

**BOROUGH OF ELMER**

**SALEM COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**



# 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, 2013**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Elmer, as of December 31, 2013 and 2012, the related statement 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, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Elmer as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2013 and 2012, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Elmer’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the Borough of Elmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Elmer's internal control over financial reporting and compliance.

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

**FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

*Michael S. Garcia*

**Michael S. Garcia  
Certified Public Accountant  
Registered Municipal Accountant  
No. 472**

**March 31, 2014**

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**EXHIBIT A - CURRENT FUND**

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

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Cash:		
Treasurer	\$ 701,420	692,323
Collector	70,266	22,749
Change	200	200
Total Cash	771,886	715,272
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	96,433	101,304
Tax Title and Other Liens	6,672	13,375
Property Acquired for Taxes - at Assessed Valuation	18,100	-
Revenue Accounts Receivable	6,643	6,215
Interfund Receivable:		
General Capital Fund	885	-
Trust	159	-
Total Receivables and Other Assets	128,892	120,894
Deferred Charges:		
None		
Total Deferred Charges	-	-
Total Regular Fund	900,778	836,166
Federal and State Grant Fund:		
Federal and State Grants Receivable	168,246	19,606
Due from Regular Fund	119,410	122,952
Total Federal and State Grant Fund	287,656	142,558
Total Current Fund	\$ 1,188,434	978,724

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 84,547	93,928
Reserve for Encumbrances/Accounts Payable	31,219	30,652
Prepaid Taxes	39,494	38,429
Overpaid Taxes	-	12
Local School Tax Payable	184,753	171,693
County Tax Payable	27	-
County Added Tax Payable	614	12,773
Due to State:		
Marriage Licenses	25	-
Senior Citizens and Veterans	1,549	1,049
Interfund Payable:		
Grant Fund	119,410	122,952
Other		
Reserve to Pay Debt	85,000	-
Reserve for Sale of Municipal Assets	64,610	63,610
Reserve for Codification of Ordinances	6,733	6,733
	617,981	541,831
Reserve for Receivables and Other Assets	128,892	120,894
Fund Balance	153,905	173,441
Total Regular Fund	900,778	836,166
Federal and State Grant Fund:		
Unappropriated Reserves	3,505	3,240
Appropriated Reserves	193,950	50,070
Encumbrances Payable	2,803	1,850
Due to General Capital	87,398	87,398
Total Federal and State Grant Fund	287,656	142,558
Total Current Fund	\$ 1,188,434	978,724



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

	2013	2012
Revenue and Other Income Realized		
Fund Balance	\$ 126,500	126,500
Miscellaneous Revenue Anticipated	410,143	284,506
Receipts from Delinquent Taxes	104,709	91,769
Receipts from Current Taxes	2,732,381	2,766,695
Non Budget Revenue	36,335	61,133
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	60,039	52,008
Total Income	3,470,107	3,382,611
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	254,173	249,139
Other Expenses	449,766	453,990
Deferred Charges & Statutory Expenditures	46,702	49,108
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	212,571	75,530
Capital Improvements	10,000	17,500
Debt Service	93,512	94,165
Transferred to Board of Education	8,239	8,307
Local District School Tax	1,284,978	1,257,718
County Tax	978,249	1,041,014
County Share of Added Tax	614	12,773
Interfund Created	1,015	-
Refund of Prior Year's Revenue	23,324	3,573
Total Expenditures	3,363,143	3,262,817
Excess in Revenue	106,964	119,794

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

	2013	2012
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Statutory Excess to Fund Balance	106,964	119,794
Fund Balance January 1	173,441	180,147
	280,405	299,941
Decreased by:		
Utilization as Anticipated Revenue	126,500	126,500
Fund Balance December 31	\$ 153,905	173,441

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 126,500		126,500
Total Fund Balance Anticipated	<u>126,500</u>	<u>-</u>	<u>126,500</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Fines and Costs:			
Municipal Court	90,000		85,379
Interest and Costs on Taxes	22,000		25,046
Interest Earned on Investments	4,000		3,210
Total Section A: Local Revenues	<u>116,000</u>	<u>-</u>	<u>113,635</u>
Section B: State Aid Without Offsetting Appropriations			
Consolidated Municipal Property Tax Relief	21,884		21,884
Energy Receipts Tax	104,669		104,669
Total Section B: State Aid Without Offsetting Appropriations	<u>126,553</u>	<u>-</u>	<u>126,553</u>
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
Recycling Tonnage Grant	2,215		2,215
Municipal Alliance on Alcoholism and Drug Abuse	4,178		4,178
Body Armor Fund	1,025		1,025
Clean Communities Grant		4,000	4,000
NJ Dot Municipal Aid Program-Sidewalks		150,000	150,000
Street Lighting Donations		3,145	3,145
Total Section F: Special Items - Public and Private Programs	<u>7,418</u>	<u>157,145</u>	<u>164,563</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87 Realized	
Section G: Other Special Items Uniform Fire Safety Act	4,381	5,392	1,011
Total Section G: Other Special Items	<u>4,381</u>	<u>5,392</u>	<u>1,011</u>
Total Miscellaneous Revenues:	254,352	410,143	(1,354)
Receipts from Delinquent Taxes	90,000	104,709	14,709
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	566,612	586,186	19,574
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>566,612</u>	<u>586,186</u>	<u>19,574</u>
Budget Totals	<u>1,037,464</u>	<u>1,227,538</u>	<u>32,929</u>
Non- Budget Revenues: Other Non- Budget Revenues:		36,335	36,335
	<u>\$ 1,037,464</u>	<u>1,263,873</u>	<u>69,264</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	2,732,381
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Allocated to:

School, County and Other Taxes	2,263,841
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Balance for Support of Municipal Budget Appropriations	468,540
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	117,646
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Amount for Support of Municipal Budget Appropriations	<u>586,186</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	99,345
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Tax Title Lien Collections	<u>5,364</u>
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Total Receipts from Delinquent Taxes	<u>104,709</u>
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:

Tax Searches	50
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Treasurer:

