\$204,456

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**WATER OPERATING FUND
STATEMENT OF EXPENDITURES (Cont'd)
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Ref.	<u>PAID OR CHARGED</u>
Disbursed	D-5	165,893
	D-4	<u>\$165,893</u>

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EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2010</u>	<u>2009</u>
General Fixed Assets:		
Land	\$83,845	83,845
Buildings and Improvements	713,296	713,296
Vehicles	620,420	620,420
Furniture, Fixtures and Equipment	878,921	872,380
	<u>2,296,482</u>	<u>2,289,941</u>
Investment in General Fixed Assets	<u>\$2,296,482</u>	<u>2,289,941</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

The accounting policies of the Borough of Elmer conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the Borough of Elmer accounts for its financial transactions through the following separate funds:

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

C. Basis of Accounting

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

The following schedule is a summarization of the changes in general fixed assets by category for the calendar year ended December 31, 2010.

	Balance as of <u>12-31-09</u>	<u>Additions</u>	Adjustments <u>Disposals</u>	Balance as of <u>12-31-10</u>
Land	\$83,845			83,845
Bldgs & Improv.	713,296			713,296
Vehicles	620,420			620,420
Furniture, Fixtures and Equipment	872,380	13,098	6,557	878,921
	<u>\$2,289,941</u>	<u>13,098</u>	<u>6,557</u>	<u>2,296,482</u>

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

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

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

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

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

D. Comparative Data

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2010 and 2009 statutory budgets included a reserve for uncollected taxes in the amount of \$115,340 and \$103,971, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2010 and 2009 statutory budget’s was \$150,000 and \$170,000, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Council. The following significant transfers were approved during the 2010 and 2009 calendar years:

	<u>2010</u>	<u>2009</u>
Engineering Services		
Other Expenses		6,500
Grantsman		
Other Expenses		(6,500)
Prior Year Reserves:		
Streets and Roads		
Other Expenses	\$2,337	
Public Buildings and Grounds		
Other Expenses	(2,337)	
Municipal Court		
Other Expenses	3,000	
Legal Services & Costs		
Other Expenses	(3,000)	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2010 and 2009 calendar years, Borough Council approved the following budget insertions:

		<u>2010</u>	<u>2009</u>
Salem County Safe Roadways Project	\$	3,500	6,000
Shared Service Agreement - Wastewater Management Plan		5,000	

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose that was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. No emergency or special emergency resolutions were adopted by Borough Council during the 2010 or 2009 calendar years. As of December 31, 2010 the following special emergency appropriations were outstanding:

<u>Date</u> <u>Adopted</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Balance @</u> <u>12/31/10</u>
3/14/07	Amendment to Master Plan	6,500	2,600
			<u>\$2,600</u>

Note 3: INVESTMENTS

As of December 31, 2010, the Borough had no investments.

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

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

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

Note 4: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2010 and 2009, \$0 of the government’s bank balance of \$870,899 and \$915,632 was exposed to custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 5: LONG TERM DEBT

As of December 31, 2010, the Borough of Elmer did not have any long-term debt.

Summary of Municipal Debt

<u>Summary of Municipal Debt</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
Issued:			
General – Bonds and Notes	\$ 367,900	473,400	573,900
Water Utility - Bonds and Notes	0	0	0
Total Issued	<u>367,900</u>	<u>473,400</u>	<u>573,900</u>
Authorized but not Issued:			
General – Bonds and Notes	0	0	0
Net Bonds & Notes Issued and Authorized But Not Issued	\$ <u><u>367,900</u></u>	<u><u>473,400</u></u>	<u><u>573,900</u></u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.33%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$0	0	0
Water Utility Debt	0	0	0
General Debt	367,900	0	367,900
	<u><u>\$367,900</u></u>	<u><u>0</u></u>	<u><u>367,900</u></u>

Net Debt \$367,900 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$110,844,429 = 0.33%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$3,879,555
Net Debt	<u>367,900</u>
Remaining Borrowing Power	<u><u>\$3,511,655</u></u>

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

None

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 6: NOTES PAYABLE

The Borough has outstanding at December 31, 2010 the following bond anticipation notes:

<u>Project</u>	<u>2010 Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2009 Amount</u>
General Capital:				
Repaving of Center St. and Hitchner Ave.	\$70,000	2.29%	5/13/11	85,000
Replacement of Borough Hall HVAC	120,000	2.29%	5/13/11	140,000
Reconstruction of Center Street	30,500	1.69%	9/10/11	41,000
Reconstruction of Penn Street	112,500	2.29%	4/14/11	127,500
Purchase of four wheel drive Vehicle	34,900	2.29%	4/14/11	39,900
Purchase of Fire Truck	0	-	-	40,000
Total General Capital	<u>\$367,900</u>			<u>473,400</u>

All bond anticipation notes are with the First National Bank of Elmer or Pennsville National Bank. The Borough intends to renew these notes in 2011 and intends to pay down \$75,000 of the outstanding balance. During 2009, the Borough paid down \$105,500 through the current operating budget.

