

EGG HARBOR CITY

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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, 2011

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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, 2011, the related statements of operations and changes in fund balance - regulatory basis for the year 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, 2011. 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. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated June 20, 2011 expressed an unqualified opinion under the Regulatory basis of accounting and an adverse opinion under Generally Accepted Accounting Principles.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2011 or the results of its operations for the year 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, 2011 and the results of operations and changes in fund balance - regulatory basis of such funds for the year 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, 2011 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 14, 2012 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 audit was conducted for the purpose of forming an opinion on the financial statements 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 schedule 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 Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robert E. Swartz, CPA

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

Ford-Scott & Associates, LLC

Ford-Scott & Associates, LLC
Certified Public Accountants

June 14, 2012

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EXHIBIT A - CURRENT FUND

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

	Ref.	2011	2010
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$85,042	1,083,430
- Change Funds		150	150
Investment in Bond Anticipation Notes		905,932	839,999
		<u>991,124</u>	<u>1,923,579</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	8,671	5,110
Tax Title Liens Receivable	A-7	489,262	393,236
Property Acquired for Taxes - Assessed Valuation		440,589	440,589
Revenue Accounts Receivable	A-8	7,887	5,977
Prepaid Local School Tax		11,794	0
Due from Utility Operating Fund	D	35,281	0
Due from Grant Fund	A	76,017	0
Amount due from - MidAtlantic Communications		0	4,466
Program Loans	B	0	7,055
		<u>1,069,501</u>	<u>856,433</u>
Deferred Charges:			
Emergency Authorization		2,400	45,000
Special Emergency NJSA 40A:4-55		120,000	80,000
		<u>122,400</u>	<u>125,000</u>
Total Assets - Current Fund		<u>2,183,025</u>	<u>2,905,012</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Ref.	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Federal and State Grant Funds:			
State Aid Receivable	A-12	1,775,040	2,460,016
Due from Current Fund	A	<u>0</u>	<u>115,821</u>
Total Assets - Grant Fund		<u>1,775,040</u>	<u>2,575,837</u>
Total Assets		<u><u>\$3,958,065</u></u>	<u><u>5,480,849</u></u>

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

	Ref.	2011	2010
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$131,044	162,616
Reserve for Encumbrances/Accts Payable	A-3	41,406	85,535
Special Emergency Note		120,000	80,000
Tax Overpayments		26,985	30,851
Taxes Collected in Advance		91,248	49,925
Payroll Taxes Payable		25,017	5,541
Amounts due to:			
Grant Fund	A	0	115,821
Street Opening Trust	B	1,132	1,455
Program Loan Trust		27,971	0
Utility Operating	D	0	72,684
Third Party Inspection Fees		0	16,502
Fire Department		4,617	0
State of New Jersey-			
Veterans and Senior Citizens		19,931	17,600
Marriage License Fees		225	150
Burial Permit Fees		20	5
DCA Fees		345	1,155
Local School District - Taxes	A-10	0	186,268
Regional High School District - Taxes	A-11	121,875	113,757
County of Atlantic-Added Taxes		1,460	1,462
Reserve for:			
Land Sales		356,611	855,650
Curbs and Sidewalks		7,652	0
Reassessment		31,805	0
Revaluation		11,215	11,215
Master Plan		13	13
Total Liabilities		1,020,572	1,808,205

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Ref.	<u>2011</u>	<u>2010</u>
Reserves for Receivables and Other Assets	A	1,069,501	856,433
Fund Balance	A-1	<u>92,952</u>	<u>240,374</u>
Total Liabilities, Reserves and Fund Balance - Current Fund		<u>2,183,025</u>	<u>2,905,012</u>
Federal and State Grant Fund:			
Res. for State Grants-Appropriated	A-13	843,950	1,576,753
Res. for State Grants-Unappropriated	A-14	11,657	4,476
Reserve for Encumbrances/Accts Payable	A-13	775,279	926,471
Due to Current Fund	A	76,017	0
Due to Trust Fund	B	<u>68,137</u>	<u>68,137</u>
Total Liabilities - Grant Fund		<u>1,775,040</u>	<u>2,575,837</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$3,958,065</u></u>	<u><u>5,480,849</u></u>

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

	Ref.	2011	2010
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$195,000	131,145
Miscellaneous Revenue Anticipated	A-2	2,515,563	3,232,576
Receipts from Delinquent Taxes	A-2	34,899	16,901
Receipts from Current Taxes	A-2	8,776,894	8,078,866
Non Budget Revenue	A-2	22,890	53,848
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves	A-9	149,141	186,061
Cancellation of Prior Year Liability		37,637	2,568
Interfunds Returned		11,498	0
 Total Income		<u>11,743,522</u>	<u>11,701,965</u>
 Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	2,243,035	2,360,795
Other Expenses	A-3	2,892,551	2,525,482
Deferred Charges and Statutory			
Expenditures	A-3	614,549	437,289
Transfer to Utility-Anticipated Deficit	A-3	0	94,423
Capital Improvements	A-3	492,500	1,100,000
Debt Service	A-3	303,502	407,879
Transferred to Board of Education for Use	A-3		
by Local School District		0	18,443
Local District School Tax	A-10	2,654,406	2,305,540
County Tax		1,086,636	1,003,268
County Share of Added Taxes		1,460	1,462
Regional High School Tax	A-11	1,345,800	1,242,957
Cancellation of prior year revenue		813	9,053
Interfunds Created		123,092	0
 Total Expenditures		<u>11,758,344</u>	<u>11,506,591</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

	Ref.	<u>2011</u>	<u>2010</u>
Excess in Revenue			195,374
Deficit in Revenue		14,822	
Adjustments to Income before Fund Balance:			
Expenditures included above which are by			
Statute deferred Charges to Budget of			
Succeeding Year		62,400	45,000
Statutory Excess to Fund Balance		<u>47,578</u>	<u>240,374</u>
Fund Balance January 1	A	240,374	131,145
		<u>287,952</u>	<u>371,519</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	195,000	131,145
Balance December 31	A	<u><u>\$92,952</u></u>	<u><u>240,374</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
	BUDGET	SPECIAL N.J.S. 40A:4-87 REALIZED	
Surplus Anticipated	\$115,000	115,000	
Surplus Anticipated with Prior Written Consent of Director of Local Government Services	80,000	80,000	
	195,000	0 195,000	0
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	15,500	17,577	2,077
Other	45,000	44,903	(97)
Fines:			
Municipal Court	109,000	87,562	(21,438)
Interest and Costs on Taxes	53,000	62,037	9,037
Interest on Investments	3,500	1,911	(1,589)
Rental of Municipal Property	14,750	17,672	2,922
Lake Parking Fees	56,800	51,933	(4,867)
Mayor Marriage Fees	1,000	1,050	50
Total Section A	298,550	0 284,645	(13,905)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	395,784	395,784	
A-8	Consolidated Municipal Property Tax Relief Act	77,677	77,677	
Total Section B		473,461	0	473,461
			0	0
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations				
A-8	Construction Code Official	50,625	32,478	(18,147)
Total Section C		50,625	0	32,478
				(18,147)
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	342,321	201,631	(140,690)
Total Section D		342,321	0	201,631
				(140,690)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Ref.	ANTICIPATED		SPECIAL N.J.S. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
	BUDGET				
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	126,000		190,000	316,000	
Recycling Tonnage Grant	2,872			2,872	
Drunk Driving Enforcement Fund	6,412			6,412	
Clean Communities Program			10,532	10,532	
Municipal Alliance on Alcoholism and Drug Abuse	12,380			12,380	
Body Armor Fund	1,604			1,604	
EECBG Energy Grant	20,000			20,000	
Small Cities-Diesterweg St. Sidewalks/Walkways	500,000			500,000	
<hr/>					
Total Section F	669,268		200,532	869,800	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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			
A-8	Uniform Fire Safety Act	15,000	11,857	(3,143)
A-8	Rental Registrations	32,750	31,925	(825)
A-8	Payment in Lieu of Taxes	25,000	29,375	4,375
	Cemetery Contributions	15,000	15,000	0
	Reserve for Land Sales	556,055	556,055	0
	EMS Rental Income	8,558	9,336	778
	Total Section G	652,363	0 653,548	1,185
	Total Miscellaneous Revenue	2,486,588	200,532 2,515,563	(171,557)
A-1:A-2	Receipts from Delinquent Taxes	24,000	34,899	10,899
	Amount to be Raised by Taxes for Support of Municipal Budget			
A-7:A-2	Local Tax for Municipal Purpose	3,810,753	3,763,058	(47,695)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Ref.	ANTICIPATED		EXCESS OR (DEFICIT)
	BUDGET	SPECIAL N.J.S. 40A:4-87 REALIZED	
	3,810,753	3,763,058	(47,695)
	<u>6,516,341</u>	<u>200,532</u>	<u>6,508,520</u>
			<u>(208,353)</u>
A-2		22,890	22,890
	<u>\$6,516,341</u>	<u>200,532</u>	<u>6,531,410</u>
			<u>(185,463)</u>

Ref. A-3 A-3

Total Amount to be Raised by Taxes
for Support of Municipal Budget

Budget Totals

Non-Budget Totals

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Ref.

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

Revenue from Collections	A-1:A-6	\$8,776,894
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Allocated to:

School and County Taxes		<u>5,088,302</u>
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Balance for Support of Municipal
Budget Appropriations

3,688,592

Add:

Appropriation "Reserve for Uncollected
Taxes"

	A-3	<u>74,466</u>
--	-----	---------------

Amount for Support of Municipal
Budget Appropriations

	A-2	<u><u>\$3,763,058</u></u>
--	-----	---------------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collections

	A-6	\$900
--	-----	-------

Tax Title Lien Collections

	A-7	33,999
--	-----	--------

	A-2	<u><u>\$34,899</u></u>
--	-----	------------------------

**CURRENT FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Ref.

ANALYSIS OF NON BUDGET REVENUE

Miscellaneous Revenue not Anticipated:

Treasurer:

Police Reports		\$974
Cable Franchise Fee		12,527
Motor Vehicle Commission Fees		775
Code Violation Finds		325
Other Miscellaneous	A-4	8,289