Fire Safety Fines & Permits	840
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Housing & Zoning Permits	2,120
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Federal Emergency Management Assistance	
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Reimbursement of Hurricane Sandy Costs	1,414
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Senior Citizen & Veteran's Administrative Fee	405
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Property Lists	170
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Registrar Fees	22,452
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Close Out Trust Funds	4,095
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Cable Franchise Fees	4,585
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Other Miscellaneous	204
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	<u>36,285</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u>36,335</u>
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Mayor and Council						
Salaries and Wages	18,583	18,583	18,583			
Other Expenses	6,200	6,200	4,792	166	1,242	
Municipal Clerk						
Salaries and Wages	18,171	18,171	16,317		1,854	
Other Expenses	4,750	4,750	4,705	22	23	
Elections						
Other Expenses	5	5			5	
Financial Administration						
Salaries and Wages	16,589	16,589	16,589			
Other Expenses	12,200	12,225	12,225			
Audit Services	9,300	9,300	9,300			
Assessment of Taxes						
Salaries and Wages	11,514	11,514	11,514			
Other Expenses	2,000	2,000	1,258		742	
Tax Collector						
Salaries and Wages	12,534	12,534	11,514		1,020	
Other Expenses	4,000	4,000	2,439		1,561	
Legal Services and Costs						
Other Expenses	21,000	21,000	9,207	1,005	10,788	
Engineering Services and Costs						
Other Expenses	4,000	3,475	1,316		2,159	
Public Buildings and Grounds						
Salaries and Wages	10,816	10,816	6,281		4,535	
Other Expenses	14,140	14,140	10,291	2,738	1,111	
Insurance						
Liability	19,378	19,878	19,878			
Worker's Compensation Insurance	20,673	20,673	20,673			
Health Insurance Opt-Out	6,968	8,609	8,608		1	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Land Use Board						
Salaries and Wages	6,421	6,421	6,421			
Other Expenses	5,566	5,501	2,475		3,026	
Technology						
Other Expenses	12,000	12,065	12,005	57	3	
<b>PUBLIC SAFETY</b>						
Fire						
Other Expenses						
Miscellaneous Other Expenses	36,000	36,000	26,123	6,114	3,763	
Police						
Salaries and Wages	138,347	138,347	130,616		7,731	
Other Expenses	26,000	26,000	19,936	6,034	30	
Emergency Management Services						
Salaries and Wages	2,349	2,349	2,348		1	
Other Expenses	1,000	1,000	720		280	
First Aid Organization - Contribution	6,500	6,500	6,500			
Housing Inspections						
Salaries and Wages	3,089	3,089	3,089			
Other Expenses	150	150			150	
Fire Code Inspector						
Salaries and Wages	7,453	7,453	5,922		1,531	
Other Expenses	3,145	3,145	1,658		1,487	
<b>STREETS AND ROADS</b>						
Road Repairs and Maintenance						
Other Expenses	17,677	17,677	10,730	2,135	4,812	
<b>SANITATION</b>						
Garbage and Trash Removal						
Other Expenses - Contractual	94,034	94,034	80,598	6,762	6,674	
Recycling						
Other Expenses	34,000	34,000	29,283	2,930	1,787	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>HEALTH AND WELFARE</b>						
Board of Health						
Salaries and Wages	7,600	7,600	6,395		1,205	
Other Expenses	2,100	2,100	934	134	1,032	
Animal Control Services						
Salaries and Wages	707	707	703		4	
Other Expenses	4,000	4,000	2,734	226	1,040	
<b>RECREATION AND EDUCATION</b>						
Parks and Playgrounds						
Other Expenses	9,500	9,500	6,818	610	72	2,000
Celebration of Public Event, Anniversary or Holiday						
Other Expenses	3,300	3,300	3,097	35	168	
Grantsman						
Other Expenses	600	600	-		600	
Municipal Alliance - Upper Pittsgove						
Other Expenses	2,000	2,000	800		1,200	
<b>Unclassified</b>						
Electric	17,500	17,500	17,391	99	10	
Telephone	9,000	9,000	8,851	79	70	
Gasoline	11,600	11,600	8,771	631	2,198	
Heating	13,540	11,839	5,718	1,402	4,719	
Street Lighting	18,000	18,000	17,303	40	657	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<u>705,999</u>	<u>705,939</u>	<u>603,429</u>	<u>31,219</u>	<u>69,291</u>	<u>2,000</u>
Contingent						
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<u>705,999</u>	<u>705,939</u>	<u>603,429</u>	<u>31,219</u>	<u>69,291</u>	<u>2,000</u>



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Detail:						
Salaries and Wages	254,173	254,173	236,292	-	17,881	-
Other Expenses	451,826	451,766	367,137	31,219	51,410	2,000
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>						
Deferred Charges:						
None						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	24,742	24,742	24,742			
Social Security System (O.A.S.I.)	20,000	20,000	18,658		1,342	
Unemployment Compensation Insurance	1,500	1,560	1,559		1	
Defined Contribution Retirement Program	400	400	239		161	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>46,642</b>	<b>46,702</b>	<b>45,198</b>	<b>-</b>	<b>1,504</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>752,641</b>	<b>752,641</b>	<b>648,627</b>	<b>31,219</b>	<b>70,795</b>	<b>2,000</b>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
(A) Operations - Excluded from "CAPS"						
Recycling Tax Appropriation	1,667	1,667			1,667	
Aid to Library	2,000	2,000	2,000			
<b>Total Other Operations - Excluded from "CAPS"</b>	<b>3,667</b>	<b>3,667</b>	<b>2,000</b>	<b>-</b>	<b>1,667</b>	<b>-</b>

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Shared Services Agreements						
Interlocal Service Agreements:						
Joint Municipal Court	42,874	42,874	30,789		12,085	
Total Shared Services Agreements	<u>42,874</u>	<u>42,874</u>	<u>30,789</u>	<u>-</u>	<u>12,085</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
New Jersey Transportation Trust Fund		150,000	150,000			
Construction of Pedestrian Sidewalks		2,215	2,215			
Recycling Tonnage Grant	2,215	4,000	4,000			
Clean Communities		1,025	1,025			
Body Armor Fund	1,025					
Donations from Residents		3,145	3,145			
Purchase of Decorative Street Lights		-				
Municipal Drug Alliance Grant		4,178	4,178			
State Share	4,178	1,467	1,467			
Local Match	1,467					
Total Public and Private Programs Off-Set by Revenues	<u>8,885</u>	<u>166,030</u>	<u>166,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS" Detail:						
Salaries and Wages	55,426	212,571	198,819	-	13,752	-
Other Expenses	55,426	212,571	198,819	-	13,752	-
(C) Capital Improvements						
Capital Improvement Fund	10,000	10,000	10,000			
Total Capital Improvements	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Payment of Bond Anticipation Notes	84,500	84,500	84,500			
Interest on Notes	9,012	9,012	9,012			
Total Debt Service	<u>93,512</u>	<u>93,512</u>	<u>93,512</u>	<u>-</u>	<u>-</u>	<u>-</u>
(N) TRANSFERRED TO BOARD OF EDUCATION FOR USE OF LOCAL SCHOOLS (NJSA 40:48-17.1 & 17.3)	8,239	8,239	8,239			
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>167,177</u>	<u>324,322</u>	<u>310,570</u>	<u>-</u>	<u>13,752</u>	<u>-</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>919,818</u>	<u>1,076,963</u>	<u>959,197</u>	<u>31,219</u>	<u>84,547</u>	<u>2,000</u>
(M) Reserve for Uncollected Taxes	117,646	117,646	117,646			
TOTAL GENERAL APPROPRIATIONS	<u>\$ 1,037,464</u>	<u>1,194,609</u>	<u>1,076,843</u>	<u>31,219</u>	<u>84,547</u>	<u>2,000</u>
Budget		1,037,464				2,000
Appropriations by 40A:4-87		157,145				-
Emergency Appropriations		-				
		<u>1,194,609</u>				<u>2,000</u>
Reserve for Uncollected Taxes			117,646			
Federal and State Grants			166,030			
Disbursements			793,167			
			<u>1,076,843</u>			
					Cancelled Overexpended	
						2,000