As of December 31, 2010, the carrying value of the above notes approximates the fair value of the notes.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2010 and 2009 that were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2011 and 2010 were as follows:

		<u>2011</u>	<u>2010</u>
Current Fund	\$	115,000	150,000
Water Operating Fund		45,952	46,288

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Borough to appropriate in the 2011 budget is \$169,620 in the current fund and \$50,666 in the water operating fund.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance 12/31/10</u>	<u>2010 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Operating Fund:			
Special Emergency (40A:4-55)	\$2,600	1,300	1,300

The appropriations in the 2011 Budget are not less than that required by statute.

Note 9: SCHOOL TAXES

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

	<u>Local District Balance 12/31/10</u>	<u>School Tax Balance 12/31/09</u>
Balance of Tax	\$414,011	399,793
Deferred	414,011	399,793
Tax Payable	<u>\$0</u>	<u>\$0</u>

Note 10: TAXES COLLECTED IN ADVANCE

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

	<u>Balance 12/31/10</u>	<u>Balance 12/31/09</u>
Prepaid Taxes	\$37,227	28,035
Cash Liability for Taxes Collected in Advance	<u>\$37,227</u>	<u>28,035</u>

Note 11: PENSION FUNDS

Description of Plans

Substantially all of the Borough's employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009

available financial report that includes the financial statements and required supplementary information for the Public employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at

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

Public Employees' Retirement System

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

Funding Policy

The contribution policy for the PERS is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and NJSA 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 6.9% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2010, 2009 and 2008 were \$22,276, \$16,047, and \$13,298 respectively, equal to the required contributions for each year.

NOTE 12: POST-RETIREMENT BENEFITS

As indicated in Note 11 above, employees of the Borough of Elmer are members of the Public Employees' Retirement System (PERS) however, as of December 31, 2010 they were not members of the State Health Benefits Plan.

Note 13: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted full-time employees to accrue vacation time based on their length of service with the Borough. No more than one week of vacation may be carried over from one calendar year to the next, and these days must be used by June 1 of that year. Full-time employees also earn five sick days per year, which may be carried over to the following calendar year up to a maximum of 15 accumulated sick days at any time. Employees will not be reimbursed for carried-over or unused sick time upon the conclusion of their employment. Based on this policy, the estimated current cost of such unpaid compensation would approximate \$0 as of December 31, 2010 and 2009.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 14: JOINT MUNICIPAL COURT

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

Note 15: ECONOMIC DEPENDENCY

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

Note 16: LITIGATION

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

Note 17: RISK MANAGEMENT

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

Property and Liability Insurance – the Borough maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2010, 2009 and 2008, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

Note 18: LEASE AGREEMENTS

At December 31, 2010, the Borough had a 48 month lease agreement in effect for a copy machine. This lease commenced October 1, 2007 and is payable in monthly installments of \$124.55 which includes \$8.00 for insurance. Future minimum lease payments are as follows:

Year ending December 31	
2011	1,399
2012	1,049
2013	0
2014	0
2015	0
Total	<u><u>\$2,448</u></u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 19: GRANTS AND CONTRACTS

During the 2009 calendar year, the Borough was awarded a grant for the reconstruction of Garrison Road. A contract in the amount of \$110,994 was awarded for the completion of this project. As of December 31, 2010 a balance of \$434 remained on this contract.

In addition, during 2009 the Borough was awarded a grant for the Safe Routes to Schools program. As of December 31, 2010 no contracts have been awarded and no expenditures were made.

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

Note 20: INTERFUND BALANCES

As of December 31, 2010, the following interfunds were included on the balance sheets of the various funds of the Borough of Elmer.

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		382
Grant Fund:		
Current Fund	382	
General Capital		87,398
General Capital:		
Grant Fund	<u>87,398</u>	
	<u><u>\$87,780</u></u>	<u><u>87,780</u></u>

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 21: SUBSEQUENT EVENTS

During 2011 the Borough authorized the following bond ordinance which increased the Borough's authorized debt:

<u>Ordinance #</u>	<u>Purpose</u>	<u>Total Appropriated</u>	<u>Debt Authorized</u>	<u>Date Introduced</u>
2011-7	Installation of Sidewalks	\$300,000	285,000	3/16/10

The public hearing and adoption of this ordinance was held on April 13, 2011.

The Borough has evaluated subsequent events through April 18, 2011, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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SUPPLEMENTARY DATA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements - regulatory basis of the Borough of Elmer, New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated April 18, 2011. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Elmer, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying audit findings and responses that we consider to be significant deficiencies in internal control over financial reporting (#10-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Elmer, New Jersey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services.

We noted certain matters that we reported to management of the Borough of Elmer, New Jersey in a separate letter dated April 18, 2011.