Total Miscellaneous Revenue
not Anticipated

A-1:A-2

\$22,890

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
GENERAL GOVERNMENT:							
Administrative and Executive							
Salaries and Wages		28,700	28,700				
Governing Body		86,000	85,570		430		
Municipal Clerk (Other)							
Other Expenses				944	248		
City Clerk	18,000	19,500	18,308	75	262		
Governing Body	5,800	5,800	5,463				
Financial Administration							
Salaries and Wages	67,013	65,013	64,328		685		
Other Expenses	29,000	29,000	25,773	2,084	1,143		
Audit Services	26,500	24,500	24,500				
Assessment of Taxes							
Salaries and Wages	18,138	18,138	18,138				
Other Expenses:							
Miscellaneous Other Expenses	9,500	9,500	8,771	600	129		
Reassessment		60,000	60,000				
Tax Collector							
Salaries and Wages	34,100	32,600	32,255		345		
Other Expenses:							
Tax Sale Costs	500	500	1	484	15		
Miscellaneous Other Expenses	7,400	7,900	4,741	30	3,129		
Liquidation of Tax Title Liens and Foreclosed Property							
Other Expenses	100	100			100		
Legal Services and Costs							
Other Expenses	90,000	109,000	95,261	5,090	8,649		
Municipal Prosecutor							
Salaries and Wages	11,250	11,250	11,250				
Engineering Services and Costs							
Other Expenses	2,500	2,500	1,300	200	1,000		
Public Buildings and Grounds							
Other Expenses	25,300	26,800	23,288	3,037	475		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	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	9,500	10,500	9,718	130	652		
Zoning/Code Board of Adjustment							
Salaries and Wages	66,004	65,004	64,665		339		
Other Expenses	3,500	5,000	3,512	750	738		
Economic Development							
Other Expenses	100	100			100		
PUBLIC SAFETY:							
Fire							
Salaries and Wages	2,600	2,600	2,600				
Other Expenses:							
Aid to Volunteer Companies	21,000	21,000	21,000				
Fire Prevention							
Salaries and Wages	12,175	12,175	12,175		2		
Other Expenses	2,600	2,600	2,261	337			
Right to Know Act/Safety Coordinator							
Salaries and Wages	1,560	1,560	1,560		50		
Other Expenses	300	50					
Police							
Salaries and Wages	1,217,076	1,217,076	1,189,330		27,746		
Other Expenses:							
Purchase of Police Car	10,250	10,250	10,250				
Miscellaneous Other Expenses	37,250	37,250	26,948	2,456	7,846		
Police Radio and Communications							
Salaries and Wages	149,925	111,365	111,205		160		
Other Expenses	92,846	138,752	138,751		1		
Municipal Court							
Salaries and Wages	86,583	83,583	82,158		1,425		
Other Expenses	10,500	11,750	11,137	434	179		
Public Defender							
Salaries and Wages	4,500	4,500	4,500				
First Aid Organization - Contribution	12,000	12,000	12,000				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	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	141	858	1		
PUBLIC WORKS							
Solid Waste Collection (Public Works)							
Salaries and Wages	294,749	294,749	290,910		3,839		
Other Expenses:							
Hauling Fee (Tipping and Hauling Fee)	252,000	252,000	247,870		4,130		
Miscellaneous Other Expenses	46,050	47,050	40,186	5,724	1,140		
Solid Waste Disposal Cost	138,000	121,750	119,742		2,008		
City Garage							
Salaries and Wages	100	100			100		
Other Expenses	100	100			100		
HEALTH AND WELFARE							
Animal Control							
Other Expenses	9,600	9,600	9,600				
RECREATION AND EDUCATION:							
Parks and Playgrounds							
Salaries and Wages	34,600	32,000	31,999		1		
Other Expenses							
Lining of Kern Field	25	25			25		
Miscellaneous Other Expenses	12,300	14,900	13,494		1,406		
Anniversary or Holiday:							
Other Expenses	4,925	4,925	4,250	200	475		
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, 2011

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
Insurance							
Group Insurance Plans for Employees	535,080	520,080	512,992	250	6,838		
Firemen's Group Insurance Premiums	35,000	35,000	30,623		4,377		
Surety Bond Premiums	1,000	1,000	577		423		
Liability Insurance	115,425	115,425	114,425		1,000		
Workers Compensation	91,128	91,128	91,128				
State Uniform Construction Code Construction Official							
Salaries and Wages	35,968	35,768	35,674		94		
Other Expenses	1,000	1,200	1,053		147		
UNCLASSIFIED:							
Street Lighting	95,000	90,000	77,086	7,686	5,228		
Gasoline	70,000	75,000	71,563	3,106	331		
Electric	110,000	130,000	119,507		10,493		
Natural Gas	42,025	42,025	40,165		1,860		
Telephone	46,125	46,125	43,174	2,670	281		
Fire Hydrant Service	15,000	15,000	15,000				
Accumulated Absences	25,000	25,000	25,000				
Total Operations within "CAPS"	4,233,820	4,304,916	4,167,626	37,145	100,145	0	0
Contingent	100	100			100		
Total Operations Including Contingent-within "CAPS"	4,233,920	4,305,016	4,167,626	37,145	100,245	0	0
Detail:							
Salaries and Wages	2,154,591	2,103,231	2,068,067	0	35,164	0	0
Other Expenses	2,079,329	2,201,785	2,099,559	37,145	65,081	0	0

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

STATUTORY EXPENDITURES:				
Contribution to:				
Public Employees' Retirement System	138,300	138,300	130,300	8,000
Social Security System (O.A.S.I.)	175,100	154,004	152,083	1,921
Police and Firemen's Retirement System of N.J.	225,245	225,245	225,245	
Unemployment Comp. Ins.	2,000	12,000	12,000	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED		
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	540,645	529,549	519,628	0	0	0
Total General Appropriations for Municipal Purposes within "Caps"	4,774,565	4,834,565	4,687,254	37,145	0	0
<u>MANDATED EXPENDITURES PER N.J.S.A.</u> <u>40A:4-45.3g EXCLUDED FROM "CAPS"</u>						
Recycling Tax Appropriation	6,000	6,000	5,172		828	
Group Insurance Plans For Employees	64,920	64,920	64,920			
Total Other Operations - Excluded from "CAPS"	70,920	70,920	70,092	0	0	0
Interlocal Municipal Service Agreements						
Mid Atlantic Communications System						
Police Radio and Communications						
Salaries and Wages	242,000	242,000	139,804		102,196	
Other Expenses	100,321	100,321	62,951		37,370	
Total Interlocal Municipal Service Agreements	342,321	342,321	202,755	0	139,566	0
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities	0	10,532	10,532			
Recycling Other Expenses	2,872	2,872	2,872			
Small Cities CDBG-Diesterweg St. Sidewalks/ Walkways	500,000	500,000	500,000			
Drug Abuse Resistance Education	12,380	12,380	12,380			
Drug Abuse Resistance Education-Local Match	3,095	3,095	3,095			
EECBG Energy Grant	20,000	20,000	20,000			
Drunk Driving Enforcement Fund	6,412	6,412	6,412			
Body Armor Fund	1,604	1,604	1,604			
Total Public and Private Programs Offset by Revenues	546,363	556,895	556,895	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED		
Total Operations - Excluded from "CAPS"	959,604	970,136	829,742	0	139,566	0
Detail:						
Salaries & Wages	242,000	242,000	139,804	0	102,196	0
Other Expenses	717,604	728,136	689,938	0	37,370	0
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	105,000	105,000	105,000			
Construction of Fence	6,500	6,500	6,450			50
Purchase of Cameras	5,000	5,000				5,000
Parking Lot Repair	15,000	15,000				15,000
Construction of Diesterweg Sidewalk/ Walkways	45,000	45,000	42,000	3,000		
NJ Department of Transportation - Reconstruction of New Orleans Avenue Center of Place Philadelphia Ave Phase IIb	126,000	190,000 126,000	190,000 126,000			
Total Capital Improvements Excluded from "CAPS"	302,500	492,500	469,450	3,000	0	0
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	160,000	160,000	160,000			
Payment of Bond Anticipation Notes	50,000	50,000	50,000			
Interest on Bonds	72,055	72,055	72,055			
Interest on Notes	20,000	22,400	21,447		953	
Total Municipal Debt Service-Excluded from "CAPS"	302,055	304,455	303,502	0	953	0
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Emergency Authorizations	45,000	45,000	45,000			
Special Emergency Authorizations - 5 Years	20,000	20,000	20,000			
Improvement to Philadelphia Avenue	20,000	20,000	20,000			
Total Deferred Charges - Municipal - Excluded from "CAPS"	85,000	85,000	85,000	0	0	0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	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)	18,151	18,151				
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,667,310	1,870,242	1,687,694	3,000	20,878	0
Subtotal General Appropriations	6,441,875	6,704,807	6,374,948	40,145	131,044	0
Reserve for Uncollected Taxes	74,466	74,466	74,466			
Total General Appropriations	<u>\$6,516,341</u>	<u>6,779,273</u>	<u>6,449,414</u>	<u>40,145</u>	<u>131,044</u>	<u>0</u>
Budget		6,516,341				
Special Emergency NJSA 40A:4-53		60,000				
Emergency Authorization		2,400				
NJSA 40A:4-87		200,532				
		<u>\$6,779,273</u>				
Reserve for Uncollected Taxes			74,466			
Grants			872,895			
Deferred Charges			85,000			
Disbursed			5,488,469			
			<u>6,520,830</u>			
Appropriation Refunds			71,416			
			<u>\$ 6,449,414</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.	2011	2010
<u>ASSETS</u>			
<u>Animal Control Fund</u>			
Cash - Treasurer	B-1	\$3,005	3,117
		<u>3,005</u>	<u>3,117</u>
<u>Other Funds</u>			
Cash - Treasurer	B-1	139,610	163,633
Cash - Tax Collector	B-2	64,972	11,507
Due from Current Fund	A		
UCC Third Party Inspection Fees		0	16,502
Street Opening		1,132	1,455
Program Loans		27,971	0
Due from Grant Fund	A	68,137	68,137
		<u>301,822</u>	<u>261,234</u>
		<u>304,827</u>	<u>264,351</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>Animal Control Fund</u>			
Reserve for Dog Expenditures	B-3	3,005	3,117
		<u>3,005</u>	<u>3,117</u>

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

B
Sheet 2 of 2

	Ref.	2011	2010
<u>Other Funds</u>			
Reserve for Escrow	B-8	42,640	50,947
Reserve for Landfill Closure	B-7	8,314	8,304
Unemployment Trust Fund	B-5	7,376	37,363
Reserve for Tax Title Lien Redemptions	B-9	13,572	11,507
Reserve for Tax Sale Premiums	B-9	51,400	0
Reserve for Law Enforcement Trust	B-10	19,686	14,180
Reserve for Recreation Trust	B-11	3,063	3,063
Reserve for Recreation Fees - Developers		10,000	10,000
Reserve for POAA	B-12	75	51
Reserve for Accumulated Absences	B-14	25,583	27,446
Reserve for Maintenance Bonds		22,540	12,281
Reserve for Program Loan Repayment		96,107	61,081
Reserve for UCC Third Party Inspection Fees		0	16,502
Reserve for Community Events		334	
Reserves for Street Opening Escrow	B-13	1,132	1,454
Due to Current Fund -			
Program Loans		0	7,055
		<u>301,822</u>	<u>261,234</u>
		<u>\$304,827</u>	<u>264,351</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>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$143	200,683
Deferred Charges to Future Taxation - Funded	C-4	1,727,000	1,887,000
Deferred Charges to Future Taxation - Unfunded	C-5	1,411,379	1,362,629
		<u>3,138,522</u>	<u>3,450,312</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-9	1,218,300	1,195,700
General Serial Bonds	C-8	1,727,000	1,887,000
Encumbrances Payable	C-7	89,389	18,867
Reserve for Demolition of Property		4,353	3,283
Reserve for Engineering Study for the Proposed Regional High School		0	2,497
Reserve for Wetlands Study		0	13,570
Improvement Authorizations - Funded	C-7	27,590	19,386
Unfunded	C-7	45,040	214,409
Capital Improvement Fund	C-6	18,750	87,500
Fund Balance	C-1	8,100	8,100
		<u>\$3,138,522</u>	<u>3,450,312</u>

There were Bonds and Notes authorized but not issued at December 31, 2011 and 2010 of \$193,079 and \$166,929, respectively (C-10).