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**EXHIBIT B - TRUST FUND**

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

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Animal Control Fund:		
Cash - Treasurer	\$ 1,329	982
	<u>1,329</u>	<u>982</u>
Other Funds		
Cash - Treasurer	40,372	27,109
	<u>40,372</u>	<u>27,109</u>
	<u>41,701</u>	<u>28,091</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for Dog Expenditures	319	97
Prepaid Licenses:		
Dogs	650	530
Cats	360	355
	<u>1,329</u>	<u>982</u>
Other Funds		
Due to Current Fund	159	-
Due to State of New Jersey - Payroll Taxes	1,213	2,622
Reserve for Escrows	8,401	6,609
Reserve for Tax Title Lien Redemptions	1,000	1,041
Reserve for Tax Sale Premiums	13,500	8,783
Reserve for Performance Guarantee	6,401	6,379
Reserve for Fire Safety Fees	1,575	1,575
Reserve for Private Contractor's Escrow	100	100
Reserve for Snow Removal Trust	8,023	-
	<u>40,372</u>	<u>27,109</u>
	<u>\$ 41,701</u>	<u>28,091</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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**EXHIBIT C - CAPITAL FUND**

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

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 288,651	315,285
Deferred Charges to Future Taxation - Unfunded	450,400	534,900
Interfunds and Receivables Due from Grant Fund	<u>87,398</u>	<u>87,398</u>
	<u>826,449</u>	<u>937,583</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bond Anticipation Notes Payable	450,400	534,900
Interfunds and Receivables Due to Current Fund	885	-
Reserve for Preliminary Expense Elmer Train Station Relocation Project	850	850
Improvement Authorizations:		
Funded	50,000	50,000
Unfunded	236,639	274,158
Capital Improvement Fund	54,940	44,940
Fund Balance	32,735	32,735
	<u>\$ 826,449</u>	<u>937,583</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 32,735	82,735
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	<u>-</u>	<u>50,000</u>
Ending Balance December 31	<u>\$ 32,735</u>	<u>32,735</u>

**EXHIBIT D - WATER UTILITY FUND**

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

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Operating Fund:		
Cash:		
Treasurer	\$ 80,774	89,899
Collector	1,031	1,000
Change Fund	25	25
Due from Water Capital	671	-
	<u>82,501</u>	<u>90,924</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	8,801	9,590
	<u>8,801</u>	<u>9,590</u>
Total of Operating Fund	<u>91,302</u>	<u>100,514</u>
Capital Fund:		
Cash	231,601	220,930
Fixed Capital - Water	2,055,902	2,055,902
Total of Capital Fund	<u>2,287,503</u>	<u>2,276,832</u>
Total of Utility Fund	<u>\$ 2,378,805</u>	<u>2,377,346</u>

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

	2013	2012
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 16,937	24,718
Reserve for Encumbrances	6,677	9,654
	23,614	34,372
Reserve for Receivables	8,801	9,590
Fund Balance	58,887	56,552
Total of Operating Fund	91,302	100,514
Capital Fund:		
Capital Improvement Fund	170,959	160,959
Due to Water Operating Fund	671	-
Reserves for:		
Amortization - Water	2,055,902	2,055,902
Fund Balance	59,971	59,971
Total of Capital Fund	2,287,503	2,276,832
Total Liabilities, Reserves and Fund Balance	\$ 2,378,805	2,377,346



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

	2013	2012
Revenue and Other Income Realized		
Fund Balance Anticipated	\$ 55,604	45,000
Rents	223,059	203,140
Miscellaneous Revenue Anticipated	1,862	1,515
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	22,466	27,693
Total Income	<u>302,991</u>	<u>277,348</u>
<u>Expenditures</u>		
Operating	205,559	186,608
Capital Improvements	30,000	45,000
Deferred Charges and Statutory		
Expenditures	8,545	9,746
Cancellation of Prior Year Revenue	948	13,608
Total Expenditures	<u>245,052</u>	<u>254,962</u>
Excess in Revenue	<u>57,939</u>	<u>22,386</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute deferred Charges to Budget of		
Succeeding Year	-	-
Statutory Excess to Fund Balance	<u>57,939</u>	<u>22,386</u>
Fund Balance January 1	56,552	79,166
	<u>114,491</u>	<u>101,552</u>
Decreased by:		
Utilization as Anticipated Revenue	55,604	45,000
Balance December 31	<u>\$ 58,887</u>	<u>56,552</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 59,971	59,971
No Activity		
Ending Balance December 31	<u>\$ 59,971</u>	<u>59,971</u>

**WATER OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Operating Surplus Anticipated	\$ 55,604		55,604
Total Operating Surplus Anticipated	55,604		-
Water Rents	203,000		223,059
Miscellaneous	500		1,862
	<u>259,104</u>	<u>-</u>	<u>280,525</u>
	\$		<u>21,421</u>

ANALYSIS OF REALIZED REVENUES

<u>Rents</u>	
Consumer Accounts Receivable: Collected	223,059
	<u>223,059</u>
<u>Miscellaneous</u>	
Interest Earned by Treasurer, Collector and Other Miscellaneous Fees and Costs	1,862
	<u>1,862</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**WATER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER-EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
<b>OPERATING</b>							
Salaries and Wages	\$ 50,784	50,784	49,956	828			
Other Expenses	149,511	149,511	133,886	8,948			
Liability Insurance	3,872	3,872	2,038	1,834			
Health Insurance Opt-Out	1,392	1,392	1,392	-			
	<u>205,559</u>	<u>205,559</u>	<u>187,272</u>	<u>11,610</u>			
<b>CAPITAL IMPROVEMENTS</b>							
Capital Improvement Fund	10,000	10,000	10,000				
Capital Outlay	35,000	35,000	15,098	4,902		15,000	
	<u>45,000</u>	<u>45,000</u>	<u>25,098</u>	<u>4,902</u>		<u>15,000</u>	

**DEFERRED CHARGES AND STATUTORY EXPENDITURES**

Statutory Expenditure:  
 Contribution to:  
 Public Employees' Retirement System  
 Social Security System  
 Unemployment Compensation Insurance

	3,945	3,945	3,945				
	4,100	4,100	3,746	354			
	500	500	429	71			
	<u>8,545</u>	<u>8,545</u>	<u>8,120</u>	<u>425</u>			
	<u>259,104</u>	<u>259,104</u>	<u>220,490</u>	<u>16,937</u>		<u>15,000</u>	

Budget  
 Emergency Authorizations

	259,104
	-
	<u>259,104</u>

Disbursements

	<u>220,490</u>
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**EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP**

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**STATEMENT OF GENERAL FIXED ASSETS**  
**DECEMBER 31,**  
**REGULATORY BASIS**

	<u>2013</u>	<u>2012</u>
General Fixed Assets:		
Land	\$ 83,845	83,845
Buildings and Improvements	713,296	713,296
Vehicles	633,700	658,858
Furniture, Fixtures and Equipment	939,231	933,637
	<u>2,370,072</u>	<u>2,389,636</u>
Investment in General Fixed Assets	\$ <u>2,370,072</u>	<u>2,389,636</u>

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## **NOTES TO FINANCIAL STATEMENTS**

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# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2013 AND 2012

### **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.

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, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

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. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year accrued.