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

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

Robert E. Swartz, CPA

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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

April 18, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal or State Grantor/Pass - Through Grantor/Program Title	CFDA#/Pass-Through Grantor's #	Grant Period	Program or Award Amount	Balance at 1/1/2010	Receipts or Revenue Recognized	Disbursements/Expenditures	Cancelled	Encumbered	Balance at 12/31/2010	Total Cumulative State Expenditures
FEDERAL										
Department of Community Affairs										
Division of Housing and Community Resources										
Small Cities Community Development	14.219									
Block Grant	95-100-022-8020-078-F292-6110	1/1/07 - 12/31/07	22,969	4,110					4,110	
		1/1/09 - 12/31/09	23,333	23,333	5,080				18,253	
ARRA - NJ Department of Transportation										
Transportation Enhancement Program										
Elmer Train Station Relocation Project	20.500	1/1/10 - 12/31/11	395,000		395,000				395,000	
Total Federal Assistance				27,443	395,000	5,080	0	0	417,363	
STATE										
Passed through the State of New Jersey										
NJ Transportation Trust Fund										
Authority Act										
Local Aid Center of Place	6320-480-601385-61	1/1/05 - 12/31/05	135,000	7,841		1,100			6,741	128,259
Reconstruction of Elmer Street	6320-480-601385-61	1/1/08 - 12/31/08	100,000	15,235					15,235	84,765
Reconstruction of Garrison Road	6320-480-601385-61	1/1/09 - 12/31/09	130,000	4,893					4,893	125,107
Safe Routes to Schools	6320-480-601385-61	1/1/09 - 12/31/09	300,000	300,000					300,000	
Department of Environmental										
Protection										
Recycling Tonnage Grant	4830-752-050580-50	1/1/09 - 12/31/09	1,043	668				75	593	450
Recycling Tonnage Grant	4830-752-050580-50	1/1/10 - 12/31/10	1,933		1,933				1,933	
Clean Communities	4900-765-042-4900-004	1/1/09 - 12/31/09	4,000	303		303				4,000
Clean Communities	4900-765-042-4900-004	1/1/10 - 12/31/10	4,000		4,000		6	600		3,984
Stormwater Grant	4850-800054-201	1/1/08 - 12/31/08	5,000	1,437					1,437	3,563
Shared Service Agreement - Wastewater Management Plan		1/1/10 - 12/31/10	5,000		5,000				5,000	
Division of Criminal Justice										
Body Armor Fund	1020-718-066-1020-001	1/1/09 - 12/31/09	597	38					38	559
Body Armor Fund	1020-718-066-1020-001	1/1/10 - 12/31/10	647		647				647	
Buckle Up Grant	N/A	1/1/09 - 12/31/09	300	300			300			
Total State Assistance				330,715	11,580	4,797	306	675	336,517	
Total All Assistance				\$358,158	406,580	9,877	306	675	753,880	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2010**

Note 1: BASIS OF PRESENTATION

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

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Expenditures per Schedule of Federal And State Awards	\$4,797	5,080	9,877
Add: Local Funding	6,132		6,132
Encumbrances	675		675
Expenditures reported in Basic Financial Stmtns	<u>\$11,604</u>	<u>5,080</u>	<u>16,684</u>

Audit Findings and Responses

10-1. Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Management Response

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

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2009			\$445,425
Increased by Receipts:			
Collector	A-5	2,715,937	
Revenue Accounts Receivable	A-8	237,829	
State of New Jersey Senior Citizens Senior Citizens and Veterans		20,500	
Miscellaneous Revenue	A-2	47,830	
Due from General Capital		575	
Due From Grant Fund	A-11	<u>23,985</u>	
			<u>3,046,656</u>
			3,492,081
Decreased by Disbursements:			
2010 Appropriations	A-3	817,386	
2009 Appropriation Reserves	A-9	25,237	
Reserve for Encumbrances		34,873	
Due To Grant Funds - Reserves	A-12	19,213	
Due to Fire Safety Trust Fund		200	
Refund of Overpaid Taxes		1,751	
Reserve for Acquisition of Street Lights		113	
Codification of Ordinances		900	
County Taxes		1,037,908	
Local District School Tax	A-10	<u>1,151,659</u>	
			<u>3,089,240</u>
Balance December 31, 2010	A		<u><u>\$402,841</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>		
Balance December 31, 2009	A		\$1,641
Increased by Receipts:			
Prepaid Taxes - 2011		37,227	
Revenue Accounts Receivable	A-8	20	
Taxes Receivable	A-6	2,653,954	
Tax Title Liens	A-7	2,535	
Miscellaneous Revenue Not Anticipated	A-2	5,199	
Interest and Costs on Taxes	A-2	<u>16,950</u>	
			<u>2,715,885</u>
			2,717,526
Payment to Treasurer	A-4		<u>2,715,937</u>
Balance December 31, 2010	A		<u><u>\$1,589</u></u>