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE
REGULATORY BASIS
AS OF DECEMBER 31, 2011**

	<u>Ref.</u>	
Balance December 31, 2010	C	\$8,100
No changes in 2011		
Balance December 31, 2011	C	<hr/> <u><u>\$8,100</u></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>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	D-5	\$368,384	238,617
Change Fund		125	125
Amount due from Current Fund	A	0	72,684
		<u>368,509</u>	<u>311,426</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	14,814	9,385
Water and Sewer Utility Liens	D-8	15,674	1,372
		<u>30,488</u>	<u>10,757</u>
Deferred Charges:			
Deficit in Operations	D-9	<u>14,159</u>	<u>0</u>
		<u>14,159</u>	<u>0</u>
Total of Operating Fund		<u>\$413,156</u>	<u>322,183</u>

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

	Ref.	2011	2010
Capital Fund:			
Cash		\$791,664	510,615
Fixed Capital - Sewer	D-10	9,825,635	9,712,569
Fixed Capital - Water	D-11	7,694,983	7,694,983
Fixed Capital - Authorized & Uncomp.	D-12	12,970,100	15,872,000
Total of Capital Fund		<u>31,282,382</u>	<u>33,790,167</u>
		<u>31,695,538</u>	<u>34,112,350</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4:D-13	83,446	31,266
Reserve for Encumbrances	D-4	8,536	20,532
Due to Current Fund	A	35,281	0
Accrued Interest on Bonds	D-14	130,743	115,385
Utility Rent Overpayments	D-15	2,150	5,773
Utility Rents Paid in Advance		122,512	138,470
		<u>382,668</u>	<u>311,426</u>
Reserve for Receivables	Res.	30,488	10,757
Total of Operating Fund		<u>\$413,156</u>	<u>322,183</u>

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

	Ref.	<u>2011</u>	<u>2010</u>
Capital Fund:			
Bond Anticipation Notes	D-21	1,633,332	6,339,999
Serial Bonds-Water and Sewer	D-20	12,644,808	7,640,319
Encumbrances Payable	D-16	284,834	372,404
Accrued Interest on Notes	D-14	15,431	15,777
Improvement Authorizations			
Unfunded	D-16	6,235,696	9,221,341
Reserves for:			
Amortization - Water	D-17	4,940,938	4,895,068
Amortization - Sewer	D-18	2,955,110	2,829,735
Amortization - Deferred	D-19	2,338,517	2,191,017
Reserve to Pay Debt		183,199	235,190
Fund Balance	D-2	50,518	49,317
Total of Capital Fund		<u>31,282,382</u>	<u>33,790,167</u>
Total Liabilities, Reserves and Fund Balance		<u>\$31,695,538</u>	<u>34,112,350</u>

There were Bonds and Notes authorized but not issued at December 31, 2011 and 2010 of \$5,498,900 and \$8,904,300, respectively (D-22).

**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>2011</u>	<u>2010</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	D-3	\$0	140,057
Rents	D-3	1,198,812	1,257,368
Miscellaneous Revenue Anticipated	D-3	34,388	57,414
Fire Hydrant Service	D-3	15,000	15,000
Reserve for Land Sales	D-3	182,922	0
FEMA Reimbursement	D-3	61,008	0
Deficit (General Budget)	D-3	0	69,976
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	35,281	20,459
Total Income		<u>1,527,411</u>	<u>1,560,274</u>
<u>Expenditures</u>			
Operating	D-4	979,955	1,014,303
Debt Service	D-4	501,182	521,633
Deferred Charges and Statutory			
Expenditures	D-4	25,000	23,250
Refund of Prior Year Revenue		35,433	1,087
Total Expenditures		<u>1,541,570</u>	<u>1,560,273</u>
Excess in Revenue			1
Deficit in Revenue		14,159	
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>
Operating Deficit to be Raised in Budget of			
Succeeding Year		<u>14,159</u>	
Statutory Excess to Fund Balance			1
Fund Balance January 1	D	0	140,056
Decreased by:			
Utilization as Anticipated Revenue	D-1:D-3	<u>0</u>	<u>140,057</u>
Fund Balance December 31	D	<u>\$0</u>	<u>0</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>2011</u>	<u>2010</u>
Balance Beginning of Year	D	\$49,317	14,840
Increased by:			
Premium on Sale of Notes	D-5	<u>1,201</u>	<u>34,477</u>
Balance End of Year	D	<u><u>\$50,518</u></u>	<u><u>49,317</u></u>

**WATER AND SEWER OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Ref.</u>	<u>ANTIC. BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Surplus Anticipated	D-1	\$0		
Water and Sewer Rents	D-1:D-3	1,255,000	1,198,812	(56,188)
Miscellaneous	D-1:D-3	57,000	34,388	(22,612)
Fire Hydrant Services	D-1:D-3	15,000	15,000	
FEMA Reimbursement	D-1:D-3	50,110	61,008	10,898
Reserve for Land Sales	D-1:D-3	182,922	182,922	
		<u>\$1,560,032</u>	<u>1,492,130</u>	<u>(67,902)</u>

Analysis of Realized Revenue

Rents

Consumer Accounts Receivable	D-6:D-7	\$1,194,091
Miscellaneous		1,138
Overpayments Applied	D-7:D-14	<u>3,583</u>
Current Year Revenue Realized		<u>\$1,198,812</u>

Miscellaneous

Interest and Penalties	\$9,651
Water Tap Fee	4,400
Sewer Tap Fee	6,400
Fire	13,837
Miscellaneous Other	<u>100</u>
Total Revenue Realized	D-5 <u>\$34,388</u>

**WATER AND SEWER OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELLED	OVER - EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
OPERATING							
Salaries and Wages	\$254,000	254,000	244,897		9,103		
Other Expenses	382,844	382,844	315,144	8,536	59,164		
Engineering Fees	5,000	5,000	1,855		3,145		
Legal Fees	9,500	9,500	4,425		5,075		
Atlantic County Sewerage Authority - Contractual	328,611	328,611	326,657		1,954		
	979,955	979,955	892,978	8,536	78,441	0	0
CAPITAL IMPROVEMENTS							
None	0	0	0	0	0	0	0
DEBT SERVICE							
Payment of Bond Principal	152,960	164,610	164,577			33	
Payment of Bond Anticipation Notes and Capital Notes	6,667	6,667	6,667				
Interest on Bonds	395,450	383,800	329,938			53,862	
	555,077	555,077	501,182	0	0	53,895	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES							
Deferred Charges:							
None							
Statutory Expenditures							
Contribution to:							
Social Security System (O.A.S.I.)	24,000	24,000	18,995		5,005		
Unemployment Compensation Insurance	1,000	1,000	1,000				
	25,000	25,000	19,995	0	5,005	0	0
	\$1,560,032	1,560,032	1,414,155	8,536	83,446	53,895	0
Ref.	D-3:D-4	D-3:D-4	D-1	D:D-1	D:D-1		D
Adopted Budget		1,560,032					
		1,560,032					

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.	\$329,938
Disbursed		1,088,212
	D-9	
	D-5	<u>1,418,150</u>
Appropriation Refunds		<u>(3,995)</u>
	D-5	<u><u>\$1,414,155</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>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$859,675	859,675
Buildings	1,548,321	1,548,321
Improvements	561,682	371,982
Equipment	839,828	839,828
Vehicles	1,826,318	1,826,318
Furniture	65,687	65,687
	<u>5,701,511</u>	<u>5,511,811</u>
Investment in General Fixed Assets	<u>\$5,701,511</u>	<u>5,511,811</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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 4,398. 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, 2011 AND 2010

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 (GAAP), the City has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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, 2011 and 2010.

	Balance as of <u>12-31-10</u>	<u>Additions</u>	Adjustments/ <u>Disposals</u>	Balance as of <u>12-31-11</u>
Land	\$859,675			859,675
Buildings	1,548,321			1,548,321
Improvements	371,982	189,700		561,682
Equipment	839,828			839,828
Furniture	65,687			65,687
Vehicles	1,826,318			1,826,318
	<u>5,511,811</u>	<u>189,700</u>	<u>0</u>	<u>5,701,511</u>

	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>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2011 and 2010. Under New Jersey Statutory Accounting no depreciation is taken on these assets.

	Balance as of <u>12-31-10</u>	<u>Additions</u>	<u>Disposals</u>	Balance as of <u>12-31-11</u>
Sewer Assets	\$9,712,569	113,066		9,825,635
Water Assets	7,694,983			7,694,983
Authorized Assets	15,872,000		(2,901,000)	12,970,100
	<u>33,279,552</u>	<u>113,066</u>	<u>(2,901,000)</u>	<u>30,490,718</u>

	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	16,032,000		(160,000)	15,872,000
	<u>\$33,279,552</u>	<u>160,000</u>	<u>(160,000)</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 2011 and 2010 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, 2011 AND 2010

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 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 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$74,466 and \$66,893. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budgets was \$195,000 and \$131,145.

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 2011 and 2010 calendar years:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Budget Category	2011	2010
<u>Current Fund</u>		
Engineering Services and Costs		
Other Expenses	\$	12,000
Police		
Salaries and Wages		9,500
Legal Services and Costs		
Other Expenses	19,000	
Police Radio and Communications		
Salaries and Wages	(38,560)	
Other Expenses	45,906	
Solid Waste Disposal	(16,250)	
Insurance		
Group Insurance for Employees	(15,000)	(35,500)
Public Works		
Salaries and Wages		(14,000)
Other Expenses		12,500
Electric	20,000	
Gasoline		15,000
Street Lights		14,000
Contribution to:		
Social Security System (OASI)	(21,096)	
Unemployment Insurance	10,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2011 and 2010 calendar years, City Council approved the following significant budget insertions

	2011	2010
Atlantic County Open Space -		
Refurbishing of Historic Lafayette Fire House	\$	39,000
Egg Harbor City Board of Education		
Rittenberg School Demolition		250,000
New Jersey Department of Transportation		
Reconstruction of New Orleans Avenue	190,000	

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

succeeding three or five years. During the 2011 calendar year, City Council approved a \$2,400 emergency appropriation to fund additional interest due on bond anticipation notes, as well as a special emergency in the amount of \$60,000 to fund the costs of a property reassessment. 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.

Note 3: INVESTMENTS

As of December 31, 2011 and 2010, the municipality has investments totaling \$905,932 and \$839,999.

During the period ended December 31, 2011 and 2010 the City held investments in Bond Anticipations Notes of the City in the amounts of \$905,932 and \$839,999. These investments represent 100% of the City's investments. Interest is charged at 0.00% per annum. The fair value measurement of these investments fall within the Level 3 hierarchy level, indicating there is a measurable input for the asset or liability. There has been no change in valuation technique or related inputs.

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. Under the Act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

future condition. As of December 31, 2011 and 2010, \$0 of the municipality's bank balance of \$1,892,216 and \$2,269,363 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2011 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	\$1,887,000		160,000	1,727,000	165,000
Water & Sewer					
Utility	\$7,640,319	6,746,000	1,741,511	12,644,808	248,626
Comp. Absences	395,627	236,001	317,983	313,645	973
Total	<u>\$9,922,946</u>	<u>6,982,001</u>	<u>2,219,494</u>	<u>14,685,453</u>	<u>414,599</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, 2011 was \$1,727,000.

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 was payable in semiannual installments of \$37,549 through 8/1/29. Interest was calculated at 5.00% and was 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 was paid off through the refunding bond issued dated April 26, 2011.

\$870,000 Sewer Utility Bond dated 8/1/90 with the United States Department of Agriculture, Rural Economic and Community Development. This bond was payable in semiannual installments of \$25,253 through 8/1/33. Interest was calculated at 5.00% and was 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 was paid off through the refunding bond issued dated April 26, 2011.

\$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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

interest calculation for this issue. The remaining balance on this issue as of December 31, 2011 was \$197,974.

\$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, 2011 was \$776,712.

\$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, 2011 was \$149,230.

\$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, 2011 was \$565,000.

\$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, 2011 was \$4,244,892.

\$1,690,000 Water and Sewer Refunding Bond dated April 26, 2011 payable in annual installments commencing 8/1/11 and continuing through 8/1/25. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00%. The total savings to the City was \$58,271, or 3.695% as a result of refunding the 1990 bond issues. Refunding bonds maturing on or after 8/1/22 are subject to redemption prior to maturity at the option of the City on any date on or after 8/1/21. The balance remaining as of December 31, 2011 was \$1,655,000.

