

EGG HARBOR CITY

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

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

EGG HARBOR CITY

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EGG HARBOR CITY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of City Council
Egg Harbor City, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of Egg Harbor City, 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 Egg Harbor City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 City'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 audit provide a reasonable basis for our opinion.

As described in Note 1, the City of Egg Harbor, New Jersey prepares and presents 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 presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 City's policy to prepare and present 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 City of Egg Harbor 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 Egg Harbor City, New Jersey as of December 31, 2010 and 2009 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statements 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 June 20, 2011 on our consideration of Egg Harbor City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Egg Harbor City, New Jersey taken as a whole. The supplemental information, as listed in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert E. Swartz, CPA

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

Swartz & Co.

Swartz & Co., LLC
Certified Public Accountants

June 20, 2011

EXHIBIT A - CURRENT FUND

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

	Ref.	<u>2010</u>	<u>2009</u>
ASSETS			
Regular Fund:			
Cash - Treasurer	A-4	\$1,083,430	2,363,482
- Change Funds		150	150
Investment in Bond Anticipation Notes		<u>839,999</u>	<u>112,166</u>
		<u>1,923,579</u>	<u>2,475,798</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	5,110	19,114
Tax Title Liens Receivable	A-7	393,236	253,431
Property Acquired for Taxes - Assessed Valuation		440,589	440,589
Revenue Accounts Receivable	A-8	5,977	8,679
Prepaid Local School Tax		0	138,565
Amount due from - MidAtlantic Communications		4,466	0
Program Loans	B	<u>7,055</u>	<u>7,055</u>
		<u>856,433</u>	<u>867,433</u>
Deferred Charges:			
Emergency Authorization		45,000	0
Special Emergency NJSA 40A:4-55		<u>80,000</u>	<u>165,000</u>
		<u>125,000</u>	<u>165,000</u>
Total Assets - Current Fund		<u>2,905,012</u>	<u>3,508,231</u>

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

	Ref.	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>			
Federal and State Grant Funds:			
State Aid Receivable	A-12	2,460,016	2,296,169
Due from Current Fund	A	<u>115,821</u>	<u>203,676</u>
Total Assets - Grant Fund		<u>2,575,837</u>	<u>2,499,845</u>
Total Assets		<u><u>\$5,480,849</u></u>	<u><u>6,008,076</u></u>

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

	Ref.	2010	2009
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$162,616	189,601
Reserve for Encumbrances/Accts Payable	A-3	85,535	87,900
Special Emergency Note		80,000	165,000
Tax Overpayments		30,851	38,248
Taxes Collected in Advance		49,925	47,401
Payroll Taxes Payable		5,541	9,643
Amounts due to:			
Grant Fund	A	115,821	203,673
Street Opening Trust	B	1,455	4,966
Utility Operating	D	72,684	2,819
Third Party Inspection Fees		16,502	20,665
State of New Jersey-			
Veterans and Senior Citizens		17,600	16,355
Marriage License Fees		150	175
Burial Permit Fees		5	110
DCA Fees		1,155	660
Mayor - Marriage Ceremonies		0	600
Local School District - Taxes	A-10	186,268	0
Regional High School District - Taxes	A-11	113,757	8,461
County of Atlantic-Added Taxes		1,462	2,168
Reserve for:			
Land Sales		855,650	1,682,867
Garden State Trust Fund		0	121
Revaluation		11,215	11,215
Master Plan		13	17,005
Total Liabilities		1,808,205	2,509,653

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

	Ref.	<u>2010</u>	<u>2009</u>
Reserves for Receivables and Other Assets	A	856,433	867,433
Fund Balance	A-1	<u>240,374</u>	<u>131,145</u>
Total Liabilities, Reserves and Fund Balance - Current Fund		<u>2,905,012</u>	<u>3,508,231</u>
Federal and State Grant Fund:			
Res. for State Grants-Appropriated	A-13	1,576,753	1,902,123
Res. for State Grants-Unappropriated	A-14	4,476	8,281
Reserve for Encumbrances/Accts Payable	A-13	926,471	419,359
Due to Trust Fund	B	<u>68,137</u>	<u>170,079</u>
Total Liabilities - Grant Fund		<u>2,575,837</u>	<u>2,499,842</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$5,480,849</u></u>	<u><u>6,008,073</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,**

	Ref.	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$131,145	212,810
Miscellaneous Revenue Anticipated	A-2	3,232,576	3,884,019
Receipts from Delinquent Taxes	A-2	16,901	15,710
Receipts from Current Taxes	A-2	8,078,866	7,794,440
Non Budget Revenue	A-2	53,848	116,527
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves	A-9	186,061	85,424
Cancellation of Prior Year Liability		2,568	2,325
 Total Income		 <u>11,701,965</u>	 <u>12,111,255</u>
 Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	2,360,795	2,295,235
Other Expenses	A-3	2,525,482	2,736,433
Deferred Charges and Statutory			
Expenditures	A-3	437,289	405,575
Transfer to Utility-Anticipated Deficit	A-3	94,423	0
Capital Improvements	A-3	1,100,000	1,778,000
Debt Service	A-3	407,879	282,925
Transferred to Board of Education for Use	A-3		
by Local School District		18,443	21,659
Local District School Tax	A-10	2,305,540	2,256,509
County Tax		1,003,268	974,374
County Share of Added Taxes		1,462	2,168
Regional High School Tax	A-11	1,242,957	1,207,271
Cancellation of prior year revenue		9,053	0
Interfunds Created		0	145,620
 Total Expenditures		 <u>11,506,591</u>	 <u>12,105,769</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,**

	Ref.	<u>2010</u>	<u>2009</u>
Excess in Revenue		<u>195,374</u>	<u>5,486</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by			
Statute deferred Charges to Budget of			
Succeeding Year		45,000	100,000
Statutory Excess to Fund Balance		<u>240,374</u>	<u>105,486</u>
Fund Balance January 1	A	131,145	238,469
		<u>371,519</u>	<u>343,955</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	131,145	212,810
Balance December 31	A	<u><u>\$240,374</u></u>	<u><u>131,145</u></u>

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 N.J.S. 40A:4-87 REALIZED	
Surplus Anticipated	\$0	0	
Surplus Anticipated with Prior Written Consent of Director of Local Government Services	131,145	131,145	
	131,145	0 131,145	0
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	13,500	15,655	2,155
Other	40,000	45,220	5,220
Fines:			
Municipal Court	121,000	109,106	(11,894)
Interest and Costs on Taxes	40,000	53,283	13,283
Interest on Investments	14,600	3,833	(10,767)
Rental of Municipal Property	15,000	14,794	(206)
Lake Parking Fees	55,000	56,830	1,830
Mayor Marriage Fees	2,200	1,000	(1,200)
Total Section A	301,300	0 299,721	(1,579)

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 N.J.S. 40A:4-87 REALIZED	
	Section B: State Aid without Offsetting Appropriations			
A-8	Energy Receipts Tax	386,604	386,604	
A-8	Consolidated Municipal Property Tax Relief Act	86,857	86,857	
A-8	Garden State Preservation Trust	121	121	
	Total Section B	473,582	0	473,582
	Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations			
A-8	Construction Code Official	27,000	35,875	8,875
	Total Section C	27,000	0	35,875
	Section D: Special Items of General Revenue Anticipated with Prior Written Consent of the Director of Local Government Services - Interlocal Municipal Service Agreements Offset with Appropriations			
	Mid Atlantic Communications Center - Share of Costs:			
A-8	Mullica Township	332,815	328,349	4,466
	Total Section D	332,815	0	328,349

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Ref.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
	BUDGET	SPECIAL N.J.S. 40A:4-87		
Section F: Special Items of General Revenue				
Anticipated with Prior Written Consent of Director				
of Local Government Services-Public and				
Private Revenues Offset with Appropriations				
NJ Transportation Trust Fund Authority Act	625,000		625,000	
Recycling Tonnage Grant	8,281		8,281	
Clean Communities Program		11,131	11,131	
Municipal Alliance on Alcoholism and Drug Abuse	12,380		12,380	
Click It or Ticket	4,000		4,000	
Over the Limit Under Arrest		4,400	4,400	
Body Armor Fund	891		891	
Atlantic County Open Space - Lafayette Fire House		39,000	39,000	
Egg Harbor City Board of Education				
Rittenberg School Demolition		250,000	250,000	
Total Section F	650,552	304,531	955,083	0

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 N.J.S. 40A:4-87 REALIZED	
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Governments-Other Special Items				
Uniform Fire Safety Act	A-8	10,000	15,538	5,538
Rental Registrations	A-8	31,000	32,775	1,775
Payment in Lieu of Taxes	A-8	32,000	30,590	(1,410)
Cemetery Contributions		15,000	15,000	0
Prepaid School Tax		138,565	138,565	0
Reserve for Land Sales		892,217	893,565	1,348
FEMA Prior Year Snow Emergency Reimbursement	A-8	18,577	13,933	(4,644)
Total Section G		1,137,359	0 1,139,966	2,607
Total Miscellaneous Revenue		2,922,608	304,531 3,232,576	14,369
Receipts from Delinquent Taxes	A-1:A-2	10,000	16,901	6,901
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purpose	A-7:A-2	3,608,335	3,592,532	(15,803)

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 N.J.S. 40A:4-87 REALIZED	
Total Amount to be Raised by Taxes for Support of Municipal Budget	3,608,335	3,592,532	(15,803)
Budget Totals	6,672,088	304,531 6,973,154	5,467
Non-Budget Totals		53,848	53,848
	\$6,672,088	304,531 7,027,002	59,315

Ref. A-3 A-3

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Ref.

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

Revenue from Collections	A-1:A-6	\$8,078,866
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Allocated to:

School and County Taxes		<u>4,553,227</u>
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Balance for Support of Municipal
Budget Appropriations

3,525,639

Add:

Appropriation "Reserve for Uncollected
Taxes"

A-3

66,893

Amount for Support of Municipal
Budget Appropriations

A-2

\$3,592,532

Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-6	\$10,090
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Tax Title Lien Collections	A-7	6,811
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A-2

\$16,901

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

Ref.

ANALYSIS OF NON BUDGET REVENUE

Miscellaneous Revenue not Anticipated:

Treasurer:

JIF Refund	\$29,047
Cable Franchise Fee	13,157
Motor Vehicle Commission Fees	1,197
Code Violation Finds	3,250
Other Miscellaneous	A-4 7,197

Total Miscellaneous Revenue
not Anticipated

A-1:A-2

\$53,848

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
GENERAL GOVERNMENT:							
Administrative and Executive							
Salaries and Wages							
Governing Body	\$27,700	27,700	27,700				
City Administrator	79,750	78,250	78,068		182		
Municipal Clerk (Other)	83,500	82,000	81,921		79		
Other Expenses							
City Administrator	1,500	1,500	1,358	44	98		
City Clerk	18,000	18,200	16,135	1,925	140		
Governing Body	5,800	6,000	5,774	226			
Financial Administration							
Salaries and Wages	64,750	63,750	63,281		469		
Other Expenses	29,000	29,000	26,304	711	1,985		
Audit Services	25,000	25,000	25,000				
Assessment of Taxes							
Salaries and Wages	17,525	17,525	17,525				
Other Expenses	9,500	11,000	8,565	2,125	310		
Tax Collector							
Salaries and Wages	45,300	45,300	45,253		47		
Other Expenses:							
Tax Sale Costs	500	500	0	500			
Miscellaneous Other Expenses	7,400	4,900	4,411	5	484		
Liquidation of Tax Title Liens and							
Foreclosed Property							
Other Expenses	100	100	0		100		
Legal Services and Costs							
Other Expenses	130,150	130,150	111,040	6,983	12,127		
Municipal Prosecutor							
Salaries and Wages	11,250	11,250	11,250				
Engineering Services and Costs							
Other Expenses	4,000	16,000	3,700	5,198	7,102		
Public Buildings and Grounds							
Other Expenses	41,000	41,000	35,105	4,351	1,544		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
Municipal Land Use Law (N.J.S.A. 40:55D-1)							
Planning Board							
Other Expenses	32,800	32,800	26,519	25	6,256		
Zoning/Code Board of Adjustment							
Salaries and Wages	63,750	63,750	63,688		62		
Other Expenses	3,500	4,000	2,796		1,204		
Economic Development							
Other Expenses	100	100	0		100		
PUBLIC SAFETY:							
Fire							
Salaries and Wages	2,500	2,500	2,500				
Other Expenses:							
Aid to Volunteer Companies	21,000	21,000	21,000				
Fire Prevention							
Salaries and Wages	12,175	12,175	12,175		56		
Other Expenses	2,600	2,600	2,544				
Right to Know Act/Safety Coordinator							
Salaries and Wages	1,560	1,560	1,560		300		
Other Expenses	300	300	0				
Police							
Salaries and Wages	1,130,000	1,139,500	1,130,665		8,835		
Other Expenses:							
Purchase of Police Car	10,250	10,250	10,250				
Miscellaneous Other Expenses	37,250	37,250	34,925	2,161	164		
Police Radio and Communications							
Salaries and Wages	160,000	160,000	154,988		5,012		
Other Expenses	80,509	80,509	80,170	202	137		
Municipal Court							
Salaries and Wages	83,800	81,550	78,463		3,087		
Other Expenses	10,500	11,250	10,509	430	311		
Public Defender							
Salaries and Wages	4,500	4,500	4,500				
First Aid Organization - Contribution	21,000	21,000	21,000				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
Emergency Management Services							
Salaries and Wages	1,050	1,050	1,050				
Other Expenses	1,000	1,000	109	481	410		
PUBLIC WORKS							
Solid Waste Collection (Public Works)							
Salaries and Wages	286,750	272,750	271,297		1,453		
Other Expenses:							
Hauling Fee (Tipping and Hauling Fee)	250,000	255,000	244,339	3,636	7,025		
Miscellaneous Other Expenses	46,050	68,550	42,845	14,842	863	10,000	
Solid Waste Disposal Cost	144,000	144,000	129,340	13,696	964		
City Garage							
Salaries and Wages	100	100	0		100		
Other Expenses	100	100	0		100		
HEALTH AND WELFARE							
Animal Control							
Other Expenses	9,000	9,000	9,000				
RECREATION AND EDUCATION:							
Parks and Playgrounds							
Salaries and Wages	32,500	32,385	32,384		1		
Other Expenses							
Lining of Kern Field	25	25	0		25		
Miscellaneous Other Expenses	12,280	47,395	46,805	279	311		
Anniversary or Holiday:							
Other Expenses	4,925	4,925	4,824		101		
Youth Program:							
Other Expenses:							
Key Rec Youth Program	5,000	5,000	5,000				
Crusaders Youth Program	14,000	14,000	14,000				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
Insurance						
Group Insurance Plans for Employees	519,012	483,512	470,493	1,733	11,286	
Firemen's Group Insurance Premiums	38,000	38,000	34,161		3,839	
Surety Bond Premiums	1,000	1,000	578		422	
Liability Insurance	111,440	111,440	111,440			
Workers Compensation	87,560	87,560	87,560			
State Uniform Construction Code						
Construction Official						
Salaries and Wages	26,700	26,700	26,700	62	394	
Other Expenses	1,000	1,300	844			
UNCLASSIFIED:						
Street Lighting	81,000	95,000	83,421	9,472	2,107	
Gasoline	47,500	62,500	56,721		5,779	
Electric	122,000	118,000	91,696	9,600	16,704	
Natural Gas	41,000	41,000	35,992		5,008	
Telephone	45,000	42,500	38,353	936	3,211	
Fire Hydrant Service	15,000	15,000	15,000			
Accumulated Absences	26,700	26,700	26,700			
Total Operations within "CAPS"	4,249,511	4,301,211	4,101,294	79,623	110,294	0
Contingent	100	100			100	
Total Operations Including Contingent-within "CAPS"	4,249,611	4,301,311	4,101,294	79,623	110,394	0
Detail:						
Salaries and Wages	2,135,160	2,124,295	2,104,968	0	19,327	0
Other Expenses	2,114,451	2,177,016	1,996,326	79,623	91,067	0