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

YEAR	BALANCE DEC. 31, 2009	2010 LEVY	ADDED TAXES	DISALLOWED SENIOR CITIZEN	OVERPAYMENTS CREATED	COLLECTIONS BY CASH		OVERPAYMENTS APPLIED	CANCELLATIONS	TRANSFERRED TO TAX TITLE LIENS	BALANCE DEC. 31, 2010
						2009	2010				
2009	113,262		2,939			114,351				1,850	0
	113,262	0	2,939	0	0	114,351	0	0	0	1,850	0
2010		2,716,721				28,035	2,560,603	1,973	1,936	87	124,087
	<u>\$113,262</u>	<u>2,716,721</u>	<u>2,939</u>	<u>0</u>	<u>0</u>	<u>28,035</u>	<u>2,674,954</u>	<u>1,973</u>	<u>1,936</u>	<u>1,937</u>	<u>124,087</u>

Ref. A

Cash Collected	A-5	\$2,653,954
Senior Citizen & Veteran Allowances		<u>21,000</u>
		<u>\$2,674,954</u>

A

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

Analysis of 2010 Property Tax Levy

Tax Yield			
General Property Tax		\$2,713,337	
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>3,384</u>	
			<u>2,716,721</u>
Tax Levy		<u>Ref.</u>	
Local District School Tax (Abstract)	A-10	1,165,877	
County Tax (Abstract)		1,029,928	
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>1,286</u>	
			2,197,091
Local Tax for Municipal Purposes	A-2	517,433	
Add: Additional Tax Levied		<u>2,197</u>	
Local Tax for Municipal Purposes Levied			<u>519,630</u>
			<u>\$2,716,721</u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2009	A		\$680
Increased by:			
Tranfers from Taxes Receivable	A-6	1,937	
Interest and Cost Accrued by Sale of January 6, 2010		<u>190</u>	
			<u>2,127</u>
			2,807
Decreased by:			
Collections	A-5		<u>2,535</u>
Balance December 31, 2010	A		<u><u>\$272</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	BALANCE DEC. 31, 2009	ACCRUED IN 2010	COLLECTOR	COLLECTED BY TREASURER	BALANCE DEC. 31, 2010
A-2		20	20		
Tax Searches					
Municipal Court:					
Fines and Costs	8,534	102,217		103,848	6,903
Interest on Investments and Deposits		2,999		2,999	
Energy Receipts Tax		94,958		94,958	
Consolidated Municipal Property Tax Relief Act		31,471		31,471	
Uniform Fire Safety Act		5,076		5,076	
	<u>\$8,534</u>	<u>236,741</u>	<u>20</u>	<u>238,352</u>	<u>6,903</u>
Ref.	A	Res.	A-5	A-4	A

SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2009**

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Mayor and Council					
Other Expenses	2,139	2,139	342	1,797	
Municipal Clerk					
Other Expenses	391	391	380	11	
Financial Administration					
Other Expenses	144	144	119	25	
Tax Collector					
Other Expenses	476	676	668	8	
Legal Services and Costs					
Other Expenses	8,820	5,820	1,333	4,487	
Land Use Board					
Other Expenses	2,457	2,457	83	2,374	
Insurance					
Liability Insurance	702	202		202	
Employee Group Insurance	121	621	500	121	
Technology Expenses					
Other Expenses	1,017	1,017	137	880	
Public Buildings & Grounds					
Other Expenses	6,628	4,291	1,693	2,598	
Fire					
Other Expenses	16,975	16,975	14,732	2,243	
Police					
Salaries and Wages	1,367	1,047	1,038	9	
Other Expenses	5,087	5,407	5,407		
Emergency Management					
Other Expenses	2,398	2,198	56	2,142	
Fire Code Inspector					
Salaries and Wages	758	758	675	83	
Other Expenses	1,065	1,065	450	615	
Garbage and Trash Removal					
Other Expenses	12,472	12,472	8,251	4,221	
Recycling					
Other Expenses	6,199	6,199	5,142	1,057	
Board of Health					
Other Expenses	91	91	91		
Animal Control Services					
Other Expenses	1,522	1,522	1,106	416	
Parks and Playgrounds					
Other Expenses	1,430	1,430	729	701	
Celebration of Public Events					
Other Expenses	173	173	100	73	
Road Repairs and Maintenance					
Other Expenses	1,239	3,576	3,575	1	
Municipal Court					
Other Expenses	5,150	8,150	8,075	75	
Unclassified:					
Electric	622	622	306	316	
Telephone	735	735	545	190	
Gasoline	3,372	3,372	1,371	2,001	
Heating	4,940	4,940	1,716	3,224	
Street Lighting	3,974	3,974	1,490	2,484	
Other Accounts - No Changes	9,240	9,240		9,240	
	<u>\$101,704</u>	<u>101,704</u>	<u>60,110</u>	<u>41,594</u>	<u>0</u>
	A	A	A-4	A-1	