\$5,056,000 Water and Sewer Utility Bond dated 10/14/11 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$96,216 through 10/14/51. Interest is calculated at 2.25% 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, 2011 was \$5,056,000.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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

Year		General	Fund	Utility	Fund
		Principal	Interest	Principal	Interest
2012	\$	165,000	66,456	248,625	428,258
2013		175,000	60,680	258,283	420,200
2014		185,000	54,456	268,109	411,799
2015		190,000	48,480	278,109	403,049
2016		200,000	40,080	353,292	394,166
2017-2021		812,000	79,520	1,846,059	1,788,769
2022-2026				1,697,313	1,462,902
2027-2031				1,255,926	1,204,864
2032-2036				1,488,954	971,836
2037-2041				1,770,073	690,717
2042-2046				1,949,422	358,351
2047-2051				1,230,643	70,847
	\$	<u>1,727,000</u>	<u>349,672</u>	<u>12,644,808</u>	<u>8,605,758</u>

As of December 31, 2011, the carrying value of the above bonds approximates the fair value of the bonds.

Summary of Municipal Debt

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued</u>			
General - Bonds and Notes	\$2,945,300	3,082,700	3,017,200
Water & Sewer Utility - Bonds & Notes	<u>14,278,140</u>	<u>13,980,318</u>	<u>12,316,091</u>
Total Issued	<u>17,223,440</u>	<u>17,063,018</u>	<u>15,333,291</u>
<u>Authorized But Not Issued</u>			
General - Bonds & Notes	193,079	166,929	548,929
Water & Sewer Utility - Bonds & Notes	<u>5,498,900</u>	<u>8,904,300</u>	<u>10,744,800</u>
Total Authorized But Not Issued	<u>5,691,979</u>	<u>9,071,229</u>	<u>11,293,729</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$22,915,419</u>	<u>26,134,247</u>	<u>26,627,020</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 1.22%.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$9,052,193	8,874,048	178,145
Regional High School District Debt	1,934,605	1,934,605	0
Water & Sewer Utility Debt	19,924,540	19,644,400	280,140
General Debt	3,138,379		3,138,379
	<u>\$34,049,717</u>	<u>30,453,053</u>	<u>3,596,664</u>

As a Kindergarten through Grade 8 District, the allowable deduction to gross debt is limited to 3% of the average equalized valuation. As indicated above, the Local School District gross debt exceeded 3%, and therefore a portion is included as Net Debt to the City.

Net Debt \$3,596,664 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$295,801,598 = 1.22 %.

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)	\$10,353,056
Net Debt	<u>3,596,664</u>
Remaining Borrowing Power	<u>\$6,756,392</u>

Note 6: SHORT TERM OBLIGATIONS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes	\$1,195,700	72,600	50,000	1,218,300
Utility Capital Notes	6,339,999	800,000	5,506,667	1,633,332
Special Emergency Notes	80,000	60,000	20,000	120,000
	<u>\$7,615,699</u>	<u>932,600</u>	<u>5,576,667</u>	<u>2,971,632</u>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

The City has outstanding at December 31, 2011 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>\$120,000</u>	3/23/11	3/21/12	1.25%
General Capital				
Egg Harbor City	72,600	2/9/11	2/7/12	0.00%
Cede & Co.	<u>1,145,700</u>	2/9/11	2/7/12	2.13%
	<u>1,218,300</u>			
Water & Sewer Capital				
Cede & Co.	800,000	2/9/11	2/7/12	2.13%
Egg Harbor City	33,332	4/29/11	4/29/12	0.00%
Egg Harbor City	<u>800,000</u>	2/8/11	2/7/12	0.00%
Total Utility Capital	<u>1,633,332</u>			
Total Special Emergency and Bond Anticipation Notes	<u>\$2,971,632</u>			

The City renewed the special emergency note upon maturity, after a pay down of \$32,000, for an additional one year period. The interest rate on this note is 1.25% per annum. Upon maturity of the remaining notes, the City paid down \$56,667 of the existing debt and issued no new debt. Of this balance, \$2,818,300 will mature on 2/15/13, at an interest rate of 1.40% per annum, and \$120,000 will mature on 3/19/13, at an interest rate of 1.25% per annum. Although the \$832,332 utility note and \$72,600 general improvement note are non interest bearing, the discount is not reflected as it is between funds of the City and not significant.

Note 7: LEASE OBLIGATIONS

During the year ended December 31, 2011, the City had lease agreements in effect for a police car, a copy machine and a mailing system.

Rental expenses charged to operations in 2011 and 2010 were \$17,811 and \$18,500 respectively.

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 and 2010 which are anticipated to be appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	\$90,522	195,000
Water & Sewer Utility Fund	0	0

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011, the following deferred charges are shown on the balance sheets of the various funds:

	Balance <u>12/31/11</u>	2012 Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Current Fund:			
Emergency Appropriation	\$2,400	2,400	
Special Emergency NJSA 40A:4-55	120,000	32,000	88,000
	<u>122,400</u>	<u>34,400</u>	<u>88,000</u>
Utility Operating Fund:			
Deficit in Operations	<u>\$14,159</u>	<u>14,159</u>	

The appropriations in the 2012 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:

		Local District School Tax		Regional High School Tax	
		Balance	Balance	Balance	Balance
		12/31/11	12/31/10	12/31/11	12/31/10
Balance of Tax	\$	0	186,268	606,983	598,865
Deferred		0	0	485,108	485,108
Tax Payable	\$	<u>0</u>	<u>186,268</u>	<u>121,875</u>	<u>113,757</u>

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 <u>12/31/11</u>	Balance <u>12/31/10</u>
Prepaid Taxes	\$91,248	49,925
Cash Liability for Taxes Collected in Advance	<u>\$91,248</u>	<u>49,925</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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 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, 2011, 2010, and 2009 were \$130,300, \$53,408 and \$51,603.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011, 2010, and 2009 were \$225,245, \$106,580, and \$103,072.

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.

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
	Attainment of 25 years of service
	provided the employer has chosen to
Service or Early Retirement	provide post-retirement medical
Eligibility for State –paid SHBP	coverage to eligible employees; the
Benefits	City has elected not to provide medical
	benefits to retirees
Ordinary Disability Retirement	Eligible after 10 years of service
	Eligible upon total and permanent
Accidental Disability	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 2011, 2010, and 2009, \$616,608, \$673,696, and \$612,965, respectively, was paid by the City for health care of employees and \$20,724, \$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).

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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.

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 \$313,645 in 2011 and \$395,627 in 2010. 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, 2011 and 2010 the total amount accumulated was \$25,583 and \$27,446, 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, 2011 and 2010 the City did not incur claims in excess of the 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 fund for sufficient insurance coverage. There is an unknown contingent liability with the Statewide

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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 2011 or 2010. 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.

<u>Calendar Year</u>	<u>City Contributions</u>	<u>Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	13,000	49	4,039	47,075	7,376
2010	3,000	44	4,077	2,430	37,363
2009	5,000	42	3,957	3,509	32,672

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2012. 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.

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 2011 and 2010 calendar years, the City paid \$30,169 and \$20,183, 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 2011 and 2010. The Cemetery has reimbursed the City for all expenses.

Note 22: CONTINGENCIES, GRANTS AND CONTRACTS

The City awarded contracts in 2010 and 2011 for various acquisitions and improvements throughout the City. The balance remaining on these contracts as of December 31, 2011 is as follows:

Contract	Funding Source	Balance at 12/31/11
Diesterwieg Ave Walkway	Small Cities CDBG Grant	427,986
Transit Hub Parking Lot and Road Improvements	Small Cities CDBG Grant	117,140
Philadelphia Avenue Streetscape	NJ Dept of Transportation	166,269
Road Reconstruction	NJ Dept of Transportation	41,901

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 \$8,314 and \$8,304 on December 31, 2011 and 2010. 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

post closure requirements on a pay as you go basis. The \$8,314 certificate of deposit is restricted for post closure use.

Note 24: INTERFUND BALANCE

As of December 31, 2011, 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	\$76,017	
Trust Fund-Third Party Inspections		
Trust Fund-Street Opening		1,132
Trust Fund-Program Loans		27,971
Utility Operating	35,281	
Grant Fund:		
Current Fund		76,017
Trust Fund		68,137
Trust Funds:		
Grant Fund – Program Loans	68,137	
Current Fund-Street Openings	1,132	
Current Fund-Third Party Inspections		
Current Fund-Program Loans	27,971	
Utility Operating Fund:		
Current Fund		35,281
	<u>\$208,538</u>	<u>208,538</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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Note 25: SUBSEQUENT EVENTS

During 2012 the City authorized the following bond ordinance which increased the City's authorized debt:

<u>Ordinance #</u>	<u>Purpose</u>	<u>Total Appropriated</u>	<u>Debt Authorized</u>	<u>Date Adopted</u>
9-2012	Road Reconstruction	250,000	237,500	5/24/12

In addition, the City entered into the following lease agreements during the 2012 calendar year:

Operating Lease:

Effective 1/1/12, the City has entered into an agreement for the lease of a copy machine. The term of the lease is 48 months and the City has the option to purchase the equipment at fair market value upon expiration. Payments of \$276 are due monthly. Future minimum payments under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$3,312
2013	3,312
2014	3,312
2015	3,312
Total	<u>\$13,248</u>

Capital Leases:

The City is leasing three (3) police vehicles totaling \$85,500 under a capital lease. Annual payments are made to MMD Financial, LLC and include interest of 6.5% per annum. The following is a schedule of the future minimum lease payments under this capital lease.

<u>Year</u>	<u>Amount</u>
2012	\$16,689
2013	16,689
2014	16,689
2015	16,689
2016	16,689
2017	16,689
Total minimum lease payments	100,134
Less: Amount representing interest	<u>14,634</u>
Present Value of net minimum lease payments	<u>\$85,500</u>

The City has evaluated subsequent events through June 14, 2012, 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, 2011, and have issued our report thereon dated June 14, 2012. 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

Management of Egg Harbor City is responsible for establishing and maintaining effective 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 14, 2012.

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

Ford-Scott & Associates, LLC

Ford-Scott & Associates, LLC
Certified Public Accountants

June 14, 2012

**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* and New Jersey OMB Circular Letter 04-04, *New Jersey State Grants Compliance Supplement* that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2011. Egg Harbor City, New Jersey's major federal and state 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 and state 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"); OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB Circular Letter 04-04, *New Jersey State Grants Compliance Supplement*. Those standards and Circulars 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 or state 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 and state programs for the year ended December 31, 2011.

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 and state 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 or state 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 and New Jersey OMB Circular Letter 04-04, 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 or state 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 or state 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

Ford-Scott & Associates, LLC

Ford-Scott & Associates, LLC
Certified Public Accountants

June 14, 2012

CITY OF EGG HARBOR
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal or State Grantor/Pass Through Grantor/Program Title	Pass Through Grantor's #	Program Period	Program or Award Amount	Program Balance 1/1/2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Encumbrances	Prior Year Encumbrances/ Reversed/ Adjustment	Program Balance 12/31/2011	Cumulative Expenditures
<u>State of New Jersey</u>										
Department of Environmental Protection										
Pollution Discharge Elimination System										
Municipal Stormwater General Permit	N/A	1/1/04-12/31/04	38,912	2,522		1,050			1,472	37,440
Hazardous Discharge Site Remediation	N/A	1/1/04-12/31/04	280,057	144,715		1,197			143,518	18,923
<u>Solid Waste Administration</u>										
Clean Communities Program	4900-765-178910-60	1/1/08-12/31/08	7,417	1,602		1,602				7,417
Clean Communities Program	4900-765-178910-60	1/1/09-12/31/09	11,885	11,885		6,041		(2,318)		6,041
Clean Communities Program	4900-765-178910-60	1/1/10-12/31/10	11,131	11,131					7,639	0
Clean Communities Program	4900-765-178910-60	1/1/11-12/31/11	10,532		10,532				10,532	0
Recycling Tonnage	4830-752-050580-50	1/1/10-12/31/10	8,281	8,143		5,150			2,993	138
Recycling Tonnage	4830-752-050580-50	1/1/11-12/31/11	2,872		2,872				2,872	0
<u>Division of Law & Public Safety</u>										
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
Body Armor Fund	N/A	1/1/11-12/31/11	1,604		1,604				1,604	0
<u>Division of Motor Vehicles</u>										
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/05-12/31/05	10,697	1,334		1,334				10,697
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/07-12/31/07	3,694	3,694		2,014			1,681	2,014
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/08-12/31/08	5,119	5,119				1	5,119	0
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	64	64					64	0
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/11-12/31/11	6,412		6,412				6,412	0
<u>New Jersey Department of Transportation</u>										
Reconstruction of Diesterweig Street	6320-480-601381-61	1/1/09-12/31/09	150,000	150,000		150,000				150,000
Reconstruction of Diesterweig Street	6320-480-601381-61	1/1/10-12/31/10	150,000	150,000		111,064	10,672		28,264	111,064
Reconstruction of New Orleans Avenue	6320-480-601381-61	1/1/11-12/31/11	190,000		190,000				190,000	0
Safe Streets to Transit	6320-480-601381-61	1/1/09-12/31/09	175,500	175,500		164,597	10,903			164,597
Local Aid Centers - Streetscape	6300-480-601381-61	1/1/10-12/31/10	475,000	475,000		277,634	170,089		27,277	277,634
Local Aid Centers - Streetscape	6300-480-601381-61	1/1/11-12/31/11	126,000		126,000	96,489			29,511	96,489
Total State Assistance				\$1,140,877	337,420	818,172	198,682	(1,426)	460,017	

SEE ACCOMPANYING AUDITOR'S REPORT

CITY OF EGG HARBOR
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal or State Grantor/Pass Through Grantor/Program Title	Pass Through Grantor's #	Program Period	Program or Award Amount	Program Balance 1/1/2011	Receipts or Revenue Recognized	Disbursements/ Expenditures	Encumbrances	Prior Year Encumbrances Reversed/ Adjustment	Program Balance 12/31/2011	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	\$18,271		16,418			1,853	
Diesterweg Avenue Walkway	14.228	1/1/11-12/31/11	500,000	0	500,000	40,987	431,626		27,387	
Transit Hub-Parking Facility	14.228	1/1/09-12/31/09	365,000			284,027		285,870	1,843	
				18,271	500,000	341,432	431,626	285,870	31,083	
American Recovery & Reinvestment Act										
Downtown Redevelopment	14.253	1/1/09-12/31/09	500,000	343,423		30,191			313,232	
US House Transportation and Infrastructure										
Transit Hub-Parking Facility	20.205	1/1/09-12/31/09	237,500	16,935		200,151	22,149	205,365		
New Jersey Board of Public Utilities (BPU)										
Energy Efficiency and Conservation Block Grant										
Rebate Program										
ARRA - Clean Energy Program	81.128	1/1/11-12/31/11	20,000		20,000				20,000	
U.S. Department of Justice										
Local Law Enforcement Block Grant	16.592	1/1/05-12/31/05	15,780	9,743		4,631			5,112	
				9,743	0	4,631	0	0	5,112	
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		2,017			383	
				2,723	0	2,340	0	0	383	
Total Federal Assistance				\$391,095	500,000	578,745	453,775	491,235	349,810	

SEE ACCOMPANYING AUDITOR'S REPORT

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2011**

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	\$ 818,172	578,745
Expenditures reported in Basic Financial Statements	\$ <u>818,172</u>	<u>578,745</u>

The Balance remaining on U.S. Department of Agriculture Rural Development Loans as of December 31, 2011 amounted to \$10,424,808.

**CITY OF EGG HARBOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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:

\$300,000

Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no	_____ n/a
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**CITY OF EGG HARBOR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Part I -- Summary of Auditor's Results

State Awards Section

Internal Control over compliance:

Material weakness(es) identified? _____

yes

 X

no

Significant deficiency(ies) identified? _____

yes

 X

no

Type of auditor's report on compliance for
major programs

Unqualified

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

yes

 X

no

Identification of major programs:

GMIS Number(s)

Name of State Program

NJ Department of Transportation Local Aid Centers

480-078-06320

Centers of Place

480-0078-06300

Safe Streets to Transit

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

\$300,000

Auditee qualified as low-risk auditee?

yes

 X

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, 2010	A	\$1,083,430
Increased By Receipts:		
Collector	A-5	8,915,461
State of New Jersey -		
Veterans & Senior Citizens		53,956
Marriage License Fees		650
Burial Permit Fees		20
DCA Fees		2,051
Revenue Accounts Receivable	A-8	951,402
Miscellaneous Revenue not		
Anticipated	A-2	22,890
Special Emergency Note		60,000
Tax Anticipation Note		1,000,000
Ambulance Squad Rental - Atlanticare		9,336
Reserve for Sidewalks/Curbing		7,652
Due to Fire Department		4,617
Reserve for Sale of Municipal Assets		57,016
Due from Cemetery		15,000
Appropriation Refunds	A-3	71,416
Prior Year MidAtlantic Communications		4,443
Due from Grant Fund	A-12:A-13	1,543,583
Due from Trust Funds-Program Loans		35,026
Due from Utility Operating		2,298
Due from Utility Capital		6,667
		<u>12,763,484</u>
		13,846,914

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	<u>Current Fund</u>
Decreased by Disbursements:		
2011 Appropriations	A-3	5,488,469
2010 Appropriation Reserves	A-10	38,730
Reserve for Encumbrances		54,512
Accounts Payable		4,507
Special Emergency Note		20,000
Tax Anticipation Note		1,000,000
Due to Accumulated Absences		14,165
Due to Grant Fund	A-13	1,738,870
Due to Utility Operating		74,982
Marriage License Fees		450
Burial Permit Fees		5
DCA Training Fees		2,861
Reserve for Reassessment		28,195
Prior Year Revenue Refunded		813
Third Party Inspection Fees		16,502
Refund Overpayments		2,025
County Taxes		1,086,636
Local District School Tax Paid in Advance		11,794
Local District School Tax	A-10	2,840,674
Regional High School Tax	A-11	1,337,682
		<u>13,761,872</u>
Balance December 31, 2011	A	<u><u>\$85,042</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF CASH - COLLECTOR**

	Ref.		
Balance December 31, 2010			\$0
Increased by Receipts:			
Prepaid Taxes- 2012		91,248	
Taxes Receivable	A-6	8,676,244	
Tax Title Liens	A-7	33,999	
Revenue Accounts Receivable	A-8	113,970	
		<hr/>	8,915,461
			<hr/>
			8,915,461
Decreased by Disbursements:			
Payment to Treasurer	A-4		8,915,461
Balance December 31, 2011	A		<hr/>
			<u><u>\$0</u></u>

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

YEAR	BALANCE DEC. 31, 2010	2011 LEVY	ADDED TAXES	COLLECTIONS BY CASH 2010	2011	OVER- PAYMENTS CREATED	OVER- PAYMENTS APPLIED	TRANSFERRED/ CANCELLED	TRANSFERRED TO TAX TITLE LIENS	TRANSFER TO ARREARS	BALANCE DEC. 31, 2011
Arrears 2010	4,210 900				900						4,210 0
	5,110	0	0	0	900	0	0	0	0	0	4,210
2011		8,912,450		49,925	8,726,969			7,045	124,050		4,461
	\$5,110	8,912,450	0	49,925	8,727,869	0	0	7,045	124,050	0	8,671

A-7

Collections	A-5	8,676,244
Veterans and Senior Citizens		51,625
		<u>\$8,727,869</u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

Ref.

Analysis of 2011 Property Tax Levy

Tax Yield

General Purpose Tax 8,900,531

Added and Omitted Taxes
(54:4-63.1,63.12 et. seq.) 11,919

8,912,450

Tax Levy

Local District School Tax
(Abstract) A-10 2,654,406

Regional High School Tax
(Abstract) A-11 1,345,800

4,000,206

County Tax (Abstract) 923,930

County Library Tax (Abstract) 91,499

Health Tax (Abstract) 56,183

Open Space Preservation Trust (Abstract) 15,024

Due County for Added and
Omitted Taxes
(54:4-63.1,63.12 et. seq.) 1,460

1,088,096

Local Tax for Municipal Purposes A-2 3,810,753

Add: Additional Tax Levied Res. 13,395

Local Tax for Municipal Purposes
Levied

3,824,148

\$8,912,450

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	Ref.		
Balance December 31, 2010	A		\$393,236
Increased by:			
Transfers from Taxes Receivable	A-6	124,050	
Added Tax Title Liens		1,502	
Interest and Costs Accrued by Sale of December 13, 2011	Res.	<u>4,737</u>	
			<u>130,289</u>
			523,525
Decreased by:			
Cancellations	Res.	264	
Collections	A-2:A-5	<u>33,999</u>	
			<u>34,263</u>
Balance December 31, 2011	A		<u><u>\$489,262</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Ref.	BALANCE DEC. 31, 2010	ACCRUED IN 2011	COLLECTED BY COLLECTOR	TREASURER	BALANCE DEC. 31, 2011
Energy Receipts Tax	A-2		395,784	395,784		
Consolidated Municipal Property Tax Relief	A-2		77,677	77,677		
Municipal Court	A-2	5,977	89,472	87,562		7,887 Dec. 2011
Construction Code Official	A-2		32,478	32,478		
Investment Interest	A-2		1,911	1,911		
Interest and Costs on Taxes	A-2		62,037	62,037		
Mid Atlantic Communication Center - Share of Costs	A-2		201,631	201,631		
Licenses:						
Alcoholic Beverages	A-2		17,577	17,577		
Other	A-2		44,903	44,903		
Rental Registration Fees	A-2		31,925	31,925		
Lake Parking Fees	A-2		51,933	51,933		
Mayor Marriage Fees	A-2		1,050	1,050		
Payment in Lieu of Taxes	A-2		29,375	29,375		
Uniform Fire Safety Act	A-2		11,857	11,857		
Rent of Municipal Property	A-2		17,672	17,672		
		<u>\$5,977</u>	<u>1,067,282</u>	<u>113,970</u>	<u>951,402</u>	<u>7,887</u>

Ref.	A	Res.	A-5	A-4	A
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SEE ACCOMPANYING AUDITOR'S REPORT

**CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2010	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Administrator Other Expenses	142	142	47	95	
Administrative and Executive Other Expenses					
Governing Body	226	226	226		
Municipal Clerk (other)	2,065	2,065	2,065		
Financial Administration Other Expenses	2,696	2,696	47	2,649	
Assessment of Taxes Other Expenses	2,435	2,435	1,925	510	
Collection of Taxes Other Expenses					
Tax Sale Costs	500	500	500		
Miscellaneous Other Expenses	489	489	5	484	
Legal Services Other Expenses	19,110	12,110	3,131	8,979	
Engineering Services and Costs Other Expenses	12,300	12,300	10,594	1,706	
Public Buildings and Grounds Other Expenses	5,895	5,895	5,685	210	

SEE ACCOMPANYING AUDITORS REPORT

**CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES**

	<u>BALANCE DEC. 31, 2010</u>	<u>BALANCE AFTER TRANSFERS</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>	<u>OVER- EXPENDED</u>
Zoning Board of Adjustment Other Expenses	1,204	1,204	144	1,060	
Police Other Expenses					
Miscellaneous Other Expenses	2,325	2,325	1,603	722	
Police Radio & Communication Other Expenses	339	339	339		
Municipal Court Other Expenses	741	741	180	561	
Emergency Management Services Other Expenses	891	891	882	9	
Solid Waste Collection (Public Works) Salaries & Wages Other Expenses	1,453	8,453	4,688	3,765	
Hauling Fee (Tipping and Hauling Fee) Miscellaneous Other Expenses	10,661 15,705	10,661 15,705	3,636 15,254	7,025 451	
RECREATION AND EDUCATION: Parks and Playgrounds Other Expenses					
Miscellaneous Other Expenses	590	590	56	534	

SEE ACCOMPANYING AUDITORS REPORT

**CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES**

	BALANCE DEC. 31, 2010	BALANCE AFTER TRANSFERS	PAID OR CHARGED	BALANCE LAPSED	OVER- EXPENDED
Insurance					
Group Insurance Plans for Employees	13,019	13,019	1,966	11,053	
Construction Official					
Other Expenses	456	456	62	394	
Unclassified:					
Street Lighting	11,579	11,579	11,579		
Electric	26,304	26,304	18,609	7,695	
Natural Gas	5,008	5,008	3,904	1,104	
Police Radio and Communications					
Other Expenses	6,115	6,115	6,115		
Other Accounts - No Change	100,135	100,135		100,135	
	<u>\$242,383</u>	<u>242,383</u>	<u>93,242</u>	<u>149,141</u>	<u>0</u>
	A	A	A-4	A-1	A-1
Prior Year Reserved	162,616		38,730		
Prior Year Encumbered	79,767		54,512		
	<u>\$242,383</u>		<u>\$93,242</u>		

SEE ACCOMPANYING AUDITORS REPORT

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

	Ref.	
Balance December 31, 2010	A	\$186,268
Increased by:		
Levy - Calendar Year 2011	A-1:A-6	2,654,406
		<u>2,840,674</u>
Decreased by:		
Payments	A-4	2,840,674
Balance December 31, 2011	A	<u><u>\$0</u></u>

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

	Ref.		
Balance December 31, 2010			
School Tax Payable	A	\$113,757	
School Tax Deferred	A	485,108	
	A	<hr/>	598,865
Increased by:			
Levy - School Year July 1, 2011			
June 30, 2012	A-1:A-6		1,345,800
			<hr/>
			1,944,665
Decreased by:			
Payments	A-4		1,337,682
			<hr/>
Balance December 31, 2011			
School Tax Payable		121,875	
School Tax Deferred		485,108	
	A	<hr/>	\$606,983
			<hr/>
2011 Liability for Regional High School Tax:			
Tax Paid			\$1,337,682
Tax Payable @ December 31, 2011			121,875
			<hr/>
			1,459,557
Less: Tax Payable @ December 31, 2010			113,757
			<hr/>
Amount Charged to 2011 Operations			<u>\$1,345,800</u>

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

	BALANCE DEC. 31, 2010	2011 REVENUE	RECEIVED	CANCELED	BALANCE DEC. 31, 2011
State of New Jersey:					
NJ Transportation Trust Fund Authority Act					
Reconstruction of -					
Diesterweg Street	300,000		178,132		121,868
St. Louis Avenue	44,813		44,813		
New Orleans Avenue		190,000			190,000
DOT Local Aid Centers-Streetscape					
Phase I	475,000		314,042		160,958
Phase II		126,000			126,000
NJ DOT Safe Streets to Transit Program	175,500		131,625		43,875
NJDEP-Hazardous Discharge Site Remediation	3,272				3,272
NJEDA Environmental Cleanup	217,086				217,086
Clean Communities Act		10,532	10,532		
Drunk Driving Enforcement Fund		6,412	6,412		
Body Armor Fund		1,604	1,604		
Recycling Tonnage Grant		2,872	2,872		
Clean Energy		20,000			20,000
NJ Historic Preservation - Lafayette Firehouse Emergency Grant	10,000				10,000
Total State Programs	1,225,671	357,420	690,032	0	893,059
Federal:					
Small Cities Community Development Block Grant					
Site Acquisition	9,930		9,930		
Transit Hub-Parking Facility	365,000		355,520		9,480
ARRA Downtown Redevelopment	407,579		94,346		313,233
Diesterweg Avenue Walkway		500,000	24,276		475,724
US House Trans and Infrastructure Transit Hub	237,500		180,136	15,200	42,164
Bullet Proof Vest	375		375		
Total Federal Programs	1,020,384	500,000	664,583	15,200	840,601
Local/County:					
Atlantic County Open Space Grant - Lafayette Fire House	201,581		172,581		29,000
Drug Abuse Resistance Education	12,380	12,380	11,911	469	12,380
Total Local/ County Programs	213,961	12,380	184,492	469	41,380
	\$2,460,016	869,800	1,539,107	15,669	1,775,040

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, 2010	TRANSFERRED FROM 2011 BUDGET APPROPRIATIONS	DISBURSED	ENCUMBERED	ENCUMBRANCES CANCELED	BALANCES CANCELED	BALANCE DEC. 31, 2011
State of New Jersey:							
DOT -							
Safe Streets to Transit	175,500		164,597	10,903			
Reconstruction of Diesterweg Street	300,000		261,064	10,672			28,264
Reconstruction of New Orleans Avenue		190,000					190,000
Local Aid Centers-Streetscape							
Phase I	475,000		277,634	170,089			27,277
Phase II		126,000	96,489				29,511
NJDEP-NJ Pollution Discharge Elimination System Muni Stormwater General Permit	2,522		1,050				1,472
NJDEP-Hazardous Discharge	144,715		1,197	117,616	117,616		143,518
NJ Historic Preservation Trust Lafayette Fire House							
Body Armor Fund	1,059	1,604					2,663
Drunk Driving Enforcement Fund	8,927	6,412	3,348			(1,285)	13,276
Clean Communities Program	24,618	10,532	7,643	7,018		2,318	18,171
Clean Energy Grant		20,000					20,000
Recycling Tonnage Grant	8,143	2,872	5,150				5,865
Division of Highway Safety Over the Limit Under Arrest Click It or Ticket							
Total State Programs	1,140,484	357,420	818,172	316,298	117,616	1,033	480,017
Federal:							
Small Cities Community Development Block Grant							
Parking Facility (Transit Hub)			284,027		285,870		1,843
Housing Rehabilitation	18,271		16,418				1,853
Housing Rehabilitation - 2007		500,000	40,987	431,626			27,387
Diesterweg Street Sidewalks/Walkway			30,191				313,232
ARRA Downtown Redevelopment	343,423						
US Department of Justice							
Local Law Enforcement Block Grant	9,743		4,631				5,112
Bulletproof Vest Program	2,723		2,340				383
US House Transportation and Infrastructure	16,935		200,151	22,149	220,565	15,200	
Total Federal Programs	391,095	500,000	578,745	453,775	506,435	15,200	349,810
Local / County:							
Drug Abuse Resistance Education	619	15,475	18,606	1,698	5,353	503	640
Egg Harbor City Board of Education							
Rittenberg School Demolition	30,763		200,655	2,800	186,175		13,483
Atlantic County Open Space Grant							
Lafayette Fire House	12,781		122,389		109,608		
JIF Safety Reimbursement	1,011		303	708			
Total Local / County Programs	45,174	15,475	341,953	5,206	301,136	503	14,123
	<u>\$1,576,753</u>	<u>872,895</u>	<u>1,738,870</u>	<u>775,279</u>	<u>925,187</u>	<u>16,736</u>	<u>843,950</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, 2010	TRANSFERRED TO 2011 BUDGET APPROPRIATIONS	RECEIVED	BALANCE DEC. 31, 2011
Body Armor	\$1,604	1,604	1,693	1,693
Recycling Tonnage Grant	2,872	2,872	9,169	9,169
Bulletproof Vest			795	795
	<u>\$4,476</u>	<u>4,476</u>	<u>11,657</u>	<u>11,657</u>

Ref.

A

A

TRUST FUND
SCHEDULE OF TRUST CASH - TREASURER

	<u>Ref.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2010	B	\$3,117	163,633
Increased by:			
Received from Current Fund	B-3; B-4	1,602	
Municipal Court-POAA	B-12		24
Construction Official	B-6		34,200
Budget Appropriations	B-5		13,000
Unemployment	B-5		4,039
Forfeiture Funds	B-10		5,506
Accumulated Absences-Budget	B-14		25,000
Developer's Fees	B-8		100,770
Performance Maintenance			12,762
Community Events			605
Interest on Savings:			
Maintenance Bonds			113
Developer's Escrow	B-8		26
Unemployment Fund	B-5		49
Sanitary Landfill	B-7		10
Accumulated Absences	B-14		19
		<hr/>	<hr/>
		1,602	196,123
		<hr/>	<hr/>
		4,719	359,756

SEE ACCOMPANYING AUDITOR'S REPORT

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	1,439	
Paid to State of New Jersey	B-4	275	
Paid to Treasurer			
Construction Code	B-6		34,200
Refund Maintenance Bonds			2,616
Unemployment Claims	B-5		47,075
Community Events			270
Payment of Retiree Benefits	B-14		26,882
Developer's Fees	B-8		109,103
		1,714	220,146
Balance December 31, 2011	B	<u>\$3,005</u>	<u>139,610</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		7,376
POAA Trust		75
Law Enforcement Trust Fund		19,684
Sanitary Landfill Escrow		8,314
Developer's Escrow		42,640
Maintenance Bonds		
Shocky Pure Water Systems		2,991
World Class Flowers		12,810
Fintan Cooke		1,697
Atlantic County Council Education		5,041
Cummunity Events		336
Recreation Trust Fund		13,063
Accumulated Absences		25,583
		<u>\$139,610</u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

Balance December 31, 2010	<u>Ref.</u> B		\$11,507
Increased by:			
Tax Sale Premiums Received		55,400	
Tax Title Lien Redemptions Deposited		<u>916,568</u>	
	B-9		<u>971,968</u>
			983,475
Decreased by:			
Tax Sale Premiums Returned		4,000	
Redemption of Tax Sale Certificates		<u>914,503</u>	
	B-9		<u>918,503</u>
Balance December 31, 2011	B		<u><u>\$64,972</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$3,117
Increased by:		
Collections in Current Fund		
Dog Licenses	1,047	
Cat Licenses	145	
Late Fees	135	
		<u>1,327</u>
		4,444
Decreased by:		
Expenditures under R.S. 4:19-15.11:		
Cash	B-1	<u>1,439</u>
		1,439
Balance December 31, 2011	B	<u><u>\$3,005</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	1,276
2009	1,855
	<u><u>\$3,131</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$0
Increased by:		
State Fees Collected:		
Registration		154
Pilot Clinic Fees		31
Animal Population Control		90
	B-1	<hr/> 275
		<hr/> 275
Decreased by:		
Fees paid to State of NJ Dept. of Health	B-1	275
Balance December 31, 2011	B	<hr/> <hr/> \$0

**TRUST FUND
SCHEDULE OF RESERVE FOR UNEMPLOYMENT**

	<u>Ref.</u>	
Balance December 31, 2010	B	\$37,363
Increased by:		
Interest Earned		49
Unemployment Withholdings		4,039
Budget Appropriations		
Current Fund		12,000
Utility Fund		1,000
	B-1	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">17,088</div>
		54,451
Decreased by:		
Paid to State of New Jersey	B-1	47,075
Balance December 31, 2011	B	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$7,376</div>

B-6

TRUST FUND
SCHEDULE OF CONSTRUCTION CODE OFFICIAL

	<u>Ref.</u>		
Balance December 31, 2010	B		\$0
Increased by:			
Permits	B-1	32,478	
State Training Fees	B-1	1,722	
		<hr/>	34,200
			<hr/>
			34,200
Direct Deposit to Current Fund	B-1		34,200
Balance December 31, 2011	B		<hr/> <hr/> \$0

B-7

TRUST FUND
SCHEDULE OF RESERVE FOR SANITARY LANDFILL CLOSURE

	<u>Ref.</u>		
Balance December 31, 2010	B		\$8,304
Increased by Receipts:			
Interest Earned	B-1		10
Balance December 31, 2011	B		<hr/> <hr/> \$8,314

**TRUST FUND
SCHEDULE OF AGENT ESCROWS**

	<u>Ref.</u>	
Balance December 31, 2010	A:B	\$50,947
Increased by:		
Developer's Fees	100,770	
Interest Earned	<u>26</u>	
	B-1	<u>100,796</u>
		151,743
Decreased by:		
Fees Paid to Developers	<u>109,103</u>	
		<u>109,103</u>
Balance December 31, 2011	B	<u><u>\$42,640</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2010	<u>Ref.</u> B		\$11,507
Increased by:			
Tax Sale Premiums		55,400	
Tax Title Lien Redemptions Deposited		<u>916,568</u>	
	B-2		<u>971,968</u>
			983,475
Decreased by:			
Premiums Returned		4,000	
Redemptions Returned		<u>914,503</u>	
	B-2		<u>918,503</u>
Balance December 31, 2011	B		<u><u>\$64,972</u></u>
Analysis of Balance:			
Tax Title Lien Redemptions		13,572	
Tax Sale Premiums		<u>51,400</u>	
			<u><u>\$64,972</u></u>

B-10

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST

Balance December 31, 2010	<u>Ref.</u> B		\$14,180
Increased by:			
County Forfeiture Funds	B-1	<u>5,506</u>	<u>5,506</u>
			19,686
Decreased by:			
Drug Buy Money and Other Miscellaneous	B-1	<u> </u>	<u>0</u>
Balance December 31, 2011	B		<u><u>\$19,686</u></u>

B-11

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST FUND

Balance December 31, 2010	B		\$3,063
No Activity			<u> </u>
Balance December 31, 2011	B		<u><u>\$3,063</u></u>

B-12

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

Balance December 31, 2010	<u>Ref.</u> B	\$51
Increased by:		
Received from Municipal Court	B-1	<u>24</u>
Balance December 31, 2011	B	<u><u>\$75</u></u>

B-13

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

Balance December 31, 2010	B	\$1,454
Increased by:		
Due from Current Fund- Street Opening Permits		<u>10,090</u>
		11,544
Decreased by:		
Refund of Street Opening Permit Fees		<u>10,412</u>
Balance December 31, 2011	B	<u><u>\$1,132</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

Balance December 31, 2010	<u>Ref.</u> B		\$27,446
Increased by:			
Interest earned		19	
Budget Appropriations			
Current Year		<u>25,000</u>	
	B-1		<u>25,019</u>
			52,465
Decreased by:			
Payments to Retirees	B-1		<u>26,882</u>
Balance December 31, 2011	B		<u><u>\$25,583</u></u>

**SCHEDULE OF CASH TREASURER
GENERAL CAPITAL FUND**

	<u>Ref.</u>		
Balance December 31, 2010	C:C-3		\$200,683
Increased by:			
Capital Improvement Fund	C-6	105,000	
Deferred Charges Raised in Operating Budget	A-2	20,000	
Bond Anticipation Notes Issued	C-9	<u>72,600</u>	
			<u>197,600</u>
			398,283
Decreased by:			
Expenditures Charged to Reserves:			
Realigning Roads		12,500	
Improvement Authorizations	C-7	<u>385,640</u>	
			<u>398,140</u>
Balance December 31, 2011	C:C-3		<u><u>\$143</u></u>

Ref.	C	C-2	C-6	C-9	C-7	C/C-1	C:C-2

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>	
Balance December 31, 2010	C	\$1,887,000
Decreased by:		
2011 Budget Appropriations to Pay Bonds:		
Municipal Bonds	C-8	<u>160,000</u>
Balance December 31, 2011	C	<u><u>\$1,727,000</u></u>

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

C-5

Ord. #	Improvement Authorization	Balance Dec. 31 2010	2011 Authorizations	Funded by Budget Appropriation	Transferred to Deferred Taxation- Funded	Balance Dec. 31 2011	Analysis of Balance - December 31, 2011		
							Financed by Notes	Expenditures	Unexpended Improvement Authorizations
15-1989	Construction of Sidewalks	60,000		20,000		40,000		40,000	
9-2006	Various General Improvements	392,900		27,721		365,179	365,179		
7-2007	Various General Improvements	375,300		22,279		353,021	353,021		
19-2008	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	106,929				106,929	72,600	99,452	7,477
11-2009	Reconstruction of Various Roads	427,500				427,500	427,500		
10-2011	Reconstruction of Various Roads		118,750			118,750		81,187	37,563
		<u>\$1,362,629</u>	<u>118,750</u>	<u>70,000</u>	<u>0</u>	<u>1,411,379</u>	<u>1,218,300</u>	<u>220,639</u>	<u>45,040</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, 2010	C	\$87,500
Increased by:		
Budget Appropriation	A-3	<u>105,000</u>
		192,500
Decreased by:		
Appropriated to Fund Improvement Authorizations	C-7	<u>173,750</u>
		<u>173,750</u>
Balance December 31, 2011	C	<u><u>\$18,750</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. #	Improvement Authorization	Ordinance Date	Amount	2011 Authorizations				Prior Year Encumbrance Paid	Paid or Charged	Encumbered	Reappropriate Balance	Balance Dec. 31, 2011	
				Balance Dec. 31, 2010	Capital Improvement Fund	Capital Surplus	Deferred Charged to Future Taxation					Funded	Unfunded
4-2005	Foreclosure of City Owned Property	2/24/05	400,000										
5-2006	Purchase of Radios, Computers, and Ambulance	3/23/06	235,638	6,208				849	1,933	1,009		4,115	
19-2008	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	8/28/08	241,000		8,427				950				7,477
9-2009	Lake Improvements/EHC North Preliminary Expense a - Lake Improvements b- EHC North Preliminary Expenses	4/9/09	37,500 75,000	1,025 130				400		1,472	2,497	1,025 1,555	
11-2009	Reconstruction of Various Roads	6/25/09	450,000		205,982			9,781	195,464	20,299			
11-2010	EHC North Preliminary Expenses	4/22/10	200,000	12,023				7,837	18,556	70		1,234	
4-2011	Various General Improvements	2/24/12	167,500		167,500				111,800	36,039		19,661	
10-2011	Reconstruction of Various Roads	5/26/12	125,000		6,250				56,937	30,500		37,563	
				<u>\$19,386</u>	<u>214,409</u>	<u>0</u>	<u>118,750</u>	<u>18,867</u>	<u>385,640</u>	<u>89,389</u>	<u>2,497</u>	<u>27,590</u>	<u>45,040</u>
Ref.				C	C	C-1	C-5			C		C	C
				General Capital Cash				C-2; C-3		<u>385,640</u>			

SEE ACCOMPANYING AUDITOR'S REPORT

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Maturities of Bonds									
Purpose	Date of Issue	Original Issue	Outstanding December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Date	Amount					
Various Improvements	12/1/05	2,317,000	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%	1,887,000	160,000	1,727,000	
						<u>\$1,887,000</u>	<u>0</u>	<u>160,000</u>	<u>1,727,000</u>
					Ref.	C	C-4	C-4	C

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, 2010	Increased	Decreased	Balance Dec. 31, 2011
9-06	Various General Improvements	7/26/07	2/9/11	2/7/12	2.13%	392,900		27,721	365,179
7-07	Various General Improvements	6/1/07	2/9/11	2/7/12	2.13%	375,300		22,279	353,021
19-08	Various General Improvements	2/9/11	2/9/11	2/7/12	0.00%		72,600		72,600
11-09	Various General Improvements	12/31/09	2/9/11	2/7/12	2.13%	65,500			65,500
11-09	Various General Improvements	2/11/10	2/9/11	2/7/12	2.13%	362,000			362,000
						<u>\$1,195,700</u>	<u>72,600</u>	<u>50,000</u>	<u>1,218,300</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, 2010	Debt Authorized	Paid Through Budget	Notes Issued	Balance Dec. 31, 2011
15-89	Revitalization of Phila. Ave.	9/7/89	60,000		20,000		40,000
19-08	Reconstruction of St. Louis Ave. and Acquisition of Street Sweeper	8/28/08	106,929			72,600	34,329
10-11	Various Road Improvements	5/26/11		118,750			118,750
			<u>\$166,929</u>	<u>118,750</u>	<u>20,000</u>	<u>72,600</u>	<u>193,079</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, 2010		\$238,617		510,615
Increased by Receipts:				
Collector	D-6	1,179,271		
Miscellaneous	D-3	34,388		
Fire Hydrants	D-3	15,000		
Petty Cash		157		
FEMA Reimbursements	D-3	61,008		
Appropriation Refunds	D-4	3,995	1,478	
Due from Current Fund		72,684	584,245	
Due from Utility Capital - Reserve to Pay Bonds		182,922		
Premium on Notes	D-2		1,201	
		<u>1,549,425</u>		<u>586,924</u>
		1,788,042		1,097,539
Decreased by Disbursements:				
2011 Appropriations	D-4	1,088,212		
2010 Appropriation Reserves	D-13	16,517		
Accrued Interest on Bonds and Notes	D-14	314,580		
Non Budget Appropriations		192		
Petty Cash		157		
Improvement Authorizations			122,953	
Due to Utility Operating			182,922	
		<u>1,419,658</u>		<u>305,875</u>
Balance December 31, 2011	D	<u>\$368,384</u>		<u>791,664</u>

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

	<u>Ref.</u>		
Balance December 31, 2010	D		\$0
Increased by Receipts:			
Consumer Accounts Receivable	D-3:D-7	1,055,621	
Utility Liens	D-8	1,138	
Prepaid Utility Rents		119,887	
Prepaid Fire Receipts		<u>2,625</u>	
			<u>1,179,271</u>
			1,179,271
Decreased by Disbursements:			
Payment to Treasurer	D-5		<u>1,179,271</u>
Balance December 31, 2011			<u><u>\$0</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2010	D		\$9,385
Increased by Receipts:			
Utility Rents Levied	Res.	<u>1,217,474</u>	<u>1,217,474</u>
			1,226,859
Decreased by Disbursements:			
Collections - 2011	D-6	1,055,621	
Collections - 2010		138,470	
Transfers to Lien	D-8	12,402	
Other Miscellaneous		1,969	
Overpayments created	D-15	<u>3,583</u>	<u>1,212,045</u>
Balance December 31, 2011	D		<u><u>\$14,814</u></u>

D-8

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

	<u>Ref.</u>		
Balance December 31, 2010	D		\$1,372
Increased by:			
Transfers from Accounts Receivable	D-7	12,402	
Penalties and Costs		<u>3,977</u>	<u>16,379</u>
			17,751
Decreased by:			
Other		939	
Collections	D-6	<u>1,138</u>	<u>2,077</u>
Balance December 31, 2011	D		<u><u>\$15,674</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

**WATER AND SEWER OPERATING FUND
SCHEDULE OF DEFERRED CHARGES**

BALANCE DEC. 31, 2010	ADDED IN 2011	2011 BUDGET	BALANCE DEC. 31, 2011
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Deficit in Operations

	14,159		14,159
	14,159	0	14,159

Ref.	D	D-1	D-5	D
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SEE ACCOMPANYING AUDITOR'S REPORT

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

ACCOUNT	ADDITIONS BY				DEDUCTION	
	BALANCE DEC. 31, 2010	BUDGET		BY ORDINANCE	FACILITIES ABANDONED	BALANCE DEC. 31, 2011
		CAPITAL OUTLAY				
Sewer Mains	\$161,073					161,073
Engineering and Superintendants	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			113,066		1,002,066
#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
	<u>\$9,712,569</u>	<u>0</u>	<u>0</u>	<u>113,066</u>	<u>0</u>	<u>9,825,635</u>

Ref.

D

D-12

D

SEE ACCOMPANYING AUDITOR'S REPORT

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

ACCOUNT	BALANCE DEC. 31, 2010	ADDITIONS BY			DEDUCTION FACILITIES ABANDONED	BALANCE DEC. 31, 2011
		BUDGET		BY ORDINANCE		
		CAPITAL OUTLAY				
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
	\$7,694,983	0	0	0	0	7,694,983

Ref. D D-4 D-12 D-19 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, 2010	2011 AUTHORIZATION			TO FIXED CAPITAL	CANCELLED	BALANCE DEC. 31, 2011
				DEFERRED RESERVE FOR AMORTIZATION	DEFERRED CHARGES TO FUTURE REVENUE				
#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	9,840,000			0		2,901,900	6,938,100
			<u>\$15,872,000</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>2,901,900</u>	<u>12,970,100</u>
	Ref.	D			D-16	D-10; D-11	D-22		D

**WATER AND SEWER OPERATING FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES**

	<u>BALANCE DEC. 31, 2010</u>	<u>BALANCE AFTER TRANSFERS</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>	<u>OVER- EXPENDED</u>
Operating:					
Other Expenses	\$38,785	38,785	16,517	22,268	
Engineering Fees	5,000	5,000		5,000	
Legal Fees	5,009	5,009		5,009	
Other Accounts - No Change	3,004	3,004		3,004	
	<u>\$51,798</u>	<u>51,798</u>	<u>16,517</u>	<u>35,281</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, 2011**

Balance December 31, 2010	<u>Ref.</u> D		\$115,385
Increased by:			
Budget Appropriation for Interest on Bonds and Notes	D-4		<u>329,938</u>
			445,323
Decreased by:			
Interest Paid - Treasurer	D-5	242,761	
Interest Charged to Ordinances		<u>71,819</u>	
			<u>314,580</u>
Balance December 31, 2011	D		<u><u>\$130,743</u></u>

ANALYSIS OF ACCRUED INTEREST - DECEMBER 31, 2011

<u>Principal Outstanding Dec. 31, 2011</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period</u>	<u>Amount</u>
Serial Bonds					
197,974	4.50%	9/26/11	12/31/11	97	2,400
776,712	4.50%	10/22/11	12/31/11	70	6,796
149,230	4.25%	12/1/11	12/31/11	31	546
565,000	various	12/1/11	12/31/11	31	1,810
4,244,892	4.375%	8/15/11	12/31/11	138	71,190
0	various	8/1/11	12/31/11	153	23,353
5,056,000	2.250%	10/14/11	12/31/11	78	24,648
					<u>130,743</u>
Bond Anticipation Notes					
800,000	2.13%	2/9/11	12/31/11	326	15,431
					<u>15,431</u>
Total Accrued Interest					<u><u>\$146,174</u></u>

SEE ACCOMPANYING AUDITOR'S REPORT

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

	<u>Ref.</u>		
Balance December 31, 2010	D		\$5,773
Increased by:			
Overpayments created in 2011	D-7		<u>3,583</u>
			9,356
Decreased by:			
Refunded in 2011		40	
Overpayments applied in 2011	D-7	<u>7,166</u>	<u>7,206</u>
Balance December 31, 2011	D		<u><u>\$2,150</u></u>

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

IMPROVEMENT AUTHORIZATION	ORDINANCE DATE	AMOUNT	2011 AUTHORIZATIONS												BALANCE	
			BALANCE DEC. 31, 2010		SURPLUS	DOWN		DEFERRED CHARGES TO FUTURE REVENUE	PAID OR CHARGED		CASH	CURRENT YEAR ENCUMBERED	PRIOR YEAR ENCUMBERED	CANCELLED	BALANCE	
			FUNDED	UNFUNDED		PAYMENT OR CAPITAL	IMPROV. FUND		ENCUMBERED	ENCUMBERED					DEC. 31, 2011	UNFUNDED
			FUNDED	UNFUNDED											FUNDED	UNFUNDED
#20-08 Various Utility Improvements	9/11/08	6,032,000		207,639						126,619	22,674	(87,812)				146,158
#12-09 Construction of Water Plant	9/10/09	10,000,000		9,013,702						44,696	262,160	(284,592)	2,901,900			6,089,538
			\$0	9,221,341	0	0	0	0		171,315	284,834	(372,404)	2,901,900	0	6,235,696	
Ref.			D	D	D-2; D-19	D-19	D-12				D			D		D
									Paid in Cash							
									Net Accrued interest	D-5						
									charged to ordinances							
									BAN interest							
									charged to ordinances							
									Refunds							
						</										

SEE ACCOMPANYING AUDITOR'S REPORT

SCHEDULE OF RESERVE FOR AMORTIZATION - WATER

	Ref.		
Balance December 31, 2010	D		\$4,895,068
Increased by:			
Serial Bonds Paid	D-20	<u>45,870</u>	<u>45,870</u>
Balance December 31, 2011	D		<u><u>\$4,940,938</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER

	Ref.		
Balance December 31, 2010	D		\$2,829,735
Increased by:			
Serial Bonds Paid	D-20	118,708	
Bond Anticipation Notes Paid	D-21	<u>6,667</u>	<u>125,375</u>
Balance December 31, 2011	D		<u><u>\$2,955,110</u></u>

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

	Ref.	
Balance December 31, 2010	D	\$2,191,017
Increased by:		
Funds received from USRDA		
Egg Harbor City North		<u>147,500</u>
Balance December 31, 2011	D	<u><u>\$2,338,517</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, 2010	INCREASED	DECREASED	BALANCE DEC. 31, 2011
			DECEMBER 31, 2011 DATE	AMOUNT					
Various Sewer Improvements	8/1/90	1,272,000	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%	914,250		914,250	0
Various Sewer Improvements	8/24/93	870,000	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%	685,486		685,486	0
Various Sewer Improvements	9/26/02	220,000	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%	200,879		2,905	197,974
Sanitary Sewer Extension & Replacement	10/22/04	839,000	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%	786,841		10,129	776,712
Various Sewer Improvements	9/1/05	160,800	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%	151,222		1,992	149,230

SEE ACCOMPANYING AUDITOR'S REPORT

**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, 2010	INCREASED	DECREASED	BALANCE DEC. 31, 2011
			DATE	AMOUNT					
Various Water and Sewer Improvements	12/1/05	715,000	12/1/12	50,000	3.50%				
			12/1/13	55,000	3.50%				
			12/1/14	60,000	3.50%				
			12/1/15-18	65,000	4.00%				
			12/1/19-20	70,000	4.00%	610,000		45,000	565,000
Various Water and Sewer Improvements	2/15/08	4,400,000	2/15/12	24,139					
			8/15/12	24,667					
			2/15/13	25,206					
			8/15/13	25,758					
			2/15/14	26,322					
			8/15/14	26,897					
			2/15/15 - 2/15/48	4,091,903	4.375%	4,291,631		46,739	4,244,892
Refunding Bond Issue	4/26/11	1,690,000	8/1/12-14	55,000	3.000%				
			8/1/15	55,000	2.000%				
			8/1/16	125,000	2.250%				
			8/1/17	125,000	2.500%				
			8/1/18	130,000	4.000%				
			8/1/19	135,000	4.000%				
			8/1/20	140,000	3.500%		1,690,000	35,000	1,655,000
Egg Harbor City North Utility Improvements	10/14/11	5,056,000	4/14/12	39,336					
			10/14/12	39,779					
			4/14/13	40,226					
			10/14/13	40,679					
			4/14/14	41,136					
			10/14/14	41,599					
			4/14/15	42,067					
			10/14/15	42,540					
			4/14/16	43,019					
			10/14/16	43,503					
			4/14/17 - 10/14/51	4,642,116	2.250%		5,056,000		5,056,000
						<u>\$7,640,309</u>	<u>6,746,000</u>	<u>1,741,501</u>	<u>12,644,808</u>
					Ref.	D		D-4:D-5 D-17:D-18	D

**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, 2010	INCREASED	DECREASED	BALANCE DEC. 31, 2011
Improvements to Sanitary Sewer	4/30/04	4/29/12	0.00%	39,999		6,667	33,332
Various Utility Improvements	12/28/07	-	-	459,500		459,500	
EHC North W&S Improvements	8/18/09	-	-	4,000,000		4,000,000	
EHC North W&S Improvements	7/15/10	-	-	540,500		540,500	
Water Plant Construction	2/10/10	2/8/12	2.13%	500,000	800,000	500,000	800,000
Water Plant Construction	2/10/10	2/8/12	0.00%	800,000			800,000
				<u>\$6,339,999</u>	<u>800,000</u>	<u>5,506,667</u>	<u>1,633,332</u>
			Ref.	D	D-22	D-4	D

SEE ACCOMPANYING AUDITOR'S REPORT

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

IMPROVEMENT DESCRIPTION	DATE OF ORDINANCE	BALANCE DEC. 31, 2010	2011 AUTHORIZATIONS	BONDS ISSUED	NOTES ISSUED	AUTHORIZATIONS CANCELLED	BALANCE DEC. 31, 2011
#06-04 Sewer Extensions	5/13/04	800					800
#20-08 EHC North Utility Improvements	9/11/08	203,500		56,000		147,500	0
#12-09 Construction of Water Plant	9/10/09	8,700,000			300,000	2,901,900	5,498,100
		<u>\$8,904,300</u>	<u>0</u>	<u>56,000</u>	<u>300,000</u>	<u>3,049,400</u>	<u>5,498,900</u>

Ref.

D

D-15

D-19

D-20

D

SEE ACCOMPANYING AUDITOR'S REPORT

EGG HARBOR CITY

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement". Effective September 20, 2011, the State of New Jersey Division of Local Government Services is permitting municipalities who employ an individual who meets the criteria to sit for the Qualified Purchasing Agent examination to temporarily increase their bid threshold to \$26,000. City Council adopted a resolution increasing the City's bid threshold to \$26,000 effective September 22, 2011. It is the intent of the Chief Financial Officer to sit for one of the next two examinations, otherwise the bid threshold will revert back to \$17,500.

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$17,500 (\$26,000 effective September 22, 2011) within the calendar year. 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:

Demolition of the Rittenberg School, Sidewalk and Bike Path Improvements along Atlantic Avenue, Philadelphia Avenue Streetscape Phase II, Diesterwieg Avenue Walkway and Bike Path, Road Improvements to Diesterwieg and San Francisco Avenues.

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

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

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 (\$26,000 effective September 22, 2011) "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 3, 2011 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 2011 calendar year, the City held their tax sale on December 13, 2011. 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>
2011	3,738
2010	3,743
2009	3,718

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, 2011 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 2012 and 2011 Taxes	25
Municipal Tax Title Liens	12
Payment of 2011 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>
2011	\$8,912,450	8,776,894	98.47%
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%

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	2.98	2.72	2.62	2.60	2.48
Apportionment of Tax Rate:					
Municipal	1.28	1.20	1.14	1.13	1.07
County	0.36	0.33	0.33	0.32	0.31
Local School	0.89	0.77	0.75	0.71	0.65
Regional High School	0.45	0.42	0.40	0.44	0.45
Assessed Valuation	298,675,529	300,464,985	299,122,086	299,436,382	299,694,731

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>
2011	\$489,262	8,671	497,933	5.59%
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%

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

Ford-Scott & Associates, LLC

Ford-Scott & Associates, LLC
Certified Public Accountants