**DEFERRED CHARGES AND STATUTORY EXPENDITURES -
MUNICIPAL WITHIN "CAPS"**

STATUTORY EXPENDITURES:	
Contribution to:	
Public Employees' Retirement System	53,409
Social Security System (O.A.S.I.)	177,000
Police and Firemen's Retirement System of N.J.	106,580
Unemployment Comp. Ins.	2,000
	53,408
	155,237
	106,580
	2,000
	1
	15,063

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		EXPENDED		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	ENCUMBERED					
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	338,989	332,289	0		317,225	15,064	0	0
Transfer to Utility - Anticipated Deficit	94,423	94,423			69,976	24,447		
Total General Appropriations for Municipal Purposes within "Caps"	4,683,023	4,728,023	79,623		4,488,495	149,905	10,000	0
MANDATED EXPENDITURES PER N.J.S.A.								
<u>40A:4-45.3g EXCLUDED FROM "CAPS"</u> Recycling Tax Appropriation	2,700	2,700				2,700		
Group Insurance Plans For Employees	30,988	30,988			30,988			
Public Employees' Retirement System	50,778	50,778			50,778			
Police and Fireman's Retirement System of N.J.	94,507	94,507			94,507			
Total Other Operations - Excluded from "CAPS"	178,973	178,973	0		176,273	2,700	0	0
Interlocal Municipal Service Agreements								
Mid Atlantic Communications System								
Police Radio and Communications								
Salaries and Wages	236,500	236,500			232,460	4,040		
Other Expenses	96,315	96,315	144		90,200	5,971		
Total Interlocal Municipal Service Agreements	332,815	332,815	144		322,660	10,011	0	0
Public and Private Programs Offset by Revenues								
Clean Communities		11,131			11,131			
Atlantic County Open Space Grant -		39,000			39,000			
Recycling Other Expenses	8,281	8,281			8,281			
Drug Abuse Resistance Education	12,380	12,380			12,380			
Drug Abuse Resistance Education-Local Match	3,095	3,095			3,095			
Click It or Ticket	4,000	4,000			4,000			
Over the Limit Under Arrest		4,400			4,400			
Body Armor Fund	891	891			891			
Total Public and Private Programs Offset by Revenues	28,647	83,178	0		83,178	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
Total Operations - Excluded from "CAPS"	540,435	594,966	582,111	144	12,711	0	0
Detail:							
Salaries & Wages	236,500	236,500	232,460	0	4,040	0	0
Other Expenses	303,935	358,466	349,651	144	8,671	0	0
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>							
Capital Improvement Fund	225,000	225,000	225,000				
NJ Department of Transportation - Diesterweg Street Reconstruction Center of Place Philadelphia Ave Phase II	150,000 475,000	150,000 475,000	150,000 475,000				
Egg Harbor City Board of Education Rittenberg School Demolition		250,000	250,000				
Total Capital Improvements Excluded from "CAPS"	850,000	1,100,000	1,100,000	0	0	0	0
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>							
Payment of Bond Principal	155,000	155,000	155,000				
Payment of Bond Anticipation Notes	141,500	141,500	141,500				
Interest on Bonds	77,294	77,294	77,284			10	
Interest on Notes	34,500	34,500	34,095			405	
Total Municipal Debt Service-Excluded from "CAPS"	408,294	408,294	407,879	0	0	415	0
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>							
Special Emergency Authorizations - 5 Years	85,000	85,000	85,000			0	
Improvement to Philadelphia Avenue	20,000	20,000	20,000				
Total Deferred Charges - Municipal - Excluded from "CAPS"	105,000	105,000	105,000	0	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	18,443	18,443	18,443			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,922,172	2,226,703	2,213,433	144	12,711	0
Subtotal General Appropriations	6,605,195	6,954,726	6,701,928	79,767	162,616	0
Reserve for Uncollected Taxes	66,893	66,893	66,893			
Total General Appropriations	<u>\$6,672,088</u>	<u>7,021,619</u>	<u>6,768,821</u>	<u>79,767</u>	<u>162,616</u>	<u>0</u>
Budget		6,672,088				
Emergency Authorization		45,000				
NJSA 40A:4-87		304,531				
		<u>\$7,021,619</u>				
Reserve for Uncollected Taxes			66,893			
Grants			958,178			
Deferred Charges			105,000			
Disbursed			5,692,303			
			<u>6,822,374</u>			
Appropriation Refunds			53,553			
			<u>\$ 6,768,821</u>			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

EXHIBIT B - TRUST FUND

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

B
Sheet 1 of 2

	Ref.	2010	2009
<u>ASSETS</u>			
<u>Animal Control Fund</u>			
Cash - Treasurer	B-1	\$3,117	4,161
		<u>3,117</u>	<u>4,161</u>
<u>Other Funds</u>			
Cash - Treasurer	B-1	163,633	171,840
Cash - Tax Collector	B-2	11,507	22,603
Due from Current Fund	A		
UCC Third Party Inspection Fees		16,502	20,665
Street Opening		1,455	4,966
Due from Grant Fund	A	68,137	170,079
		<u>261,234</u>	<u>390,153</u>
		<u>264,351</u>	<u>394,314</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>Animal Control Fund</u>			
Reserve for Dog Expenditures	B-3	3,117	4,161
		<u>3,117</u>	<u>4,161</u>

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

B
Sheet 2 of 2

	Ref.	<u>2010</u>	<u>2009</u>
<u>Other Funds</u>			
Reserve for Escrow	B-8	50,947	35,287
Reserve for Landfill Closure	B-7	8,304	8,289
Unemployment Trust Fund	B-5	37,363	32,672
Reserve for Tax Title Lien Redemptions	B-9	11,507	4,803
Reserve for Tax Sale Premiums	B-9	0	17,800
Reserve for Law Enforcement Trust	B-10	14,180	7,982
Reserve for Recreation Trust	B-11	3,063	3,063
Reserve for Recreation Fees - Developers		10,000	10,000
Reserve for POAA	B-12	51	39
Reserve for Accumulated Absences	B-14	27,446	23,834
Reserve for Maintenance Bonds		12,281	50,674
Reserve for Program Loan Repayment		61,081	163,024
Reserve for UCC Third Party Inspection Fees		16,502	20,665
Reserves for Street Opening Escrow	B-13	1,454	4,966
Due to Current Fund - Program Loans		7,055	7,055
		<u>261,234</u>	<u>390,153</u>
		<u><u>\$264,351</u></u>	<u><u>394,314</u></u>

EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$200,683	18,058
Deferred Charges to Future Taxation - Funded	C-4	1,887,000	2,042,000
Deferred Charges to Future Taxation - Unfunded	C-5	1,362,629	1,524,129
		<u>3,450,312</u>	<u>3,584,187</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-9	1,195,700	975,200
General Serial Bonds	C-8	1,887,000	2,042,000
Encumbrances Payable	C-7	18,867	240,464
Reserve for Demolition of Property		3,283	3,283
Reserve for Engineering Study for the Proposed Regional High School		2,497	4,883
Reserve for Wetlands Study		13,570	13,570
Improvement Authorizations - Funded	C-7	19,386	16,135
Unfunded	C-7	214,409	221,998
Capital Improvement Fund	C-6	87,500	62,500
Fund Balance	C-1	8,100	4,154
		<u>\$3,450,312</u>	<u>3,584,187</u>

There were Bonds and Notes authorized but not issued at December 31, 2010 and 2009 of \$166,929 and \$548,929, respectively (C-10).

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
AS OF DECEMBER 31, 2010**

	<u>Ref.</u>	
Balance December 31, 2009	C	\$4,154
Increased by:		
Premium on Bond Anticipation Note	C-2	3,946
Balance December 31, 2010	C	<hr/> <u>\$8,100</u>

EXHIBIT D - WATER AND SEWER UTILITY FUND

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

	Ref.	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	D-5	\$238,617	458,740
Change Fund		125	125
Amount due from Current Fund	A	72,684	2,819
		<u>311,426</u>	<u>461,684</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	9,385	3,277
Water and Sewer Utility Liens	D-8	1,372	233
		<u>10,757</u>	<u>3,510</u>
Deferred Charges:			
None		<u>0</u>	<u>0</u>
Total of Operating Fund		<u>\$322,183</u>	<u>465,194</u>

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

	Ref.	2010	2009
Capital Fund:			
Cash		\$510,615	613,980
Fixed Capital - Sewer	D-9	9,712,569	9,712,569
Fixed Capital - Water	D-10	7,694,983	7,534,983
Fixed Capital - Authorized & Uncomp.	D-11	15,872,000	16,032,000
Total of Capital Fund		33,790,167	33,893,532
		34,112,350	34,358,726
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4:D-12	31,266	46,226
Reserve for Encumbrances	D-4	20,532	15,290
Accrued Interest on Bonds	D-13	115,385	117,299
Utility Rent Overpayments	D-14	5,773	8,545
Utility Rents Paid in Advance		138,470	134,268
		311,426	321,628
Reserve for Receivables	Res.	10,757	3,510
Fund Balance	D-1	0	140,056
Total of Operating Fund		\$322,183	465,194

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

	Ref.	<u>2010</u>	<u>2009</u>
Capital Fund:			
Bond Anticipation Notes	D-20	6,339,999	4,522,666
Serial Bonds-Water and Sewer	D-19	7,640,319	7,793,425
Encumbrances Payable	D-15	372,404	1,693,580
Accrued Interest on Notes		15,777	51,294
Improvement Authorizations			
Unfunded	D-15	9,221,341	9,842,990
Reserves for:			
Amortization - Water	D-16	4,892,512	4,845,764
Amortization - Sewer	D-17	1,710,472	1,703,805
Amortization - Deferred	D-18	3,312,836	3,189,978
Reserve to Pay Debt		235,190	235,190
Fund Balance	D-2	49,317	14,840
Total of Capital Fund		<u>33,790,167</u>	<u>33,893,532</u>
Total Liabilities, Reserves and Fund Balance		<u>\$34,112,350</u>	<u>34,358,726</u>

There were Bonds and Notes authorized but not issued at December 31, 2010 and 2009 of \$8,904,300 and \$10,744,800, respectively (D-21).