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

	<u>Ref.</u>		
Balance December 31, 2009			
School Tax Payable	A	0	
School Tax Deferred		<u>399,793</u>	
			399,793
Increased By:			
Levy - School Year July 1, 2010 to June 30, 2011	A-1:A-6	<u>1,165,877</u>	
			1,565,670
Decreased By:			
Payments	A-4	<u>1,151,659</u>	
Balance December 31, 2010			
School Tax Payable	A	0	
School Tax Deferred	A	<u>414,011</u>	
			<u>414,011</u>
2010 Liability for Local School Tax:			
Tax Paid		1,151,659	
Tax Payable 12/31/2010		<u>0</u>	
			1,151,659
Less: Tax Payable 12/31/2009		<u>0</u>	
Amount Charged to 2010 Operations	A-1		<u><u>\$1,151,659</u></u>

**STATE AND FEDERAL GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance DEC. 31, 2009</u>	<u>Transferred from 2010 Budget Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance DEC. 31, 2010</u>
STATE:					
Department of Transportation					
Reconstruction of Garrison Road	130,000				130,000
Reconstruction of Safe Routes to School	300,000				300,000
Reconstruction of Elmer Street	21,998				21,998
NJ Department of Environmental Protection					
Clean Communities		4,000	4,000		5,000
Stormwater Grant	5,000				
Recycling Tonnage Grant		1,933	1,933		
Wastewater Management		5,000			5,000
Body Armor Fund		647	647		
FEDERAL:					
ARRA - NJ Department of Transportation					
Transportation Enhancement Program					
Elmer Train Station Relocation Project		395,000			395,000
LOCAL:					
Municipal Drug Alliance	4,180	4,178	1,420		6,938
Salem County Safe Roadways Project		3,500	3,500		
	<u>\$461,178</u>	<u>414,258</u>	<u>11,500</u>	<u>0</u>	<u>863,936</u>
Ref. A	A-2	A-4	A-4	A	

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

<u>Grant</u>	<u>Balance DEC. 31, 2009</u>	<u>Transferred from 2010 Budget Appropriations</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Cancel/ Adjusted</u>	<u>Balance DEC. 31, 2010</u>
STATE:						
NJ Department of Environmental Protection						
Clean Communities	303	4,000	3,697	600	6	2,526
Recycling Tonnage Grant	668	1,933		75		1,437
Stormwater Grant	1,437					5,000
Wastewater Management		5,000				
Body Armor	38	647				685
Buckle Up Grant	300				300	
New Jersey Transportation Trust Fund						
Local Aid Center of Place	7,841		1,100			6,741
Reconstruction of Garrison Rd	4,893					4,893
Safe Routes to School	300,000					300,000
Reconstruction of Elmer Street	15,235					15,235
FEDERAL:						
Small Cities Community Development Block Grant						
FEMA Grant						
2005 Small Cities	30					30
2007 Small Cities	4,080					4,080
2009 Small Cities	23,333		5,080			18,253
ARRA - NJ Department of Transportation		395,000				395,000
Transportation Enhancement Program						
Elmer Train Station Relocation Project						
LOCAL:						
Municipal Drug Alliance	5,001	5,578	2,632			7,947
Salem County Safe Roadways Project		3,500	3,500			
	<u>\$363,159</u>	<u>415,658</u>	<u>16,009</u>	<u>675</u>	<u>306</u>	<u>761,827</u>

Ref. A A-3 A-4 A

SEE ACCOMPANYING AUDITOR'S REPORT

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

	Balance DEC. 31, 2009	Transferred to 2010 Budget Appropriations	Received	Balance DEC. 31, 2010
<u>Grant</u>				
Recycling Tonnage Grant	1,933	1,933		
Small Cities Loan Repayment			13,445	13,445
Body Armor Fund			973	973
	\$1,933	1,933	14,418	14,418
	A			A

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2009	B	\$161	19,096
Increased By:			
Dog License Fees	B-2	1,834	
Cat License Fees	B-2	713	
Late Fees	B-2	1,000	
State Dog License Fees		539	
Interest Earned	B-2; B-5	6	108
Due from Current Fund - Fire Safety Fees			200
Payroll Trust			338,934
TTL Redemptions	B-4		23,543
Tax Sale Premiums	B-5		6,700
Escrow Fees	B-3		11,503
		<u>4,092</u>	<u>380,988</u>
		4,253	400,084
Decreased By:			
Expenditures under NJS 4:19-15.22 State of New Jersey-Dog Licenses	B-2	3,610	
Escrow Fees	B-3		4,156
Tax Title Lien Redemptions	B-4		23,788
Premiums Returned	B-5		1,300
Due to Current Fund	B-4; 5		47
Payroll Trust			338,968
		<u>4,149</u>	<u>368,259</u>
Balance December 31, 2010	B	<u>\$104</u>	<u>31,825</u>
Analysis of Other Cash			
Subdivision Escrow			7,564
Payroll Trust			2,787
Performance Guarantee			6,323
Fire Safety Fees			1,575
Tax Title Lien Redemption			1,013
Tax Sale Premiums			12,563
			<u>\$31,825</u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$161
Increased by:		
Dog License Fees Collected		1,834
Cat License Fees Collected		713
Late Fees		1,000
Interest Earned		6
	B-1	3,553
		3,714
Decreased by:		
Expenditures under NJSA 4:19-15.11	B-1	3,610
Balance December 31, 2010	B	\$104