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

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

Inventories of Supplies - The 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.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

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. 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 et. seq.

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.

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

Levy of Utility Charges – The Borough operates a water utility fund. Rates are determined by ordinance and changed as necessary. Water charges are based on flat fees, dependent on meter size, as well as usage. Charges are billed annually and due in quarterly installments on December 1, March 1, June 1, and September 1.

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

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

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

### **D. Required Financial Statements**

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

### **E. Comparative Data**

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

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

### **F. Recent Accounting Pronouncements Not Yet Effective**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Borough's financial reporting.

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

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Borough's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the Borough's financial statements.

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

### **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 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$117,646 and \$98,498, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budget's was \$126,500 and \$126,500, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Council. There were no significant transfers approved during the 2013 or 2012 calendar year.

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 2013 and 2012 calendar years, Borough Council approved the following budget insertions:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

		<u>2013</u>	<u>2012</u>
NJ Department of Transportation	\$		
Sidewalk Project		150,000	
NJDEP Clean Communities		4,000	4,000
Street Lighting Donations		3,145	
FEMA Reimbursement - Hurricane Irene			20,134

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 2013 or 2012 calendar years and no balances remained from prior special emergency appropriations.

**Note 3: INVESTMENTS**

As of December 31, 2013, 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. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013 and 2012, \$0 of the government's bank balance of \$1,445,040 and \$1,345,566 was exposed to custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets by category for the calendar year ended December 31, 2013 and 2012.

	Balance as of <u>12-31-12</u>	<u>Additions</u>	Adjustments <u>(Disposals)</u>	Balance as of <u>12-31-13</u>
Land	\$ 83,845			83,845
Bldgs & Improv.	713,296			713,296
Vehicles	658,858		(25,158)	633,700
Furniture, Fixtures and Equipment	<u>933,637</u>	<u>5,594</u>		<u>939,231</u>
	<u>\$ 2,389,636</u>	<u>5,594</u>	<u>(25,158)</u>	<u>2,370,072</u>

	Balance as of <u>12-31-11</u>	<u>Additions</u>	Adjustments <u>(Disposals)</u>	Balance as of <u>12-31-12</u>
Land	\$ 83,845			83,845
Bldgs & Improv.	713,296			713,296
Vehicles	620,420	1,150	37,288	658,858
Furniture, Fixtures and Equipment	<u>892,177</u>	<u>54,364</u>	<u>(12,904)</u>	<u>933,637</u>
	<u>\$ 2,309,738</u>	<u>55,514</u>	<u>24,384</u>	<u>2,389,636</u>

**Note 6: LONG TERM DEBT**

As of December 31, 2013, the Borough of Elmer did not have any long-term debt.

Summary of Municipal Debt

<u>Summary of Municipal Debt</u>	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
Issued:			
General – Bonds and Notes	\$ 450,400	534,900	618,658
Water Utility - Bonds and Notes	0	0	0
Total Issued	<u>450,400</u>	<u>534,900</u>	<u>618,658</u>
Authorized but not Issued:			
General – Bonds and Notes	0	0	0
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 450,400</u>	<u>534,900</u>	<u>618,658</u>

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 0.431%.

	<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	450,400	0	450,400
	<u>\$ 450,400</u>	<u>0</u>	<u>450,400</u>

Net Debt \$450,400 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$104,412,797 = 0.431%.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 3,654,448
Net Debt	<u>450,400</u>
Remaining Borrowing Power	<u>\$ 3,204,048</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.

**Note 7: NOTES PAYABLE**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes	\$ 534,900	450,400	534,900	450,400

The Borough has outstanding at December 31, 2013 the following bond anticipation notes:

<u>Project</u>	<u>2013 Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2012 Amount</u>
<b>General Capital:</b>				
Repaving of Center St. and Hitchner Ave.	\$ 25,000	0.62%	5/9/14	40,000
Replacement of Borough Hall HVAC	55,000	0.62%	5/9/14	80,000
Reconstruction of Center Street	5,000	1.09%	9/5/14	5,500
Reconstruction of Penn Street	52,500	0.63%	4/12/14	72,500
Purchase of four wheel drive Vehicle	19,900	0.63%	4/12/14	24,900
Construction of Sidewalks	260,000	0.62%	5/9/14	275,000
Purchase of 4 Wheel Drive Vehicle	33,000	0.62%	6/13/14	37,000
Total General Capital	<u>\$ 450,400</u>			<u>534,900</u>

All bond anticipation notes are with Pennsville National Bank and the First National Bank of Elmer. The Borough intends to renew these notes in 2014 with a pay down of \$161,900 of the outstanding balance. During 2013, the Borough paid down \$84,500 through the current operating budget.

As of December 31, 2013, the carrying value of the above notes approximates the fair value of the notes.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2013 and 2012 that were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

		<u>2013</u>	<u>2012</u>
Current Fund	\$	121,000	126,500
Water Operating Fund		56,000	55,604

As of the date of this audit report, the Borough has not adopted their 2014 Local Municipal Budget and these amounts are subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Borough to appropriate in the 2014 budget is \$153,905 in the current fund and \$58,887 in the water operating fund.

**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:

		Local District School Tax Balance <u>12/31/13</u>	Balance <u>12/31/12</u>
Balance of Tax	\$	598,764	585,704
Deferred		414,011	414,011
Tax Payable	\$	<u>184,753</u>	<u>171,693</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:

		Balance <u>12/31/13</u>	Balance <u>12/31/12</u>
Prepaid Taxes	\$	39,494	38,429
Cash Liability for Taxes Collected in Advance	\$	<u>39,494</u>	<u>38,429</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 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.shtml>.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

### 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.

### Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43L15/c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

### 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 6.64% through June 30, 2013 and 6.78% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 11.38% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2013, 2012 and 2011 were \$28,687, \$30,271, and \$24,559 respectively, equal to the required contributions for each year.

The total payroll for the years ended December 31, 2013, 2012 and 2011 was \$300,978, \$303,203, and \$278,880. Payroll covered by PERS was \$252,142, \$244,080, and \$247,585.

### Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

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

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

### **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, 2013 the Borough does not provide post-retirement benefits to their employees.

### **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

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012**

employment. Based on this policy, the estimated current cost of such unpaid compensation would approximate \$0 as of December 31, 2013 and 2012.

### **Note 14: JOINT MUNICIPAL COURT**

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

### **Note 15: ECONOMIC DEPENDENCY**

The Borough of Elmer is not economically dependent on any one business or industry as a major source of tax revenue for 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, 2013 and 2012, the Borough did not incur claims in excess of this coverage and there was no reduction in the stated coverage.

### **Note 18: GRANTS AND CONTRACTS**

During the 2013 calendar year, the Borough was awarded a grant for the Construction of Pedestrian Sidewalks. A contract in the amount of \$126,036 has been awarded for this project. As of December 31, 2013, no payments have been made on this contract.

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**Note 19: INTERFUND BALANCES**

As of December 31, 2013, the following interfunds were included on the balance sheets of the various funds of the Borough of Elmer.

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund	\$	119,410
Trust Fund	159	
General Capital	885	
Grant Fund:		
Current Fund	119,410	
General Capital		87,398
Trust Funds:		
Current Fund		159
General Capital:		
Current Fund		885
Grant Fund	87,398	
Water Operating Fund:		
Due from Water Capital	671	
Water Capital Fund:		
Due to Water Operating		671
	\$ 208,523	208,523

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

**Note 20: SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events through March 31, 2014, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

## **SUPPLEMENTARY DATA**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated March 31, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from 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*.

## **Purpose of this Report**

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

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

**FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

*Michael S. Garcia*

**Michael S. Garcia  
Certified Public Accountant  
Registered Municipal Accountant  
No. 472**

**March 31, 2014**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	CFDA#(Pass-Through Grantor's #)	Grant Period	Program or Award Amount	Balance at 1/1/13	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cancelled	Encumbered	Balance at 12/31/13
<b>FEDERAL</b>									
Department of Community Affairs									
Division of Housing and Community Resources									
Small Cities Community Development									
Block Grant	14,219	1/1/07 - 12/31/07	22,969 \$	4,110					4,110
	95-100-022-8020-078-F292-6110	1/1/09 - 12/31/09	23,333	223					223
	14,219	1/1/11 - 12/31/11	13,445	13,445		2,420			11,025
Small Cities Reimbursements									
FEIMA Reimbursement - Hurricane Irene	NA	1/1/12 - 12/31/12	20,134	6,233		932			5,301
Total Federal Assistance			\$	24,011	-	3,352	-	-	20,659

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	CFDA#/Pass-Through Grantor's #	Grant Period	Program or Award Amount	Balance at 1/1/13	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cancelled	Encumbered	Balance at 12/31/13	(Memo Only) Total Cumulative State Expenditures
<b>STATE</b>										
Passed through the State of New Jersey NJ Transportation Trust Fund Authority Act	6320-480-601385-61	1/1/13 - 12/31/13	150,000 \$		150,000				150,000	
Construction of Pedestrian Sidewalks										
Department of Environmental Protection										
Recycling Tonnage Grant	4830-752-050580-50	1/1/10 - 12/31/10	1,933	1,751		1,751				1,933
Recycling Tonnage Grant	4830-752-050580-50	1/1/11 - 12/31/11	2,363	2,363		1,052				1,052
Recycling Tonnage Grant	4830-752-050580-50	1/1/12 - 12/31/12	2,073	2,073						
Recycling Tonnage Grant	4830-752-050580-50	1/1/13 - 12/31/13	2,215		2,215					2,215
Clean Communities	4800-765-042-4900-004	1/1/12 - 12/31/12	4,000			312				4,000
Clean Communities	4800-765-042-4900-004	1/1/13 - 12/31/13	4,000		4,000	4,000				4,000
Stormwater Grant	4850-800054-201	1/1/08 - 12/31/08	5,000	368		292			76	3,655
Shared Services 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	1/1/11 - 12/31/11	973	908		908				973
Body Armor Fund	1020-718-066-1020-001	1/1/12 - 12/31/12	1,011	1,011		662			349	662
Body Armor Fund	1020-718-066-1020-001	1/1/13 - 12/31/13	1,025		1,025				1,025	
Alcohol Education Rehabilitation		1/1/11 - 12/31/11	50	50					50	
<b>Total State Assistance</b>				13,836	157,240	8,977			162,099	
<b>Total All Assistance</b>			\$	37,847	157,240	12,329			182,758	

The Accompanying Notes To The Schedule of Expenditures of Federal Awards and State Financial Assistance Are An Integral Part of This Statement

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
DECEMBER 31, 2013**

**Note 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance 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 Awards And State Financial Assistance	\$ 8,977	3,352	12,329
Add: Local Funding	<u>7,018</u>	<u>7,018</u>	<u>7,018</u>
Expenditures reported in Basic Financial Stmtns	<u>\$ 15,995</u>	<u>3,352</u>	<u>19,347</u>

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2012	\$	692,323
Increased by Receipts:		
Tax Collector		2,716,898
Revenue Accounts Receivable		220,534
Miscellaneous Revenue		36,335
State of New Jersey		
Senior Citizens and Veterans		19,905
Honestead Benefit Credit		56,837
Reserve to Pay Bonds		
Refunds for Sidewalk Project		85,000
Federal and State Unappropriated Reserves		3,505
Federal and State Receivables		12,683
		3,151,697
		3,844,020
Decreased by Disbursements:		
Current Year Appropriation		793,167
Prior Year Appropriations		64,541
County Taxes		991,277
Local District School Taxes		1,271,918
Subdivision Escrow Refunds		300
Miscellaneous Refunds		-
State of New Jersey		
Marriage Licenses		200
Federal and State Disbursements		21,197
		3,142,600
Balance December 31, 2013	\$	701,420

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

Balance December 31, 2012		\$	22,749
Increased by Receipts:			
Prepaid Taxes	39,494		
Taxes Receivable	2,716,210		
Revenue Accounts Receivable	25,096		
Miscellaneous Revenue			
Tax Title and Other Liens	<u>5,364</u>		
			<u>2,786,164</u>
			2,808,913
Decreased by Disbursements:			
Payments to Treasurer	2,716,898		
Refund of Prior Year Revenue	<u>21,749</u>		
			<u>2,738,647</u>
Balance December 31, 2013		\$	<u><u>70,266</u></u>

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

Year	Balance Dec. 31, 2012	Current Year Levy	Added Taxes	Collections by Cash		Adjusted	Transferred To Tax Title Lien	Transferred to Foreclosed Property	Transferred to Arrears	Balance Dec. 31, 2013
				2012	2013					
Arrears	\$ -									
2012	101,304		3,773		99,345	270	442	489	4,531	4,531
	101,304		3,773	-	99,345	270	442	489	-	4,531
2013		2,832,319		38,429	2,693,952	5,439	2,114	483		91,902
	\$ 101,304	2,832,319	3,773	38,429	2,793,297	5,709	2,556	972	-	96,433

2,716,210 Cash Receipts  
 20,250 Senior Citizens and Veterans  
 56,837 Homestead Benefit Credit  
2,793,297

Analysis of Current Year Tax Levy

Tax Yield:	
General Property Tax	2,830,545
Added Taxes (54:4-63.1 et. Seq.)	1,774
	<u>2,832,319</u>
Tax Levy:	
General County Taxes	957,899
County Open Space Taxes	20,350
County Added and Omitted Taxes	614
Total County Taxes	978,863
Local School District Tax	1,284,978
Local Tax for Municipal Purposes	566,612
Add: Additional Tax Levied	1,866
	<u>568,478</u>
	<u>2,832,319</u>



**CURRENT FUND  
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2012		\$	13,375
Increased by:			
Transfers from Taxes Receivable	2,556		
Interest and Costs Accrued by Sale of January 9, 2013	34		
	<hr/>		<hr/>
			2,590
			15,965
Decreased by:			
Collections	5,364		
Transfer to Property Acquired for Taxes	3,929		
	<hr/>		<hr/>
			9,293
Balance December 31, 2013		\$	<u><u>6,672</u></u>

**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collected by		Balance Dec. 31, 2013
			Collector	Treasurer	
Tax Searches		50	50		
Interest and Costs on Taxes		25,046	25,046		
Fines and Costs:					
Municipal Court	6,215	85,807		85,379	6,643
Interest Earned on Investments		3,210		3,210	
Energy Receipts Tax		104,669		104,669	
Consolidated Municipal Property					
Tax Relief Act		21,884		21,884	
Uniform Fire Safety Act		5,392		5,392	
	<u>6,215</u>	<u>246,058</u>	<u>25,096</u>	<u>220,534</u>	<u>6,643</u>

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Mayor and Council					
Other Expenses	3,127	3,127	570	2,557	
Municipal Clerk					
Other Expenses	657	657	252	405	
Financial Administration					
Other Expenses					
Miscellaneous Other Expenses	586	586	250	336	
Tax Collector					
Other Expenses	1,476	1,476	657	819	
Legal Services and Costs					
Other Expenses	6,298	6,298	2,486	3,812	
Public Building and Grounds					
Other Expenses	5,719	5,719	3,868	1,851	
Technology					
Other Expenses	521	521	96	425	
<b>PUBLIC SAFETY</b>					
Fire					
Other Expenses					
Miscellaneous Other Expenses	11,703	11,703	11,113	590	
Police					
Salaries and Wages	8,317	8,317	4,684	3,633	
Other Expenses	7,067	7,067	6,733	334	
Fire Code Inspector					
Salaries and Wages	1,531	1,531	933	598	

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>STREETS AND ROADS</b>					
Road Repairs and Maintenance	14,507	14,507	9,082	5,425	
Other Expenses					
<b>SANITATION</b>					
Garbage and Trash Removal					
Other Expenses	13,845	13,845	7,014	6,831	
Recycling					
Other Expenses	3,380	3,380	3,006	374	
<b>HEALTH AND WELFARE</b>					
Board of Health					
Salaries and Wages	1,271	1,271	302	969	
Other Expenses	607	607	263	344	
Animal Control Services					
Other Expenses	1,844	1,844	610	1,234	
<b>RECREATION AND EDUCATION</b>					
Recreation					
Other Expenses	823	823	521	302	
Celebration fo Public Events, Anniversary, Holidays					
Other Expenses	172	172	91	81	
Grantsman					
Other Expenses	2,601	2,601	105	2,496	-

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>UNCLASSIFIED</b>					
Electric	1,150	1,150	903	247	
Street Lighting	4,398	4,398	1,156	3,242	
Telephone	96	96	80	16	
Fuel Oil & Gasoline	991	991	785	206	
Heating	7,537	7,537	421	7,116	
<b>STATUTORY EXPENDITURES</b>					
Contributions to:					
Unemployment Compensation Insurance	45	45	10	35	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>					
Interlocal Service Agreements:					
Joint Municipal Court	8,872	8,872	8,550	322	
All Other Accounts - No Change	15,439	15,439		15,439	
	<u>\$ 124,580</u>	<u>124,580</u>	<u>64,541</u>	<u>60,039</u>	<u>-</u>

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

Balance December 31, 2012			
School Tax Payable	\$	171,693	
School Tax Deferred		<u>414,011</u>	
			585,704
Increased by:			
Levy - School Year July 1, 2013 to June 30, 2014			<u>1,284,978</u>
			1,870,682
Decreased by:			
Payments			<u>1,271,918</u>
Balance December 31, 2013			
School Tax Payable		184,753	
School Tax Deferred		<u>414,011</u>	
			<u>598,764</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			1,271,918
Tax Payable Ending			<u>184,753</u>
			1,456,671
Less: Tax Payable Beginning			<u>171,693</u>
Amount Charged to Current Year Operations	\$		<u><u>1,284,978</u></u>

**CURRENT FUND  
SCHEDULE OF STATE GRANTS RECEIVABLE**

Purpose	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Adjustments	Balance Dec. 31, 2013
<b>STATE GRANTS:</b>					
Stormwater Grant	\$ 5,000				5,000
Wastewater Management	5,000				5,000
Body Armor Fund	50		1,025		50
Recycling Tonnage Grant		1,025	2,215		
Clean Communities		2,215	4,000		
NJ Transportation Trust Fund		4,000			
Construction of Pedestrian Sidewalks		150,000			150,000
<b>Total State</b>	<u>10,050</u>	<u>157,240</u>	<u>7,240</u>	<u>-</u>	<u>160,050</u>
<b>Local Grants:</b>					
Street Light Donationss		3,145	3,145		
Municipal Drug Alliance	9,556	4,178	5,538		8,196
<b>Total Local</b>	<u>9,556</u>	<u>7,323</u>	<u>8,683</u>	<u>-</u>	<u>8,196</u>
<b>\$</b>	<u>19,606</u>	<u>164,563</u>	<u>15,923</u>	<u>-</u>	<u>168,246</u>
		Cash	12,683		
		Unappropriated Reserves	3,240		
			<u>15,923</u>		

**CURRENT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2012		2013		Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2013
	Appropriated	Reserve for Encumbrances	Appropriations	Reserve for Encumbrances				
<b>FEDERAL GRANTS:</b>								
FEIMA - Reimbursements - Hurricane Irene	\$ 6,233			932			5,301	
Small Cities Reimbursements	13,445			2,420	217		10,808	
2005 Small Cities	30						30	
2007 Small Cities	4,080						4,080	
2009 Small Cities	223						223	
Total Federal	<u>24,011</u>	<u>-</u>	<u>-</u>	<u>3,352</u>	<u>217</u>	<u>-</u>	<u>20,442</u>	
<b>STATE GRANTS:</b>								
Stormwater Grant	368			292			76	
Wastewater Management	5,000						5,000	
Clean Communities	312		4,000	4,312			-	
Alcohol Education and Rehabilitation	50						50	
Recycling Tonnage	6,187		2,215	2,803	1,272		4,327	
Body Armor	1,919		1,025	1,570			1,374	
NJ Transportation Trust Fund			150,000				-	
Construction of Pedestrian Sidewalks							150,000	
Total State	<u>13,836</u>	<u>-</u>	<u>157,240</u>	<u>8,977</u>	<u>1,272</u>	<u>-</u>	<u>160,827</u>	
<b>LOCAL GRANTS:</b>								
Street Light Donations			3,145	2,218	927		-	
Municipal Drug Alliance	8,676		5,645	4,800	387		9,134	
Salem County Improvement Authority-REA Grant	3,547			7,018			3,547	
Total Local	<u>12,223</u>	<u>-</u>	<u>8,790</u>	<u>14,036</u>	<u>1,314</u>	<u>-</u>	<u>12,681</u>	
<b>Total</b>	<u>\$ 50,070</u>	<u>-</u>	<u>166,030</u>	<u>19,347</u>	<u>2,803</u>	<u>-</u>	<u>193,950</u>	

Cash	21,197
Prior Year Encumbrances	(1,850)
	<u>19,347</u>



**CURRENT FUND  
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED RESERVES**

Purpose	Balance	Transferred	Received	Balance
	Dec. 31, 2012	To 2013 Appropriations		Dec. 31, 2013
<b>STATE GRANTS:</b>				
Body Armor Fund	1,025	1,025	1,185	1,185
Recycling Tonnage	2,215	2,215	2,320	2,320
Total State	<u>3,240</u>	<u>3,240</u>	<u>3,505</u>	<u>3,505</u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2012	\$ 982	27,109
Increased By:		
Dog License Fees	1,494	
Cat License Fees	705	
Late Fees		
State Dog License Fees	385	
Prepaid Dog and Cat Licenses	1,010	
Interest Earned	3	140
Payroll Trust		357,262
TTL Redemptions		290,568
Tax Sale Premiums		30,800
Escrow Fees		26,455
Private Contractor's Escrow Fees		11,602
Snow Removal Trust		8,023
	<u>3,597</u>	<u>724,850</u>
	4,579	751,959
Decreased By:		
Expenditures under NJS 4:19-15.22	2,865	
State of New Jersey-Dog Licenses	385	
Escrow Fees		24,663
Tax Title Lien Redemptions		290,567
Premiums Returned		26,000
Interest Paid to Current Fund		125
Private Contractor's-Police Salaries		11,602
Payroll Trust		358,630
	<u>3,250</u>	<u>711,587</u>
Balance December 31, 2013	\$ <u><u>1,329</u></u>	<u><u>40,372</u></u>

**Analysis of Balance @ 12/31/13**

Subdivision Escrow	8,401
Payroll Trust	1,254
Performance Guarantee	6,401
Fire Safety Fees	1,575
Tax Title Lien Redemption	1,044
Tax Sale Premiums	13,574
Private Contractor's Escrow	100
Snow Removal Trust	8,023
	<u><u>40,372</u></u>

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

Balance December 31, 2012	\$	97
Increased by:		
Dog License Fees Collected		2,024
Cat License Fees Collected		1,060
Interest Earned		3
		3,087
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11		3,184
		2,865
Balance December 31, 2013	\$	319

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2012	2,196
	2011	3,811
		6,007
	\$	6,007

**TRUST FUND  
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -  
DEPARTMENT OF HEALTH**

Balance December 31, 2012	\$		-
Increased by:			
2013 State License Fee		201	
2013 Pilot Clinic Fee		40	
2013 Animal Population Control Fee		144	
			385
Decreased By:			
Payments		385	
			385
Balance December 31, 2013	\$		-

**TRUST - OTHER FUNDS  
SCHEDULE OF MISCELLANEOUS RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Reserve	Balance Dec. 31, 2012	Increased by			Decreased by			Balance Dec. 31, 2013
		Receipts	Interest	Disbursements	Interest			
Subdivision Escrow	\$ 6,609	26,455		24,663		8,401		
Tax Title Lien Redemptions	1,041	290,568		290,567	42	1,000		
Tax Title Lien Premiums	8,783	30,800		26,000	83	13,500		
Performance Guarantee Trust	6,379		22			6,401		
Fire Safety Fees	1,575					1,575		
Private Contractor's Escrow	100	11,602		11,602		100		
Snow Removal Trust		8,023				8,023		
	\$ 24,487	367,448	22	352,832	125	39,000		

See Accompanying Auditor's Report

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

Balance December 31, 2012		\$	315,285
Increased by:			
Capital Improvement Fund	10,000		
Due to Current Fund			
Interest Earned	<u>885</u>		
			<u>10,885</u>
			326,170
Decreased by:			
Improvement Authorizations	<u>37,519</u>		
			<u>37,519</u>
Balance December 31, 2013		\$	<u><u>288,651</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance
	Dec. 31, 2012		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 32,735								32,735
Capital Improvement Fund	44,940		10,000						54,940
Due to Current Fund	-		885						885
Due to Grant Fund	(194,053)								(194,053)
Reserve for Preliminary Expense	850								850
<b>Improvement Authorizations:</b>									
07-6 Reconstruction of Penn Street	80,496								80,496
09-13 Safe Routes	450								450
11-7 Construction of Sidewalks	296,300				37,044				259,256
11-8 Purchase of 4 Wheel Drive Vehicle for Police Department	3,567				475				3,092
12-9 Purchase of Anthony Property	50,000								50,000
	<u>\$ 315,285</u>		<u>10,885</u>	<u>-</u>	<u>37,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,651</u>

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

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Raised in 2013 Budget	Balance Dec. 31, 2013	Analysis of Balance	
						Bond Anticipation Notes	Unexpended Improvement Authorizations
06-4	Repaving of Center Street and Hitchner Avenue	\$ 40,000		15,000	25,000	25,000	
06-5	Replacement of Borough Hall HVAC	80,000		25,000	55,000	55,000	
07-6	Repaving of Penn Street	35,540		10,000	25,540	25,540	
07-7	Purchase of Four Wheel Drive Police Vehicle	24,900		5,000	19,900	19,900	
09-5	Reconstruction of Garrison Road	36,960		10,000	26,960	26,960	
09-13	Improving Pedestrian Routes to Elmer Elementary School	5,500		500	5,000	5,000	
11-7	Construction of Sidewalks	275,000		15,000	260,000	260,000	
11-8	Purchase of 4 Wheel Drive Vehicle for Police Department	37,000		4,000	33,000	33,000	
		<u>\$ 534,900</u>	<u>-</u>	<u>84,500</u>	<u>450,400</u>	<u>450,400</u>	<u>-</u>



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

Balance December 31, 2012	\$	44,940
Increased by:		
Budget Appropriation		10,000
Balance December 31, 2013	\$	54,940

**GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			Paid or Charged	(Canceled)/Reimbursements	Balance December 31, 2013	
				Balance December 31, 2012 Funded	Balance December 31, 2012 Unfunded	Other Funding			Deferred Charges to Future Taxation	Funded
07-6	Reconstruction of Penn Street	2/14/2007	150,000	\$ 80,496					80,496	
09-13	Improving Pedestrian Routes to Elmer Elementary School	9/9/2009	37,300	450						450
11-07	Construction of Sidewalks	4/13/2011	300,000	189,645		37,044				152,601
11-08	Purchase of 4 Wheel Drive Vehicle for Police Department	5/11/2011	42,903	3,567		475				3,092
12-9	Purchase of Police Vehicle	09/12/2012	50,000	50,000					50,000	
				\$ 274,158		\$ 37,519			\$ 50,000	\$ 236,639
									Expended in Cash 37,519	

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Reconstruction of Center Street	04-5	9/16/04	9/6/13	9/5/14	1.09% \$	5,500		500	5,000
Repaving of Center Street and Hitchner Avenue	06-4	5/15/06	5/10/13	5/9/14	0.62%	40,000		15,000	25,000
Replacement of Borough Hall HVAC	06-5	5/15/06	5/10/13	5/9/14	0.62%	80,000		25,000	55,000
Reconstruction of Penn Street	07-6	4/14/07	4/12/13	4/12/14	0.63%	72,500		20,000	52,500
Purchase of 4 Wheel Drive Police Vehicle	07-7	4/14/07	4/12/13	4/12/14	0.63%	24,900		5,000	19,900
Construction of Sidewalks	11-7	5/11/11	5/10/13	5/9/14	0.62%	275,000		15,000	260,000
Purchase of 4 Wheel Drive Vehicle for Police Department	11-8	6/15/11	6/14/13	6/13/14	0.62%	37,000		4,000	33,000
					\$	534,900	-	84,500	450,400

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

	Operating	Capital
Balance December 31, 2012	89,899	220,930
Increased By Receipts:		
Collector	223,028	
Due from Water Operating- Capital Improvement Fund		10,000
Miscellaneous Revenue	243	671
	223,271	10,671
	313,170	231,601
Decreased by Disbursements:		
2013 Appropriations	220,490	
2012 Appropriation Reserves	11,906	
Interest Paid to Operating Fund		
	232,396	-
Balance December 31, 2013	80,774	231,601

See Accompanying Auditor's Report

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

Balance December 31, 2012		\$	1,000
Increased by Receipts:			
Consumer Accounts Receivable	<u>223,059</u>		223,059
			<u>224,059</u>
Decreased by Disbursements:			
Payment to Treasurer	<u>223,028</u>		223,028
Balance December 31, 2013		\$	<u><u>1,031</u></u>

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

Balance December 31, 2012		\$	9,590
Increased by:			
Utility Rents Levied	<u>222,270</u>		231,860
Decreased by:			
Collections	<u>223,059</u>		223,059
Balance December 31, 2013		\$	<u><u>8,801</u></u>

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

ACCOUNT	BALANCE Dec. 31, 2012	ADDITIONS		BALANCE Dec. 31, 2013
		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			2,055,902

See Accompanying Auditor's Report

**WATER OPERATING FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	BALANCE Dec. 31, 2012	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Operating:					
Other Expenses	\$ 12,254	12,254	11,906	348	
Other Accounts - No Changes	22,118	22,118		22,118	
	<u>\$ 34,372</u>	<u>34,372</u>	<u>11,906</u>	<u>22,466</u>	<u>-</u>

See Accompanying Auditor's Report

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

Balance December 31, 2012	\$	160,959
Increased by:		
Received from Water Operating Fund	<u>10,000</u>	<u>10,000</u>
Balance December 31, 2013	\$	<u><u>170,959</u></u>

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

Balance December 31, 2012	\$	2,055,902
No Activity		
Balance December 31, 2013	\$	<u><u>2,055,902</u></u>



**BOROUGH OF ELMER**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

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## **GENERAL COMMENTS**

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

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

The Governing Body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that the following bid was requested by public advertising during the 2013 calendar year: Construction of Pedestrian Sidewalks.

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

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

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

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

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

The Governing Body on January 1, 2013 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 2013 municipal taxes will be held in January 2014.
- d) Delinquent 2012 and 2013 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) A penalty of 5% will be assessed on all delinquent balances. All accounts have a ten (10) day grace period after each due date, and if not paid, the penalty shall accrue from the due date.
- f) A tax sale of all delinquent accounts for the year 2013 water charges will be held in January 2014.
- 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 9, 2013 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>
2013	3
2012	6
2011	6

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 2014 Taxes	5
Payment of 2013 Taxes	5
Delinquent Taxes	17
Payment of Current Water Charges	3

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

**Comparison of Tax Levies and Collections Currently**

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

<u>Year</u>	<u>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2013	\$ 2,832,319	2,732,381	96.47%
2012	2,873,063	2,766,695	96.29%
2011	2,762,932	2,668,909	96.59%
2010	2,716,721	2,590,611	95.35%
2009	2,619,451	2,504,769	95.62%

**Comparative Schedule of Tax Rate Information**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	2.66	2.70	2.62	\$2.56	2.47
Apportionment of Tax Rate:					
Municipal	0.53	0.51	0.49	0.49	0.47
County	0.92	0.99	0.96	0.97	0.92
Local School	1.21	1.20	1.17	1.10	1.08
Assessed Valuation	106,172,020	106,247,428	105,479,531	106,114,084	105,312,184

**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>
2013	\$	6,672	96,433	103,105	3.64%
2012		13,375	101,304	114,679	3.99%
2011		9,667	88,779	98,446	3.56%
2010		272	124,087	124,359	4.58%
2009		680	113,262	113,942	4.35%

## ***Audit Findings and Responses***

### **13-1. 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 did not employ or contract with an individual who had sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures. Effective December 31, 2013 the Borough's Chief Financial Officer retired. The Borough has since appointed a Chief Financial Officer who does have sufficient knowledge and experience to meet these requirements.

### **Cause**

Based on the size of the Borough it was 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, in addition to the Chief Financial Officer.

### **Effect**

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

### **Recommendation**

Based on the fact that the Borough has appointed, effective January 1, 2014, a Chief Financial Officer who meets the requirements stated above, a recommendation is not warranted.

### **Management Response**

Due to the retirement of the long term Chief Financial Officer, the Borough has appointed a Chief Financial Officer, effective January 1, 2014, who does have sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

### ***Status of Prior Recommendations***

#### **12-1. 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 2013 however corrective action has been taken as of January 1, 2014.

#### **Corrective Action to be Taken**

Due to the retirement of the long term Chief Financial Officer, the Borough has appointed a Chief Financial Officer, effective January 1, 2014, who does have sufficient knowledge and experience to prepare a complete set of financial statements, including related disclosures.

**RECOMMENDATIONS**

NONE

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,

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Michael S. Garcia*  
**Michael S. Garcia**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 472**

**March 31, 2014**