**WATER AND SEWER UTILITY 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>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	D-3	\$140,057	229,955
Rents	D-3	1,257,368	1,207,589
Miscellaneous Revenue Anticipated	D-3	57,414	111,604
Fire Hydrant Service	D-3	15,000	15,000
Reserve to Pay Notes	D-3	0	895,000
Deficit (General Budget)	D-3	69,976	0
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	20,459	44,152
Total Income		<u>1,560,274</u>	<u>2,503,300</u>
<u>Expenditures</u>			
Operating	D-4	1,014,303	937,320
Debt Service	D-4	521,633	1,403,716
Deferred Charges and Statutory Expenditures	D-4	23,250	22,500
Refund of Prior Year Revenue		1,087	0
Total Expenditures		<u>1,560,273</u>	<u>2,363,536</u>
Excess in Revenue		1	139,764
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		1	139,764
Fund Balance January 1	D	140,056	230,247
Decreased by:			
Utilization as Anticipated Revenue	D-1:D-3	140,057	229,955
Fund Balance December 31	D	<u>\$0</u>	<u>140,056</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**WATER AND SEWER CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Balance Beginning of Year	D	\$14,840	0
Increased by:			
Premium on Sale of Notes	D-5	<u>34,477</u>	<u>14,840</u>
Balance End of Year	D	<u><u>\$49,317</u></u>	<u><u>14,840</u></u>

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

	<u>Ref.</u>	<u>ANTIC. BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Surplus Anticipated	D-1	\$140,057	140,057	
Water and Sewer Rents	D-1:D-3	1,207,000	1,257,368	50,368
Miscellaneous	D-1:D-3	110,000	57,414	(52,586)
Fire Hydrant Services	D-1:D-3	15,000	15,000	
Deficit (General Budget)		94,423	69,976	(24,447)
		<u>\$1,566,480</u>	<u>1,539,815</u>	<u>(26,665)</u>

Analysis of Realized Revenue

Rents

Consumer Accounts Receivable	D-6:D-7	\$1,252,963
Miscellaneous		3,260
Overpayments Applied	D-7:D-14	<u>1,145</u>
Current Year Revenue Realized		<u>\$1,257,368</u>

Miscellaneous

Interest and Penalties	\$8,670
Water Tap Fee	9,175
Sewer Tap Fee	9,975
Fire	10,709
JIF Refund	10,000
Miscellaneous Other	<u>8,885</u>
Total Revenue Realized	D-5 <u>\$57,414</u>

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

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELLED	OVER - EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
OPERATING							
Salaries and Wages	\$288,750	288,750	285,867		2,883		
Other Expenses	345,925	329,175	290,390	20,532	18,253		
Engineering Fees	5,000	5,000			5,000		
Legal Fees	9,500	9,500	4,491		5,009		
Atlantic County Sewerage Authority - Contractual	381,878	381,878	381,878		0		
	<u>1,031,053</u>	<u>1,014,303</u>	<u>962,626 x</u>	<u>20,532</u>	<u>31,145</u>	<u>0</u>	<u>0</u>
CAPITAL IMPROVEMENTS							
None	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
DEBT SERVICE							
Payment of Bond Principal	153,106	153,106	153,106				
Payment of Bond Anticipation Notes and Capital Notes	6,667	23,167	23,167				
Interest on Bonds	345,360	345,360	345,360				
Interest on Notes	7,294	7,294				7,294	
	<u>512,427</u>	<u>528,927</u>	<u>521,633</u>	<u>0</u>	<u>0</u>	<u>7,294</u>	<u>0</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES							
Deferred Charges:							
None							
Statutory Expenditures							
Contribution to:							
Social Security System (O.A.S.I.)	22,000	22,250	22,129		121		
Unemployment Compensation Insurance	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>				
	<u>23,000</u>	<u>23,250</u>	<u>23,129</u>	<u>0</u>	<u>121</u>	<u>0</u>	<u>0</u>
	<u>\$1,566,480</u>	<u>1,566,480</u>	<u>1,507,388</u>	<u>20,532</u>	<u>31,266</u>	<u>7,294</u>	<u>0</u>
Ref.	D-3:D-4	D-3:D-4	D-1	D:D-1	D:D-1		D
Adopted Budget		<u>1,566,480</u>					
		<u><u>1,566,480</u></u>					

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

Interest on Bonds and Notes	Ref.	\$345,360
Payments made on Bond Anticipation Notes		23,167
Deferred Charges and	D-14	
Statutory Expenditures		0
Disbursed		1,148,235
	D-9	
	D-5	<u>1,516,762</u>
Appropriation Refunds		<u>(9,374)</u>
	D-5	<u><u>\$1,507,388</u></u>

EXHIBIT G - GENERAL FIXED ASSET GROUP OF ACCOUNTS

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**GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET
REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2010</u>	<u>2009</u>
General Fixed Assets:		
Land	\$859,675	859,675
Buildings	1,548,321	1,548,321
Improvements	371,982	364,487
Equipment	839,828	832,772
Vehicles	1,826,318	1,817,318
Furniture	65,687	65,687
	<u>5,511,811</u>	<u>5,488,260</u>
Investment in General Fixed Assets	<u>\$5,511,811</u>	<u>4,436,630</u>

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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

Egg Harbor City was incorporated in 1858 and is located in the northern section of Atlantic County. The population estimate by the US Department of Census as of July 2010 is 4,243. The City provides to its citizens the following services: public safety, recreation, public improvements, planning and zoning, garbage and trash collection, water and sewer services, and general administrative services.

Egg Harbor City is governed by a Mayor and a nine-member City Council. The Mayor is the chief executive officer and Council is the legislative body of the City. The Mayor is elected to a four-year term and the nine City Council members are elected to three-year terms. The Council monitors the daily administrative functions.

Except as noted below, the financial statements of Egg Harbor City include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by Egg Harbor City, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Egg Harbor City operates a Cemetery which is managed by a seven member board. Although the Cemetery is a component unit of the City, under State of New Jersey reporting requirements it is not included in these financial statements. Complete financial statements of the Egg Harbor City Cemetery may be obtained from the City Clerk, Egg Harbor City, 500 London Avenue, Egg Harbor City, NJ 08215.

B. Description of Funds

The accounting policies of Egg Harbor City 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, Egg Harbor City accounts for its financial transactions through the following separate funds:

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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 and Sewer Operating and Capital Funds -- account for the operations and acquisition of capital facilities other than those acquired in the Current Fund.

As permitted by generally accepted accounting principles, the City 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 Accounting Procedure, issued before November 30, 1989 in its accounting and reporting practices for its water and sewer 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 City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City 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. 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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; interest on utility capital indebtedness is on the accrual basis.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the City to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

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 -- Egg Harbor City has developed a fixed assets accounting and reporting system in accordance with the requirements of the State of New Jersey, Division of Local Government Services. This reporting system 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. The City's fixed asset capitalization threshold is \$5,000 for both general and utility capital assets.

No depreciation has been provided for in the financial statements.

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

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

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

Property and equipment purchased by the Water and Sewer 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 balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent 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 for the calendar years ended December 31, 2010 and 2009.

	Balance as of <u>12-31-09</u>	<u>Additions</u>	Adjustments/ <u>Disposals</u>	Balance as of <u>12-31-10</u>
Land	\$859,675			859,675
Buildings	1,548,321			1,548,321
Improvements	364,487	7,495		371,982
Equipment	832,772	7,056		839,828
Furniture	65,687			65,687
Vehicles	1,817,318	9,000		1,826,318
	<u>5,488,260</u>	<u>23,551</u>	<u>0</u>	<u>5,511,811</u>
	Balance as of <u>12-31-08</u>	<u>Additions</u>	Adjustments/ <u>Disposals</u>	Balance as of <u>12-31-09</u>
Land	0	859,675		859,675
Buildings	1,548,321			1,548,321
Improvements	356,987	7,500		364,487
Equipment	806,941	25,831		832,772
Furniture	65,687			65,687
Vehicles	1,658,694	200,816	42,192	1,817,318
	<u>\$4,436,630</u>	<u>1,093,822</u>	<u>42,192</u>	<u>5,488,260</u>

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

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2010 and 2009. Under New Jersey Statutory Accounting no depreciation is taken on these assets.

	Balance as of <u>12-31-09</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12-31-10</u>
Sewer Assets	\$9,712,569			9,712,569
Water Assets	7,534,983	160,000		7,694,983
Authorized Assets	<u>16,032,000</u>		<u>(160,000)</u>	<u>15,872,000</u>
	<u>33,279,552</u>	<u>160,000</u>	<u>(160,000)</u>	<u>33,279,552</u>

	Balance as of <u>12-31-08</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12-31-09</u>
Sewer Assets	9,107,533	605,036		9,712,569
Water Assets	6,894,629	640,354		7,534,983
Authorized Assets	<u>7,277,390</u>	<u>10,000,000</u>	<u>1,245,390</u>	<u>16,032,000</u>
	<u>\$23,279,552</u>	<u>11,245,390</u>	<u>1,245,390</u>	<u>33,279,552</u>

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.

Utility Levy – The City operates both a sewer and water utility. Rates are determined by ordinance and changed when needed. Sewer charges are based on flat fees based on the type of entity. Water charges are based on a flat “meter” charge, based on the size of the meter, plus a usage charge as determined by meter readings. The water and sewer charges are billed on January 1, April 1, July 1, and October 1. The City establishes a 100% reserve for all outstanding water and sewer receivables. Revenue is recognized when the payment is made.

Interest on Delinquencies – On an annual basis, City Council determines the rate of interest to charge for delinquent tax and utility charges. For the years 2010 and 2009 the City charged 8% of the first \$1,500 of delinquency and 18% for any cumulative amount in excess of \$1,500. In addition, there is an annual charge of 6% for any delinquencies in excess of \$10,000 on December 31. The City allows a ten (10) day grace period from the quarterly due date; but, the interest is calculated from the due date for any payments beyond the grace period.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

Capitalization of Interest -- It is the policy of Egg Harbor City to treat interest on general capital projects as a current expense and the interest is included in the current operating budget. For utility capital projects, the City elects on a project by project basis the decision to capitalize interest.

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 reports amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 on 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 City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of 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 \$66,893 and \$46,264. 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 budgets was \$131,145 and \$212,810.

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 City Council. The following significant budget transfers were approved in the 2010 and 2009 calendar years:

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

<u>Budget Category</u>	<u>2010</u>	<u>2009</u>
<u>Current Fund</u>		
Engineering Services and Costs		
Other Expenses	\$ 12,000	
Police		
Salaries and Wages	9,500	
Police Radio and Communications		
Salaries and Wages		17,000
Solid Waste Collection		
Salaries and Wages		(10,000)
Miscellaneous Other Expenses		25,000
Public Works		
Salaries and Wages	(14,000)	
Other Expenses	12,500	
Gasoline	15,000	(13,750)
Street Lights	14,000	
Group Insurance for Employees	(35,500)	

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, City Council approved the following significant budget insertions

	<u>2010</u>	<u>2009</u>
Atlantic County Open Space -		
Refurbishing of Historic Lafayette Fire House	\$ 39,000	
Egg Harbor City Board of Education		
Rittenberg School Demolition	250,000	
Small Cities Community Development Block Grant		
Revitalization of the Downtown Area		500,000

The Small Cities Community Development Block Grant – Revitalization of the Downtown Area grant award includes funds through the American Recovery and Reinvestment Act (ARRA).

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2010 calendar year, City Council approved a \$10,000 emergency appropriation to fund additional costs for Public Works and \$35,000 for Parks and Playgrounds. During the 2009 calendar year a special emergency appropriation was approved for

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

\$100,000 to fund the revision to the master plan to conform with the Council on Affordable Housing (COAH) requirements.

Note 3: INVESTMENTS

As of December 31, 2010 and 2009, the municipality has investments totaling \$839,999 and \$112,166.

During the period ended December 31, 2010 and 2009 the City held investments in Bond Anticipations Notes of the City in the amounts of \$839,999 and \$112,166 these investments represent 100% of the City's investments.

Interest Rate Risk. The municipality 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 municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; 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 municipality places no limit on the amount the City may invest in any one issuer.

Note 4: CASH

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 municipality's bank balance of \$2,269,363 and \$3,662,990 was exposed to custodial credit risk.

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

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2010 consisted of the following:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
General	\$2,042,000		155,000	1,887,000	160,000
Water & Sewer					
Utility	7,793,425		153,106	7,640,319	152,959
Comp. Absences	362,624	271,845	238,842	395,627	25,745
Total	<u>\$10,198,049</u>	<u>271,845</u>	<u>546,948</u>	<u>9,922,946</u>	<u>338,704</u>

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the City:

\$2,317,000 General Improvement Bond dated 12/1/05 payable in annual installments commencing 12/1/08 and continuing through 12/1/20. Interest is paid semiannually at varying rates ranging from 3.25% to 4.00%. The balance remaining as of December 31, 2010 was \$1,887,000.

Outstanding bonds whose principal and interest are paid from the Utility Operating Fund Budget of the City:

\$1,272,000 Water and Sewer Utility Bond dated 8/1/90 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$37,549 through 8/1/29. Interest is calculated at 5.00% and is included in the semiannual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$914,260.

\$870,000 Sewer Utility Bond dated 8/1/90 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$25,253 through 8/1/33. Interest is calculated at 5.00% and is included in the semiannual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$685,486.

\$220,000 Sewer Utility bond dated 9/26/02 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$5,956 through 3/26/43. Interest is calculated at 4.50% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$200,879.

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

\$839,000 Sewer Utility bond dated 4/22/04 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$22,712 through 10/22/2044. Interest is calculated at 4.50% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$786,841.

\$160,800 Sewer Utility bond dated 10/1/05 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$4,199 through 6/1/45. Interest is calculated at 4.25% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$151,222.

\$715,000 Water and Sewer Utility Bond dated 12/1/05 payable in annual installments commencing 12/1/08 and continuing through 12/1/20. Interest is paid semiannually at varying rates ranging from 3.25% to 4.00%. The balance remaining as of December 31, 2010 was \$610,000.