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2009	3,310
	2008	3,159
		\$6,469

B-3

**TRUST FUND
SCHEDULE OF SUBDIVISION ESCROW**

	<u>Ref.</u>	
Balance December 31, 2009	B	\$217
Increased by:		
Escrows Received	B-1	<u>11,503</u>
		11,720
Decreased by:		
Escrows Returned	B-1	<u>4,156</u>
Balance December 31, 2010	B	<u><u>\$7,564</u></u>

B-4

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

	<u>Ref.</u>		
Balance December 31, 2009	B		\$1,256
Increased by:			
Third Party Lien Holders		23,543	
Interest earned		<u>13</u>	
	B-1		<u>23,556</u>
			24,812
Decreased by:			
Interest Paid to Current Fund		11	
Redemption of Tax Title Liens		<u>23,788</u>	
	B-1		<u>23,799</u>
Balance December 31, 2010	B		<u><u>\$1,013</u></u>

**TRUST FUND
RESERVE FOR TAX SALE PREMIUMS**

Balance December 31, 2009	<u>Ref.</u> B		\$7,136
Increased by:			
Premiums Received at Tax Sale		6,700	
Interest Earned		<u>63</u>	
	B-1		<u>6,763</u>
			13,899
Decreased by:			
Premiums Returned		1,300	
Interest paid to current fund		<u>36</u>	
	B-1		<u>1,336</u>
Balance December 31, 2010	C		<u><u>\$12,563</u></u>

B-6

**TRUST FUND
RESERVE FOR PERFORMANCE GUARANTEE TRUST**

Balance December 31, 2009	<u>Ref.</u> B		\$6,291
Increased by:			
Interest Earned		<u>32</u>	
	B-1		<u>32</u>
Balance December 31, 2010	B		<u><u>\$6,323</u></u>

B-7

**TRUST FUND
RESERVE FOR FIRE SAFETY FEES**

Balance December 31, 2009	<u>Ref.</u> B		\$1,575
No Activity During 2010			
Balance December 31, 2010	B		<u><u>\$1,575</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2009	C		\$144,786
Increased by:			
Due to Current Fund	C-4	<u>30,575</u>	<u>30,575</u>
			175,361
Decreased by:			
Reserve for Preliminary Expenses:			
Elmer Train Station Relocation Project		38,900	
Due from Current Fund	C-4	575	
Improvement Authorizations	C-7	<u>13,524</u>	<u>52,999</u>
Balance December 31, 2010	C		<u><u>\$122,362</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	RECEIPTS		DISBURSEMENTS		TRANSFERS		BALANCE DEC. 31, 2010
	BALANCE DEC. 31, 2009	MISC.	BOND ANTIC. NOTES	IMPROVEMENT AUTHORIZATIONS	MISC.	FROM	
Fund Balance	54,801						54,801
Capital Improvement Fund	12,085	30,000					42,085
Due to Current Fund		575			575		0
Due to Grant Fund	(87,398)						(87,398)
Accounts Payable	35,078			11,378	23,700		0
Reserve for Preliminary Expense	16,300			15,200			1,100
<u>Improvement Authorizations</u>							
04-6 Acquisition of Street Lights	1,490			1,490			0
06-4 Repaving of Center St & Hitchner Avenue	5,405						5,405
07-6 Reconstruction of Penn Street	80,496						80,496
09-13 Safe Routes	4,000			656			3,344
09-05 Reconstruction of Garrison Road	22,529						22,529
	<u>\$144,786</u>	<u>30,575</u>	<u>0</u>	<u>28,724</u>	<u>24,275</u>	<u>0</u>	<u>122,362</u>

Ref. C C-2 C-2 C-2 C-2 C-2 C

SEE ACCOMPANYING AUDITOR'S REPORT

**GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND**

	<u>Ref.</u>		
Balance December 31, 2009	C:A		\$0
Increased by:			
Current Fund Budget	C-6	30,000	
Interest Earned on Investments	C-2	<u>575</u>	
			30,575
Decreased by:			
Received from Current Fund	C-2	<u>30,575</u>	
			<u>30,575</u>
Balance December 31, 2010	C:A		<u><u>\$0</u></u>

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

Ordinance #	Improvement Description	Balance DEC. 31, 2009	2010 Authorization	Reappropriated	Paid by Budget Appropriation	Balance DEC. 31, 2010	Analysis of Balance - December 31, 2010		
							Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
00-12	Purchase of Fire Truck	40,000			40,000	0			
04-5	Reconstruction of Center Street	3,700				3,700	3,700		
06-4	Repaving of Center Street and Hitchner Avenue	85,000			15,000	70,000	70,000		
06-5	Replacement of Borough Hall HVAC	140,000			20,000	120,000	120,000		
07-6	Repaving of Penn Street	80,540			15,000	65,540	65,540		
07-7	Purchase of Four Wheel Drive Police Vehicle	39,900			5,000	34,900	34,900		
09-5	Reconstruction of Garrison Road	46,960				46,960	46,960		
09-13	Improving Pedestrian Routes to Elmer Elementary School	37,300			10,500	26,800	26,800		
		\$473,400	0	0	105,500	367,900	367,900	367,900	0
Ref.		C	C-7		C-8	C	C	C-8	

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>	
Balance December 31, 2009	C	\$12,085
Increased by:		
2010 Budget Appropriation	A-3:C-2	<u>30,000</u>
Balance December 31, 2010	C	<u><u>\$42,085</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	IMPROVEMENT DESCRIPTION	ORD. DATE	AMOUNT	DEC. 31, 2009		CAPITAL IMP FUND	2010 AUTHORIZATIONS		REVERSE PRIOR YEAR ENCUMBRANCE	DEC. 31, 2010	
				FUNDED	UNFUNDED		DEFERRED CHARGES TO FUTURE TAXATION	GRANTS AND OTHER AID		PAID OR CHARGED	FUNDED
04-6	Acquisition of Street Lights	8/17/04	30,000	1,490				1,490			0
06-4	Repaving of Center Street & Hitchner Avenue	3/8/06	110,000		5,405						5,405
07-6	Reconstruction of Penn Street	2/14/07	150,000		80,496						80,496
09-05	Reconstruction of Garrison Road	3/11/09	46,960		22,529						22,529
09-13	Improving Pedestrian Routes to Elmer Elementary School	9/9/09	37,300		4,000			12,034	11,378		3,344
				\$1,490	112,430	0	0	13,524	11,378	0	111,774

Ref.

C C C C-5 C-6 C-2 C C

Cash
Contracts Payable

13,524
0
13,524

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

Ord #	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2009	INCREASED	DECREASED	BALANCE DEC. 31, 2010
00-12	Purchase of Fire Truck	-	-	-	-	40,000		40,000	0
04-5	Reconstruction of Center Street	9/16/04	9/11/10	9/10/11	1.69%	41,000		10,500	30,500
06-4	Repaving of Center Street and Hitchner Avenue	5/15/06	5/14/10	5/13/11	2.29%	85,000		15,000	70,000
06-5	Replacement of Borough Hall HVAC	5/15/06	5/14/10	5/13/11	2.29%	140,000		20,000	120,000
07-6	Reconstruction of Penn Street	4/14/07	4/14/10	4/14/11	2.29%	127,500		15,000	112,500
07-7	Purchase of 4 Wheel Drive Police Vehicle	4/14/07	4/14/10	4/14/11	2.29%	39,900		5,000	34,900
						\$473,400	0	105,500	367,900

Ref. C C-2 C-5 C

SEE ACCOMPANYING AUDITOR'S REPORT

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

	Ref.	<u>OPERATING</u>	<u>CAPITAL</u>
Balance December 31, 2009	D	\$93,703	199,930
Increased By Receipts:			
Collector	D-6	168,112	
Due from Water Operating- Capital Improvement Fund			1,000
Miscellaneous Revenue	D-3	1,430	1,004
		<u>169,542</u>	<u>2,004</u>
		<u>263,245</u>	<u>201,934</u>
Decreased by Disbursements:			
2010 Appropriations	D-4	165,893	
2009 Appropriation Reserves	D-9	9,198	
Reserve for Encumbrances			
Interest Paid to Operating Fund			1,004
		<u>175,091</u>	<u>1,004</u>
Balance December 31, 2010	D	<u><u>\$88,154</u></u>	<u><u>200,930</u></u>

D-6

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

	Ref.		
Balance December 31, 2009	D		\$1,043
Increased by Receipts:			
Consumer Accounts Receivable	D-3:D-7	<u>168,119</u>	168,119
			<u>169,162</u>
Decreased by Disbursements:			
Payment to Treasurer	D-5		168,112
Balance December 31, 2010	D		<u><u>\$1,050</u></u>

D-7

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

	Ref.		
Balance December 31, 2009	D		\$5,252
Increased by:			
Utility Rents Levied	Res.		<u>168,255</u>
			173,507
Decreased by:			
Cancellations	Res.	0	
Collections	D-6	<u>168,119</u>	
			<u>168,119</u>
Balance December 31, 2010	D		<u><u>\$5,388</u></u>

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

ACCOUNT	BALANCE DEC. 31, 2009	ADDITIONS		BALANCE DEC. 31, 2010
		BY BUDGET CAPITAL OUTLAY	BY ORDINANCE	
Springs and Wells	\$297,096			297,096
Distribution Mains and Accessories	49,678			49,678
Pumping Station and Structures	7,251			7,251
Fire Hydrants	33,324			33,324
Water Tower and Standpipes	672,538			672,538
Water Service Installation	23,527			23,527
Electric Pumping Equipment	18,235			18,235
Maintenance	6,260			6,260
Miscellaneous Equipment	1,827			1,827
New Meters	41,434			41,434
Installation of New Service				
N. Main Street	3,468			3,468
Rehabilitation of Well #6	92,685			92,685
Water System Improvements	588,015			588,015
Purchase of Water Meters	145,564			145,564
Repairs to Water Wells	50,000			50,000
Installation of New Tablet Chlorinator				
Feed System	25,000			25,000
	\$2,055,902	0	0	2,055,902

Ref. D

SEE ACCOMPANYING AUDITOR'S REPORT

D

**WATER OPERATING FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES**

	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Operating:				
Other Expenses	22,663	9,198	13,465	
Other Accounts - No Changes	25,816		25,816	
	<u>\$48,479</u>	<u>9,198</u>	<u>39,281</u>	<u>0</u>

Ref.	D	D	D-5	D-1	D-1
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D-10

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

	Ref.		
Balance December 31, 2009	D		\$139,959
Increased by:			
Received from Water Operating Fund	D-4	<u>1,000</u>	<u>1,000</u>
Balance December 31, 2010	D		<u><u>\$140,959</u></u>

D-11

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

	Ref.		
Balance December 31, 2009	D		\$2,055,902
No Activity			
Balance December 31, 2010	D		<u><u>\$2,055,902</u></u>

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BOROUGH OF ELMER

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement". Effective July 1, 2010 the bid threshold was increased to \$26,000.

The Governing Body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$21,000 (between January 1, 2010 and June 30, 2010) or \$26,000 (effective July 1, 2010). Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate no bids were requested by public advertising during the 2010 calendar year.

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

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

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$21,000 (between January 1, 2010 and June 30, 2010) or \$26,000 (effective July 1, 2010) "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2010 adopted the following resolutions authorizing interest to be charged on delinquent taxes and water charges:

Tax Collections:

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

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

- a) Interest on taxes shall be eight (8) percent per annum on the first \$1,500 and eighteen (18) percent per annum on all subsequent delinquency until the account is paid in full. All accounts have a ten (10) day grace period after each due date, and if not paid, the interest shall accrue from the due date.
- b) A year end penalty of six percent (6%) for taxpayers with a delinquency in excess of \$10,000 who fail to pay the delinquency before the end of the year.
- c) A tax sale of all delinquent accounts for the year 2010 municipal taxes will be held in January 2011.
- d) Delinquent 2009 and 2010 accounts in the amount of +/- \$5 may, at the discretion of the tax collector be canceled prior to tax sale.

Water Collections:

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

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

- e) Interest on water account shall be eight (8) percent per annum on the first \$1,500 and eighteen (18) percent per annum on all subsequent delinquency until the account is paid in full. All accounts have a ten (10) day grace period after each due date, and if not paid, the interest shall accrue from the due date.
- f) A tax sale of all delinquent accounts for the year 2010 water charges will be held in January 2011.
- g) Delinquent accounts in the amount of +/- \$5 may, at the discretion of the water collector be canceled prior to tax sale.
- h) Final water reads shall be given a charge of \$20.00 per read.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on January 6, 2010 and was complete. There are no properties in bankruptcy.

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

<u>Year</u>	<u>Number of Liens</u>
2010	1
2009	2
2008	0

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

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2011 Taxes	25
Payment of 2010 Taxes	25
Delinquent Taxes	13
Payment of Current Water Charges	10
Delinquent Water Utility Charges	0

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

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percent of Collections</u>
2010	\$2,716,721	2,590,611	95.35%
2009	2,619,451	2,504,769	95.62%
2008	2,577,309	2,516,590	97.64%
2007	2,352,525	2,297,324	97.65%
2006	2,298,925	2,273,732	98.90%

Comparative Schedule of Tax Rate Information

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2004</u>
Tax Rate	\$2.56	2.47	2.43	2.22	2.18
Apportionment of Tax Rate:					
Municipal	0.49	0.47	0.43	0.37	0.32
County	0.97	0.92	0.92	0.81	0.83
Local School	1.10	1.08	1.08	1.04	1.03
Assessed Valuation	106,114,084	105,312,184	105,653,144	105,518,388	105,110,874

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2010	\$272	124,087	124,359	4.58%
2009	680	113,262	113,942	4.35%
2008	0	60,360	60,360	2.34%
2007	0	60,304	60,304	2.56%
2006	0	28,892	28,891	1.26%

Schedule of Financial Statement Findings

NONE

Status of Prior Recommendations

09-1. Condition

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

Current Status

This finding was not corrected in 2010.

Corrective Action to be Taken

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

RECOMMENDATIONS

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

* similar recommendation made in prior years

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

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

Very truly yours,

Robert E. Swartz, CPA

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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants