

**BOROUGH OF ELMER**

**SALEM COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

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



# BOROUGH OF ELMER

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**BOROUGH OF ELMER**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2010**

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Independent Auditor's Report

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

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

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

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

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

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

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

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

*Robert E. Swartz, CPA*

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

*Swartz & Co., LLC*

Swartz & Co., LLC  
Certified Public Accountants

April 18, 2011

**EXHIBIT A - CURRENT FUND**

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

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

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

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

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

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



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

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Ref.	ANTICIPATED		SPECIAL NJS 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
		BUDGET				
Section F: Special Items of General Revenue						
Anticipated-State and Federal Revenues						
Offset with Appropriations-Public and Private						
Revenues offset with Appropriations						
Municipal Alliance on Alcoholism and Drug Abuse		4,178			4,178	
Recycling Tonnage		1,933			1,933	
Shared Service Agreement - Wastewater						
Management Plan			5,000		5,000	
Body Armor Grant		647			647	
Salem County Safe Roadways Project			3,500		3,500	
Transportation Enhancement Prog - Elmer Train Station		395,000			395,000	
NJ Department of Environmental Protection						
Clean Communities		4,000			4,000	
<b>Total Section F</b>	A-11	<b>405,758</b>	<b>8,500</b>		<b>414,258</b>	<b>0</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

**EXHIBIT B - TRUST FUND**

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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**EXHIBIT C - CAPITAL FUND**

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

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

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

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

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

**EXHIBIT D - WATER UTILITY FUND**

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

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

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

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

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

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

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

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

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

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

**ANALYSIS OF REALIZED REVENUES**

**Rents**

Consumer Accounts Receivable:

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

Interest Earned by Treasurer,

Collector and Other Miscellaneous

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

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

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

Budget 204,456  
 Emergency Authorizations 0  
\$204,456

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

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

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**EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP**

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

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

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

**B. Description of Funds**

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

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

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

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

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

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

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

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

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

**C. Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

### **D. Comparative Data**

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



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

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

**Note 2: BUDGETARY INFORMATION**

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

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

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

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

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

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

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

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

**Note 3: INVESTMENTS**

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

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

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

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

**Note 4: CASH AND CASH EQUIVALENTS**

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

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

**Note 5: LONG TERM DEBT**

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

Summary of Municipal Debt

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

Summary of Statutory Debt Condition - Annual Debt Statement

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

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

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

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

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

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

None

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

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

**Note 6: NOTES PAYABLE**

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

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

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

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

**Note 7: FUND BALANCES APPROPRIATED**

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

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

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

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

**Note 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

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

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

**Note 9: SCHOOL TAXES**

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

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

**Note 10: TAXES COLLECTED IN ADVANCE**

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

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

**Note 11: PENSION FUNDS**

Description of Plans

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

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

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

[http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

### *Public Employees' Retirement System*

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

### *Funding Policy*

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

### **NOTE 12: POST-RETIREMENT BENEFITS**

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

### **Note 13: ACCRUED SICK AND VACATION BENEFITS**

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

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

**Note 14: JOINT MUNICIPAL COURT**

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

**Note 15: ECONOMIC DEPENDENCY**

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

**Note 16: LITIGATION**

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

**Note 17: RISK MANAGEMENT**

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

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

**Note 18: LEASE AGREEMENTS**

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

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

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

**Note 19: GRANTS AND CONTRACTS**

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

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

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

**Note 20: INTERFUND BALANCES**

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

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

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

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

**Note 21: SUBSEQUENT EVENTS**

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

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

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

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

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## **SUPPLEMENTARY DATA**

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