\$4,400,000 Water and Sewer Utility Bond dated 2/15/08 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$116,996 through 2/15/48. Interest is calculated at 4.375% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance on this issue as of December 31, 2010 was \$4,291,631.

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

		General	Fund	Utility	Fund
<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$	160,000	72,056	152,959	340,729
2012		165,000	66,456	163,043	334,069
2013		175,000	60,680	173,368	326,995
2014		185,000	54,456	183,945	319,493
2015		190,000	48,480	194,786	311,552
2016-2020		1,012,000	120,000	1,081,687	1,420,801
2021-2025				940,250	1,186,438
2026-2030				1,108,212	943,379
2031-2035				943,851	705,243
2036-2040				1,001,433	497,197
2041-2045				1,154,799	256,549
2046-2048				541,986	35,775
	\$	<u>1,887,000</u>	<u>421,728</u>	<u>7,640,319</u>	<u>6,678,220</u>

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

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

Summary of Municipal Debt

	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
<u>Issued</u>			
General - Bonds and Notes	\$3,082,700	3,017,200	3,129,700
Water & Sewer Utility - Bonds & Notes	<u>13,980,318</u>	<u>12,316,091</u>	<u>9,366,226</u>
Total Issued	<u>17,063,018</u>	<u>15,333,291</u>	<u>12,495,926</u>
<u>Authorized But Not Issued</u>			
General - Bonds & Notes	166,929	548,929	206,929
Water & Sewer Utility - Bonds & Notes	<u>8,904,300</u>	<u>10,744,800</u>	<u>5,744,800</u>
Total Authorized But Not Issued	<u>9,071,229</u>	<u>11,293,729</u>	<u>5,951,729</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$26,134,247</u>	<u>26,627,020</u>	<u>18,447,655</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 1.58%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$9,316,088	9,231,049	85,039
Regional High School District Debt	1,755,086	1,755,086	0
Water & Sewer Utility Debt	22,884,618	21,360,953	1,523,665
General Debt	<u>3,249,629</u>	<u>0</u>	<u>3,249,629</u>
	<u>\$37,205,421</u>	<u>32,347,088</u>	<u>4,858,333</u>

Net Debt \$4,858,333 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$307,701,643 = 1.58 %.

The above information is in agreement with the Annual Debt Statement filed by Egg Harbor City.

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

3 ½ % of Equalized Valuation Basis (Municipal)	\$10,769,558
Net Debt	<u>4,858,333</u>
Remaining Borrowing Power	<u>\$5,911,225</u>

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

Note 6: SHORT TERM OBLIGATIONS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes	\$975,200	362,000	141,500	1,195,700
Utility Capital Notes	4,522,666	1,840,500	23,167	6,339,999
Special Emergency Notes	165,000	80,000	165,000	80,000
	<u>\$5,662,866</u>	<u>2,282,500</u>	<u>329,667</u>	<u>7,615,699</u>

The City has outstanding at December 31, 2010 the following special emergency and bond anticipation notes:

<u>Bank</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest</u>
Current Fund				
Select Bank	<u>\$80,000</u>	3/24/10	3/23/11	1.50%
General Capital				
Cede & Co.	<u>1,195,700</u>	2/11/10	2/9/2011	1.50%
	<u>1,195,700</u>			
Water & Sewer Capital				
Cede & Co.	500,000	2/10/10	2/9/2011	1.50%
Cede & Co.	5,000,000	11/9/10	7/15/11	1.25%
Egg Harbor City	<u>839,999</u>	4/29/10	4/29/11	0.00%
Total Utility Capital	<u>6,339,999</u>			
Total Special Emergency and Bond Anticipation Notes	<u>\$7,615,699</u>			

The City renewed the special emergency note upon maturity, after a pay down of \$20,000, for an additional one year period. In addition, the City borrowed an additional \$60,000 on the 2009 special emergency. The interest rate on this note is 1.25% per annum. Upon maturity of the remaining notes, the City paid down \$50,000 of the existing debt and issued \$300,000 of new debt. Of this balance, \$1,945,700 will mature on 2/7/12, at an interest rate of 2.13% per annum, and \$5,000,000 will mature on 7/15/11, at an interest rate of 1.50% per annum. Although the \$839,999 utility note is non interest bearing, the discount is not reflected as it is between funds of the City and not significant.

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

Note 7: LEASE OBLIGATIONS

At December 31, 2010, the City had lease agreements in effect for a police car, a copy machine and a mailing system. The future minimum lease payments for the copier and mailing system are:

Year Ending December 31		
2011	\$	17,811
2012		0
2013		0
2014		0
2015		0
	\$	<u>17,811</u>

Rental expenses charged to operations in 2010 and 2009 were \$18,500 and \$17,811 respectively.

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2010 and 2009 which are anticipated to be 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	\$195,000	131,145
Water & Sewer Utility Fund	0	140,057

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>12/31/10</u>	<u>2011 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
Current Fund:			
Emergency Appropriation	\$45,000	45,000	
Special Emergency NJSA 40A:4-55	80,000	20,000	60,000

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

Note 10: 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:

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

	Local District School Tax		Regional High School Tax	
	Balance	Balance	Balance	Balance
	12/31/10	12/31/09	12/31/10	12/31/09
Balance of Tax	\$ 186,268	598,865	598,865	493,569
Deferred	0	485,108	485,108	485,108
Tax Payable	\$ 186,268	113,757	113,757	8,461

Note 11: 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	Balance
	12/31/10	12/31/09
Prepaid Taxes	\$49,925	47,401
Cash Liability for Taxes Collected in Advance	\$49,925	47,401

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension plans which have been established by State Statute and are administered by the New Jersey Division of Pensions 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 systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at – http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 5.5% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 6.0% of covered payroll. The City's contributions to PERS for the years ended December 31, 2010, 2009, and 2008 were \$53,408, \$51,603 and \$69,143.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2010, 2009, and 2008 were \$106,580, \$103,072, and \$208,708.

Note 13: POST-RETIREMENT BENEFITS

Effective May 1, 2009, employee health insurance coverage was transferred to the State Health Benefits Plan (SHBP).

The New Jersey Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' Health Care plan. The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents. It is the policy of the City to pay for the health care coverage for any retired police officers hired prior to 1993 or firefighter, subject to certain requirements. All other retirees are offered benefits through COBRA.

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

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement	Attainment of 25 years of service
Eligibility for State –paid SHBP	provided the employer has chosen to
Benefits	provide post-retirement medical
	coverage to eligible employees; the
	City has elected not to provide medical
Ordinary Disability Retirement	benefits to retirees
	Eligible after 10 years of service
Accidental Disability	Eligible upon total and permanent
	disability prior to age 65 as a result of a
	duty injury

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/shbp.htm>.

Egg Harbor City is a member of the SHBP. During 2010 and 2009, \$673,696 and \$612,965, respectively, was paid by the City for health care of employees and \$18,293 and \$31,673, respectively, was paid for health care of retirees.

Note 14: DEFERRED COMPENSATION

Employees of Egg Harbor City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

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

Note 15: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. Employees will be paid for a maximum of 45 days of accumulated sick time upon retirement. It is estimated that the current cost of such unpaid compensation would approximate \$395,627 in 2010 and \$262,624 in 2009. This amount is not reported either as an expenditure or liability. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. As of December 31, 2010 and 2009 the total amount accumulated was \$27,446 and \$23,834, respectively.

Note 16: ECONOMIC DEPENDENCY

The Egg Harbor City is not economically dependent on any one business or industry as a major source of tax revenue for the City.

Note 17: RISK MANAGEMENT

The City 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 City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2010 and 2009 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City is a member of the Statewide Joint Insurance Fund which also includes other municipalities throughout the State. The City is obligated to remit insurance premiums into this funds for sufficient insurance coverage. There is an unknown contingent liability with the Statewide Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a coverage limitation of \$10,000,000. There was no reduction in coverage and no claims in excess of coverage during 2010 or 2009. The Statewide Insurance Fund issues its own financial report which may be obtained from the Statewide Insurance Fund, 30A Vreeland Road, Florham Park, NJ 07932-0678.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the City’s trust fund for the previous three years.

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

<u>Calendar Year</u>	<u>City Contributions</u>	<u>Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	3,000	44	4,077	2,430	37,363
2009	5,000	42	3,957	3,509	32,672
2008	5,000	591	3,863	21,243	27,182

Note 18: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in Egg Harbor City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. The value of the building improvements must exceed \$100,000 for commercial and the properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years.

The tax exemption program was established to encourage residential property improvements in Egg Harbor City. This exemption is only permitted on properties more than twenty (20) years old and is also a five year program. The Assessor's full and true value of the home improvements must not exceed \$15,000 and will not increase the value of the property for five years.

Note 19: LITIGATION

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

Note 20: UNION CONTRACTS

City employees are organized into two collective bargaining units; the Policeman's Benevolent Association, Inc. and Teamster's Local #331. The PBA contract was re-negotiated during 2008 for another five year period, expiring December 31, 2011. When the City became a member of the State Health Benefits Plan, effective May 1, 2009, the contract was extended for an additional year. The Teamster's contract expires December 31, 2013.

The PBA contract covers all uniformed police excluding the Director of Public Safety. The Teamsters contract covers all full-time and regular part-time blue collar employees except managerial executives, confidential employees, police officers, supervisors, professionals, craft employees and all other employees of the City.

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

Note 21: RELATED PARTY TRANSACTIONS

The seven members of the Egg Harbor City Cemetery Board of Trustees are appointed by the Common Council of Egg Harbor City. During the 2010 and 2009 calendar years, the City paid \$20,183 and \$19,924, respectively for salaries and related benefits for Cemetery employees. In addition, they charged the Cemetery \$15,000 for maintenance services performed at the Cemetery during 2010 and 2009. The Cemetery has reimbursed the City for all expenses.

Note 22: CONTINGENCIES, GRANTS AND CONTRACTS

The City awarded contracts in 2009 and 2010 for various acquisitions and improvements throughout the City. The balance remaining on these contracts as of December 31, 2010 is as follows:

Contract	Funding Source	Balance at 12/31/10
EHC North Utility Improvements	Bond Ordinance #20-08	20,550
Transit Hub Parking Lot and Road Improvements	Small Cities CDBG Grant	405,561
Demolition of Rittenberg School	Egg Harbor City Bd of Ed	173,000
Refurbishing of Historic Lafayette Firehouse	NJ Historic Preservation Trust Grant	109,608

Note 23: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City is the owner of a non operating landfill. The State of New Jersey Department of Environmental Protection is the organization that monitors all activity related to landfills. Prior to closing the landfill certain fees were placed into an escrow which has a balance of \$8,304 and \$8,289 on December 31, 2010 and 2009. 100% of the landfill capacity has been used and, therefore the landfill has no remaining useful life. The recognition of liability for closure and post closure costs is generally based on the landfill capacity used to date. However, the cost to close the landfill and to cover future post closure costs has not been determined. The City anticipates meeting the post closure requirements on a pay as you go basis. The \$8,304 certificate of deposit is restricted for post closure use.

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

Note 24: INTERFUND BALANCE

As of December 31, 2010, the following interfunds were included on the balance sheets of the various funds of Egg Harbor City:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		115,821
Trust Fund-Third Party Inspections		16,502
Trust Fund-Street Opening		1,455
Trust Fund-Program Loans	7,055	
Utility Operating		72,684
Grant Fund:		
Current Fund	115,821	
Trust Fund		68,137
Trust Funds:		
Grant Fund – Program Loans	68,137	
Current Fund-Street Openings	1,455	
Current Fund-Third Party Inspections	16,502	
Current Fund-Program Loans		7,055
Utility Operating Fund:		
Current Fund	72,684	
	<u>281,654</u>	<u>281,654</u>

The amount due to the Grant Fund from the Current Fund is the result of funds received on the various grants that have not yet been expended. The amounts due to the trust funds is the result of prior housing rehabilitation loans that were repaid and construction fees collected in the current fund that are due to the third party inspectors. The amount due to the utility operating fund is the result of note and loan proceeds received in the current fund.

Note 25: SUBSEQUENT EVENTS

On April 26, 2011 the City issued \$1,690,000 in refunding general obligation bonds. These bonds were authorized by a City Council approved refunding bond ordinance on March 10, 2011 which provided for the refunding of all or a portion of the callable portion of the \$1,272,000 USRDA issue dated August 1, 1989. The callable portion refunded includes the bonds maturing on August 1, 2011 and semi-annually thereafter through August 1, 2029 and total \$899,568. In addition, the refunding issue includes all or a portion of the callable portion of the \$870,000 USRDA issue dated August 24, 1993. The callable portion refunded includes the bonds maturing on August 24, 2011

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

and semi-annually thereafter through August 24, 2033 and total \$677,366. Semi-annual interest payments are due, at rates ranging from 2.00% to 4.00%, on February 1 and August 1, commencing August 1, 2011. The bonds will mature annually on August 1, commencing in 2011 through 2025. Refunding bonds maturing on or after August 1, 2022 are subject to redemption prior to maturity at the option of the City on any date on or after August 1, 2021.

Principal and interest due on this issue are as follows:

Year ending Dec. 31	Principal	Interest	Total
2011	\$35,000	13,275	48,275
2012	55,000	57,950	112,950
2013	55,000	56,300	111,300
2014	55,000	54,650	109,650
2015	55,000	53,000	108,000
2016-2020	655,000	223,075	878,075
2021-2025	780,000	94,888	874,888
	<u>1,690,000</u>	<u>553,138</u>	<u>2,243,138</u>

The City has evaluated subsequent events through June 20, 2011, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

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SUPPLEMENTARY DATA

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

The Honorable Mayor and
Members of City Council
Egg Harbor City, New Jersey

We have audited the financial statements - regulatory basis of Egg Harbor City, New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated June 20, 2011. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, Egg Harbor City, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Egg Harbor City, New Jersey in a separate letter dated June 20, 2011.

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

Robert E. Swartz, CPA

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

Swartz & Co.

Swartz & Co., LLC
Certified Public Accountants

June 20, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and Members
of the City Council
Egg Harbor City, New Jersey

Compliance

We have audited Egg Harbor City, New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. Egg Harbor City, New Jersey's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Egg Harbor City, New Jersey's management. Our responsibility is to express an opinion on the Egg Harbor City, New Jersey's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"); and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Egg Harbor City, New Jersey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Egg Harbor City, New Jersey's compliance with those requirements.

In our opinion the Egg Harbor City, New Jersey complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Egg Harbor City, New Jersey is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Egg Harbor City, New Jersey's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Robert E. Swartz

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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

June 20, 2011

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

Federal or State Grantor/Pass Through Grantor/Program Title	Pass Through Grantor's #	Program Period	Program or Award Amount	Program Balance 1/1/2010	Receipts or Revenue Recognized	Disbursements/Expenditures	Encumbrances	Encumbrances Cancelled/Adjustment	Program Balance 12/31/2010	Cumulative Expenditures
<u>State of New Jersey</u>										
Historic Preservation										
Lafayette Firehouse Emergency Grant	N/A	1/1/09-12/31/09	10,000	\$10,000		10,000			0	10,000
Department of Environmental Protection										
Pollution Discharge Elimination System										
Municipal Stormwater General Permit	N/A	1/1/09-12/31/09	1,705	1,705		1,705			0	1,705
Municipal Stormwater General Permit	N/A	1/1/04-12/31/04	38,912	3,075		553			2,522	36,390
Hazardous Discharge Site Remediation	N/A	1/1/04-12/31/04	280,057	144,715					144,715	17,726
Solid Waste Administration										
Clean Communities Program	4900-765-178910-60	1/1/07-12/31/07	7,880	2,997		2,997				7,880
Clean Communities Program	4900-765-178910-60	1/1/08-12/31/08	7,417	7,417		5,815			1,602	5,815
Clean Communities Program	4900-765-178910-60	1/1/09-12/31/09	11,885	11,885					11,885	0
Clean Communities Program	4900-765-178910-60	1/1/10-12/31/10	11,131		11,131				11,131	0
Recycling Tonnage	4830-752-050580-50	1/1/10-12/31/10	8,281		8,281	138			8,143	138
Division of Law & Public Safety										
Click It or Ticket	N/A	1/1/10-12/31/10	4,000		4,000					4,000
Over the Limit Under Arrest	N/A	1/1/10-12/31/10	4,400		4,400					4,400
Body Armor Fund	N/A	1/1/09-12/31/09	1,562	168					168	1,394
Body Armor Fund	N/A	1/1/10-12/31/10	891		891		891			0
Division of Motor Vehicles										
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/05-12/31/05	10,697	1,927		593			1,334	9,363
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/07-12/31/07	3,694	3,694					3,694	0
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/08-12/31/08	5,119	5,119					5,119	0
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	64	64					64	0
New Jersey Department of Transportation										
Reconstruction of Diesterweg Street	6320-480-601381-61	1/1/09-12/31/09	150,000	150,000					150,000	0
Reconstruction of Diesterweg Street	6320-480-601381-61	1/1/10-12/31/10	150,000		150,000				150,000	0
Local Aid Centers - Streetscape	6320-480-601381-61	1/1/09-12/31/09	175,500	175,500					175,500	0
Local Aid Centers - Streetscape	6320-480-601381-61	1/1/10-12/31/10	475,000		475,000				475,000	0
Total State Assistance				\$518,266	653,703	30,201	891		0	1,140,877

SEE ACCOMPANYING AUDITOR'S REPORT

CITY OF EGG HARBOR
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal or State Grantor/Pass Through Grantor/Program Title	Pass Through Grantor's #	Program Period	Program or Award Amount	Program Balance 1/1/2010	Receipts or Revenue Recognized	Disbursements/ Expenditures	Encumbrances	Encumbrances Cancelled/ Adjustment	Program Balance 12/31/2010	Cumulative Expenditures
Federal Assistance:										
Department of Housing and Urban Development Passed through State of New Jersey Department of Community Affairs Division of Housing										
Small Cities Community Development Housing Rehabilitation	14.228	1/1/01-12/31/01	350,000	\$25,766		7,495			18,271	
Housing Rehabilitation	14.228	1/1/07-12/31/07	100,000	20,954				(20,954)		
Site Acquisition	14.228	1/1/09-12/31/09	400,000	85,000		350,000		265,000		
Transit Hub-Parking Facility	14.228	1/1/09-12/31/09	365,000	331,641		55,596	285,870	9,825		
				463,361	0	413,091	285,870	253,871	18,271	
American Recovery & Reinvestment Act Downtown Redevelopment	14.253	1/1/09-12/31/09	500,000	500,000		156,577			343,423	
US House Transportation and Infrastructure Transit Hub-Parking Facility	20.205	1/1/09-12/31/09	237,500	237,500			220,565		16,935	
U.S. Department of Justice Local Law Enforcement Block Grant	16.592	1/1/05-12/31/05	15,780	14,374		4,631	0	0	9,743	
				14,374	0	4,631	0	0	9,743	
Bulletproof Vest Program	N/A	1/1/08-12/31/08	323	323					323	
Bulletproof Vest Program	N/A	1/1/09-12/31/09	2,400	2,400					2,400	
				2,723	0	0	0	0	2,723	
Total Federal Assistance				\$1,217,958	0	574,299	506,435	253,871	391,095	

SEE ACCOMPANYING AUDITOR'S REPORT

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

Note 1: BASIS OF PRESENTATION

The accompanying schedule of federal and state awards includes the federal and state grant activity of Egg Harbor City, 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 comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

In calculating the total federal programs expended, the U.S. Department of Agriculture loans have been excluded. Although the Federal government is at risk for these funds, the loan proceeds were received and expended in prior years and there are no compliance requirements other than to repay the loans.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the City's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City'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:

	State	Federal
Expenditures per Schedule of Federal and State Awards	\$ 30,201	574,299
Expenditures reported in Basic Financial Statements	\$ 30,201	574,299

The Balance remaining on U.S. Department of Agriculture Rural Development Loans as of December 31, 2010 amounted to \$7,030,319.

**CITY OF EGG HARBOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part I -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Qualified GAAP - Unqualified Regulatory</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified?	_____ yes	<u>X</u> no	
2) Significant deficiency(ies) Identified?	_____ yes	<u>X</u> no	
Noncompliance material to financial statements noted?	_____ yes	<u>X</u> no	

Federal Awards Section

Internal Control over compliance:			
Material weakness(es) identified?	_____ yes	<u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	<u>X</u> no	
Type of auditor's report on compliance for major programs	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_____ yes	<u>X</u> no	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.228</u>	<u>HUD - Community Development Block Grants</u>
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low-risk auditee?	_____ yes	<u>X</u> no	_____ n/a
--	-----------	-------------	-----------

**CITY OF EGG HARBOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part I -- Summary of Auditor's Results

State Awards Section

Not Applicable

Internal Control over compliance:

Material weakness(es) identified? _____ yes _____ no

Significant deficiency(ies) identified? _____ yes _____ no

Type of auditor's report on compliance for
major programs

Any audit findings disclosed that are required to
be reported in accordance with NJ OMB
Circular 04-04?

_____ yes _____ no

Identification of major programs:

GMIS Number(s)

Name of State Program

Dollar threshold used to distinguish between
Type A and Type B programs:

Auditee qualified as low-risk auditee?

_____ yes _____ no _____ n/a

Part 2 - Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	<u>Current Fund</u>
Balance December 31, 2009	A	\$2,363,482
Increased By Receipts:		
Collector	A-5	8,154,418
State of New Jersey -		
Veterans & Senior Citizens		57,120
Marriage License Fees		625
Burial Permit Fees		5
DCA Fees		4,262
State Dog License Fees		3,513
Revenue Accounts Receivable	A-8	1,106,196
Miscellaneous Revenue not		
Anticipated	A-2	53,848
Special Emergency Note		80,000
Third Party Inspection Fees		19,613
Reserve for Sale of Municipal Assets		66,348
Due from Cemetery		20,183
Appropriation Refunds	A-3	53,553
Street Opening Deposits		10,143
Due from Grant Fund	A-12:A-13	800,043
Due from General Capital	C-2	146,000
Due from Utility Operating		10,542
Due from Utility Capital		5,099,229
Marriage Ceremonies - Mayor		300
Miscellaneous Adjustment to Balance		
		<u>15,685,941</u>
		18,049,423

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	<u>Current Fund</u>
Decreased by Disbursements:		
2010 Appropriations	A-3	5,692,303
2009 Appropriation Reserves	A-10	78,676
Reserve for Encumbrances		6,996
Special Emergency Note		169,702
Due to Current Fund		
Due to Payroll		
Due to Grant Fund	A-13	727,194
Due to Animal Control Fund		3,511
Due to Trust Funds-Program Loans		101,942
Due to Cemetery		20,183
Due to Utility Operating		113,361
Due to Utility Capital		5,679,074
Due to General Capital		187,500
Due to State of New Jersey -		
Marriage License Fees		650
Burial Permit Fees		110
DCA Training Fees		3,767
Due to Mayor - Marriage Ceremonies		900
Refund Street Opening Deposits		13,655
Third Party Inspection Fees		23,776
Refund Overpayments		18,889
County Taxes		1,005,436
Local District School Tax	A-10	1,980,707
Regional High School Tax	A-11	1,137,661
		<u>16,965,993</u>
Balance December 31, 2010	A	<u><u>\$1,083,430</u></u>

**CURRENT FUND
SCHEDULE OF CASH - COLLECTOR**

	Ref.		
Balance December 31, 2009			\$0
Increased by Receipts:			
Prepaid Taxes- 2011		49,925	
Taxes Receivable	A-6	7,987,569	
Tax Title Liens	A-7	6,811	
Revenue Accounts Receivable	A-8	110,113	
		<hr/>	8,154,418
			<hr/>
			8,154,418
Decreased by Disbursements:			
Payment to Treasurer	A-4		8,154,418
Balance December 31, 2010	A		<hr/>
			<u><u>\$0</u></u>

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

YEAR	BALANCE DEC. 31, 2009	2010 LEVY	ADDED TAXES	COLLECTIONS BY CASH 2009	2010	OVER- PAYMENTS CREATED	OVER- PAYMENTS APPLIED	TRANSFERRED/ CANCELLED	TRANSFERRED TO TAX TITLE LIENS	TRANSFER TO ARREARS	BALANCE DEC. 31, 2010
Arrears 2009	19,114 0				10,090			4,814			4,210 0
	19,114	0	0	0	10,090	0	0	4,814	0	0	4,210
2010		8,172,507	39,106	47,398	8,033,354	1,886		0	131,847		900
	\$19,114	8,172,507	39,106	47,398	8,043,444	1,886	0	4,814	131,847	0	5,110

A-7

Collections											
Veterans and Senior Citizens											
				A-5	7,987,569						
					<u>55,875</u>						
					<u>\$8,043,444</u>						

SEE ACCOMPANYING AUDITOR'S REPORT

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

Ref.

Analysis of 2010 Property Tax Levy

Tax Yield

General Purpose Tax		8,160,629	
Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		11,878	
Added - Cleaning Liens		39,106	
			<hr/>
			<u>8,211,613</u>

Tax Levy

Local District School Tax (Abstract)	A-10	2,305,540	
Regional High School Tax (Abstract)	A-11	1,242,957	
			<hr/>
			3,548,497
County Tax (Abstract)		842,118	
County Library Tax (Abstract)		90,557	
Health Tax (Abstract)		54,910	
Open Space Preservation Trust (Abstract)		15,683	
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		1,462	
			<hr/>
			1,004,730
Local Tax for Municipal Purposes	A-2	3,608,335	
Add: Additional Tax Levied	Res.	50,051	
			<hr/>
Local Tax for Municipal Purposes Levied			3,658,386
			<hr/>
			<u>\$8,211,613</u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	Ref.		
Balance December 31, 2009	A		\$253,431
Increased by:			
Transfers from Taxes Receivable	A-6	131,847	
Added Tax Title Liens		8,626	
Interest and Costs Accrued by Sale of December 14, 2010	Res.	<u>6,143</u>	
			<u>146,616</u>
			400,047
Decreased by:			
Collections	A-2:A-5	<u>6,811</u>	
			<u>6,811</u>
Balance December 31, 2010	A		<u><u>\$393,236</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Ref.	BALANCE DEC. 31, 2009	ACCRUED IN 2010	COLLECTED BY COLLECTOR TREASURER	BALANCE DEC. 31, 2010
Energy Receipts Tax	A-2		386,604	386,604	
Consolidated Municipal Property Tax Relief	A-2		86,857	86,857	
Municipal Court	A-2	8,679	106,404	109,106	5,977
Construction Code Official	A-2		35,875	35,875	Dec. 2010
Investment Interest	A-2		3,833	3,833	
Interest and Costs on Taxes	A-2		53,283	53,283	
Mid Atlantic Communication					
Center - Share of Costs	A-2		328,349	328,349	
Licenses:					
Alcoholic Beverages	A-2		15,655	15,655	
Other	A-2		45,220	45,220	
Rental Registration Fees	A-2		32,775	32,775	
Lake Parking Fees	A-2		56,830	56,830	
Mayor Marriage Fees	A-2		1,000	1,000	
Payment in Lieu of Taxes	A-2		30,590	30,590	
Uniform Fire Safety Act	A-2		15,538	15,538	
Rent of Municipal Property	A-2		14,794	14,794	
FEMA Prior Year Snow					
Emergency Reimbursement	A-2		13,933	13,933	
		<u>\$8,679</u>	<u>1,213,607</u>	<u>1,106,196</u>	<u>5,977</u>
Ref.	A	Res.	A-5	A-4	A

SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	ACCOUNTS PAYABLE	BALANCE LAPSED	OVER- EXPENDED
Administrator Other Expenses	1,227	1,227	66		1,161	
Administrative and Executive Other Expenses						
Governing Body	1,305	1,305	300		1,005	
Municipal Clerk (other)	5,746	5,746	2,228		3,518	
Financial Administration Other Expenses	3,950	3,950	2,092		1,858	
Collection of Taxes Other Expenses	409	409	274		135	
Legal Services Other Expenses	18,152	15,652	9,703		5,949	
Engineering Services and Costs Other Expenses	2,423	2,423	468		1,955	
Public Buildings and Grounds Other Expenses	9,089	9,089	1,733	3,768	3,588	
Planning Board Other Expenses	815	815	780		35	

SEE ACCOMPANYING AUDITORS REPORT

**CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	ACCOUNTS PAYABLE	BALANCE LAPSED	OVER- EXPENDED
Zoning Board of Adjustment Other Expenses	407	407	8		399	
Police Other Expenses						
Miscellaneous Other Expenses	14,957	14,957	6,869		8,088	
Police Radio & Communication Other Expenses	5,826	5,826	277		5,549	
Municipal Court Other Expenses	2,656	8,156	665	2,000	5,491	
Solid Waste Collection (Public Works) Other Expenses						
Hauling Fee (Tipping and Hauling Fee)	17,888	17,888	3,367		14,521	
Miscellaneous Other Expenses	39,823	54,823	23,075		31,748	
Solid Waste Disposal Cost	17,228	17,228	2,019		15,209	
Health Insurance	6,924	6,924	1,861		5,063	
Construction Official Other Expenses	967	967	127		840	

SEE ACCOMPANYING AUDITORS REPORT

**CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	ACCOUNTS PAYABLE	BALANCE LAPSED	OVER- EXPENDED
Parks and Playgrounds Other Expenses	5,313	5,313	5,313			
Anniversary or Holiday Other Expenses	1,803	1,803	293		1,510	
Unclassified:						
Street Lighting	13,639	12,639	7,389		5,250	
Gasoline	11,357	4,357	2,196		2,161	
Electric	17,643	14,643	9,573		5,070	
Telephone	12,196	5,196	843		4,353	
Natural Gas	10,135	10,135	4,153		5,982	
Other Accounts - No Change	55,623	55,623			55,623	
	<u>\$277,501</u>	<u>277,501</u>	<u>85,672</u>	<u>5,768</u>	<u>186,061</u>	<u>0</u>
	A	A	A-4		A-1	A-1
Prior Year Reserved	189,601		78,676			
Prior Year Encumbered	87,900		6,996			
	<u>\$277,501</u>		<u>\$85,672</u>			

SEE ACCOMPANYING AUDITORS REPORT

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

	Ref.	
Balance December 31, 2009	A	\$0
Increased by:		
Levy - Calendar Year 2010	A-1:A-6	<u>2,305,540</u>
		2,305,540
Decreased by:		
Payments	A-4	2,119,272
Balance December 31, 2010	A	<u><u>\$186,268</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

	Ref.		
Balance December 31, 2009			
School Tax Payable	A	\$8,461	
School Tax Deferred	A	485,108	
	A	<hr/>	493,569
Increased by:			
Levy - School Year July 1, 2010			
June 30, 2011	A-1:A-6		1,242,957
			<hr/>
			1,736,526
Decreased by:			
Payments	A-4		1,137,661
			<hr/>
Balance December 31, 2010			
School Tax Payable		113,757	
School Tax Deferred		485,108	
	A	<hr/>	<u>\$598,865</u>
2010 Liability for Regional High School Tax:			
Tax Paid			\$1,137,661
Tax Payable @ December 31, 2010			113,757
			<hr/>
			1,251,418
Less: Tax Payable @ December 31, 2009			8,461
			<hr/>
Amount Charged to 2010 Operations			<u>\$1,242,957</u>

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANT RECEIVABLES**

	BALANCE DEC. 31, 2009	2010 REVENUE	RECEIVED	CANCELED	BALANCE DEC. 31, 2010
State of New Jersey:					
NJ Transportation Trust Fund Authority Act					
Reconstruction of -					
Diesterweg Street	150,000	150,000			300,000
St. Louis Avenue	44,813				44,813
DOT Local Aid Centers-Streetscape		475,000			475,000
NJ DOT Safe Streets to Transit Program	175,500				175,500
NJDEP-Hazardous Discharge Site Remediation	3,272				3,272
NJEDA Environmental Cleanup	217,086				217,086
Clean Communities Act		11,131	11,131		
Click It or Ticket		4,000	4,000		
Over the Limit Under Arrest		4,400	4,400		
Recycling Tonnage Grant		8,281	8,281		
Body Armor Fund		891	891		
NJ Historic Preservation - Lafayette Firehouse Emergency Grant	10,000				10,000
Total State Programs	600,671	653,703	28,703	0	1,225,671
Federal:					
Small Cities Community Development Block Grant					
Site Acquisition	350,000		340,070		9,930
Transit Hub-Parking Facility	365,000				365,000
ARRA Downtown Redevelopment	500,000		92,421		407,579
Housing Rehabilitation - 2007	65,362		46,725	18,637	
US House Trans and Infrastructure Transit Hub	237,500				237,500
Bullet Proof Vest	2,400		2,025		375
Total Federal Programs	1,520,262	0	481,241	18,637	1,020,384
Local /County:					
Atlantic County Open Space Grant - Lafayette Fire House	162,581	39,000			201,581
Egg Harbor City Board of Education		250,000	250,000		
Rittenberg School Demolition		12,380	11,240	1,140	12,380
Drug Abuse Resistance Education	12,380		275		
Atlantic County Free Summer Concerts	275				
Total Local / County Programs	175,236	301,380	261,515	1,140	213,961
Total	\$2,296,169	955,083	771,459	19,777	2,460,016

Ref.

A

A-2

A-4

A

SEE ACCOMPANYING AUDITOR'S REPORT

FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS APPROPRIATED

	BALANCE DEC. 31, 2009	TRANSFERRED FROM 2010 BUDGET APPROPRIATIONS	DISBURSED	ENCUMBERED	ENCUMBRANCES CANCELED	BALANCES CANCELED	BALANCE DEC. 31, 2010
State of New Jersey:							
DOT -							
Safe Streets to Transit	175,500						175,500
Reconstruction of Diesterweg Street	150,000	150,000					300,000
Centers of Place		475,000					475,000
NJDEP-NJ Pollution Discharge Elimination System Muni Stormwater General Permit	4,780		2,258				2,522
NJDEP-Hazardous Discharge	144,715			117,616	117,616		144,715
NJ Historic Preservation Trust Lafayette Fire House	10,000		10,000				
Body Armor Fund	168				891		1,059
Drunk Driving Enforcement Fund	10,804		593	1,284			8,927
Clean Communities Program	22,299	11,131	8,812				24,618
Recycling Tonnage Grant		8,281	138				8,143
Division of Highway Safety Over the Limit Under Arrest		4,400	4,400				
Click It or Ticket		4,000	4,000				
Total State Programs	518,266	652,812	30,201	118,900	118,507	0	1,140,484
Federal:							
Small Cities Community Development Block Grant							
Parking Facility (Transit Hub)	331,641		55,596	285,870	9,825		
Housing Rehabilitation	25,766		7,495				18,271
Housing Rehabilitation - 2007	20,954					20,954	
Site Acquisition	85,000		350,000		265,000		
ARRA Downtown Redevelopment	500,000		156,577				343,423
US Department of Justice							
Local Law Enforcement Block Grant	14,374		4,631				9,743
Bulletproof Vest Program	2,723						2,723
US House Transportation and Infrastructure	237,500			220,565			16,935
Total Federal Programs	1,217,958	0	574,299	506,435	274,825	20,954	391,095
Local / County:							
Drug Abuse Resistance Education	1,370	15,475	9,503	5,353		1,370	619
Egg Harbor City Board of Education							
Rittenberg School Demolition		250,000	33,062	186,175			30,763
Atlantic County Open Space Grant							
Lafayette Fire House	162,581	39,000	79,192	109,608			12,781
JIF Safety Reimbursement	1,948		937				1,011
Total Local / County Programs	165,899	304,475	122,694	301,136	0	1,370	45,174
	<u>\$1,902,123</u>	<u>957,287</u>	<u>727,194</u>	<u>926,471</u>	<u>393,332</u>	<u>22,324</u>	<u>1,576,753</u>
Ref.	A	A-3	A-4	A			A

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

	BALANCE DEC. 31, 2009	TRANSFERRED TO 2010 BUDGET APPROPRIATIONS	RECEIVED	BALANCE DEC. 31, 2010
Body Armor			1,604	1,604
Recycling Tonnage Grant	\$8,281	8,281	2,872	2,872
	<u>\$8,281</u>	<u>8,281</u>	<u>4,476</u>	<u>4,476</u>
Ref.	A			A

SEE ACCOMPANYING AUDITOR'S REPORT

TRUST FUND
SCHEDULE OF TRUST CASH - TREASURER

	<u>Ref.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2009	B	\$4,161	171,840
Increased by:			
Received from Current Fund	B-3; B-4	1,745	
Municipal Court-POAA	B-12		12
Construction Official	B-6		35,875
Budget Appropriations	B-5		3,000
Unemployment	B-5		4,077
Forfeiture Funds	B-10		6,918
Accumulated Absences-Budget	B-14		26,700
Developer's Fees	B-8		93,168
Interest on Savings:			
Maintenance Bonds			386
Developer's Escrow	B-8		20
Unemployment Fund	B-5		44
Sanitary Landfill	B-7		15
Accumulated Absences	B-14		3
		<u>1,745</u>	<u>170,218</u>
		5,906	342,058

TRUST FUND
SCHEDULE OF TRUST CASH - TREASURER

	<u>Ref.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Decreased by:			
Expenditures under			
R.S. 4:19-15.11	B-3	2,475	
Paid to State of New Jersey	B-4	314	
Paid to Treasurer			
Construction Code	B-6		35,875
Refund Maintenance Bonds			38,781
Unemployment Claims	B-5		2,430
Drug Buy Money	B-10		720
Payment of Retiree Benefits	B-14		23,091
Developer's Fees	B-8		77,528
			<u>178,425</u>
Balance December 31, 2010	B	<u>\$3,117</u>	<u>163,633</u>

TRUST FUND
SCHEDULE OF TRUST CASH - TREASURER

<u>Ref.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Analysis of Cash Balance:		
Unemployment Trust Fund		37,363
POAA Trust		51
Law Enforcement Trust Fund		14,178
Sanitary Landfill Escrow		8,304
Developer's Escrow		50,947
Maintenance Bonds		
Shocky Pure Water Systems		2,972
Homeworks LLC Escrow		2,613
Fintan Cooke		1,687
Atlantic County Council Education		5,009
Recreation Trust Fund		13,063
Accumulated Absences		27,446
		<u>\$163,633</u>

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF CASH - TAX COLLECTOR**

Balance December 31, 2009	<u>Ref.</u> B		\$22,603
Increased by:			
Tax Title Lien Redemptions Deposited		452,888	
	B-9	<u> </u>	452,888
			<u>475,491</u>
Decreased by:			
Redemption of Tax Sale Certificates		463,984	
	B-9	<u> </u>	463,984
			<u> </u>
Balance December 31, 2010	B		<u><u>\$11,507</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$4,161
Increased by:		
Collections in Current Fund		
Dog Licenses	1,081	
Cat Licenses	195	
Late Fees	155	
		<u>1,431</u>
		5,592
Decreased by:		
Expenditures under R.S. 4:19-15.11:		
Cash	B-1	<u>2,475</u>
		2,475
Balance December 31, 2010	B	<u><u>\$3,117</u></u>

License Fees Collected

Year	Amount
2009	1,855
2008	2,830
	<u>\$4,685</u>

**TRUST FUND
DUE TO STATE OF NEW JERSEY**

	<u>Ref.</u>	
Balance December 31, 2009	B	\$0
Increased by:		
State Fees Collected:		
Registration	159	
Pilot Clinic Fees	32	
Animal Population Control	123	
	B-1	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 314
		<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 314
Decreased by:		
Fees paid to State of NJ Dept. of Health	B-1	314
Balance December 31, 2010	B	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> \$0

TRUST FUND
SCHEDULE OF RESERVE FOR UNEMPLOYMENT

	<u>Ref.</u>	
Balance December 31, 2009	B	\$32,672
Increased by:		
Interest Earned		44
Unemployment Withholdings		4,077
Budget Appropriations		
Current Fund		2,000
Utility Fund		1,000
	B-1	<div style="border-top: 1px solid black; border-bottom: 3px double black;">7,121</div>
		39,793
Decreased by:		
Paid to State of New Jersey	B-1	2,430
Balance December 31, 2010	B	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$37,363</div>

B-6

TRUST FUND
SCHEDULE OF CONSTRUCTION CODE OFFICIAL

	<u>Ref.</u>		
Balance December 31, 2009	B		\$0
Increased by:			
Permits	B-1	31,613	
State Training Fees	B-1	4,262	
		<hr/>	35,875
			<hr/>
			35,875
Direct Deposit to Current Fund	B-1		35,875
Balance December 31, 2010	B		<hr/> <hr/> \$0

B-7

TRUST FUND
SCHEDULE OF RESERVE FOR SANITARY LANDFILL CLOSURE

	<u>Ref.</u>		
Balance December 31, 2009	B		\$8,289
Increased by Receipts:			
Interest Earned	B-1		15
Balance December 31, 2010	B		<hr/> <hr/> \$8,304

SEE ACCOMPANYING AUDITOR'S REPORT

**TRUST FUND
SCHEDULE OF AGENT ESCROWS**

	<u>Ref.</u>	
Balance December 31, 2009	A:B	\$35,287
Increased by:		
Developer's Fees		93,168
Interest Earned		<u>20</u>
	B-1	<u>93,188</u>
		128,475
Decreased by:		
Fees Paid to Developers	B-1	<u>77,528</u>
		<u>77,528</u>
Balance December 31, 2010	B	<u><u>\$50,947</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2009	<u>Ref.</u> B		\$22,603
Increased by:			
Tax Title Lien Redemptions Deposited	B-2	<u>452,888</u>	<u>452,888</u>
			<u>475,491</u>
Decreased by:			
Paid to Current Fund		<u>463,984</u>	<u>463,984</u>
Balance December 31, 2010	B		<u><u>\$11,507</u></u>
Analysis of Balance:			
Tax Title Lien Redemptions		11,507	
Tax Sale Premiums		<u>0</u>	<u><u>\$11,507</u></u>

B-10

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST

Balance December 31, 2009	<u>Ref.</u> B		\$7,982
Increased by:			
County Forfeiture Funds	B-1	<u>6,918</u>	<u>6,918</u>
			14,900
Decreased by:			
Drug Buy Money and Other Miscellaneous	B-1	<u>720</u>	<u>720</u>
Balance December 31, 2010	B		<u><u>\$14,180</u></u>

B-11

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST FUND

Balance December 31, 2009	B		\$3,063
No Activity			
Balance December 31, 2010	B		<u><u>\$3,063</u></u>

B-12

**TRUST FUND
SCHEDULE OF RESERVE FOR PARKING OFFENSE
ADJUDICATION FUND**

Balance December 31, 2009	<u>Ref.</u> B	\$39
Increased by:		
Received from Municipal Court	B-1	<u>12</u>
Balance December 31, 2010	B	<u><u>\$51</u></u>

B-13

**TRUST FUND
SCHEDULE OF RESERVE FOR STREET OPENING ESCROWS**

Balance December 31, 2009	B	\$4,966
Increased by:		
Due from Current Fund- Street Opening Permits		<u>8,940</u>
		13,906
Decreased by:		
Refund of Street Opening Permit Fees		<u>12,452</u>
Balance December 31, 2010	B	<u><u>\$1,454</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

Balance December 31, 2009	<u>Ref.</u> B		\$23,834
Increased by:			
Interest earned		3	
Budget Appropriations			
Current Year		<u>26,700</u>	
	B-1		<u>26,703</u>
			50,537
Decreased by:			
Payments to Retirees	B-1		<u>23,091</u>
Balance December 31, 2010	B		<u><u>\$27,446</u></u>

**SCHEDULE OF CASH TREASURER
GENERAL CAPITAL FUND**

	<u>Ref.</u>		
Balance December 31, 2009	C:C-3		\$18,058
Increased by:			
Capital Improvement Fund	C-6	225,000	
Premium on Bond Anticipation Note	C-1	3,946	
Deferred Charges Raised in Operating Budget	A-2	20,000	
Bond Anticipation Notes Issued	C-9	<u>362,000</u>	
			<u>610,946</u>
			629,004
Decreased by:			
Expenditures Charged to Reserves:			
Engineering Study for the Proposed			
Regional High School		2,386	
Improvement Authorizations	C-7	<u>425,935</u>	
			<u>428,321</u>
Balance December 31, 2010	C:C-3		<u><u>\$200,683</u></u>

C:C-2

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>	
Balance December 31, 2009	C	\$2,042,000
Decreased by:		
2010 Budget Appropriations to Pay Bonds:		
Municipal Bonds	C-8	<u>155,000</u>
Balance December 31, 2010	C	<u><u>\$1,887,000</u></u>

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

Ord. #	Improvement Authorization	Balance Dec. 31 2009	2010 Authorizations	Funded by Budget Appropriation	Transferred to Deferred Taxation- Funded	Balance Dec. 31 2010	Analysis of Balance - December 31, 2010		
							Financed by Notes	Expenditures	Unexpended Improvement Authorizations
15-89	Construction of Sidewalks	80,000		20,000		60,000		60,000	
9-06	Various General Improvements	471,900		79,000		392,900	392,900		
7-07	Various General Improvements	437,800		62,500		375,300	375,300		
19-08	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	106,929				106,929		98,502	8,427
11-09	Reconstruction of Various Roads	427,500				427,500	427,500		
		<u>\$1,524,129</u>	<u>0</u>	<u>161,500</u>	<u>0</u>	<u>1,362,629</u>	<u>1,195,700</u>	<u>158,502</u>	<u>8,427</u>
C			C-7	C-10	C-4	C	C-9		C-7

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>	
Balance December 31, 2009	C	\$62,500
Increased by:		
Budget Appropriation	A-3	<u>225,000</u>
		287,500
Decreased by:		
Appropriated to Fund Improvement Authorizations	C-7	<u>200,000</u>
		<u>200,000</u>
Balance December 31, 2010	C	<u><u>\$87,500</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	Improvement Authorizaton	Ordinance Date	Amount	2010 Authorizations										Balance Dec. 31, 2010	
				Balance Dec. 31, 2009		Capital Improvement Fund	Capital Surplus	Deferred Charged to Future Taxation		Paid or Charged	Encumbered	Prior Year Encumbrances	Funded		Unfunded
				Funded	Unfunded			Unfunded	Unfunded						
4-05	Foreclosure of City Owned Property	2/24/05	400,000						130			130			
5-06	Purchase of Radios, Computers, and Ambulance	3/23/06	235,638	14,435					8,094	849	716	6,208			
19-08	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	8/28/08	241,000		9,206				4,201		3,422			8,427	
9-09	Lake Improvements/EHC North Preliminary Expense a - Lake Improvements b- EHC North Preliminary Expenses	4/9/09	37,500 75,000	1,700					3,820 10,652	400	4,845 9,482	1,025 130			
11-09	Reconstruction of Various Roads	6/25/09	450,000		212,792				218,898	9,781	221,869			205,982	
11-10	EHC North Preliminary Expenses	4/22/10	200,000			200,000			180,140	7,837		12,023			
				\$16,135	221,998	200,000	0	0	425,935	18,867	240,464	19,386	214,409		
Ref.				C	C	C-6	C-1	C-5		C		C	C	C	
General Capital Cash															

SEE ACCOMPANYING AUDITOR'S REPORT

GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
			Date	Amount					
Various Improvements	12/1/05	2,317,000	12/1/11	160,000	3.50%				
			12/1/12	165,000	3.50%				
			12/1/13	175,000	3.50%				
			12/1/14	185,000	3.50%				
			12/1/15	190,000	4.00%				
			12/1/16	200,000	4.00%				
			12/1/17-19	210,000	4.00%				
			12/1/20	182,000	4.00%	2,042,000	155,000	1,887,000	
						<u>\$2,042,000</u>	<u>0</u>	<u>155,000</u>	<u>1,887,000</u>

Ref.	C	C-4	C-4	C
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SEE ACCOMPANYING AUDITOR'S REPORT

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

Ord. #	Improvement Description	Date of Original Issue of Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
9-06	Various General Improvements	7/26/07	2/11/10	2/9/11	1.50%	471,900		79,000	392,900
7-07	Various General Improvements	6/1/07	2/11/10	2/9/11	1.50%	437,800		62,500	375,300
11-09	Various General Improvements	12/31/09	2/11/10	2/9/11	1.50%	65,500			65,500
11-09	Various General Improvements	2/11/10	2/11/10	2/9/11	1.50%		362,000		362,000
						<u>\$975,200</u>	<u>362,000</u>	<u>141,500</u>	<u>1,195,700</u>
Ref.						C	C-7	C-5	C; C-5

SEE ACCOMPANYING AUDITOR'S REPORT

GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. #	Improvement Description	Date of Ordinance	Balance Dec. 31, 2009	Debt Authorized	Paid Through Budget	Notes Issued	Balance Dec. 31, 2010
15-89	Revitalization of Phila. Ave.	9/7/89	80,000		20,000		60,000
19-08	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	8/28/08	106,929				106,929
11-09	Various Roads Reconstruction	6/25/09	362,000			362,000	
			<u>\$548,929</u>	<u>0</u>	<u>20,000</u>	<u>362,000</u>	<u>166,929</u>
Ref.			C	C-7	C-5	C-9	C

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>OPERATING</u>	<u>CAPITAL</u>
Balance December 31, 2009		\$458,740	613,980
Increased by Receipts:			
Collector	D-6	1,260,425	
Miscellaneous	D-3	57,414	
Fire Hydrants	D-3	15,000	
Petty Cash		200	
Due from Current Fund		113,361	1,389,374
Bond Anticipation Notes	D-20		4,965,350
Premium on Notes	D-2		34,477
		<u>1,446,400</u>	<u>6,389,201</u>
		1,905,140	7,003,181
Decreased by Disbursements:			
2010 Appropriations	D-4	1,148,235	
2009 Appropriation Reserves	D-12	41,057	
Accrued Interest on Bonds and Notes	D-13	347,274	
Non Budget Appropriations		2,715	
Petty Cash		200	
Bond Anticipation Notes			4,541,380
Improvement Authorizations			1,951,186
Due to Current Fund		110,542	
Due to Utility Capital		<u>16,500</u>	
		<u>1,666,523</u>	<u>6,492,566</u>
Balance December 31, 2010	D	<u>\$238,617</u>	<u>510,615</u>

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

	<u>Ref.</u>		
Balance December 31, 2009	D		\$0
Increased by Receipts:			
Consumer Accounts Receivable	D-3:D-7	1,118,695	
Utility Liens	D-8	3,260	
Prepaid Utility Rents		136,473	
Prepaid Fire Receipts		<u>1,997</u>	
			<u>1,260,425</u>
			1,260,425
Decreased by Disbursements:			
Payment to Treasurer	D-5		<u>1,260,425</u>
Balance December 31, 2010			<u><u>\$0</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2009	D		\$3,277
Increased by Receipts:			
Utility Rents Levied	Res.	<u>1,264,773</u>	<u>1,264,773</u>
			1,268,050
Decreased by Disbursements:			
Collections - 2010	D-6	1,118,695	
Collections - 2009		134,268	
Transfers to Lien	D-8	3,310	
Other Miscellaneous		1,247	
Overpayments created	D-14	<u>1,145</u>	<u>1,258,665</u>
Balance December 31, 2010	D		<u><u>\$9,385</u></u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF LIENS**

	<u>Ref.</u>		
Balance December 31, 2009	D		\$233
Increased by:			
Transfers from Accounts Receivable	D-7	3,310	
Penalties and Costs		716	
Other		<u>373</u>	<u>4,399</u>
			4,632
Decreased by:			
Collections		<u>3,260</u>	<u>3,260</u>
Balance December 31, 2010	D		<u><u>\$1,372</u></u>

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF FIXED CAPITAL - SEWER**

ACCOUNT	BALANCE DEC. 31, 2009	ADDITIONS BY		DEDUCTION FACILITIES ABANDONED	BALANCE DEC. 31, 2010
		BUDGET CAPITAL	BY ORDINANCE		
Sewer Mains	\$161,073				161,073
Engineering and Superintendents	13,131				13,131
General Equipment	4,726				4,726
Sewer Line Extension	73,542				73,542
Sewer Improvements	87,500				87,500
Erection of Fence	4,361				4,361
Various Improvements to Sewer System	3,693,400				3,693,400
8th Terrace Sewer Replacement	65,000				65,000
Extension of Sanitary Sewers in Buerger Street, Beethoven Street, Baltimore Avenue and Claudius Street	680,000				680,000
Extension or Replacement of Sanitary Sewers and/or Water Mains on Various City Streets	100,000				100,000
Sanitary Sewer Replacement and Extension	889,000				889,000
#13-03 Sewer Extensions and Replacements	150,582				150,582
Sewer Extensions - 2004	160,800				160,800
Sewer Plant Demolition	135,000				135,000
#13-04 Hamburg Avenue Sanitary Sewer Expansion	3,100,000				3,100,000
#14-06 Various Sewer Utility Improvements	106,235				106,235
#11-07 Various Sewer Utility Improvements	250,000				250,000
#21-08 Various Sewer Utility Improvements	38,219				38,219
	\$9,712,569	0	0	0	9,712,569

Ref.

D

D-11

D

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF FIXED CAPITAL - WATER**

ACCOUNT	BALANCE DEC. 31, 2009	ADDITIONS BY		DEDUCTION		BALANCE DEC. 31, 2010
		BUDGET CAPITAL OUTLAY	BY ORDINANCE	FACILITIES ABANDONED		
Reservation Land	\$4,417					4,417
Filters	12,281					12,281
Chemical Treatment Plant	3,308					3,308
Pumping Station Structures	50,136					50,136
Electric Power Pumping Equipment	55,975					55,975
Other Power Pumping Equipment	755					755
Storage Reservoirs, Tanks and Sandpipes	153,918					153,918
Distribution Mains and Accessories	289,769					289,769
Service Pipes and Stops	13,559					13,559
Meters, Meter Boxes and Vaults	22,846					22,846
Fire Hydrants and Fire Cisterns	9,385					9,385
General Structures	16,699					16,699
General Equipment	16,219					16,219
Chlorinator	1,575					1,575
Water Plant Improvements	51,000					51,000
Repairs to Water System	25,000					25,000
General Improvements	124,373					124,373
Refinishing Water Tower	25,000					25,000
New Wells and Filters	205,327					205,327
Various Improvements to Water System	2,356,600					2,356,600
Improvements to Monitoring Wells	10,000					10,000
Replacement of Well #3	260,000					260,000
Purchase of Automated Meter Reading System	15,000					15,000
#9-03 Water Tank Renovations	269,021					269,021
Land for Water Plant - 2008	221,487					221,487
#11-06 Improvements to Hamburg Avenue Water Service	2,950,000					2,950,000
#14-06 Various Water Utility Improvements	83,114					83,114
#11-07 Various Water Utility Improvements	250,000					250,000
#21-08 Various Water Utility Improvements	38,219					38,219
#12-09 Acquisition of Land for Water Plan			160,000			160,000
	<u>\$7,534,983</u>	<u>0</u>	<u>160,000</u>	<u>0</u>		<u>7,694,983</u>

Ref.

D

D-4

D-11

D-18

D

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED**

IMPROVEMENT DESCRIPTION	DATE	AMOUNT	BALANCE DEC. 31, 2009	2010 AUTHORIZATION			CANCELLED	BALANCE DEC. 31, 2010
				DEFERRED RESERVE FOR AMORTIZATION	DEFERRED CHARGES TO FUTURE REVENUE	TO FIXED CAPITAL		
#20-08 Construction of EHC North Utility Improvements	9/11/08	6,032,000	6,032,000					6,032,000
#12-09 Construction of Water Plant	9/10/09	10,000,000	10,000,000			160,000		9,840,000
			<u>\$16,032,000</u>	<u>0</u>	<u>0</u>	<u>160,000</u>	<u>0</u>	<u>15,872,000</u>
Ref.	D				D-15	D-9; D-10		D

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

	BALANCE DEC. 31, 2009	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Operating:					
Other Expenses	\$44,842	44,842	39,782	5,060	
Engineering Fees	10,000	10,000	900	9,100	
Legal Fees	2,128	2,128	375	1,753	
Other Accounts - No Change	4,546	4,546		4,546	
	<u>\$61,516</u>	<u>61,516</u>	<u>41,057</u>	<u>20,459</u>	<u>0</u>
Ref.	D		D-5	D-1	D-1

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
AND NOTES - ANALYSIS OF BALANCE -
DECEMBER 31, 2010**

Balance December 31, 2009	<u>Ref.</u> D		\$117,299
Increased by:			
Budget Appropriation for Interest on Bonds and Notes	D-4		<u>345,360</u>
			462,659
Decreased by:			
Interest Paid - Treasurer	D-5	267,056	
Interest Charged to Ordinances		<u>80,218</u>	
			<u>347,274</u>
Balance December 31, 2010	D		<u><u>\$115,385</u></u>

ANALYSIS OF ACCRUED INTEREST - DECEMBER 31, 2010

Principal Outstanding Dec. 31, 2010	Interest Rate	From	To	Period	Amount
Serial Bonds					
914,260	5.00%	8/1/10	12/31/10	152	\$19,301
685,486	5.00%	8/24/10	12/31/10	129	12,282
200,879	4.50%	9/26/10	12/31/10	97	2,436
786,841	4.50%	10/22/10	12/31/10	70	6,885
151,222	4.25%	12/1/10	12/31/10	31	553
610,000	various	12/1/10	12/31/10	31	1,954
4,291,631	4.375%	8/15/10	12/31/10	138	<u>71,974</u>
					<u>115,385</u>
Bond Anticipation Notes					
459,500	1.25%	7/15/10	12/31/10	169	2,696
4,000,000	1.25%	7/15/10	12/31/10	169	23,472
540,500	1.25%	7/15/10	12/31/10	169	3,172
500,000	1.50%	2/10/10	12/31/10	326	<u>6,792</u>
					<u>36,132</u>
Total Accrued Interest					<u><u>\$151,517</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER OPERATING FUND
SCHEDULE OF RENT OVERPAYMENTS**

	<u>Ref.</u>		
Balance December 31, 2009	D		\$8,545
Increased by:			
Overpayments created in 2010	D-7		<u>1,145</u>
			9,690
Decreased by:			
Refunded in 2010		1,855	
Overpayments applied in 2010	D-7	<u>2,062</u>	
			<u>3,917</u>
Balance December 31, 2010	D		<u><u>\$5,773</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION - WATER

	Ref.		
Balance December 31, 2009	D		\$4,845,764
Increased by:			
Transfer from Deferred Reserve for Amortization	D-18	1,924	
Serial Bonds Paid	D-19	<u>47,380</u>	
			<u>49,304</u>
Balance December 31, 2010	D		<u><u>\$4,895,068</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER

	Ref.		
Balance December 31, 2009	D		\$1,703,805
Increased by:			
Transfer from Deferred Reserve for Amortization	D-18	997,037	
Serial Bonds Paid	D-19	105,726	
Bond Anticipation Notes Paid		<u>23,167</u>	
			<u>1,125,930</u>
Balance December 31, 2010	D		<u><u>\$2,829,735</u></u>

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION**

	Ref.	
Balance December 31, 2009	D	\$3,189,978
Decreased by:		
Transfer to Reserve for Amortization	D-16: D-17	<u>998,961</u>
Balance December 31, 2010	D	<u><u>\$2,191,017</u></u>

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING		INT. RATE	BALANCE DEC. 31, 2009	INCREASED	DECREASED	BALANCE DEC. 31, 2010
			DECEMBER 31, 2010 DATE	AMOUNT					
Various Sewer Improvements	8/1/90	1,272,000	2/1/11	14,692					
			8/1/11	15,060					
			2/1/12	15,436					
			8/1/12	15,822					
			2/1/13	16,218					
			8/1/13	16,623					
			2/1/14	17,039					
			8/1/14	17,465					
			2/1/15-						
			8/1/29	785,905	5.00%	942,578		28,318	914,260
Various Sewer Improvements	8/24/93	870,000	2/24/11	8,120					
			8/24/11	8,323					
			2/24/12	8,531					
			8/24/12	8,744					
			2/24/13	8,963					
			8/24/13	9,187					
			2/24/14	9,417					
			8/24/14	9,652					
			2/24/15-						
			8/24/33	614,549	5.00%	701,137		15,651	685,486
Various Sewer Improvements	9/26/02	220,000	3/26/11	1,436					
			9/26/11	1,469					
			3/26/12	1,502					
			9/26/12	1,535					
			3/26/13	1,570					
			9/26/13	1,605					
			3/26/14	1,641					
			9/26/14	1,678					
			3/26/15-						
			9/26/42	188,443	4.50%	203,658		2,779	200,879
Sanitary Sewer Extension & Replacement	10/22/04	839,000	4/22/11	5,008					
			10/22/11	5,121					
			4/22/12	5,236					
			10/22/12	5,354					
			4/22/13	5,474					
			10/22/13	5,597					
			4/22/14	5,723					
			10/22/14	5,852					
			4/22/15-						
			10/22/44	743,476	4.50%	796,529		9,688	786,841
Various Sewer Improvements	9/1/05	160,800	6/1/11	986					
			12/1/11	1,006					
			6/1/12	1,028					
			12/1/12	1,050					
			6/1/13	1,072					
			12/1/13	1,095					
			6/1/14	1,118					
			12/1/14	1,142					
			6/1/15-						
			6/1/45	142,725	4.25%	153,132		1,910	151,222

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**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DEC. 31, 2009	INCREASED	DECREASED	BALANCE DEC. 31, 2010
Improvements to Sanitary Sewer	4/30/04	4/29/11	0.00%	46,666		6,667	39,999
Various Utility Improvements	12/28/07	7/15/11	1.25%	476,000		16,500	459,500
EHC North W&S Improvements	8/18/09	7/15/11	1.25%	4,000,000			4,000,000
EHC North W&S Improvements	7/15/10	7/15/11	1.25%		540,500		540,500
Water Plant Construction	2/10/10	2/9/11	1.50%		500,000		500,000
Water Plant Construction	2/10/10	2/9/11	0.00%		800,000		800,000
				<u>\$4,522,666</u>	<u>1,840,500</u>	<u>23,167</u>	<u>6,339,999</u>
			Ref.	D	D-21	D-4	D

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**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

IMPROVEMENT DESCRIPTION	DATE OF ORDINANCE	BALANCE DEC. 31, 2009	2010 AUTHORIZATIONS	NOTES ISSUED	BALANCE DEC. 31, 2010
#06-04 Sewer Extensions	5/13/04	800			800
#20-08 EHC North Utility Improvements	9/11/08	744,000		540,500	203,500
#12-09 Construction of Water Plant	9/10/09	10,000,000		1,300,000	8,700,000
		<u>\$10,744,800</u>	<u>0</u>	<u>1,840,500</u>	<u>8,904,300</u>
Ref.	D	D-15	D-20	D	

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EGG HARBOR CITY

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

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GENERAL COMMENTS

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

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

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

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

Construction of Water & Sewer Lines in the Northern part of the City (change orders to previous awarded contracts), Construction of Transit Hub Parking Lot, Refurbishing of Lafayette Fire House, Improvements to 100 Block of Philadelphia Avenue.

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

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

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$21,000 "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 4, 2010 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes, assessments, and water and sewer bills subject to any abatement or discount for the late payment of taxes and water and sewer bills as provided by law; and

WHEREAS, NJSA 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500 and allows an additional penalty of 6% to be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of Egg Harbor City, County of Atlantic, State of New Jersey as follows:

1. The Tax and Utility Collector's are hereby authorized and directed to charge 8% per annum on the first \$1,500 of taxes and water and sewer bills becoming delinquent after due date and 18% per annum on any amount of taxes and water and sewer bills in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

2. There is a ten (10) day grace period of quarterly tax and water and sewer bill payments made by cash, check or money order.

3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

4. This resolution shall be published in its entirety once in an official newspaper of Egg Harbor City.

5. A certified copy of this resolution shall be provided by the City Clerk to the Utility Collector, City Attorney, and City Auditor for Egg Harbor City.

It appears from an examination of the collector's records that interest was collected in accordance with the resolution adopted by the governing body.

Delinquent Taxes and Tax Title Liens

During the 2010 calendar year, the City held their tax sale on December 14, 2010. The sale was complete for all properties which could be included in the sale; however, there are several bankruptcies from prior years that could not be sold.

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

<u>Year</u>	<u>Number of Liens</u>
2010	3,743
2009	3,718
2008	3,574

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. Included in the December 31, 2010 balance are inactive tax title liens. These liens have been dormant since the early 1940's and represent approximately 3,300 liens.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2011 and 2010 Taxes	25
Payment of 2010 Water & Sewer Utility Charges	15
Municipal Court	10

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percent of Collections</u>
2010	\$8,211,613	8,078,866	98.38%
2009	7,857,419	7,794,440	99.19%
2008	7,803,926	7,758,066	99.41%
2007	7,450,797	7,337,767	98.48%
2006	6,899,950	6,869,136	99.55%

Comparative Schedule of Tax Rate Information

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Rate	2.72	2.62	2.60	2.48	2.31
Apportionment of Tax Rate:					
Municipal	1.20	1.14	1.13	1.07	0.95
County	0.33	0.33	0.32	0.31	0.29
Local School	0.77	0.75	0.71	0.65	0.64
Regional High School	0.42	0.40	0.44	0.45	0.43
Assessed Valuation	300,464,985	299,122,086	299,436,382	299,694,731	297,765,021

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2010	\$393,236	5,110	398,346	4.85%
2009	274,638	19,114	293,752	3.74%
2008	231,012	10,431	241,443	3.09%
2007	192,346	6,132	198,478	2.66%
2006	176,849	6,395	183,244	2.65%

Uniform Construction Code

The construction code official of Egg Harbor City is in compliance with uniform construction code rules NJAC 5:23.17(b)2 and NJAC 5:23.4.17(b)3.

Schedule of Financial Statement Findings

NONE

Status of Prior Year Recommendations

NONE

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,

Robert E. Swartz, CPA

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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants