

**BOROUGH OF BOUND BROOK  
COUNTY OF SOMERSET  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 and 2010**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.







**BOROUGH OF BOUND BROOK**  
**SOMERSET COUNTY, NEW JERSEY**

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**SOMERSET COUNTY, NEW JERSEY**

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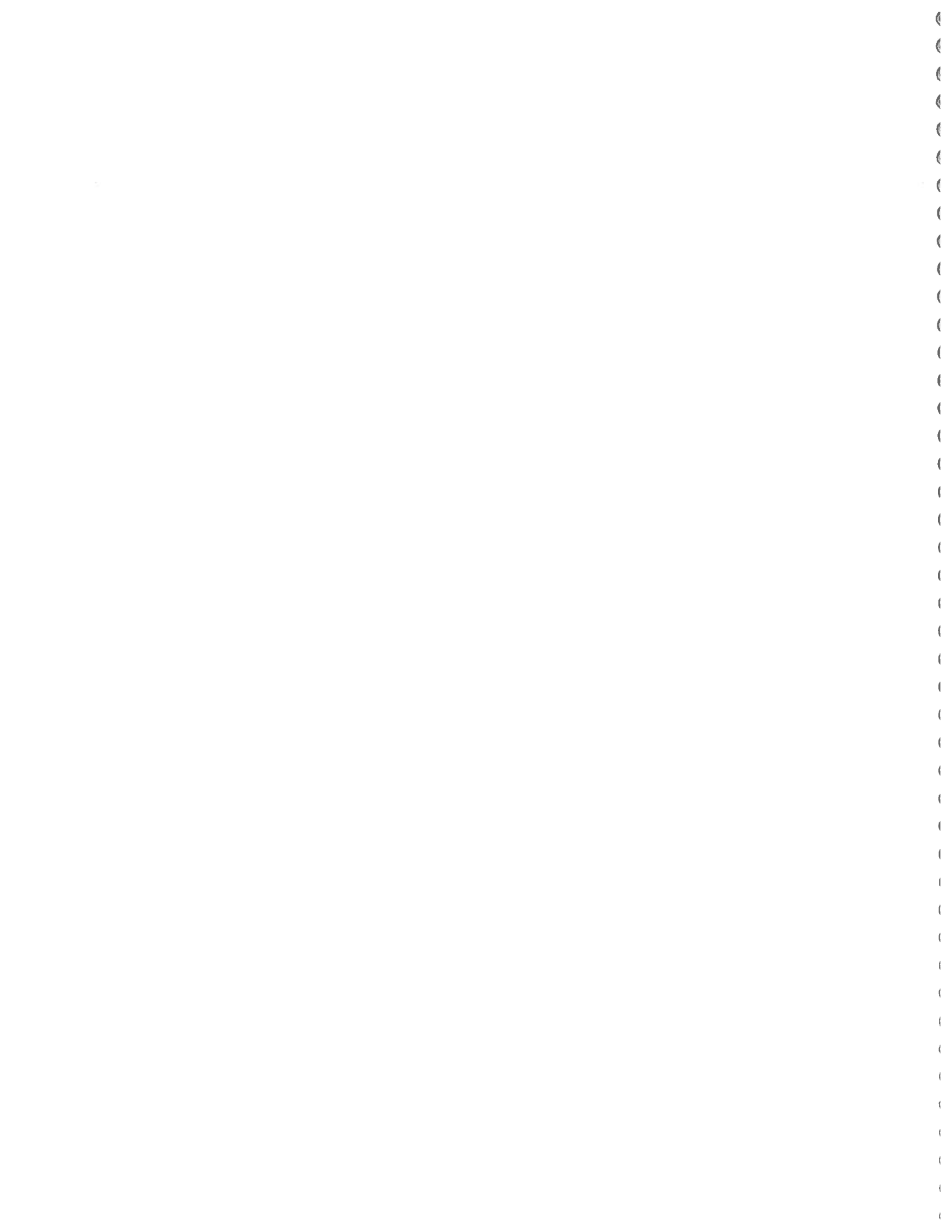




**BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY**



**PART I  
INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS**



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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Bound Brook  
County of Somerset, New Jersey

We have audited the accompanying balance sheets – regulatory basis of the various funds of the Borough of Bound Brook as of December 31, 2011 and 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 the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Borough of Bound Brook, County of Somerset, as of December 31, 2010 were audited by other auditors whose opinion, dated July 22, 2011, expressed a qualified opinion on the financial statements based upon the other comprehensive basis of accounting utilized by the Borough for omission of a schedule of governmental fixed assets, as more fully described in Note 2, and an adverse opinion on the financial statements due to departures from accounting principles generally accepted in the United States.

Except as noted in the following paragraphs, 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

The financial statements referred to above include the assets and liabilities of the Borough's Length of Service Awards Program Plan (LOSAP), which by regulation, is subject to an accountant's review report and is unaudited. The Length of Service Awards Program Plan is included within the Trust Fund.

The financial statements referred to above do not include a statement of governmental fixed assets, which is a required financial statement under regulatory basis of accounting utilized by the Borough, as more fully described in Note 2 to the financial statements.

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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 respect to public funds. Accordingly, the accompanying financial statements- regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the prescribed regulatory basis of accounting as described in the preceding paragraph is utilized by the Borough of Bound Brook, County of Somerset, New Jersey for the purpose of financial statement preparation, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2011 or the results of its operations and changes in fund balance for the years then ended or the revenues and expenditures for the year ended December 31, 2011.

However, in our opinion, except for the omission of the schedule of governmental fixed assets, the financial statements – regulatory basis, referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2011 and the results 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 on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2012 on our consideration of the Borough of Bound Brook's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part II – Supplementary Schedules and Part III – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Bound Brook, County of Somerset, New Jersey. The Part II – Supplementary Schedules 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 Part II information has been subjected to 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 Part II information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part III - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion, or provide any assurance on them.

*Hodulik & Morrison, P.A.*

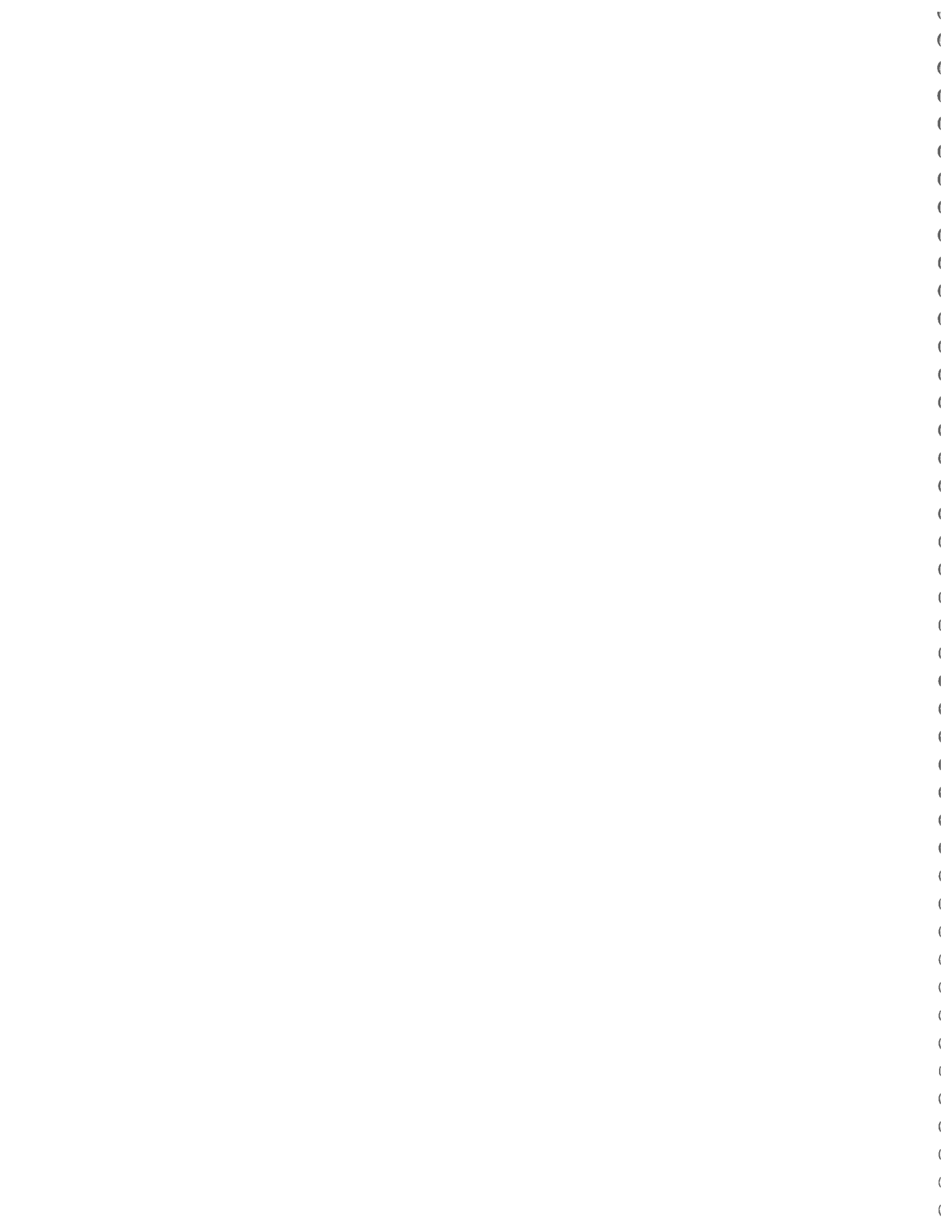
**HODULIK & MORRISON, P.A.**  
**Certified Public Accountants**  
**Registered Municipal Accountants**  
**Public School Accountants**



**Andrew G. Hodulik**  
**Registered Municipal Accountant**  
**No. 406**

**Highland Park, New Jersey**  
**November 30, 2012**

**HODULIK & MORRISON, P.A.**



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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**

Honorable Mayor and Members  
of the Borough Council  
Borough of Bound Brook  
County of Somerset, New Jersey

We have audited the financial statements – regulatory basis of the Borough of Bound Brook, County of Somerset, New Jersey, as of and for the year ended December 31, 2011 as set forth in the foregoing table of contents, which collectively comprise the Borough of Bound Brook's financial statements, and have issued our report thereon dated November 30, 2012. Our report was modified because of a departure from accounting principles generally accepted in the United States of America, as described in Note 2 and was qualified based upon the other comprehensive basis of accounting financial statements presentation. Except as noted in our report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

The Management of the Borough of Bound Brook is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Bound Brook'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, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Bound Brook's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Borough of Bound Brook's internal control over financial reporting.

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the General Comments, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, identified as items 2011-1 through 2011-3, described in the accompanying General Comments and Recommendations section of the Report of Audit to be material weaknesses.

A *significant deficiency in internal control* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, identified as items 2011-4 through 2011-5, described in the accompanying General Comments and Recommendations section of the Report of Audit to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Bound Brook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is described in the General Comments and Recommendations section of the Report of Audit as item 2011-6.

We noted certain other matters that we have reported to the management of the Borough in the General Comments and Recommendations section of the Report of Audit.

This report is intended for the information of the Mayor and Borough Council, management, and the Division of Local Government Services, and state regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public school Accountants

Highland Park, New Jersey  
November 30, 2012

**HODULIK & MORRISON, P.A.**



**FINANCIAL STATEMENTS**



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

ASSETS		BALANCE	RESTATE	LIABILITIES, RESERVES		RESTATE
Current Fund:		DEC. 31, 2011	BALANCE	AND FUND BALANCE		BALANCE
REF.			DEC. 31, 2010	REF.		DEC. 31, 2010
A-4	Cash and Investments - Treasurer	\$ 3,334,150.87	\$ 3,129,606.39	A-3, A-10	Appropriation Reserves	\$ 486,531.37
A-5	Cash - Change Funds	400.00	400.00	A-3	Reserve for Encumbrances	97,662.48
A-6	Due from State of N.J.	47,575.72	40,691.47	A-11	Emergency Note Payable	200,000.00
	Senior Citizens Deductions	3,382,126.59	3,170,697.86	A-12	Local District School Taxes Payable	87,815.93
				A-13	Interfunds Payable	3,118,140.31
				A-7	Tax Overpayments	3,207.73
				A-9	Overpayment Refuse Disposal Fees	915.06
				A-8	Overpayment Sewer Rent Fees	65.54
				A-10	Accounts Payable	
				A-7	Prepaid Taxes	80,385.24
				A-9	Prepaid Refuse Disposal Fees	20,534.74
				A-8	Prepaid Sewer Rent Fees	1,480.95
					Reserve For:	
				A-15	Revaluation	153,130.16
				A-15	Prepaid Food License Revenue	6,245.00
				A-15	Sale of Municipal Assets	15,743.53
				A-15	Tax Map Preparation	6,906.00
					Reserve for Receivables	4,272,659.19
				A-1	Fund Balance	1,003,852.46
					Reserve For:	67,018.27
					Total Current Fund	\$ 5,343,529.92
					State and Federal Grant Fund:	\$ 4,172,017.08
					Cash Overdraft	53,504.75
					Reserve for Grants Appropriated	1,047,232.60
					Grants-Unappropriated	22,638.33
					Total State and Federal Grant Fund	\$ 1,123,375.68
					Grand Total	\$ 6,466,905.60
						\$ 5,306,352.80

Note: See Notes to Financial Statements.



**BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2011</u>	<u>YEAR 2010</u>
Fund Balance Utilized	A-1, A-2	\$ 250,000.00	\$ 325,000.00
Miscellaneous Revenues Anticipated	A-2	3,912,697.59	4,066,306.68
Receipts from Delinquent Taxes	A-2	579,968.00	509,024.06
Receipts from Current Taxes	A-2	21,722,196.00	21,926,265.92
Non-Budget Revenue	A-2	228,002.44	306,236.91
Other Credits to Income:			
Unexpended Balance of Approp. Reserves	A-10	43,299.54	142,455.70
Canceled Reserves			100,412.96
		<hr/>	<hr/>
Total Revenues		26,736,163.57	27,375,702.23
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget and Emergency Appropriations:			
Within "CAPS":			
Operations	A-3	7,645,208.00	7,449,475.00
Deferred Charges and Statutory Expenditures	A-3	992,003.00	613,317.38
Excluded from "CAPS":			
Other Operations	A-3	1,639,259.00	1,818,843.15
Capital Improvements	A-3	150,000.00	150,000.00
Municipal Debt Service	A-3	1,206,406.65	1,170,005.70
Deferred Charges	A-3	240,961.00	253,212.00
County Taxes	A-12	3,109,632.04	3,103,900.62
Local District School Tax	A-12	12,421,073.00	12,388,448.00
Interfunds Advanced	Var.	70,997.19	2,723.64
Refund of Prior Year Revenue	A-4	18,174.56	64,116.99
Accounts Receivable Canceled			79,300.00
		<hr/>	<hr/>
Total Expenditures		27,493,714.44	27,093,342.48
Excess in Revenue			282,359.75
Deficit in Revenue		(757,550.87)	
Adjustments to Income before Surplus:			
Expenditures Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year	A-14	500,000.00	
Statutory Excess to Surplus			282,359.75
<b>Deficit in Operations to be Raised in Succeeding Budget</b>	<b>A, A-14</b>	<b>(257,550.87)</b>	
Balance - January 1	A	317,018.27	359,658.52
		<hr/>	<hr/>
Decreased by:		317,018.27	642,018.27
Utilization as Anticipated Revenue	A-1:A-2	250,000.00	325,000.00
		<hr/>	<hr/>
<b>Balance - December 31</b>	<b>A</b>	<b>\$ 67,018.27</b>	<b>\$ 317,018.27</b>

Note: See Notes to Financial Statements.



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

REF.	ANTICIPATED 2011 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2011 BUDGET	REALIZED	EXCESS OR (DEFICIT)
	\$	\$	\$	\$	\$
Fund Balance Anticipated	A-1	250,000.00	250,000.00	250,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-4	41,500.00	41,500.00	43,640.00	2,140.00
Other	A-4	35,000.00	35,000.00	31,870.00	(3,130.00)
Fees and Permits					
Other	A-4	28,000.00	28,000.00	30,726.00	2,726.00
Fines and Costs:					
Municipal Court	A-4	300,000.00	300,000.00	258,178.23	(41,821.77)
Interest and Costs on Taxes	A-4	138,000.00	138,000.00	184,103.39	46,103.39
Parking Meter - Municipal	A-4	45,000.00	45,000.00	40,026.79	(4,973.21)
Interest on Investments and Deposits	A-4	10,000.00	10,000.00	16,651.45	6,651.45
Parking Lot Fees	A-4	125,000.00	125,000.00	127,539.53	2,539.53
Refuse Disposal Fees	A-9	500,000.00	500,000.00	471,332.71	(28,667.29)
Consolidated Municipal Property Tax Relief Act	A-4	267,030.00	267,030.00	267,822.00	792.00
Energy Receipts Tax	A-4	851,680.00	851,680.00	851,680.00	
Uniform Construction Code Fees	A-4	115,000.00	115,000.00	114,224.00	(776.00)
Recycling Tonnage Program	A-4	7,939.28	7,939.28	7,939.28	
Alcohol Education and Rehabilitation Fund	A-4	3,368.29	3,368.29	3,368.29	
NJ DOT-Safe Corridors Grant (Chapter 159)	A-4		3,103.36	3,103.36	
Somerset County Youth Services	A-4		12,000.00	12,000.00	
Drunk Driving Enforcement Fund	A-4	13,647.00	13,647.00	13,647.00	
Business Stimulus Grant	A-4	4,505.00	4,505.00	4,505.00	
Over the Limit Under Arrest	A-4	2,550.00	2,550.00	2,550.00	
Body Armor Replacement Fund	A-4	9,518.07	9,518.07	9,518.07	
Uniform Fire Safety Act	A-4	5,000.00	5,000.00		(5,000.00)
Sewer Charges	A-8	1,400,000.00	1,400,000.00	984,836.22	(415,163.78)
Cable TV Franchise Fee	A-4	97,965.00	97,965.00	97,965.71	0.71
Uniform Fire Safety Act - LEA Rebates	A-4	12,000.00	12,000.00	11,657.75	(342.25)
Inspection Fees	A-4	29,000.00	29,000.00	62,284.00	33,284.00
Rent from South Bound Brook Court	A-4	6,000.00	6,000.00	6,028.81	28.81
Sale of Municipal Assets	A-4	65,000.00	65,000.00	65,000.00	





BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

REF.	ANTICIPATED 2011 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2011 BUDGET	REALIZED	EXCESS OR (DEFICIT)
A-4	20,400.00		20,400.00	20,500.00	100.00
A-4	170,000.00		170,000.00	170,000.00	
A-1	4,303,102.64	15,103.36	4,318,206.00	3,912,697.59	(405,508.41)
A-1, A-7	500,000.00		500,000.00	579,968.00	79,968.00
	5,053,102.64	15,103.36	5,068,206.00	4,742,665.59	(325,540.41)
	\$ 6,940,743.00	\$	6,940,743.00	\$ 6,826,490.96	\$ (114,252.04)
A-7	11,993,845.64	15,103.36	12,008,949.00	11,569,156.55	(439,792.45)
				228,002.00	
	\$ 11,993,845.64	\$ 15,103.36	\$ 12,008,949.00	\$ 11,797,158.55	
Ref.	A-3	A-3		A-1	
A-3		\$	11,993,845.64		
A-3			15,103.36		
		\$	12,008,949.00		

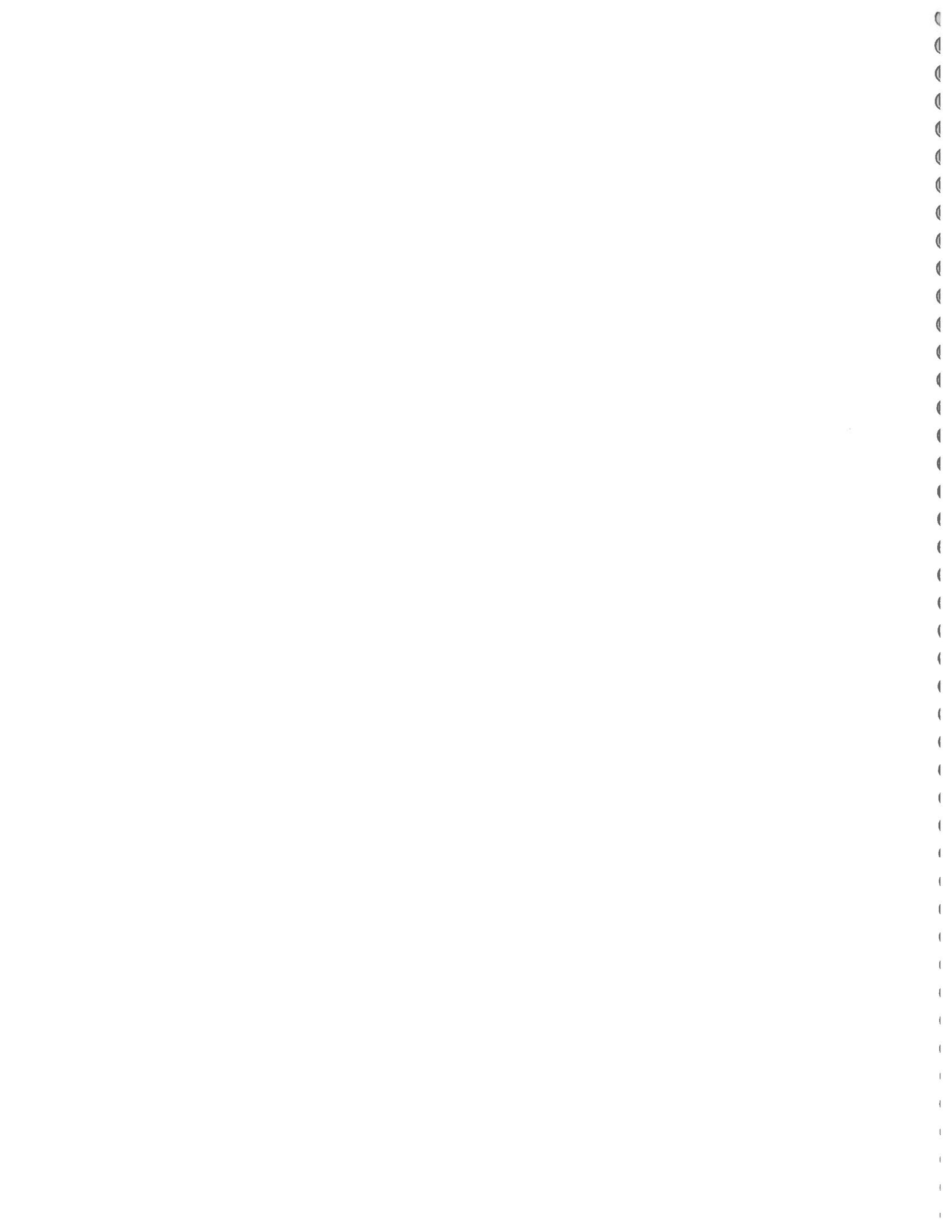
Note: See Notes to Financial Statements.



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
<b>OPERATIONS WITHIN "CAPS"</b>							
<b>GENERAL GOVERNMENT:</b>							
Administrative & Executive							
Salaries and Wages	\$ 72,645.00	\$ 72,645.00	\$ 71,606.34	\$	\$ 1,038.66	\$	
Other Expenses	23,700.00	23,700.00	22,039.03	68.59	1,592.38	8,730.00	
Codification	8,730.00	8,730.00					
Municipal Clerk							
Salaries and Wages	107,973.00	107,973.00	106,377.18		1,595.82		
Other Expenses	12,000.00	12,000.00	10,576.77	205.46	1,217.77		
Elections							
Salaries and Wages	650.00	650.00	650.00				
Other Expenses	1,600.00	1,841.00	1,840.08		0.92		
Financial Administration							
Salaries and Wages	117,208.00	116,108.00	114,696.55		1,411.45		
Other Expenses	5,155.00	5,264.00	5,183.28	24.66	56.06		
Assessment of Taxes							
Salaries and Wages	16,240.00	16,240.00	15,999.88		240.12		
Other Expenses	2,100.00	2,100.00	1,390.85	476.50	232.65		
Collection of Taxes							
Salaries and Wages	84,221.00	84,221.00	78,970.51		5,250.49		
Other Expenses	16,500.00	16,500.00	14,356.16	1,646.35	497.49		
Audit Services							
Other Expenses	43,000.00	43,000.00	33,125.00		9,875.00		
Legal Services and Costs							
Other Expenses	175,000.00	175,000.00	174,453.78		546.22		
Engineering Services and Costs							
Other Expenses	100,000.00	100,000.00	81,841.66		18,158.34		
Public Buildings and Grounds							
Salaries and Wages	29,842.00	24,992.00	23,426.00		1,566.00		
Other Expenses	50,000.00	50,000.00	40,698.18	3,348.35	5,953.47		
Inspection Department							
Salaries and Wages	63,469.00	63,469.00	60,548.83		2,920.17		
Other Expenses	4,000.00	3,000.00	2,209.38	20.61	770.01		
Planning Board							
Salaries and Wages	12,804.00	12,804.00	7,838.18		4,965.82		
Other Expenses	15,000.00	15,000.00	14,134.56		865.44		
Shade Tree Commission							
Other Expenses	14,400.00	14,400.00	4,431.00		9,969.00		
Economic Development Program							
Other Expenses	30,000.00	24,000.00	22,243.68	101.90	1,654.42		



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	ENCUMBERED		
<u>PUBLIC SAFETY:</u>							
Fire							
Other Expenses	86,000.00	86,000.00	64,996.24	13,243.70		7,760.06	
Fire Safety Bureau							
Salaries and Wages	66,045.00	66,045.00	58,318.34			7,726.66	
Other Expenses	8,000.00	3,000.00	1,240.52			1,759.48	
Police							
Salaries and Wages	2,850,772.00	2,850,772.00	2,766,606.02			84,165.98	
Other Expenses	146,455.00	146,455.00	83,301.47			16,194.03	
Municipal Court							
Salaries and Wages	183,180.00	183,180.00	180,932.85			2,247.15	
Other Expenses	22,000.00	18,000.00	14,640.22			1,751.00	
Insurance							
Other Insurance	375,050.00	375,050.00	374,530.00			520.00	
Health Benefits	993,824.00	998,174.00	998,139.49			34.51	
Parking Meter Maintenance							
Salaries and Wages	26,000.00	23,500.00	22,626.88			873.12	
Other Expenses	3,800.00	3,022.00	2,477.34			544.66	
First Aid Organization							
Other Expenses	45,000.00	45,000.00	45,000.00				
Emergency Management Services							
Other Expenses	4,000.00	4,000.00	2,705.85			1,294.15	
<u>STREETS AND ROADS:</u>							
Road Repairs and Maintenance							
Salaries and Wages	424,993.00	424,993.00	395,861.42			29,131.58	
Other Expenses	60,000.00	60,000.00	56,261.00			1,345.06	
Garbage and Trash							
Salaries and Wages	320,000.00	324,900.00	324,795.83			104.17	
Other Expenses							
Recycling Contingency Fund							
Other Expenses	85,000.00	85,000.00	66,619.14			15,860.86	
<u>HEALTH AND WELFARE:</u>							
Board of Health							
Other Expenses	84,050.00	84,050.00	83,050.00			1,000.00	
Dog Regulation							
Other Expenses	10,000.00	10,000.00	10,000.00				
Senior Citizens							
Other Expenses	3,000.00	3,000.00					



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
Peosha Act - Board of Health	500.00	500.00			500.00	
Other Expenses						
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>RECREATION AND EDUCATION:</b>						
Parks and Playgrounds	16,000.00	16,000.00	7,529.09	5,600.00	2,870.91	
Other Expenses						
Board of Recreation Commissioners	70,465.00	76,465.00	76,014.86		450.14	
Salaries and Wages	16,000.00	16,000.00	11,034.64	1,269.00	3,696.36	
Other Expenses						
Celebration of Public Events, Anniversaries, or Holiday	6,500.00	2,500.00	2,104.78		395.22	
Other Expenses						
<b>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS</b>						
<b>OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):</b>						
State Uniform Construction Code	100,915.00	96,915.00	95,665.20		1,249.80	
Construction Official	6,300.00	6,300.00	3,849.26	9.98	2,440.76	
Salaries and Wages						
Other Expenses						
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>UNCLASSIFIED:</b>						
Utilities:						
Gasoline	65,000.00	78,500.00	78,106.09		393.91	
Telephones	65,000.00	69,750.00	68,885.26		864.74	
Street Lighting	185,000.00	185,000.00	136,503.59		48,496.41	
Fire Hydrant Services	110,000.00	110,000.00	100,512.50		9,487.50	
Heating/Electric	170,000.00	179,000.00	178,563.39		436.61	
Water	17,000.00	20,000.00	19,730.04		269.96	
Total Operations Within "CAPS"	7,632,086.00	7,644,708.00	7,239,238.19	79,497.32	325,972.49	-
Contingent	500.00	500.00			500.00	
Total Operations Including Contingent Within "CAPS"	7,632,586.00	7,645,208.00	7,239,238.19	79,497.32	326,472.49	





BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
DETAIL:						
Salaries and Wages	4,227,422.00	4,220,972.00	4,076,139.04	-	144,832.96	-
Other Expenses (Including Contingent)	3,405,164.00	3,424,236.00	3,163,099.15	79,497.32	181,639.53	-
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"	9,093.00	9,093.00	9,093.00			
<u>DEFERRED CHARGES</u>						
Emergency Authorizations						
Overexpenditure of Appropriations						
Deficit in Animal Control Trust Reserve						
Deferred Charges and Other Statutory Expenditures- Municipal Within "Caps"						
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Social Security System (O.A.S.I.)	179,000.00	179,000.00	163,895.44		15,104.56	
Public Employee's Retirement System	188,607.00	188,607.00	188,607.00			
Consolidated Police and Firemen's Pension Fund	23,000.00	23,000.00			23,000.00	
Police and Firemen's Retirement System of NJ	575,703.00	575,703.00	575,703.00			
State Unemployment Insurance	30,000.00	16,600.00	14,149.45		2,450.55	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	1,005,403.00	992,003.00	951,447.89		40,555.11	
Total General Appropriations for Municipal Purposes Within "CAPS"	8,637,989.00	8,637,211.00	8,190,686.08	79,497.32	367,027.60	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Length of Service Award Program- (LOSAP)	40,000.00	40,000.00			40,000.00	
Sewerage Authority (40: 14A-8)						
Share of Costs	1,013,352.00	1,013,352.00	988,718.78	8,159.00	16,474.22	
Recycling Tax (N.J.S.A. 13:1E-96.5)						
Other Expenses						
Flood Expenses - N.J.S.A. 40A:4-45.3(bb)						
Salaries and Wages		124,338.00	124,337.47		0.53	
Other Expenses		375,662.00	302,626.82	10,006.16	63,029.02	
Police & Firemen's Retirement System of N.J.						
Public Employees Retirement System of N.J.						
Insurance - Health Benefits	29,276.00	29,276.00	29,276.00			



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
D.E.P. - 2010 Stimulus						
Clean Communities Program						
Alcohol Education and Rehabilitation Fund	3,368.29	3,368.29	3,368.29			
Body Armor Replacement Fund	9,518.07	9,518.07	9,518.07			
Somerset County Youth Services		12,000.00	12,000.00			
Recycling Tonnage Program	7,939.28	7,939.28	7,939.28			
Drunk Driving Enforcement Fund	13,647.00	13,647.00	13,647.00			
Business Stimulus Grant	4,505.00	4,505.00	4,505.00			
Somerset County Youth Athletic & Recreation						
Somerset County Youth Athletic & Recreation '09						
Over the Limit Under Arrest	2,550.00	2,550.00	2,550.00			
NJ DOT - Safe Corridors Grant OE		3,103.36	3,103.36			
Click It or Ticket Grant						
Firefighters Grant						
Federal Aid						
Local Match						
<b>Total Operations Excluded from "CAPS"</b>	<b>1,124,155.64</b>	<b>1,639,259.00</b>	<b>1,501,590.07</b>	<b>18,165.16</b>	<b>119,503.77</b>	<b>-</b>
DETAIL:						
Salaries and Wages						
Other Expenses	1,124,155.64	1,124,155.64	1,501,590.07	18,165.16	119,503.77	-
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	150,000.00	150,000.00	150,000.00			
<b>Total Capital Improvements Excl. from "CAPS"</b>	<b>150,000.00</b>	<b>150,000.00</b>	<b>150,000.00</b>			
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	700,000.00	700,000.00	700,000.00			0.47
Interest on Bonds	446,201.00	446,979.00	446,978.53		(0.00)	109.89
Interest on Notes	33,600.00	33,600.00	33,490.11		(0.00)	
Somerset County Improvement Authority:						
Capital Lease Program - After 7/1/07:						
Principal	24,568.00	24,568.00	24,568.00			0.99
Interest	1,371.00	1,371.00	1,370.01		0.00	
<b>Total Municipal Debt Service - Excl. from "CAPS"</b>	<b>1,205,740.00</b>	<b>1,206,518.00</b>	<b>1,206,406.65</b>		<b>(0.00)</b>	<b>111.35</b>



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

	2011 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>							
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	100,000.00	100,000.00	100,000.00				
Total Deferred Charges - Municipal - Excluded from "CAPS"	100,000.00	100,000.00	100,000.00				
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	140,961.00	140,961.00	140,961.00				
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,720,856.64	3,236,738.00	3,098,957.72	18,165.16	119,503.77	111.35	
Subtotal General Appropriations	11,358,845.64	11,873,949.00	11,289,643.80	97,662.48	486,531.37	111.35	
Reserve for Uncollected Taxes	635,000.00	635,000.00	635,000.00				
<b>Total General Appropriations</b>	<b>\$ 11,993,845.64</b>	<b>\$ 12,508,949.00</b>	<b>\$ 11,924,643.80</b>	<b>\$ 97,662.48</b>	<b>\$ 486,531.37</b>	<b>\$ 111.35</b>	
Adopted Budget	Ref		A-1	A,A-1	A,A-1		
Emergency Appropriation	A-2	\$ 11,993,845.64					
Approp. by N.J.S.A. 40A:4-87	A-14	500,000.00					
	A-2	15,103.36					
		<u>\$ 12,508,949.00</u>					
Disbursed	A-4		\$ 11,133,012.80				
Reserve for Uncollected Taxes	A-7		635,000.00				
Deferred Charges - Special Emergency Authorization - 5 years	A-14		100,000.00				
Reserve for State & Federal Grants - Appropriated							
Due to Grant Fund	A-4		56,631.00				
			<u>\$ 11,924,643.80</u>				

Note: See Notes to Financial Statements.



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

TRUST FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

ASSETS	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2011	BALANCE DEC. 31, 2010
<b>Assessment Trust Fund:</b>							
Cash and Investments - Treasurer	B-2, B-5	\$ 15,785.79	\$ 15,696.81	Due Current Fund	B-5	\$ 174.33	\$ 174.33
Assessments Receivable	B-3	3,641.64	3,732.06	Overpayments	B-5	2,254.06	2,254.06
				Reserve for Assessments	B-4	445.74	445.74
<b>Total Assessment Trust Fund</b>		<b>19,427.43</b>	<b>19,428.87</b>	<b>Fund Balance</b>	<b>B-1</b>	<b>16,553.30</b>	<b>16,554.74</b>
				<b>Total Assessment Trust Fund</b>		<b>19,427.43</b>	<b>19,428.87</b>
<b>Animal Control Fund:</b>							
Cash and Investments - Treasurer	B-5	25,067.13	16,161.75	Animal Control Fund:			
Due State of New Jersey	B-5		3.40	Due Current Fund	B-5	21,092.55	20,906.75
Deficit in Reserve for Expenditures	B-5		4,741.60	Reserve for Expenditures	B-5	3,974.58	
<b>Total Animal Control Fund</b>		<b>25,067.13</b>	<b>20,906.75</b>	<b>Total Animal Control Fund</b>		<b>25,067.13</b>	<b>20,906.75</b>
<b>Other Funds:</b>							
Cash and Investments - Treasurer	B-5	1,145,470.18	1,082,591.46	Other Funds:			
Due From State of NJ - Police Outside Overtime	B-5	25,666.44	25,666.44	Reserve for:			
Due Current Fund	B-5	293,614.62	293,872.08	Miscellaneous Trust	B-5	1,560,084.57	1,495,463.31
Due General Capital Fund	B-5	93,333.33	93,333.33	<b>Total Other Funds</b>		<b>1,560,084.57</b>	<b>1,495,463.31</b>
<b>Total Trust-Other Funds</b>		<b>1,560,084.57</b>	<b>1,495,463.31</b>				
<b>Length of Service Awards Program Fund (Unaudited):</b>				<b>Length of Service Awards Program Fund (Unaudited):</b>			
Cash and Investments - Trustee	B	280,357.52	270,245.16	Reserve for LOSAP Funds	B	280,357.52	270,245.16
<b>Grand Total</b>		<b>\$ 1,884,936.65</b>	<b>\$ 1,806,044.09</b>			<b>\$ 1,884,936.65</b>	<b>\$ 1,806,044.09</b>

Note: See Notes to Financial Statements.





**BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY**

**ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	<u>REF.</u>		
Balance - December 31, 2010	B	\$	16,554.74
Decreased by:			
Cash Disbursements	B-5		1.44
<b>Balance - December 31, 2011</b>	<b>B</b>	<b>\$</b>	<b>16,553.30</b>

Note: See Notes to Financial Statements.

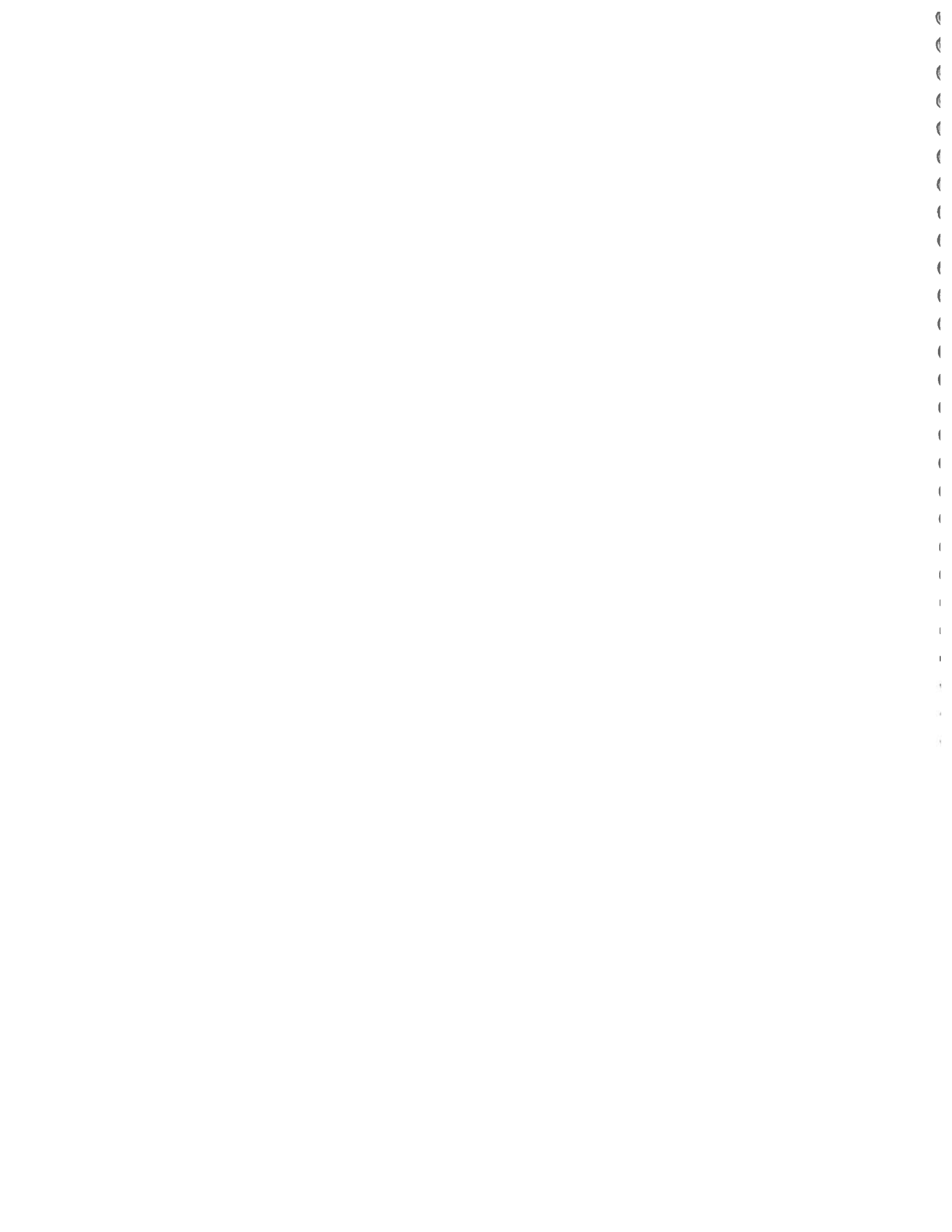


**BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2011</u>	<u>RESTATED BALANCE DEC. 31, 2010</u>
Cash and Investments - Treasurer	C-2	\$ 242,009.56	\$ 1,793,994.58
Due from State of New Jersey	C-4	599,240.13	739,124.98
Due Current Fund	C-8	2,354,629.95	1,424,300.28
Infrastructure Loan Receivable	C-5		143,160.05
Deferred Charges to Future Taxation:			
Funded	C-6	10,413,160.05	11,113,160.05
Unfunded	C-7	11,803,353.10	6,475,672.50
Deferred Charges:			
Deficit - Capital Improvement Fund	C-12	<u>334.00</u>	
<b>Total</b>		<b><u>\$ 25,412,726.79</u></b>	<b><u>\$ 21,689,412.44</u></b>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>			
General Serial Bonds Payable	C-9	\$ 10,270,000.00	\$ 10,970,000.00
Bond Anticipation Notes		4,950,000.00	2,800,000.00
Infrastructure Loan Payble	C-2	146,694.00	
Contracts Payable	C-11		139,160.39
Reserve for Encumbrances	C-11	1,205,206.64	
Improvement Authorizations:			
Funded	C-11	2,067,233.00	1,233,916.82
Unfunded	C-11	6,339,834.42	4,492,380.45
Capital Improvement Fund	C-12		136,701.00
Due Trust Other Fund	C-8	93,333.33	93,333.33
Reserve for Recreation Facility	C-13		750,000.00
Reserve for Infrastructure Loan Payable	C-5		143,160.05
Reserve to Pay Debt Service	C-13	143,160.05	313,160.05
Reserve for Premium on Note Sale	C-13	13,365.00	
Fund Balance	C-1	<u>183,900.35</u>	<u>617,600.35</u>
<b>Total</b>		<b><u>\$ 25,412,726.79</u></b>	<b><u>\$ 21,689,412.44</u></b>
<b>Authorized But Not Issued</b>		<b><u>\$ 6,853,353.10</u></b>	<b><u>\$ 6,475,672.50</u></b>

Note: See Notes to Financial Statements.



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE- REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>REF.</u>	
Balance - December 31, 2010	C	\$ 617,600.35
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-13	<u>433,700.00</u>
<b>Balance - December 31, 2011</b>	<b>C</b>	<b>\$ <u>183,900.35</u></b>

Note: See Notes to Financial Statements.



BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

PUBLIC ASSISTANCE FUND  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC 31, 2011</u>	<u>BALANCE</u> <u>DEC 31, 2010</u>
Cash:			
Public Assistance Trust Fund I	E-1:E-2	\$ <u>5,971.66</u>	\$ <u>5,378.76</u>
<b>Total</b>		<b>\$ <u>5,971.66</u></b>	<b>\$ <u>5,378.76</u></b>
 <u>LIABILITIES AND RESERVES</u>			
Due Current Fund		\$ 2,723.51	\$ 2,723.51
Reserve for:			
Public Assistance Trust Fund I	E-3	<u>3,248.15</u>	<u>2,655.25</u>
<b>Total</b>		<b>\$ <u>5,971.66</u></b>	<b>\$ <u>5,378.76</u></b>

Note: See Notes to Financial Statements.





BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY

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

Note 1: FORM OF GOVERNMENT

The Borough of Bound Brook operates under the legislative authority of N.J.S.A. 40A: 60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Bound Brook include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Bound Brook, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Borough of Bound Brook do not include the operations of the library, first aid organization or volunteer fire company.

B. Description of Funds

The accounting policies of the Borough of Bound Brook conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, and 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 respect to public funds. Under this method of accounting, the Borough of Bound Brook accounts for its financial transactions through the following separate funds:

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

Assessment Trust Fund, Animal Control Trust Fund, Other Trust Fund, and Length of Service Program (LOSAP) (Unaudited).

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Public Assistance Trust Fund – receipts and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### B. Description of Funds (Cont'd.)

Governmental Fixed Assets - the Governmental Fixed Assets System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on governmental fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of basic financial statements is not intended to present the basic financial statements required by GAAP.

#### C. Basis of Accounting

Basis of Accounting and Measurement Focus – The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a “current financial resources” measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles in the United States of America (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves within the Current Fund. Other amounts that are due to the Borough, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water and sewer charges, which should be recognized in the period they are earned and become measurable.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these 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. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. An appropriation reserve refers to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of over-expenditures to succeeding budgets.

In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

Compensated Absences - The Borough has adopted written policies via employee contracts and municipal ordinances which set forth the terms under which an employee may accumulated earned, but unused, vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vests with the employee. The Borough records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

## NOTES TO FINANCIAL STATEMENTS

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### C. Basis of Accounting (Cont'd.)

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

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

Governmental Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. GAAP would require the capitalization and depreciation of governmental fixed assets.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough engaged a third party independent appraisal firm to performed a physical inventory and assessment of fixed assets for the year ended December 31, 2004. Assets acquired through December 31, 2004 were valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. The general fixed asset records were not been updated during the year ended December 31, 2005 and subsequent years; therefore, no statement is presented within the financial statements.

Grants Received - Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents and Short-term Investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", in June 2011. The objective of the statement is to provide guidance for reporting for these financial statement elements.

GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB No. 53" in June 2011. The objective of the statement is to clarify circumstances in which hedge accounting should continue to be applied.

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" in March 2012. The objective of the Statement is to amend the financial statement element classification of certain items previously reported as assets and liabilities for consistency with the definitions included in Concepts Statement 4.

GASB issued Statement No. 66, "Technical Corrections-2012- an amendment of GASB Statements No. 10 and 62" in March 2012. The objective of this Statement is to improve accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements.

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough's financial condition.

Use of Estimates – The preparation of financial statements requires management of Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2010 financial statements to conform with classifications used in fiscal year 2011.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

D. Restatement of Beginning Balances – December 31, 2010

To record cash balance(s) in accordance with bank reconciled amounts of the Borough, as follows:

Current and General Capital Funds, respectively.

<b>Current Fund:</b>		<b>FROM</b>	<b>TO</b>	<b>ADJUSTMENT</b>
Cash		\$3,429,606.39	\$3,129,606.39	(300,000.00)
Interfund Loans Payable		1,724,300.28	1,424,300.28	(300,000.00)
<b>General Capital Fund:</b>				
Cash		1,193,994.58	1,493,994.58	300,000.00
Interfund Loans Receivable		1,724,300.28	1,434,300.28	(300,000.00)

Trust Fund

The Trust Fund Balance Sheet was restated to include the Length of Service Awards Program (LOSAP) (Unaudited). The Length of Service Awards Program (LOSAP) is considered by regulation to be assets of the Borough that are held in trust for the respective volunteer individual. The amount recorded within the Trust Fund as at December 31, 2010 is \$270,245.16. The LOSAP is required by state statute to be reviewed on an annual basis.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2011</u>	<u>YEAR 2010</u>
<u>Issued:</u>		
General:		
Bonds & Notes	\$ <u>15,220,000.00</u>	\$ <u>13,770,000.00</u>
 Total Debt Issued	 <u>15,220,000.00</u>	 <u>13,770,000.00</u>
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	<u>6,853,353.10</u>	<u>4,239,882.50</u>
 Total Authorized but not Issued	 <u>6,853,353.10</u>	 <u>4,239,882.50</u>
 <b>Net Bonds &amp; Notes Issued and Authorized but not Issued</b>	 <b>\$ <u>22,073,353.10</u></b>	 <b>\$ <u>18,009,882.50</u></b>

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2011 and 2010:

General Improvement Debt

\$4,513,000 General Improvement Bonds, date of issuance July 15, 2001	\$ 1,648,000.00	\$ 1,973,000.00
\$9,672,000 General Improvement Bonds, date of issuance February 15, 2008	8,622,000.00	8,997,000.00
Bond Anticipation Notes, Due June 8, 2012 1.500% Rate of Interest	4,950,000.00	
Bond Anticipation Notes, Due June 9, 2011 1.200% Rate of Interest		<u>2,800,000.00</u>
 <b>Total General Improvement</b>	 <b>\$ <u>15,220,000.00</u></b>	 <b>\$ <u>13,770,000.00</u></b>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. 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 presenting the Annual Debt Statement and indicates a statutory net debt of:

<u>2011</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 2,095,000.00	\$ 2,095,000.00	\$
General Debt	<u>22,073,353.10</u>	<u>133,245.00</u>	<u>21,940,108.10</u>
	<u>\$ 24,168,353.10</u>	<u>\$ 2,228,245.00</u>	<u>\$ 21,940,108.10</u>

Net Debt \$21,940,108.10 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
 \$ 871,441,942.00 = 2.52%

<u>2010</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 2,095,000.00	\$ 2,095,000.00	\$
General Debt	<u>18,009,882.50</u>	<u>170,000.00</u>	<u>17,839,882.50</u>
	<u>\$ 20,104,882.50</u>	<u>\$ 2,265,000.00</u>	<u>\$ 17,839,882.50</u>

Net Debt \$17,839,882.50 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended  
 \$ 935,641,325.67 = 1.91%

The Borough's borrowing Power Under 40A: 2-6 as amended, at December 31, was as follows:

	<u>2011</u>	<u>2010</u>
3 1/2% of Equalized Valuation Basis	\$ 30,500,467.97	\$ 32,747,446.40
Municipal		
Net Debt	<u>22,683,548.00</u>	<u>17,839,882.50</u>
Remaining Borrowing Power	<u>\$ 7,816,919.97</u>	<u>\$ 14,907,563.90</u>



Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONTD.)

C. Schedule of Annual Debt Service for Principal and Interest  
for Bonded Debt Issued and Outstanding at December 31, 2011

Calendar Year	General		Total
	Principal	Interest	
2012	\$ 730,000.00	\$ 414,926.25	\$ 1,144,926.25
2013	755,000.00	385,488.75	1,140,488.75
2014	780,000.00	355,031.25	1,135,031.25
2015	805,000.00	323,306.25	1,128,306.25
<b>Subtotal</b>	<b>3,070,000.00</b>	<b>1,478,752.50</b>	<b>4,548,752.50</b>
2016	828,000.00	290,050.00	1,118,050.00
2017	600,000.00	254,880.00	854,880.00
2018	625,000.00	230,880.00	855,880.00
2019	625,000.00	205,880.00	830,880.00
2020	625,000.00	180,880.00	805,880.00
<b>Subtotal</b>	<b>3,303,000.00</b>	<b>1,162,570.00</b>	<b>4,465,570.00</b>
2021	650,000.00	155,880.00	805,880.00
2022	650,000.00	129,880.00	779,880.00
2023	650,000.00	103,880.00	753,880.00
2024	650,000.00	77,880.00	727,880.00
2025	650,000.00	51,880.00	701,880.00
	<b>3,250,000.00</b>	<b>519,400.00</b>	<b>3,769,400.00</b>
2026	647,000.00	25,880.00	672,880.00
<b>Subtotal</b>	<b>647,000.00</b>	<b>25,880.00</b>	<b>672,880.00</b>
<b>Total</b>	<b>\$ 10,270,000.00</b>	<b>\$ 3,186,602.50</b>	<b>\$ 13,456,602.50</b>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Bond Anticipation Notes

The Borough has outstanding General Capital Bond Anticipation Notes at December 31, 2011 in the amount of \$4,950,000 and maturing on June 8, 2012, at an interest rate of 1.50%.

Note 4: DEFERRED COMPENSATION TRUST FUND

The Borough of Bound Brook Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and the provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more the types of investments permitted under the governing regulations. The Borough is the administrator of the plan and the Borough has contracted with Equitable Life and VALIC to manage the plan assets.

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2011 and 2010, which were appropriated and included as anticipated revenue in their respective funds for the fiscal years ending December 31, 2011 and 2010 were as follows:

<u>FUND</u>	<u>FUND BALANCE DECEMBER 31, 2011</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$67,018.27	\$47,576.00

<u>FUND</u>	<u>FUND BALANCE DECEMBER 31, 2010</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$317,018.27	\$250,000.00

Note 6: DEFERRED CHARGES TO BE RAISED IN FUTURE 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:

	<u>BALANCE DEC. 31, 2010</u>	<u>RESULTING IN 2011</u>	<u>RAISED IN 2011 BUDGET</u>	<u>BALANCE DEC. 31, 2011</u>
<b>Current Fund:</b>				
Special Emerg. Authorization	\$300,000.00		\$100,000.00	\$200,000.00
Emergency Authorization		500,000.00		500,000.00
Cash Deficit		257,550.87		257,550.87
General Capital Fund:				
Deficit CIF		334.		334.

Note 7: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of December 31, 2011 and 2009, cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash (Demand) Accounts	<u>\$4,518,788.68</u>	<u>\$5,704,248.94</u>

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was \$4,768,455.19, and the bank balance was \$4,518,788.68. Of the bank balance, \$435,774.94 was covered by federal depository insurance, \$4,043,790.41 was covered under the provisions of NJGUDPA and \$39,223.33 was held in cash management funds and an amount of \$280,357.52 was held by the Plan Administrator for the LOSAP Program (Unaudited).

At December 31, 2011, the Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

NOTES TO FINANCIAL STATEMENTS

Note 7: DEPOSITS AND INVESTMENTS (cont'd)

- (a) Custodial Credit Risk – The Borough’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Borough’s name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough’s investment policy.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, the Borough was subject to Custodial Credit Risk in the following amounts:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured—FDIC	\$435,744.94
Insured—NJGUDPA (N.J.S.A. 17:941)	4,043,790.41
Held by Trustee (LOSAP - unaudited)	\$280,357.52
Total	<u>\$4,759,792.87</u>

The Borough does not have a deposit policy for custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

### Note 7: DEPOSITS AND INVESTMENTS (cont'd)

#### Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. The Borough had \$39,223.33 in vested in the New Jersey Cash Management Fund as at December 31, 2011.

## NOTES TO FINANCIAL STATEMENTS

### Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1<sup>st</sup> of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

### Note 9: PENSION AND RETIREMENT PLANS

Employees of the Borough of Bound Brook are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plans are not available. The Borough total contributions in 2011 and 2010 were \$764,310.00 and \$693,815.00 for PERS and PRFS, respectively.

Contribution Requirements – The contribution policy is set forth 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 members. PFRS and PERS provide for employee contributions of 8.5% and 5.0% of employees annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both PFRS and PERS.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Note 10: POST RETIREMENT HEALTH BENEFITS

**Plan Description:** The Borough of Bound Brook contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Borough of Bound Brook provides postretirement health benefits to retirees of the PBA, SOA and FMBA only. All active full time employees are covered by the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Funding Policy:** Participating employers are contractually required to be contributed based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Bound Brook on a monthly basis. Currently there is no cost-sharing requirement for retirees.

Note 11: ACCRUED SICK AND VACATION BENEFITS

Under existing policy of the Borough, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers, which may be taken as time off, or paid at a later date, at an agreed upon rate. A reasonable estimate of such unpaid compensation is not available from the Borough but is probably material to the financial statements.

Under accounting principles and practices prescribed by the Division of local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be recorded and/or reported in the Borough's financial statements. Any required payments are budgeted in the year of projected disbursement and accordingly, no liability is accrued as at December 31, 2011.

Note 12: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Borough has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. In accordance with State of New Jersey regulations, LOSAP is subject to an accountant's review report and is unaudited. The unaudited LOSAP balances are included within the Trust Fund.

Note 13: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Middlesex County Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing board based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability.

Note 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$94,472.11	\$3,118,140.31
S & F Grant Fund	397,414.02	
Assessment Trust Fund		174.33
Animal Control Fund		21,092.55
Other Trust Fund	388,947.95	
General Capital Fund	2,354,629.95	93,333.33
PATF		2,723.51
<b>Total</b>	<b>\$3,235,464.03</b>	<b>\$3,235,464.03</b>

Note 15: COMMITMENTS AND CONTINGENCIES

Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2011 and 2010, the Borough does not believe that any material liabilities will result from such audits.

Contingencies-Pending Litigation

As at the date of this report, Management indicates, the Borough was not involved in any pending or threatened litigation nor any unasserted claims or assessments requiring disclosure in the financial statements.

As of the date of this report, the Borough has various litigations pending against the Borough which are in the settlement or discovery stage or whose final outcome cannot be determined at the present time. These pending matters include redevelopment issues as well as tax appeals. As of December 31, 2011, the Borough does not believe that there are any legal matters pending, in the event of an adverse or unfavorable outcome that would have a material impact upon the Borough's financial position.



Note 16: SUBSEQUENT EVENTS

Bond Anticipation Notes

The Borough authorized and issued Bond Anticipation Notes in the total amount of \$4,950,000 dated June 8, 2013, bearing an annual interest rate of 1.50%, and maturing on June 7, 2013. The purpose of the Bond Anticipation Notes issued was to refund the current outstanding notes maturing on June 8, 2012 in the amount of \$4,950,000.



**BOROUGH OF BOUND BROOK**  
**SOMERSET COUNTY, NEW JERSEY**



**PART II**  
**SUPPLEMENTARY SCHEDULES**



**Current Fund**



CURRENT FUND  
SCHEDULE OF CASH

	Ref.	CURRENT FUND	GRANT FUND
Cash Balance December 31, 2010 - Restated.....	A	\$ 3,129,606.39	\$ -
<b>Increased by Cash Receipts</b>			
Miscellaneous Revenue Not Anticipated.....	A-1, A-2	228,002.00	
Miscellaneous Anticipated Revenue.....	A-1, A-2	2,456,339.72	
Taxes Receivable.....	A-7	22,267,860.47	
Sewer Rents Receivable.....	A-8	986,382.71	
Refuse Disposal Fees	A-9	467,886.65	
Due NJ Sr Citizens and Veterans Deductions.....	A-6	86,865.75	
Interfunds.....	A-13, A-17	1,098,699.38	53,206.73
Various Accounts Payable & Reserves.....	A-15	14,430.00	
Change Fund/Petty Cash Returned.....	A-5	200.00	
<b>Total Cash Receipts.....</b>		<b>27,606,666.68</b>	<b>53,206.73</b>
<b>Decreased by Disbursements</b>			
Budget Appropriations.....	A-3, A-10	(11,189,643.80)	(106,711.48)
Refunds Prior Year Revenues.....	A-1	(18,174.56)	
Refunds.....	A-7	(31,490.66)	
Taxes Payable.....	A-12	(15,530,705.04)	
Appropriation Reserves.....	A-10	(386,448.51)	
Emergency Note Payable.....	A-11	(100,000.00)	
Interfunds.....	A-13, A-17	(53,392.53)	
Various A/P, & Reserves.....	A-15	(92,067.10)	
Change Fund/Petty Cash Advanced.....	A-5	(200.00)	
<b>Total Cash Disbursements.....</b>		<b>(27,402,122.20)</b>	<b>(106,711.48)</b>
<b>Cash Balance (Overdraft) December 31, 2011.....</b>	<b>A</b>	<b>\$ 3,334,150.87</b>	<b>\$ (53,504.75)</b>

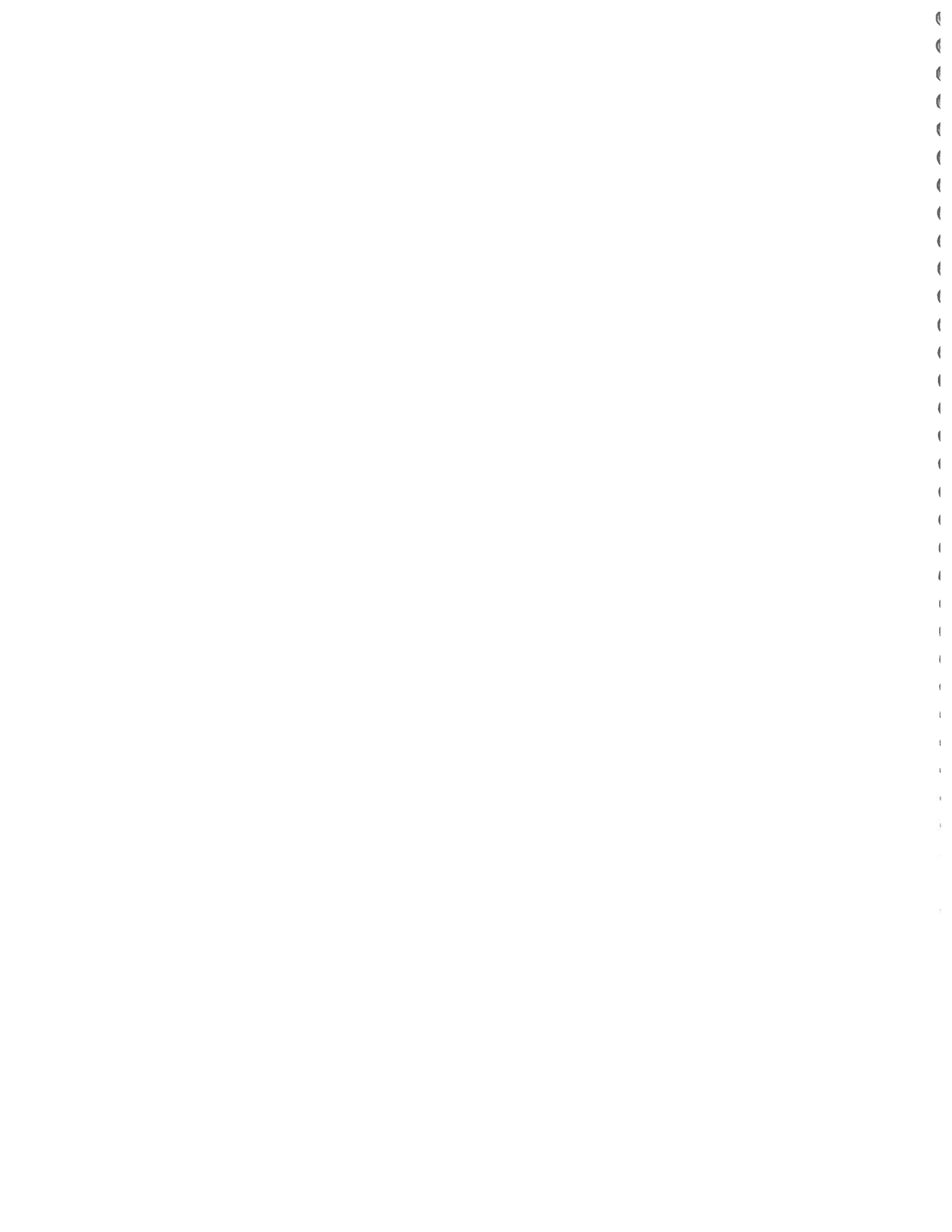




CURRENT FUND  
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

	Balance December 31, 2010	Advanced	Returned	Balance December 31, 2011
Change Fund				
Tax Collector	\$ 150.00	\$	\$	150.00
Municipal Court.....	200.00			200.00
Borough Clerk.....	50.00			50.00
Petty Cash Funds:		200.00	200.00	
	<b>\$ 400.00</b>	<b>\$ 200.00</b>	<b>\$ 200.00</b>	<b>\$ 400.00</b>

Ref.      A      A-4      A-4      A

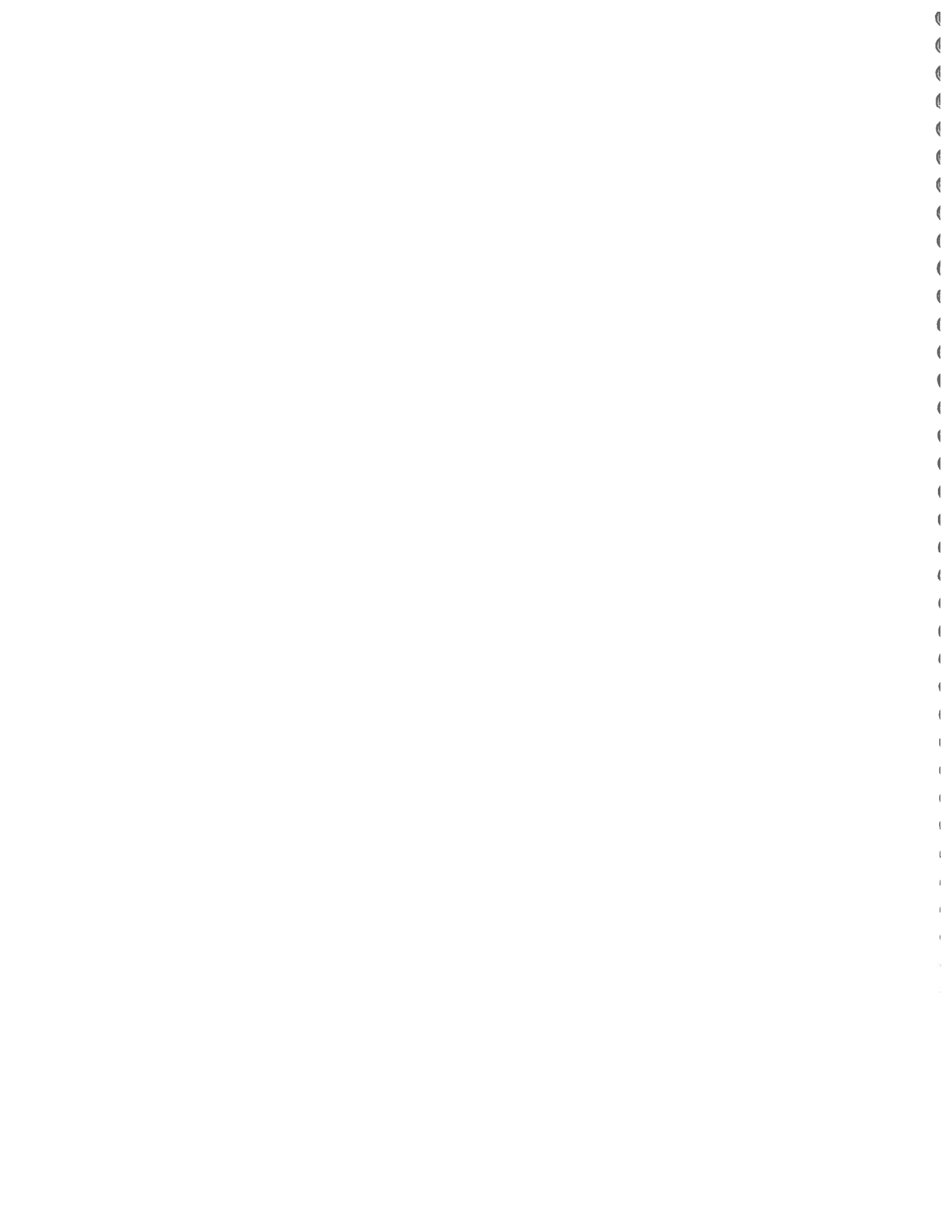


SCHEDULE OF DUE FROM STATE OF NEW JERSEY -  
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 20, P.L. 1976  
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2010	A	\$	40,691.47
Increased by:			
Tax Billings	A- 7	91,750.00	
Allowed by Collector	A- 7	<u>2,000.00</u>	
			<u>93,750.00</u>
			134,441.47
Decreased by:			
Collected	A- 4		<u>86,865.75</u>
<b>Balance - December 31, 2011</b>	<b>A</b>	<b>\$</b>	<b><u><u>47,575.72</u></u></b>

Analysis of Current Taxes Relized CY 2011

Deductions per Tax Billings			
Senior Citizen Deductions		\$	26,000.00
Vterans Deductions			65,750.00
Senior Citizen Deductions Allowed by Collector			<u>2,000.00</u>
		<b>\$</b>	<b><u><u>93,750.00</u></u></b>



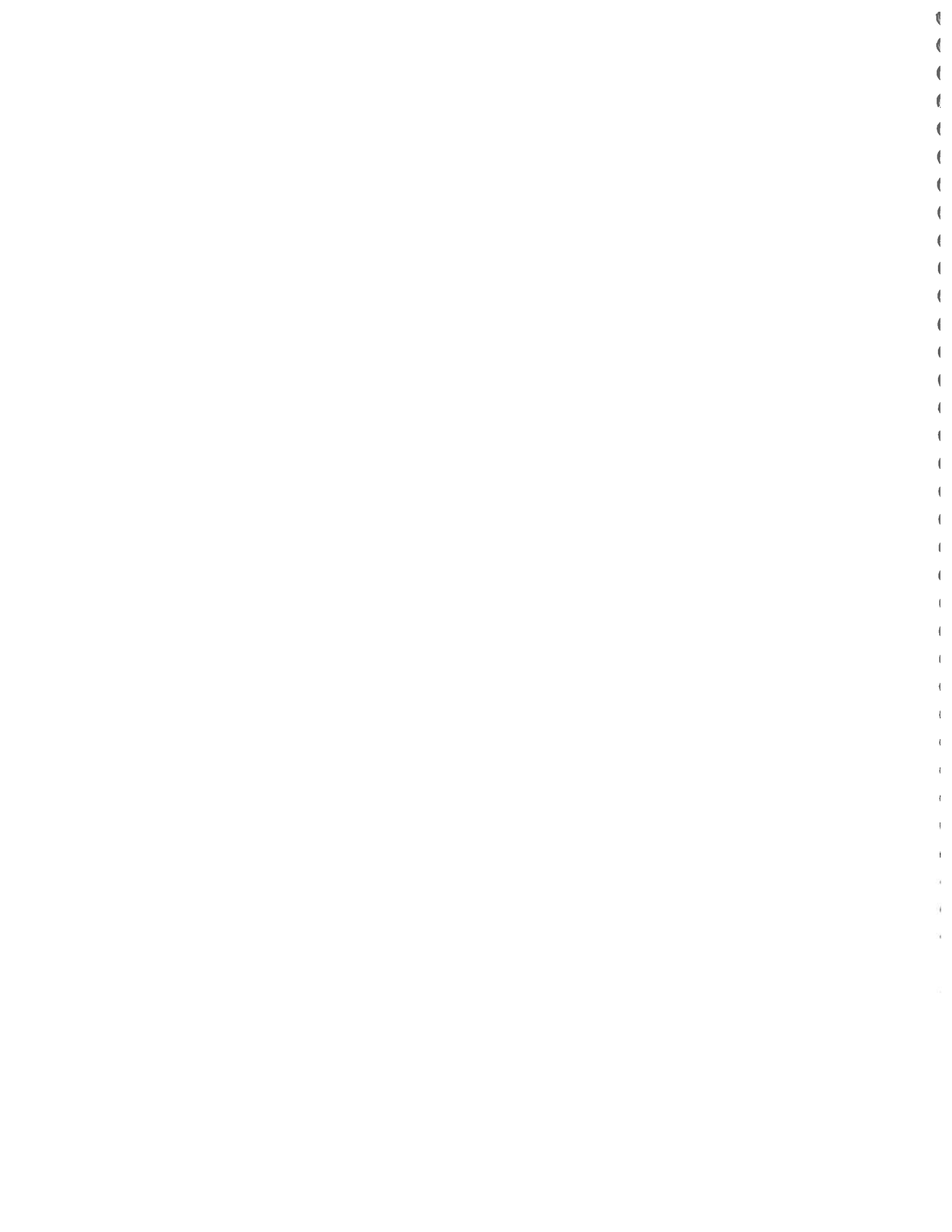
CURRENT FUND  
SCHEDULE OF PROPERTY TAXES RECEIVABLE AND LEVY ANALYSIS

	Ref.	CY 12	CY 11	CY 10	Arrears	Tax Title	Tax
		Prepaid	Current	Delinquent		Liens	Overpayments
	Total						
Balance 12/31/2010.....	A	\$ 546,877.32	\$ (46,197.00)	\$ 582,343.43	\$ 3,878.65	\$ 16,292.26	\$ (9,440.02)
Billings / Levy:							
Original Levy.....	Reserve	22,475,273.21	22,475,273.21				
Added & Omitted.....	Reserve	24,377.72	24,377.72				
Added by Collector	Reserve	250.00		250.00			
Remitted/Canceled Taxes.....	Reserve	(152,310.88)	(152,208.31)	(102.57)			
Transfers							
Tax Lien.....	Contra				(3,428.57)	3,428.57	
Revenue							
Sr. Citizens & Vets.....	A-6	(93,750.00)	(93,750.00)				
Original Levy.....	A-4	(22,267,860.47)	(21,582,249.00)	(579,517.86)	(450.00)		(58,825.39)
Cash Receipts.....	Contra		(46,197.00)				
Prepaid Applied.....	A-4	31,490.66					31,490.66
Refunds	Contra		(33,567.02)				33,567.02
Overpayments Applied							
Balance 12/31/2011.....	A	\$ 564,347.56	\$ 625,246.62	\$ 2,973.00	\$ 0.08	\$ 19,720.83	\$ (3,207.73)

	Ref.	Tax Levv:	Ref.	Current	Ref.	Tax
		Local School District Tax	A-15	Taxes Realized:	A-6	Overpayments
		County Taxes	A-14	Sr. Citizens & Vets	A-7	
		County Library Taxes	A-43	Cash Receipts	A-7	
		County Open Space Taxes	A-14	Prepayments	A-1	
		Due County - Added & Omi	A-14	Subtotal	A-3	
		Local Tax for Mun. Purp.	A-2	Res. For Uncoll. Tax		
		Add: Additional Tax Levied		Allocated to School and County		
\$ 22,475,273.21			\$ 12,421,073.00		\$ 93,750.00	
24,377.72			2,484,960.24		21,582,249.00	
			360,096.63		46,197.00	
\$ 22,499,650.93			261,201.24		21,722,196.00	
			3,373.93		635,000.00	
			15,530,705.04		22,357,196.00	
			6,940,743.00		(15,530,705.04)	
			28,202.89			
			\$ 22,499,650.93		\$ 6,826,490.96	

Analysis of 2011 Property Tax Levy:

	Ref.	Tax Yield:	Ref.
		General Purpose Tax	A-6
		Added Taxes	A-7
			\$ 93,750.00
			21,582,249.00
			46,197.00
			21,722,196.00
			635,000.00
			22,357,196.00
			(15,530,705.04)
			\$ 6,826,490.96



SCHEDULE OF SEWER RENTS RECEIVABLE  
CURRENT FUND

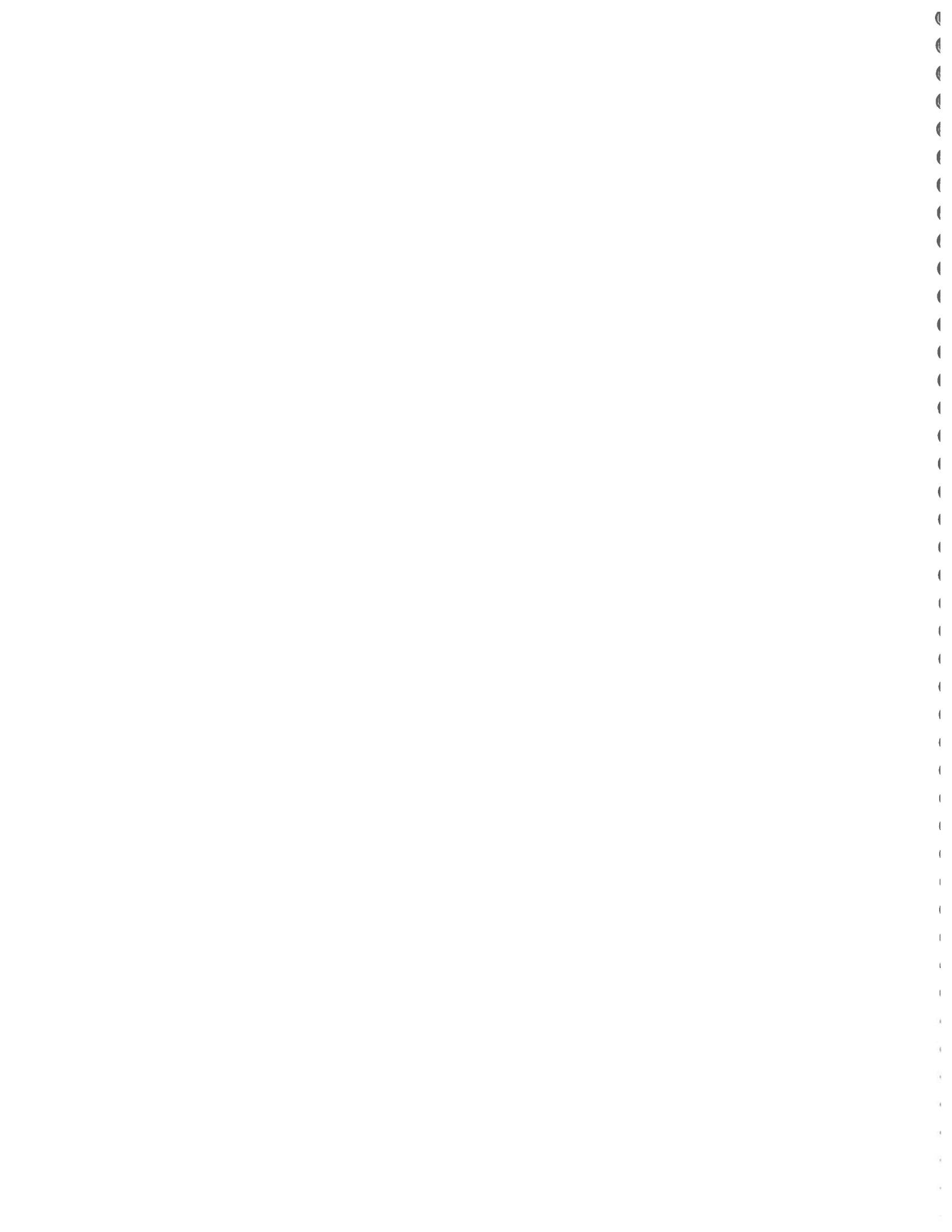
REF.	Total	CY 2012 Prepaid	Sewer Rents Receivable	Sewer Rents Overpayments
Balance - December 31, 2010	\$ -	\$ -	\$ -	\$ -
Increased by:				
Sewer Rent Billings (NET)	1,185,438.99		1,185,438.99	
Decreased by:				
Collected	(986,382.71)	(1,480.95)	(984,836.22)	(65.54)
	<u>(986,382.71)</u>	<u>(1,480.95)</u>	<u>(984,836.22)</u>	<u>(65.54)</u>
<b>Balance - December 31, 2011</b>	<b>\$ 199,056.28</b>	<b>\$ (1,480.95)</b>	<b>\$ 200,602.77</b>	<b>\$ (65.54)</b>





**SCHEDULE OF REFUSE DISPOSAL FEES**  
**CURRENT FUND**

<u>REF.</u>	Total	CY 2012 Prepaid	Refuse Disposal Fees Receivable	Refuse Disposal Fees Overpayments
Balance - December 31, 2010	\$ 30,980.91	\$ (24,502.42)	\$ 55,876.77	\$ (393.44)
Increased by:				
Sewer Rent Billings (NET)	476,292.99		476,292.99	
Decreased by:				
Collected	507,273.90	(24,502.42)	532,169.76	(393.44)
Prepaid Fees Applied	(467,886.65)	(20,534.74)	(446,830.29)	(521.62)
	-	24,502.42	(24,502.42)	
	<u>(467,886.65)</u>	<u>3,967.68</u>	<u>(471,332.71)</u>	<u>(521.62)</u>
<b>Balance - December 31, 2011</b>	<b>\$ 39,387.25</b>	<b>\$ (20,534.74)</b>	<b>\$ 60,837.05</b>	<b>\$ (915.06)</b>



SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10

	BALANCE DEC. 31, 2010	ACCOUNTS PAYABLE/ RESERVE	ENCUMBRANCES	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 166.51	\$	\$	166.51	\$	166.51
Other Expenses	1,655.15	450.00		1,376.15	1,197.72	178.43
Municipal Clerk:						
Salaries and Wages	222.82			222.82		222.82
Other Expenses	4.91	1,480.71		1,841.62	1,841.05	0.57
Elections:						
Other Expenses	0.68			0.68		0.68
Financial Administration:						
Salaries and Wages	1.41			1.41		1.41
Other Expenses	2,764.07	51.00		162.07	144.38	17.69
Audit Services:						
Other Expenses	4,118.00			4,118.00	4,100.00	18.00
Assessment of Taxes:						
Salaries and Wages	1.05			1.05		1.05
Other Expenses	1,016.49			1,016.49		1,016.49
Collection of Taxes:						
Salaries and Wages	816.63			816.63		816.63
Other Expenses	63.45			343.45	343.38	0.07
Legal Services and Costs:						
Other Expenses	56.04	6,323.25		6,379.29	1,992.50	4,386.79
Engineering Services and Costs:						
Other Expenses	941.64	2,250.00		38,102.64	37,918.47	184.17
Public Buildings and Grounds:						
Salaries and Wages	199.20			92.20		92.20
Other Expenses	1,353.77	273.18		1,733.95	1,733.18	0.77
Inspection Department:						
Salaries and Wages	536.12			536.12		536.12
Other Expenses	751.98			751.98	133.40	618.58
Planning Board:						



SCHEDULE OF 2010 APPROPRIATION RESERVES

Exhibit - A-10

	BALANCE DEC. 31, 2010	ACCOUNTS PAYABLE/ RESERVE	ENCUMBRANCES	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages	533.75			533.75		533.75
Other Expenses	81.82	1,800.00		7,181.82	7,180.94	0.88
Shade Tree Commission:						
Other Expenses	979.27			175.27		175.27
Economic Development Program:						
Other Expenses	5,698.62	2,150.00		2,548.62	2,150.00	398.62
<u>PUBLIC SAFETY</u>						
Municipal Court:						
Salaries and Wages	2,726.55		2,475.15	6.55		6.55
Other Expenses	14.58			2,489.73	2,143.15	346.58
Fire:						
Other Expenses	3,936.87		17,124.30	17,061.17	16,578.29	482.88
Fire Bureau Safety:						
Salaries and Wages	159.02			159.02		159.02
Other Expenses	1,590.60			61.60	60.89	0.71
Police:						
Salaries and Wages	139,292.10	4,297.94		138,558.04	138,558.00	0.04
Other Expenses	7,352.22	22,032.12		24,384.34	23,346.57	1,037.77
Insurance:						
Other Insurance	170.00			170.00		170.00
Health Benefits	4,893.16			0.16		0.16
Parking Meter Maintenance:						
Salaries and Wages	932.18			0.18		0.18
Other Expenses	779.17			779.17		779.17
Emergency Management Services:						
Other Expenses	561.47			654.47	654.46	0.01
<u>STREET AND ROADS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	5,963.86			4,277.86	3,897.74	380.12
Other Expenses	10,170.73	1,454.27		7,805.00	7,786.33	18.67
Garbage and Trash Removal:						
Salaries and Wages	55.75			55.75		55.75



SCHEDULE OF 2010 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2010	ACCOUNTS PAYABLE/ RESERVE	ENCUMBRANCES	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Other Expenses	40.31	252.67		631.98	593.45	38.53
Recycling Contingency Fund:						
Other Expenses	17,253.51	360.00		19,237.51	19,236.83	0.68
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Other Expenses	17,256.94			21,656.94	21,300.00	356.94
PEOSHA Act - Bd of Health	455.00			455.00		455.00
<u>RECREATION AND EDUCATION</u>						
Parks and Playgrounds:						
Other Expenses	1,514.04	250.00		250.04		250.04
Board of Recreation Commissioners (R.S. 40:12-1):						
Salaries and Wages:	229.72			229.72		229.72
Other Expenses	1,778.29	42.80		197.09		197.09
Celebration of Public Event, Anniv. Or Holid. (40:58-5.4):						
Other Expenses	158.80			158.80		158.80
Construction Official:						
Salaries and Wages:	431.11			431.11		431.11
Other Expenses	850.66	47.00		897.66	179.21	718.45
Unclassified:						
Gasoline	4,679.63			5,785.63	5,785.37	0.26
Telephone and Telegraph	53.43			2,367.43	2,366.75	0.68
Street Lighting	32,164.35			16,119.35	16,119.19	0.16
Fire Hydrant Service	9,487.50			9,487.50	9,137.50	350.00
Electric/Heating	15,061.40			28,986.40	28,986.26	0.14
Water	528.93			528.93	52.58	476.35
Contingent	500.00			500.00		500.00
Deficit in Animal Control Trust Reserve						
Contribution To:						
Social Security System (O.A.S.I.)	6,367.45			0.45		0.45
Consolidated Police and Firemen's Pension Fund	0.77			0.77		0.77
State Unemployment Insurance	140.07			140.07	122.76	17.31
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						





SCHEDULE OF 2010 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2010	ACCOUNTS PAYABLE/ RESERVE	ENCUMBRANCES	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Sewerage Authority (40:14A-8):						
Share of Costs	1,579.05			1,579.05		1,579.05
Length of Service Award Program - (LOSAP)	40,000.00			40,000.00	30,800.00	9,200.00
Recycling Tax:						
Other Expenses	3,514.90	8.16		3,523.06	8.16	3,514.90
Flood and Relief:						
Salaries and Wages	16,315.94	(0.38)		16,315.56		16,315.56
Other Expenses		0.38		0.38		0.38
Accounts Payable - Beginning Balance Adjustment		(4,297.94)		(4,297.94)		(4,297.94)
<b>Total</b>	<b>\$ 370,923.44</b>	<b>\$ 58,824.61</b>	<b>\$</b>	<b>\$ 429,748.05</b>	<b>\$ 386,448.51</b>	<b>\$ 43,299.54</b>

Ref: A A A A-4 A-1



SCHEDULE OF EMERGENCY NOTE PAYABLE  
CURRENT FUND

<u>DESCRIPTION</u>	<u>BALANCE DEC. 31, 2010</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2011</u>
Due General Capital Fund	\$ 300,000.00		\$ 100,000.00	\$ 200,000.00
<b>Total</b>	<u>\$ 300,000.00</u>	<u>\$ -</u>	<u>\$ 100,000.00</u>	<u>\$ 200,000.00</u>
<u>Ref.</u>	A		A-4	A



CURRENT FUND  
SCHEDULE OF TAXES PAYABLE

	<u>12/31/10</u>	Taxes <u>Levied</u>	Cash <u>Disbursements</u>	<u>12/31/11</u>
County - General.....	\$ -	\$ 2,484,960.24	\$ 2,484,960.24	\$ -
County - Open Space.....		261,201.24	261,201.24	
County - Library.....		360,096.63	360,096.63	
County - Added & Omitted.....		3,373.93	3,373.93	
Local School District Taxes.....	87,815.93	12,421,073.00	12,421,073.00	87,815.93
<b>Total.....</b>	<b>\$ 87,815.93</b>	<b>\$ 15,530,705.04</b>	<b>\$ 15,530,705.04</b>	<b>\$ 87,815.93</b>

Ref      A      A-1, A-7      A-4      A



**CURRENT FUND  
SCHEDULE OF INTERFUNDS**

	Restated 12/31/10	Cash Receipts (Net)	Cash Disbursements (Net)	Adjustments	12/31/11
Interfunds [Due (from)/to]					
Assessment Trust Fund.....	\$ (174.33)	-	-	-	\$ (174.33)
Animal Control Trust Fund.....	(20,906.75)		(185.80)		(21,092.55)
Trust Other Fund (Net).....	293,872.08	1,742.54			295,614.62
Grant Fund.....	283,993.58	166,627.17	(53,206.73)		397,414.02
General Capital Fund.....	1,424,300.28	930,329.67			2,354,629.95
Public Assistance Trust Fund.....	(2,723.51)	-	-	-	(2,723.51)
<b>Total.....</b>	<b>\$ 1,978,361.35</b>	<b>\$ 1,098,699.38</b>	<b>\$ (53,392.53)</b>		<b>\$ 3,023,668.20</b>
	<u>Ref.</u>	A	A-1, A-4	A-1, A-4	A
Receivables	\$ (23,804.59)				\$ 94,472.11
Payables	2,002,165.94				(3,118,140.31)
<b>Total</b>	<b>\$ 1,978,361.35</b>				<b>\$ (3,023,668.20)</b>





SCHEDULE OF DEFERRED CHARGES

	<u>Ref.</u>	BALANCE DEC. 31, 2010	RESULTING FROM CY 2011	RAISED IN 2011 BUDGET	BALANCE DEC. 31, 2011
Cash Deficit - Current Year Operations	A-1	\$	257,550.87	\$	257,550.87
Emergency Authorization	A-3		500,000.00		500,000.00
Special Emergency Appropriation - Revaluation	A-3			100,000.00	200,000.00
		<u>\$</u>	<u>757,550.87</u>	<u>\$</u>	<u>957,550.87</u>

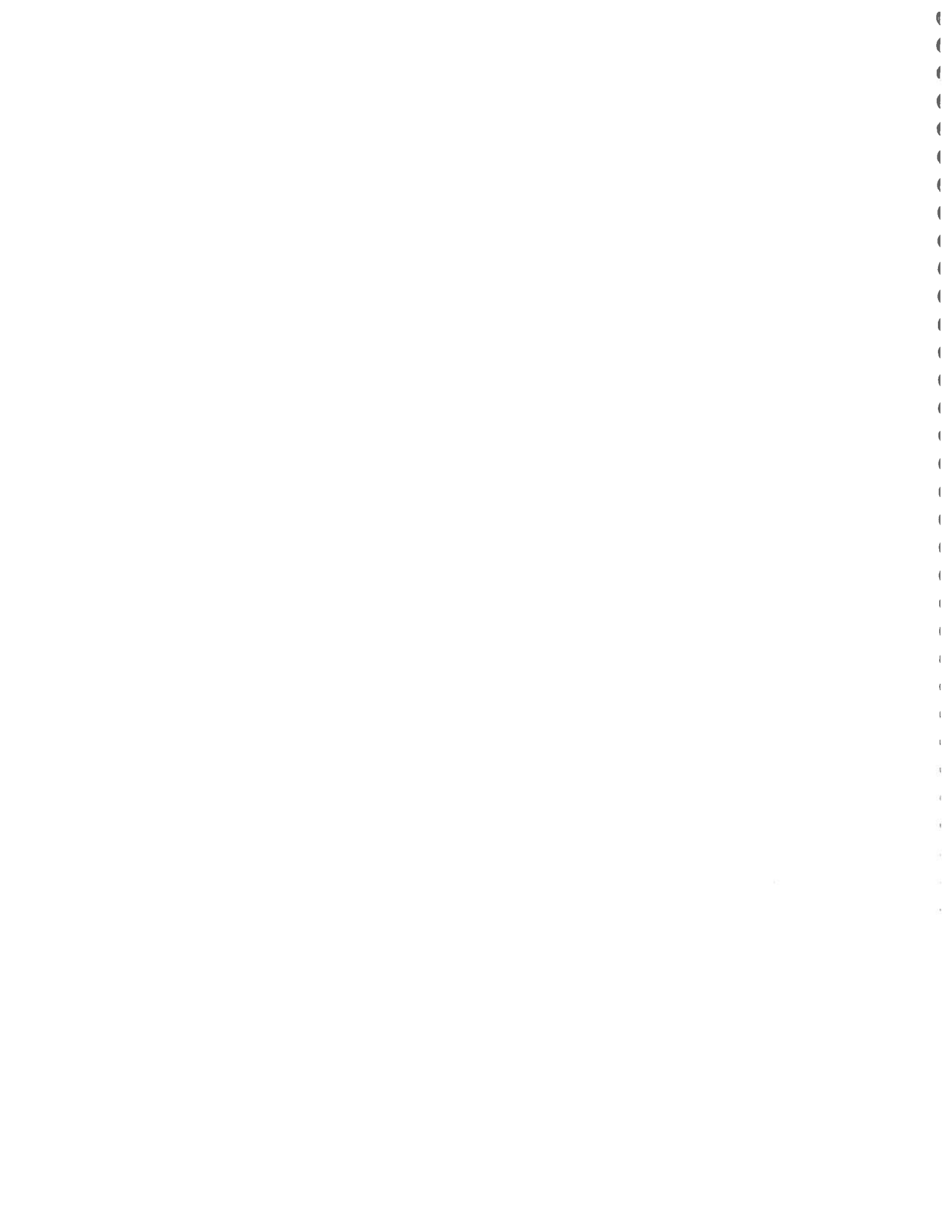
Ref.      A                      A-1                      A-3                      A



CURRENT FUND  
SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2010	Transfer from/(to) Budget	Cash Receipts	Cash Disbursements	Balance December 31, 2011
Reserve for:					
Revaluation.....	\$ 173,952.26			\$ (20,822.10)	\$ 153,130.16
Prepaid Food License	6,245.00			(6,245.00)	
Sale of Municipal Assets.....	66,313.53		14,430.00	(65,000.00)	15,743.53
Tax Map Preparation.....	6,906.00				6,906.00
<b>Total.....</b>	<b>\$ 253,416.79</b>	<b>\$ -</b>	<b>\$ 14,430.00</b>	<b>\$ (92,067.10)</b>	<b>\$ 175,779.69</b>

<u>Ref.</u>	A	A-4	A-4	A
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SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

GRANTS	BALANCE	2011	COLLECTED	TRANS. FROM	BALANCE
	DEC. 31, 2010	BUDGET REVENUE REALIZED	2011	STATE & FED. GRANTS UNAPPROP.	DEC. 31, 2011
County of Somerset - Youth Athletic & Recreation Grant	\$ 3,244.00	\$ 12,000.00	\$ 15,000.00	\$ -	\$ 244.00
Business Stimulus Fund	4,050.00	4,505.00	2,065.52	-	6,489.48
Recycling Tonnage Grant	193,314.00	7,939.28	92,658.32	7,939.28	-
COPS Technology Grant	27,290.00	-	-	-	100,655.68
Transportation Enhancement Grant - Main Street	50,000.00	-	-	-	27,290.00
Transportation Enhancement Grant - West Maple Street	250,000.00	-	-	-	50,000.00
Transportation Enhancement Grant - Train Street	250,000.00	-	-	-	250,000.00
Transportation Enhancement - Train Street	5,103.00	-	-	-	250,000.00
DEP - Stormwater Regulation Program	4,030.14	-	-	-	5,103.00
E.D.I.P. West Main Street	63,311.00	-	34,265.00	-	4,030.14
Downtown Improvements - Somerset County EDIP	-	-	-	-	29,046.00
Clean Communities Program	-	3,368.29	-	3,368.29	-
Alcohol & Rehabilitation Fund	-	3,103.36	-	-	3,103.36
NJ DOT - Safe Corridors Grant	-	2,550.00	-	2,550.00	-
Over The Limit Under Arrest	-	9,518.07	-	9,518.07	-
Body Armor Replacement Fund	-	13,647.00	-	13,647.00	-
Drunk Driving Enforcement Fund	-	-	-	-	-
	<u>\$ 850,342.14</u>	<u>\$ 56,631.00</u>	<u>\$ 143,988.84</u>	<u>\$ 37,022.64</u>	<u>\$ 725,961.66</u>

Ref.

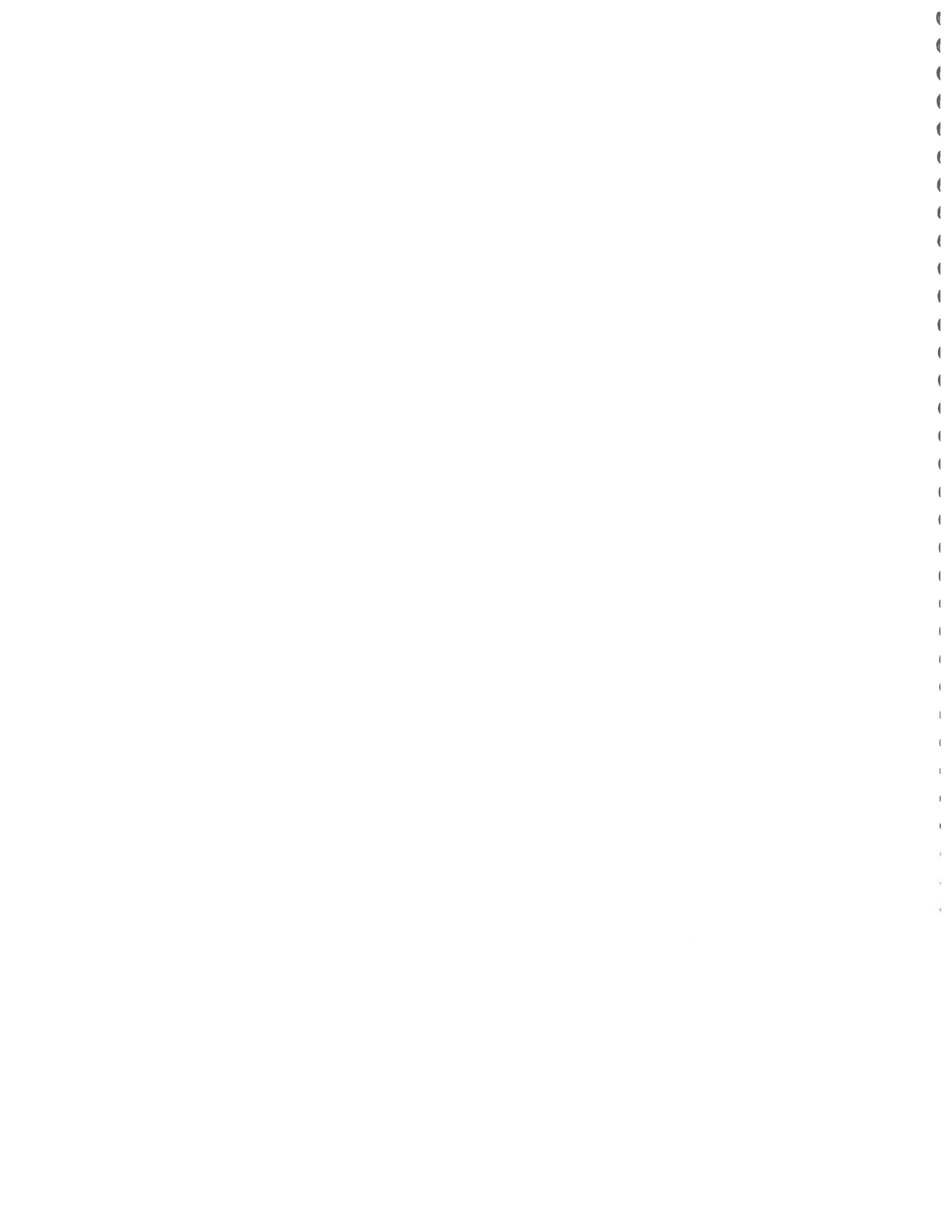
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A-2,A-18

A-17

A-19

A



STATE AND FEDERAL GRANT FUND  
SCHEDULE OF INTERFUNDS

	<u>12/31/10</u>	<u>Cash Receipts (Net)</u>	<u>Cash Disbursements (Net)</u>	<u>Adjustments</u>	<u>12/31/11</u>
Interfunds [Due (from)/to]					
Current Fund.....	(283,993.58)	53,206.73	(166,627.17)		<u>(397,414.02)</u>
<b>Total.....</b>	<b>\$ (283,993.58)</b>	<b>\$ 53,206.73</b>	<b>\$ -</b>	<b>\$ (166,627.17)</b>	<b>\$ (397,414.02)</b>
Ref.	A	A-4	A-16, A-19		A
Receivables	\$ (283,993.58)				\$ (397,414.02)
Payables	-				
<b>Total</b>	<b>\$ (283,993.58)</b>				<b>\$ (397,414.02)</b>





SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED  
GRANT FUND

	BALANCE DEC. 31 2010	CANCELLED	TRANSF. FROM 2011 BUDGET	RESERVE FOR ENCUMB. 2010	PAID OR CHARGED	RESERVE FOR ENCUMB. 2011	BALANCE DEC. 31 2011
Drunk Driving Enforcement Fund	\$ -		\$ 13,647.00		\$10,297.16	\$	3,349.84
Alcohol Education and Rehabilitation	9,335.02		3,368.29		1,500.00		11,203.31
U.S. Dept. of Justice - COPS Technology Grant	171,690.00				71,354.32		100,335.68
Clean Communities Program	45,162.61				3,171.34		41,991.27
Body Armor Replacement Fund			9,518.07				9,518.07
Recycling Tonnage Grant	17,270.72		7,939.28				25,210.00
Somerset County Youth Athletic Grant	5,608.01						5,608.01
Somerset County Youth Services Commission	17,493.69		12,000.00		18,343.51		11,150.18
Domestic Abuse Violence	4,422.64						4,422.64
Safe Corridors Program	1,994.00		3,103.36				5,097.36
Public Works Grant - Match	401,450.35		4,505.00		2,027.00		401,450.35
Business Stimulus Fund Grant	4,050.00						6,528.00
E.D.I.P. - West Main Street	13,225.69						13,225.69
Transportation Enhancement Grant - Train Station	139,021.35						139,021.35
Transportation Enhancement - Train Station	204,778.00						204,778.00
Downtown Improvements - Somerset County EDI	61,811.00				18.15		61,792.85
Over the Limit Under Arrest			2,550.00				2,550.00
	<u>\$ 1,097,313.08</u>	<u>\$ -</u>	<u>\$ 56,631.00</u>	<u>\$ -</u>	<u>\$ 106,711.48</u>	<u>\$ -</u>	<u>\$ 1,047,232.60</u>

Ref.

A

A-3,A-16

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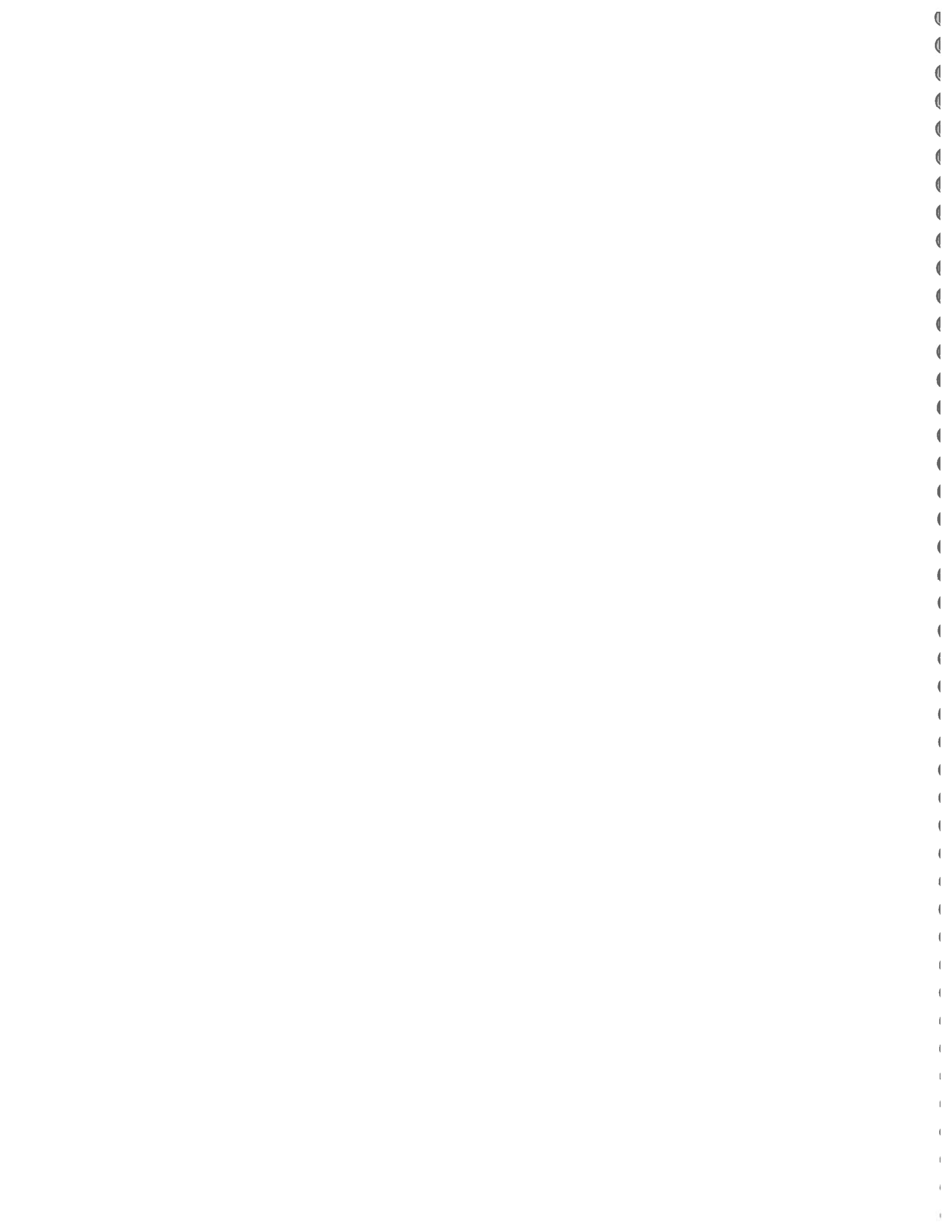
A-4

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SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS  
UNAPPROPRIATED

	BALANCE DEC. 31 <u>2010</u>	GRANTS RECEIVED <u>2011</u>	APPROP. IN 2011 <u>BUDGET</u>	BALANCE DEC 31 <u>2011</u>
Recycling Tonnage Program	\$ 7,939.28	\$ -	\$ 7,939.28	\$ -
Alcohol Education Rehabilitation	3,368.29	1,186.56	3,368.29	1,186.56
Body Armor Replacement Fund	3,168.57	2,289.36	3,168.57	2,289.36
Bulletproof Vest Partnership	6,349.50		6,349.50	-
Over the Limit Under Arrest	2,550.00		2,550.00	-
Drunk Driving Enforcement Fund	13,647.00	5,995.82	13,647.00	5,995.82
Clean Community Grant		13,166.59		13,166.59
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>\$ 37,022.64</u></b>	<b><u>\$ 22,638.33</u></b>	<b><u>\$ 37,022.64</u></b>	<b><u>\$ 22,638.33</u></b>
	A	A-17	A-16	A



**Trust Fund**

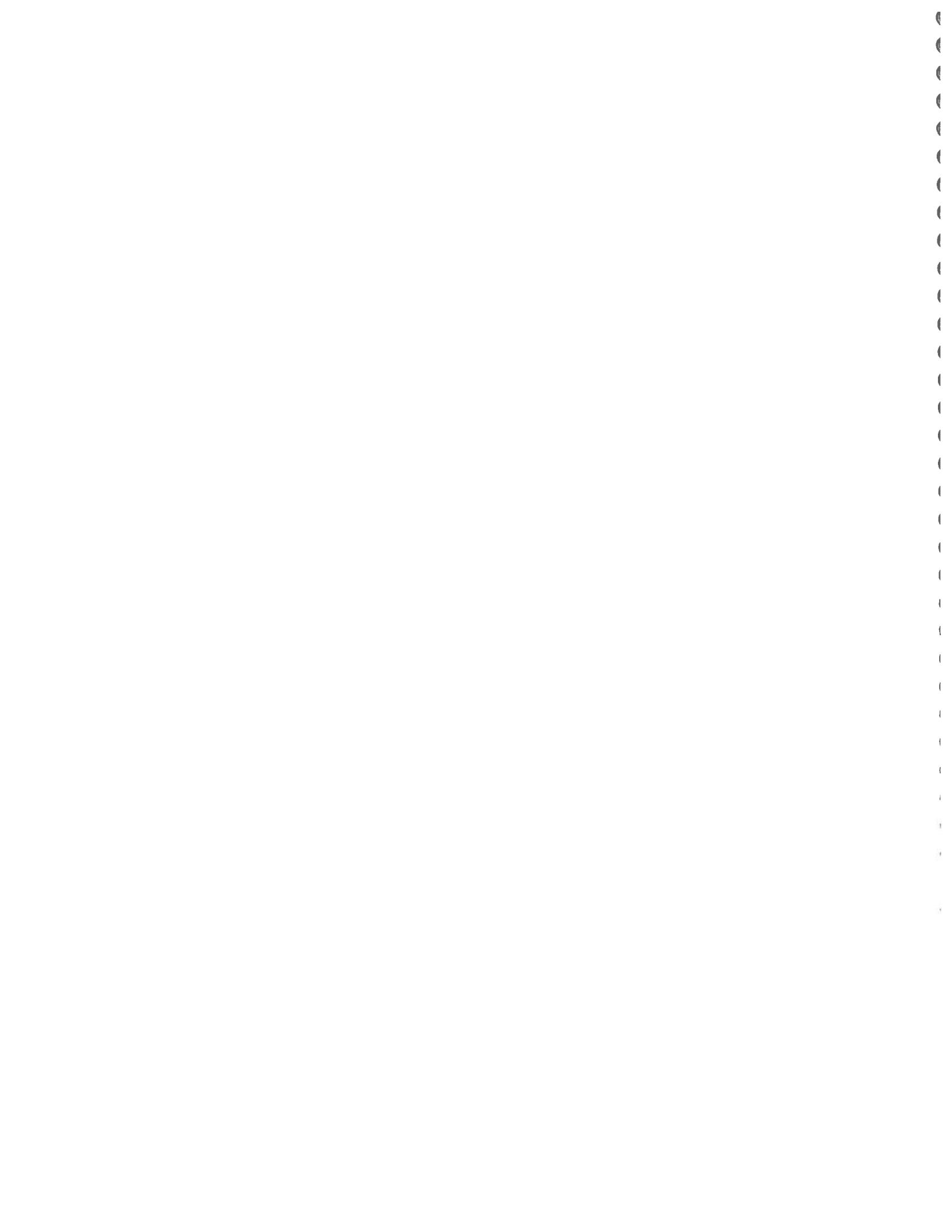


ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

	<u>BALANCE</u> <u>DEC. 31, 2010</u>	<u>RECEIPTS</u> <u>ASSESSMENTS</u> <u>AND LIENS</u>	<u>DISBURSEMENTS</u> <u>MISCELLANEOUS</u>	<u>BALANCE</u> <u>DEC. 31, 2011</u>	
Fund Balance	\$ 16,554.74	\$	\$ (1.44)	\$ 16,553.30	
Overpayments	2,254.06			2,254.06	
Due Current Fund	174.33			174.33	
Cash Deficit	<u>(3,286.32)</u>	<u>90.42</u>		<u>(3,195.90)</u>	
<b>Total</b>	<b>\$ <u>15,696.81</u></b>	<b>\$ <u>90.42</u></b>	<b>\$ <u>(1.44)</u></b>	<b>\$ <u>15,785.79</u></b>	

Ref. B, B-5 B-5 B-5 B, B-5

Ⓢ ( ) Denotes Deficit or Deduction





SCHEDULE OF ASSESSMENTS RECEIVABLE  
ASSESSMENT TRUST FUND

ORD NO.	IMPROVEMENT DESCRIPTION	CONFIRMATION DATE	DUE DATES	BALANCE DEC. 31, 2010	ASSESSMENTS CONFIRMED	CASH COLLECTED	BALANCE DEC. 31, 2011	BALANCE PLEDGED GENERAL CAPITAL FUND	BALANCE PLEDGED TO RESERVE
97-7	Sidewalk and Driveway Aprons	02/09/99	03/09/99-08	\$ 5.93			\$ 5.93	\$ 5.93	\$ -
98-21	Curbs, Sidewalks & Driveways-Fairview Ave.	09/12/00	11/13/00-09	445.74			445.74	445.74	445.74
99-19	Reconstruction of Winsor	02/13/01	04/13/01-10	2,551.02		90.42	2,460.60	2,460.60	-
01-21	Reconstruction of Cherry Street	04/08/03	06/01/03-12	729.37			729.37	729.37	-
	<b>Total</b>			<b>\$ 3,732.06</b>	<b>\$ -</b>	<b>\$ 90.42</b>	<b>\$ 3,641.64</b>	<b>\$ 3,641.64</b>	<b>\$ 445.74</b>

Ref. B B-5 B-5 B



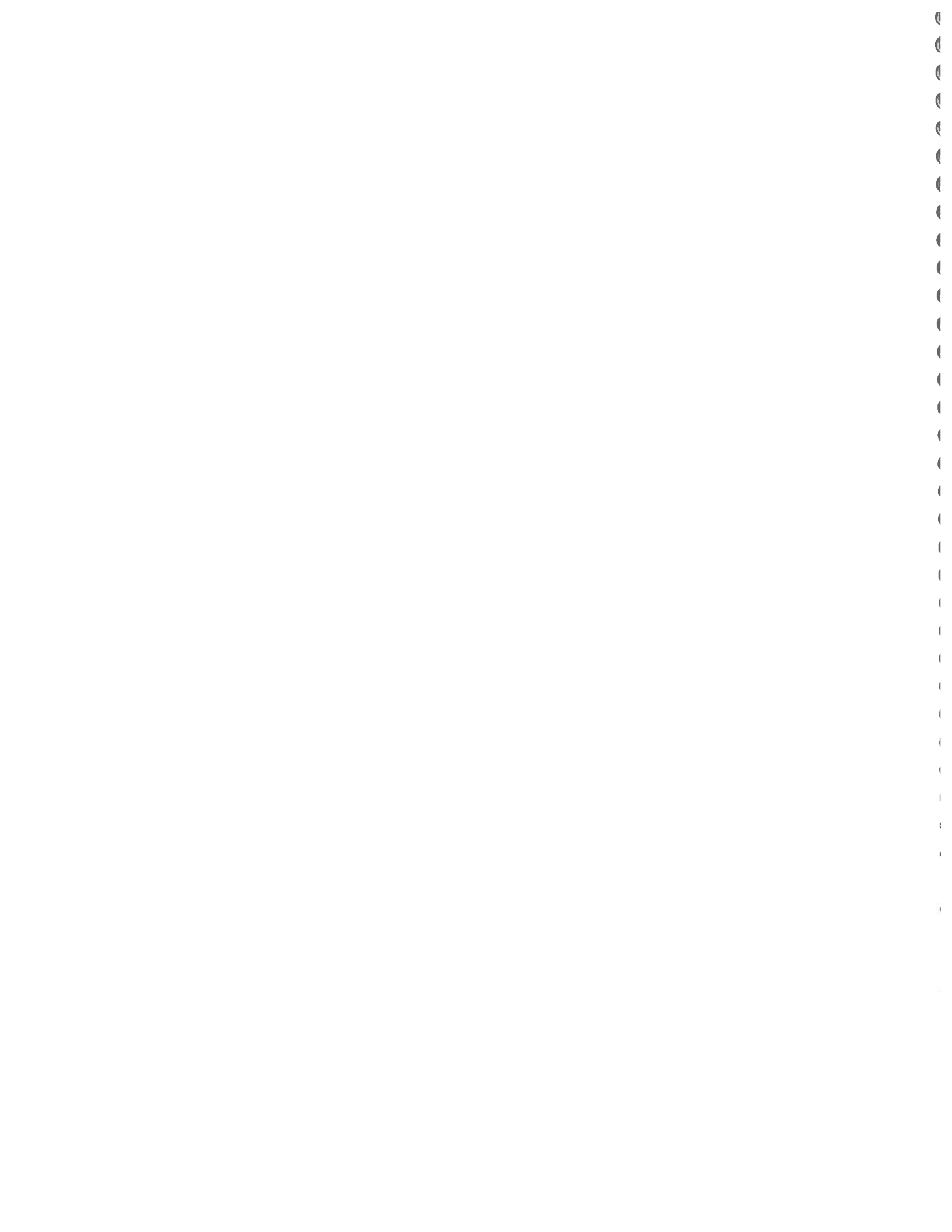
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS  
ASSESSMENT TRUST FUND

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2010</u>	<u>ASSESSMENTS CONFIRMED</u>	<u>COLLECTED/ TRANSFERRED TO FUND BALANCE</u>	<u>BALANCE DEC. 31, 2011</u>
98-21	Curbs, Sidewalks & Driveways-Fairview Ave.	\$ 445.74			\$ 445.74
<b>Total</b>		<b>\$ 445.74</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 445.74</b>

Assessments:

Ref. B

B



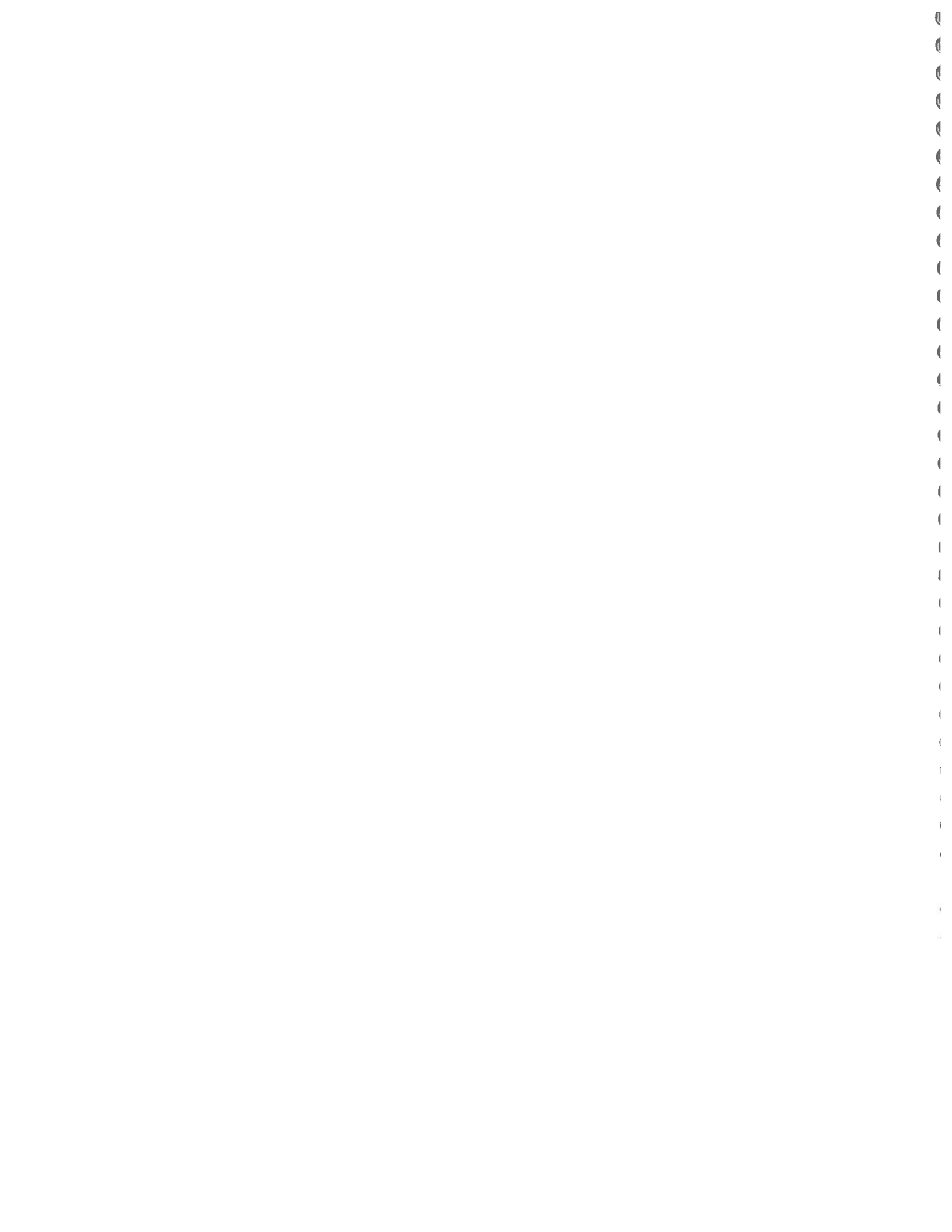
TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/10	Cash		Adjustments	Balance 12/31/11
		Receipts	Disbursements		
<b>Assessment Trust:</b>					
Assessments Receivable	\$ (3,732.06)	\$ 90.42			\$ (3,641.64)
Overpayments	2,254.06				2,254.06
Due to Current Fund	174.33				174.33
Reserve for Assessments Receivable	445.74				445.74
Fund Balance	16,554.74		\$ (1.44)		16,553.30
<b>Total</b>	<b>13,442.75</b>	<b>90.42</b>	<b>(1.44)</b>		<b>15,785.79</b>
<b>Animal Control:</b>					
Due Current Fund	20,906.75			185.80	21,092.55
Due NJ - State License Fees	(3.40)			3.40	-
Animal Control Reserves	(4,741.60)	27,628.00	(18,726.02)	(185.80)	3,974.58
<b>Total</b>	<b>16,161.75</b>	<b>27,628.00</b>	<b>(18,726.02)</b>	<b>3.40</b>	<b>25,067.13</b>
<b>Other Trust Funds:</b>					
Due (from)/to Current Fund	(93,333.33)				(93,333.33)
Due (from)/to General Capital	(293,872.08)		(1,742.54)		(295,614.62)
Due from St. of NJ-Police Outside OT	(25,666.44)				(25,666.44)
POAA	7,219.22	940.00			8,159.22
Public Defender	9,570.00	10,086.50	(14,675.00)		4,981.50
Due St. of NJ:					
DCA State Training Fees	880.00	4,401.00	(4,126.00)		1,155.00
Marriage/Civil Union Licenses	475.00	2,300.00	(2,175.00)		600.00
Fire Department Penalties (Dedicated)	2,244.61	300.00	(898.55)		1,646.06
Fire Prevention Bureau Penalties	26,322.87	1,140.00	(5,094.28)		22,368.59
Police Outside Employment	1,425.53	188,532.70	(175,988.33)		13,969.90
Police Donations	17,297.75	12,500.00	(3,043.28)		26,754.47
Street Opening Permits	3,851.00	1,000.00	(700.00)		4,151.00
Reserve for Escrow Deposits	10,030.00				10,030.00
Reserve for Unemployment	134.47				134.47
Shade Tree Commission	2,637.50	500.00			3,137.50
RV Sewer Rehab Review	801.45				801.45
Housing/Property Maintenance					
Penalties	47,808.43	6,745.00	(9,519.69)		45,033.74
UCC Inspections	1,356.25				1,356.25
Billian Trust	5,612.34		(837.71)		4,774.63
OEM Donation	744.24				744.24
Flood Donation	11,167.72				11,167.72
Advanced Surety Bond	3,850.00				3,850.00
Flood Relief	14,457.76				14,457.76
Outside Lien Redemptions	1,611.15	326,890.44	(296,367.96)		32,133.63
Tax Premiums	180,500.00	165,275.97	(37,584.09)		308,191.88
Police Forfeiture	8,737.62	2,091.30			10,828.92
Recreation Commission	27,820.94	67,525.95	(40,445.22)		54,901.67
American Legion Trust	68.65		(0.02)		68.63
Developer's Deposits	130,042.09	102,011.01	(49,415.76)		182,637.34
Housing Rehabilitation	860,561.08	748.14	(181,717.43)		679,591.79
Payroll Agency	118,235.64	3,314.74	(118,235.64)		3,314.74
Reserve for Redevelopment -					
Media Property		25,000.00	(30,746.57)		(5,746.57)
Redevelopment - Meredia Attorney		15,000.00			15,000.00
OEM Donation		5,000.00			5,000.00
Unallocated Receipts - Net		(146.00)			(146.00)
Police Body Armor Fund			(2,145.00)		(2,145.00)
Reserve for Encumbrances -					
General Trust			(11,857.95)		(11,857.95)

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/10	Cash.....		Adjustments	Balance 12/31/11
		Receipts	Disbursements		
Miscellaneous		175.98			175.98
					-
					-
					-
<b>Total</b>	<b>1,082,591.46</b>	<b>941,332.73</b>	<b>(987,316.02)</b>	<b>-</b>	<b>1,036,608.17</b>
<b>Total</b>	<b>\$ 1,112,195.96</b>	<b>\$ 969,051.15</b>	<b>\$ (1,006,043.48)</b>	<b>\$ 3.40</b>	<b>\$ 1,077,461.09</b>
<u>Ref.</u>	B				B

**General Capital Fund**





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

	<u>REF.</u>		
Balance - December 31, 2010 - Restated	C		\$ 1,793,994.58
<b>Increased by Receipts:</b>			
Grants and Other Receivables	C-4	339,884.85	
Infrastructure Loan Receivable	C-5	143,160.05	
Deferred Charges Future Taxation Unfunded	C-7	125,984.40	
Various Reserves	C-13	13,365.00	
Capital Improvement Fund Appropriation	C-12	150,000.00	
BAN'S Issued	C-10	<u>4,950,000.00</u>	
			<u>5,722,394.30</u>
			7,516,388.88
<b>Decreased by Disbursements:</b>			
Improvement Authorizations	C11	3,377,593.60	
Interfunds	C-8	930,329.67	
Various Reserves	C-13	170,000.00	
BAN'S Redeemed	C-10	<u>2,800,000.00</u>	
			<u>7,277,923.27</u>
<b>Balance - December 31, 2011</b>	<b>C,C-3</b>		<b><u>\$ 238,475.61</u></b>
<u>Analysis of Balance - December 31, 2011:</u>			
Cash & Investments			\$ 42,009.56
Investment in Emergency Notes Payable			<u>200,000.00</u>
	C-2		<b><u>\$ 242,009.56</u></b>

GENERAL CAPITAL FUNDANALYSIS OF CASH AND INVESTMENTS

	<u>Ref.</u>	<u>BALANCE DECEMBER 31, 2011</u>
Fund Balance	C-1	\$ 183,900.35
Due Current Fund		(2,354,629.95)
Due Other Trust Fund		93,333.33
State & Federal Grants Receivable		(599,240.13)
Reserve to Pay Debt Service		143,160.05
Reserve fro Premium on Sale of Notes		13,365.00
Capital Improvement Fund Deficit		(334.00)
Reserve for Encumbrances		1,205,206.64
Improvement Authorizations Funded		2,067,233.00
Improvement Authorizations Expended		(2,227,685.43)
Unexpended Proceeds of BAN'S Issued		1,714,166.75
Excess Infrastructure Loan Cash		<u>3,533.95</u>
<b>Total</b>	<b>C, C-2</b>	<b>\$ <u>242,009.56</u></b>

SCHEDULE OF GRANTS RECEIVABLE

	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011
<u>Capital Project/Program</u>				
Reconstruction of Longwood Avenue	\$ 23,174.98	\$	\$	23,174.98
East Main Street Streetscape Project	265,950.00			265,950.00
Sewer Project - Highland Place	150,000.00		150,000.00	
Improvements to Church Street	200,000.00		103,292.85	96,707.15
Rehabilitation of Sanitary Sewers	100,000.00		86,592.00	13,408.00
Various Public Improvements		200,000.00		200,000.00
Subtotal - Due from State of New Jersey	739,124.98	200,000.00	339,884.85	599,240.13
<b>Total</b>	<b>\$ 739,124.98</b>	<b>\$ 200,000.00</b>	<b>\$ 339,884.85</b>	<b>\$ 599,240.13</b>

Ref.

C

C-11

C-2

C

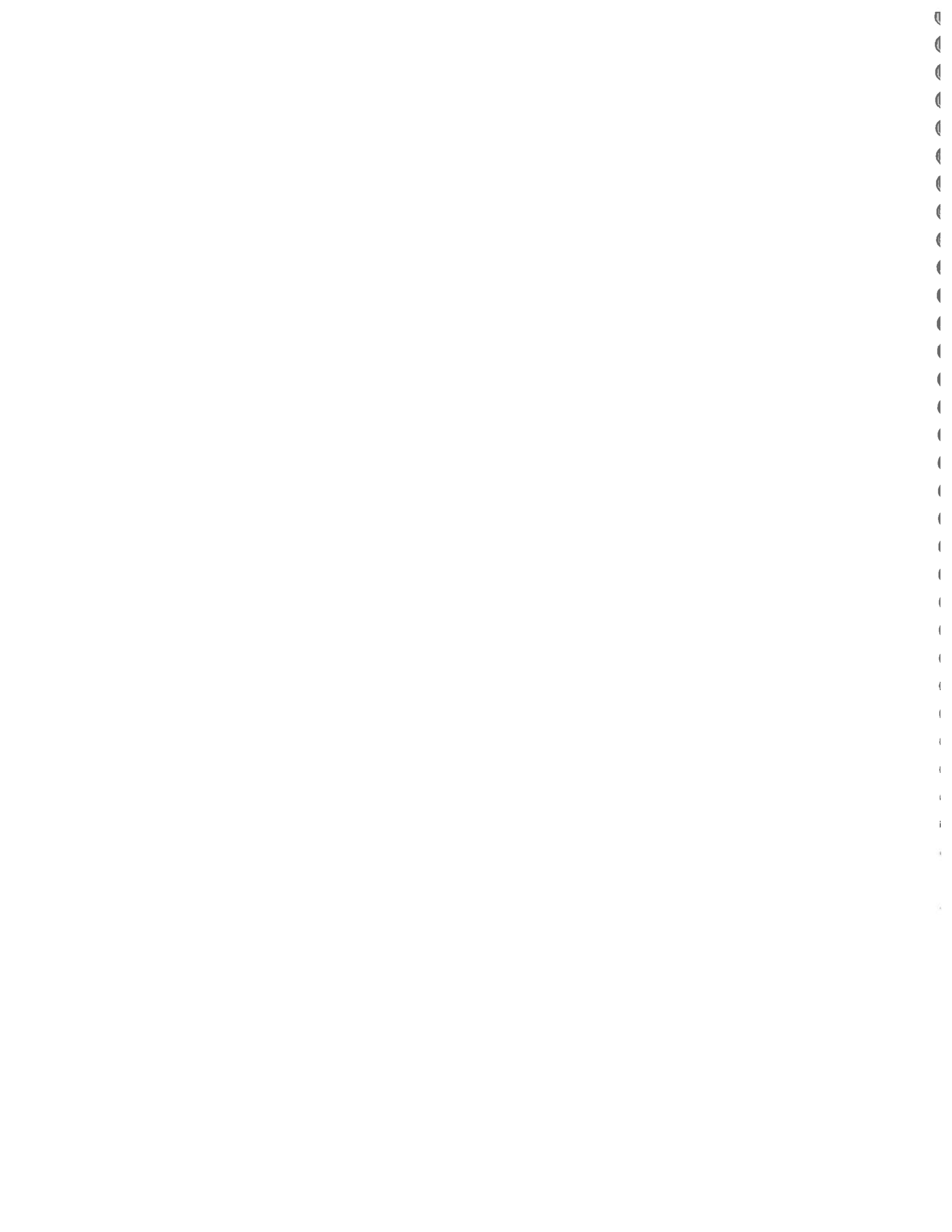
SCHEDULE OF INFRASTRUCTURE LOAN RECEIVABLE/PAYABLE

	Balance December 31, 2010	Increases	Decreases	Balance December 31, 2011
Infrastructure Loan Program	\$ 143,160.05	-	(143,160.05)	-
<b>Total</b>	<b>\$ 143,160.05</b>	<b>\$ -</b>	<b>\$ (143,160.05)</b>	<b>\$ -</b>

Ref.

C

C



SCHEDULE OF DEFERRED CHARGES - FUNDED

	Ref.	Total	Serial Bonds	Infrastructure Loan
Balance - December 31, 2010	C	\$ 11,113,160.05	\$ 10,970,000.00	\$ 143,160.05
Increased by:				
Bonds/Loans Issued		<u>11,113,160.05</u>	<u>10,970,000.00</u>	<u>143,160.05</u>
Decreased by:				
Serial Bonds Paid From Budget Appropriation	C-9	<u>700,000.00</u>	<u>700,000.00</u>	
<b>Balance - December 31, 2011</b>	<b>C</b>	<b><u>\$ 10,413,160.05</u></b>	<b><u>\$ 10,270,000.00</u></b>	<b><u>\$ 143,160.05</u></b>



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

ORD NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2010	2011 AUTHORIZATIONS	LOANS/BONDS ISSUED	DECREASE	IMPROV. AUTHOR. CANCELLED	BALANCE DECEMBER 31, 2011	BOND ANTICIPATION NOTES	ANALYSIS OF BALANCE DEC. 31, 2011	
									EXPENDED	UNEXPENDED BALANCE OF IMPROV. AUTH.
90-8	General Improvements	\$ 34,904.00					\$ 34,904.00		\$ 34,904.00	\$
90-13	Filter for Codding Park Swimming Pool	37,100.00					37,100.00		37,100.00	
91-7	Acquisition of Vehicles and Various Public Improvements	22,731.50					22,731.50		22,731.50	
94-15	Reconstruction of Second Avenue	5.00					5.00		5.00	
94-16	Acquisition of Buildings	36.00					36.00		36.00	
94-23	Various Acquisitions and Improvements	25.28					25.28		25.28	
95-3	Acquisition of Fire Equipment	75.00					75.00		75.00	
96-5	Improvements to Sanitary Sewer System	70.00					70.00		70.00	
97-7	Various Public Improvements	10,222.68					10,222.68		10,222.68	
98-8	Reconstruction of Longwood Avenue	250.00					250.00		250.00	
99-3	Various Public Improvements	40.00					40.00		40.00	
99-19	Various Public Improvements	20.69					20.69		20.69	
00-12	Reconstruction of Winsor Street	713.00					713.00		713.00	
01-1	Various Public Improvements	164.84					164.84		164.84	
01-11/02-15	Reconstruction of Chestnut Street	58.00					58.00		58.00	
01-14	Various Public Improvements	50.00					50.00		50.00	
01-17	Various Public Improvements	84.00					84.00		84.00	
02-07	Various Public Improvements	500.00					500.00		500.00	
06-10	Acquisition of Lighting - Tee Street Ballfield	131,755.00					131,755.00		131,755.00	500.00
06-18	Various Improvements for Sanitary - Talmadge & Vossler	71.00					71.00		71.00	
07-13	Improvements to Highland Place	36,576.51					36,576.51		36,576.51	
07-16	Improvements to Courtyard	500.00					500.00		500.00	500.00
08-14	Various Public Improvements	1,477,250.00					1,477,250.00		1,477,250.00	190,000.00
08-18	Various Public Improvements	3,144,880.00					3,144,880.00		3,144,880.00	1,400,000.00
09-02	Various Public Improvements	316,300.00			(125,984.40)		190,315.60		190,315.60	2,800,000.00
09-05	Improvements to Livingston Street	750,000.00					750,000.00		750,000.00	750,000.00
09-20	Acquisition of Two Fire Engine Trucks	85,500.00					85,500.00		85,500.00	85,500.00
10-12	Improvements to Church Street	235,790.00					235,790.00		235,790.00	235,790.00
10-23	Rehabilitation of Sanitary Sewers	2,210,650.00	2,210,650.00				2,210,650.00		1,486,450.12	724,199.88
11-03	Road Improvements 2010 Program	332,500.00	332,500.00				332,500.00		332,500.00	332,500.00
11-02	Const. Of Recreation Facility	427,500.00	427,500.00				427,500.00		409,288.33	409,288.33
11-08	Purch. Of Prop. Union Ave.	2,483,015.00	2,483,015.00				2,483,015.00		18,211.67	2,483,015.00
11-16	2011 Road Program									
<b>Total</b>		<b>\$ 6,475,672.50</b>	<b>\$ 5,453,665.00</b>	<b>\$ -</b>	<b>\$ (125,984.40)</b>	<b>\$ -</b>	<b>\$ 11,803,353.10</b>	<b>\$ 4,950,000.00</b>	<b>\$ 2,227,685.43</b>	<b>\$ 4,625,667.67</b>

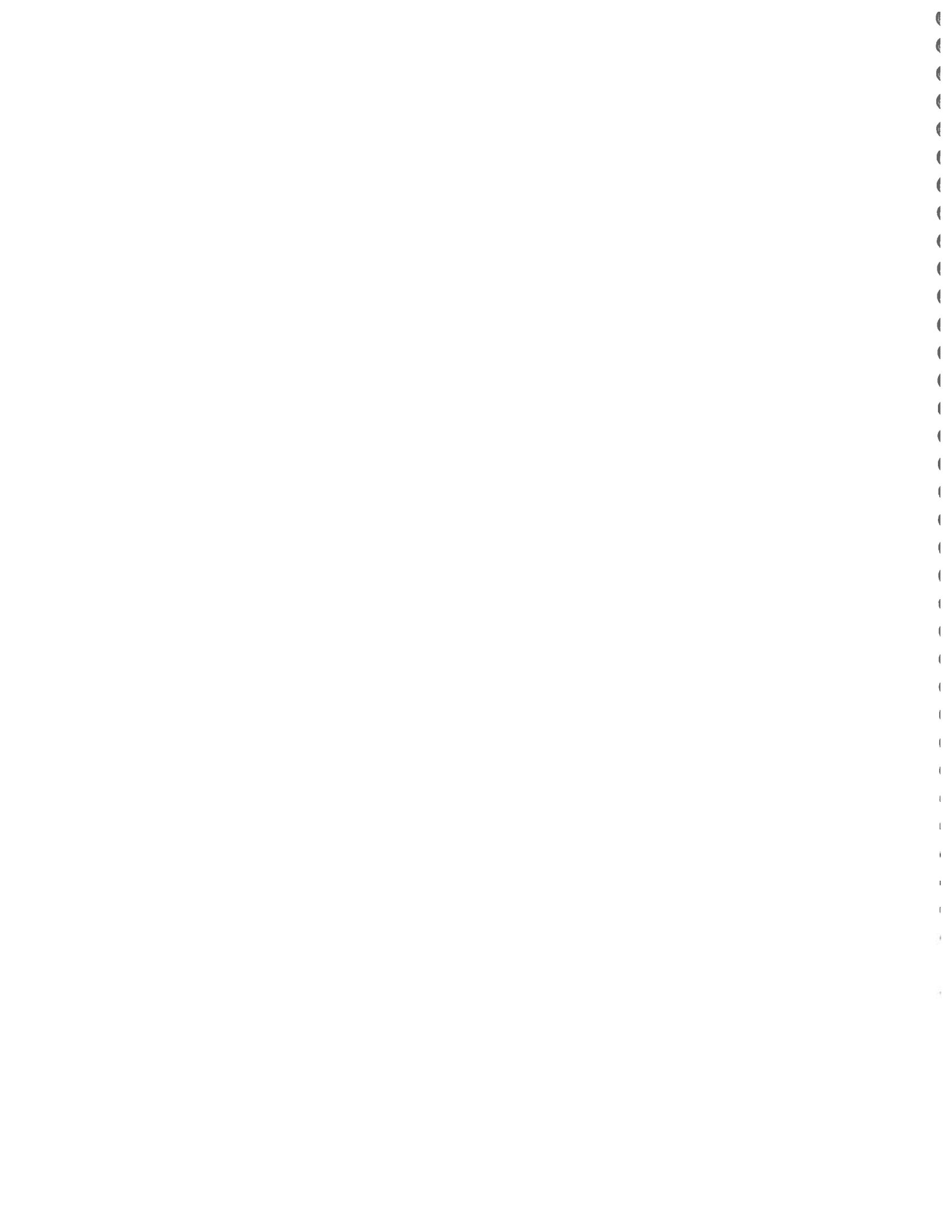
Ref.	Ord. No.	Amount
C-11	09-20	\$ 6,339,834.42
C-11	08-18	(96,973.17)
C-11	09-02	(704,408.06)
C-11		(912,785.52)
		<b>\$ 4,625,667.67</b>





**GENERAL CAPITAL FUND  
SCHEDULE OF INTERFUNDS**

	Restated 12/31/10	Cash Receipts (Net)	Cash Disbursements (Net)	Adjustments	12/31/11
Interfunds [Due( from)/to]					
Trust Other Fund (Net).....	93,333.33				93,333.33
Current Fund.....	(1,424,300.28)		(930,329.67)		(2,354,629.95)
<b>Total.....</b>	<b>\$ (1,330,966.95)</b>	<b>\$ -</b>	<b>\$ (930,329.67)</b>	<b>\$ -</b>	<b>\$ (2,261,296.62)</b>
	Ref.	C	C-2		C
Receivables	\$ (1,424,300.28)				\$ (2,354,629.95)
Payables	<u>93,333.33</u>				<u>93,333.33</u>
<b>Total</b>	<b>\$ (1,330,966.95)</b>				<b>\$ (2,261,296.62)</b>



SCHEDULE OF GENERAL SERIAL BONDS

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2011</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2010</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
General Improvement	7/15/01	\$4,513,000.00	7/15/12	\$330,000.00	4.375%	\$ 1,973,000.00	\$ 325,000.00	1,648,000.00
			7/15/13	330,000.00	4.400%			
			7/15/2014-15	330,000.00	4.500%			
			7/15/16	328,000.00	4.625%			
General Improvement	2/15/08	\$9,672,000.00	2/15/12	\$400,000.00	3.750%	8,997,000.00	375,000.00	8,622,000.00
			2/15/13	425,000.00	3.750%			
			2/15/14	450,000.00	3.750%			
			2/15/15	475,000.00	3.750%			
			2/15/16	500,000.00	3.875%			
			2/15/17	600,000.00	4.000%			
			2/15/18-20	625,000.00	4.000%			
			2/15/21-25	650,000.00	4.000%			
			2/15/26	647,000.00	4.000%			
<b>Total</b>						<b>\$ 10,970,000.00</b>	<b>\$ 700,000.00</b>	<b>\$ 10,270,000.00</b>

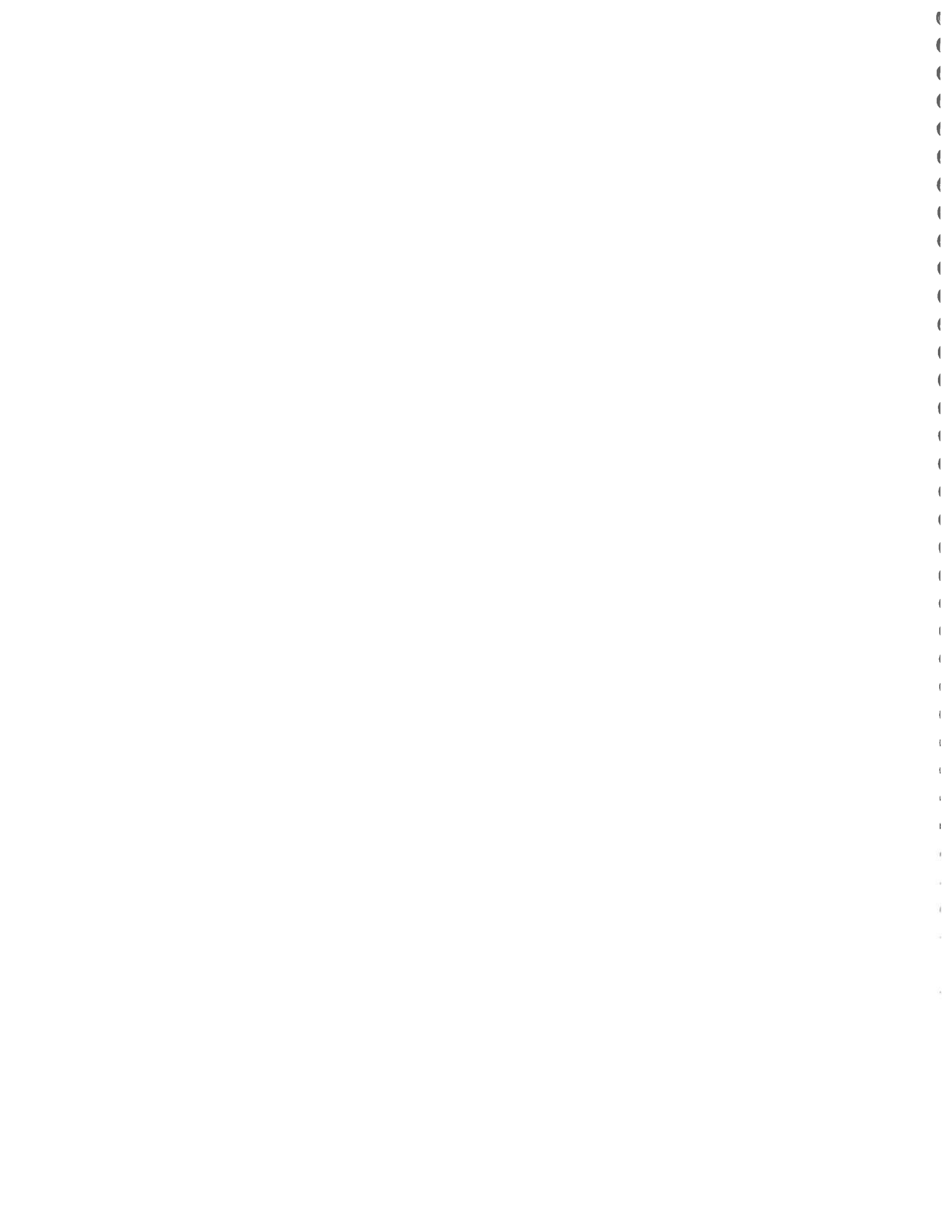
Ref.

C

C-6

C

C



SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>PURPOSE</u>	<u>ORDINANCE NUMBER</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2010</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DEC. 31, 2011</u>
Various Public Improvements	09-02	6/8/12	1.50%	\$2,800,000.00	\$2,800,000.00	(\$2,800,000.00)	\$2,800,000.00
Various Public Improvements	08-18	6/8/12	1.50%		1,400,000.00		1,400,000.00
Acquisition of Two Fire Engines	09-20	6/8/12	1.50%		750,000.00		750,000.00
<b>Total</b>				<b>\$ 2,800,000.00</b>	<b>\$ 4,950,000.00</b>	<b>\$ (2,800,000.00)</b>	<b>\$ 4,950,000.00</b>

Ref. C C-2 C-2 C



SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

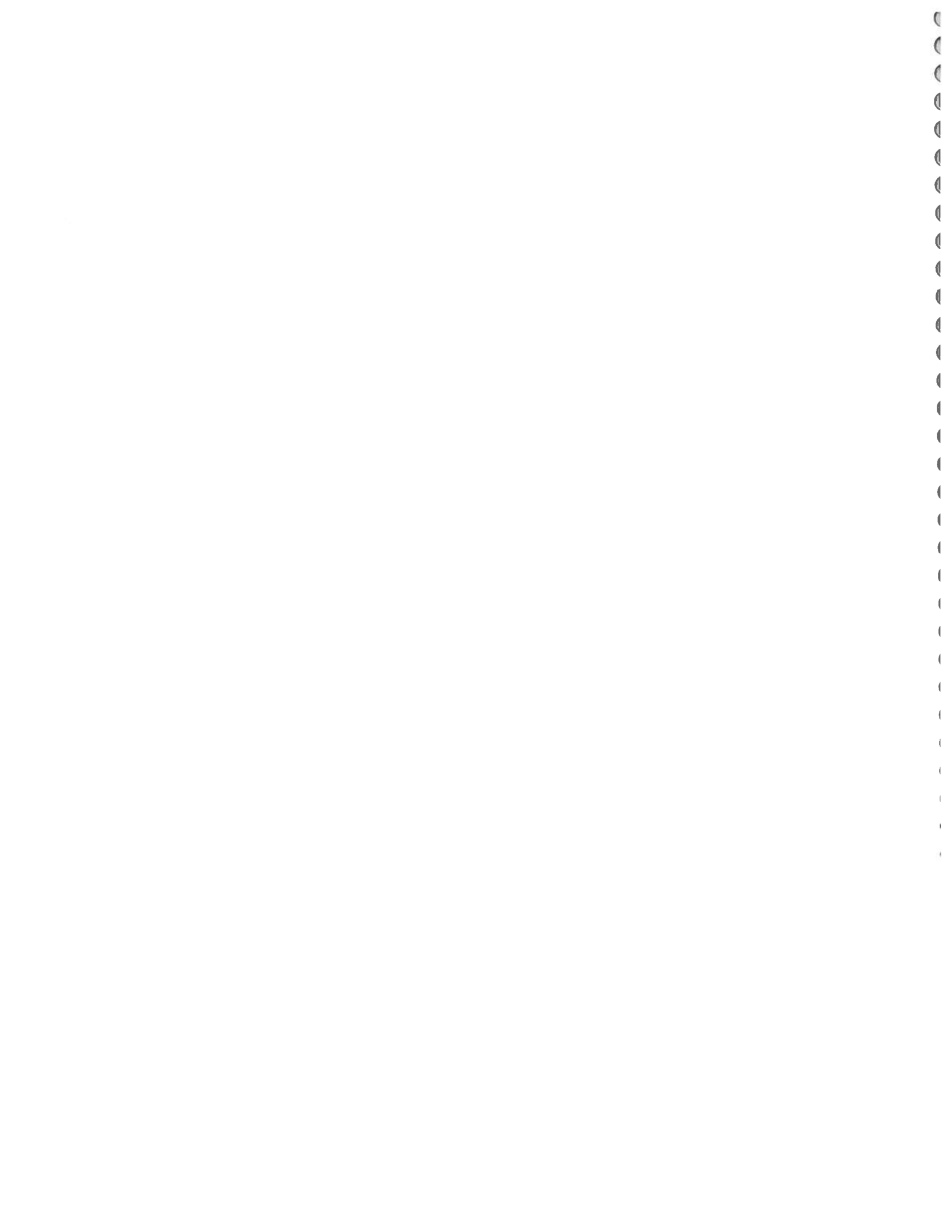
ORD NO.	IMPROVEMENT DESCRIPTION	ORIGINAL AMOUNT AUTHORIZED	BALANCE DECEMBER 31, 2010		2011 AUTHOR.	2010 RES FOR ENC	2011 RES FOR ENC	PAID OR CHARGED	BALANCE DECEMBER 31, 2011	
			FUNDED	UNFUNDED					FUNDED	UNFUNDED
General Improvements.										
02-07	Various Public Improvements	\$ 2,510,000.00	\$ 16,921.59	\$ 500.00		\$ 82,715.31	\$ 34,890.14	\$ 61,683.12	\$ 3,063.64	\$ 500.00
05-19	Various Improvements to Public Library	1,000,000.00	66,105.08					33,300.00	32,805.08	
07-01	Improvements to Winsor Street	260,000.00	43,898.17						43,898.17	
07-13	Improvements to Highland Place	350,000.00		500.00				1,875.00	19,552.89	500.00
07-16	Improvements to Courtyard	50,000.00	21,427.89					7,940.47	104,091.19	
08-9	Rehabilitation of Train Station	625,000.00	112,031.66						61,155.21	190,000.00
08-14	Various Public Improvements	350,000.00	61,155.21	190,000.00						704,408.06
08-18	Various Public Improvements	1,955,000.00	989,963.14			19,731.94	68,789.44	236,497.58	21,250.04	
08-19	General Improvements	685,000.00	22,945.74			11,876.20	11,876.20	1,695.70	125,596.23	
08-22	Rehabilitation of Sanitary Sewers	513,000.00	141,914.52			19,699.84	85,497.62	1,749,273.19		912,785.52
09-02	Various Public Improvements	3,362,875.00		2,727,856.49						164,374.46
09-05	Improvements to Livingston Street	324,000.00		164,374.46						
09-06	Improvement of Weichung Rd./Demolition of Public Works Building	485,000.00	355,923.00					2,203.50	353,719.50	
09-09	Improvement of Train Station/Replacement of Signs		92,559.63		4,686.38			10,962.43	86,283.58	
09-20	Acquisition of Two Fire Engine Trucks	850,000.00	97,896.36					923.19	19,501.21	96,973.17
10-12	Improvement to Church Street	290,000.00	187,136.01	85,500.00			24,397.61	143,237.19	85,500.00	85,500.00
10-23	Rehabilitation of Sanitary Sewers	348,200.00	111,898.32	235,790.00		450.72		27,604.87	84,744.17	235,790.00
11-03	Road Improvements 2010 Program	2,327,000.00						683,337.69	637,624.35	724,199.88
11-02	Constr of Recreation Facility	1,100,000.00		1,100,000.00				94,275.65	23,462.99	332,500.00
11-04	Middlebrook Road Repairs	104,700.00		104,700.00				91,269.58	27,730.42	
11-06	I/I Basin 4 Engineering	119,000.00		450,000.00				40,711.67	2,180.15	409,288.33
11-08	Purch. Of Prop. Union Ave	450,000.00						32,819.85	245,574.18	
11-15	Rehab Sewer Truck	35,000.00		35,000.00				85,110.82	175,000.00	
11-16	2011 Road Program	2,813,700.00		2,813,700.00						2,483,015.00
11-19	Purch. Street Sweeper	175,000.00		175,000.00						
<b>Total</b>			<b>\$ 1,233,916.82</b>	<b>\$ 4,492,380.45</b>	<b>\$ 7,124,400.00</b>	<b>\$ 139,160.39</b>	<b>\$ 1,205,196.64</b>	<b>\$ 3,377,593.60</b>	<b>\$ 2,067,233.00</b>	<b>\$ 6,339,834.42</b>
		Ref.	C	C	C	C	C	C-2	C	C
Def Chgs to Future Taxation - Unfunded		C-6			5,453,665.00					
State & Federal Grants		C-4			200,000.00					
Reserve for Developer Contributions		C-13			750,000.00					
Reserve for Capital Improvement Fund		C-12			287,035.00					
Capital Fund Balance		C-1			433,700.00					
		C-11			<b>\$ 7,124,400.00</b>					





SCHEDULE OF RESERVE FOR  
CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2010	C	\$ 136,701.00
Increased by:		
Budget Appropriation	C - 8	<u>150,000.00</u>
		286,701.00
Decreased by:		
Fund Improvement Authorization	C-8	<u>287,035.00</u>
<b>Balance - December 31, 2011 (Deficit)</b>	<b>C</b>	<b><u><u>\$ (334.00)</u></u></b>



SCHEDULE OF VARIOUS RESERVES

	<u>Balance</u> <u>December 31, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Appropriated to</u> <u>Finance</u> <u>Improv. Auth.</u>	<u>Balance</u> <u>December 31, 2011</u>
<u>Ref.</u>					
Reserve for:					
Recreation Facility	\$ 750,000.00	\$	\$	(750,000.00)	143,160.05
Pay Debt Service	313,160.05		(170,000.00)		13,365.00
Premium on Note Sale		13,365.00			
<b>Total</b>	<b>\$ 1,063,160.05</b>	<b>\$ 13,365.00</b>	<b>\$ (170,000.00)</b>	<b>\$ (750,000.00)</b>	<b>\$ 156,525.05</b>
<u>Ref.</u>	C	C-2	C-2	C-11	C

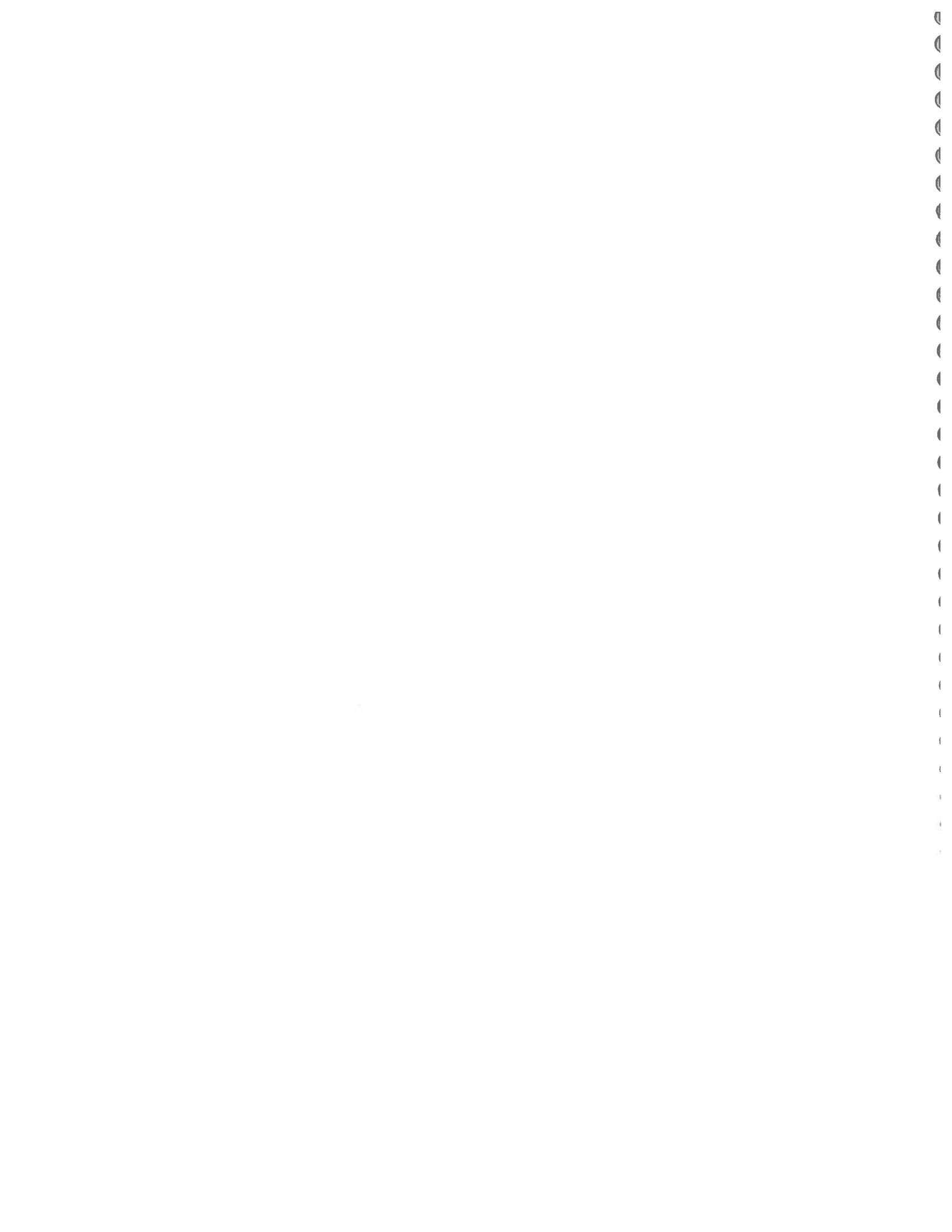


SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2010	2011 AUTHORIZATIONS	BOND ANTICIPATION NOTES REDEEMED	FUNDING	BOND ANTICIPATION NOTES ISSUED	PAID BY CURRENT BUDGET	BALANCE DECEMBER 31, 2011
90-8	Filter for Codrington Park Swimming Pool	\$ 34,904.00						\$ 34,904.00
90-13	Acquisition of Vehicles and Various Public Improvements	37,100.00						37,100.00
91-7	Reconstruction of Second Avenue	22,731.50						22,731.50
94-15	Acquisition of Buildings	5.00						5.00
94-16	Various Acquisitions and Improvements	36.00						36.00
94-23	Acquisition of Fire Equipment	25.28						25.28
95-3	Improvements to Sanitary Sewer System	75.00						75.00
96-5	Various Public Improvements	70.00						70.00
97-7	Reconstruction of Longwood Avenue	10,222.68						10,222.68
98-8	Various Public Improvements	250.00						250.00
99-3	Various Public Improvements	40.00						40.00
99-19	Reconstruction of Winsor Street	20.69						20.69
00-12	Various Public Improvements	713.00						713.00
01-1	Reconstruction of Chestnut Street	164.84						164.84
01-11/02-15	Various Public Improvements	58.00						58.00
01-14	Various Public Improvements	50.00						50.00
01-17	Various Public Improvements	84.00						84.00
02-07	Various Public Improvements	500.00						500.00
06-10	Acquisition of Lighting - Tea Street Ballfield	131,755.00						131,755.00
06-18	Various Improvements for Sanitary - Talmadge & Vost	71.00						71.00
07-13	Improvements to Highland Place	36,576.51						36,576.51
07-16	Improvements to Courtyard	500.00						500.00
08-14	Various Public Improvements	190,000.00						190,000.00
08-18	Various Public Improvements	1,477,250.00						1,477,250.00
09-02	Various Public Improvements	344,880.00		2,800,000.00		1,400,000.00		77,250.00
09-05	Improvements to Livingston Street	316,300.00			125,984.40	2,800,000.00		344,880.00
09-20	Acquisition of Two Fire Engine Trucks	750,000.00				750,000.00		190,315.60
10-12	Improvements to Church Street	85,500.00						85,500.00
10-23	Rehabilitation of Sanitary Sewers	235,790.00	2,210,650.00					235,790.00
11-03	Road Improvements 2010 Program		332,500.00					2,210,650.00
11-02	Constr. Of Recreation Facility		427,500.00					332,500.00
11-08	Purch. Of Prop. Union Ave.		427,500.00					427,500.00
11-16	2011 Road Program		2,483,015.00					2,483,015.00
<b>Total</b>		<b>\$ 3,675,672.50</b>	<b>\$ 5,453,665.00</b>	<b>\$ 2,800,000.00</b>	<b>\$ 125,984.40</b>	<b>\$ 4,950,000.00</b>	<b>\$ -</b>	<b>\$ 6,853,353.10</b>

Footnote C

Ref.



**Public Assistance Fund**





SCHEDULE OF PUBLIC ASSISTANCE CASH - TREASURER

	<u>REF.</u>		<u>P.A.T.F. I</u>
Balance - December 31, 2010	E	\$	5,378.76
Increased by: Receipts	E-3		<u>592.90</u>
<b>Balance - December 31, 2011</b>	<b>E</b>	<b>\$</b>	<b><u>5,971.66</u></b>

SCHEDULE OF PUBLIC ASSISTANCE CASH AND RECONCILIATION

	<u>REF.</u>		
Balance - December 31, 2010	E- 1	\$	5,378.76
Increased by:			
Cash Receipts Record	E- 1		<u>592.90</u>
			5,971.66
Decreased by:			
Cash Disbursements Record: 2011 Assistance	E- 1		<u>          </u>
<b>Balance - December 31, 2011</b>	<b>E-1,E-2</b>	<b>\$</b>	<b><u>5,971.66</u></b>
<u>Reconciliation - December 31, 2011:</u>			
		<u>P.A.T.F. I</u>	<u>TOTAL</u>
		<u>ACCOUNT</u>	
Balance on Deposit per Statement of: Valley National Bank Account #41060830 Reconciling Items		\$	5,971.66
			<u>          </u>
<b>Balance - December 31, 2011</b>		<b>\$</b>	<b><u>5,971.66</u></b>
	<u>Ref.</u>		E- 2

SCHEDULE OF PUBLIC ASSISTANCE REVENUES

	<u>P.A.T.F. I</u> <u>ACCOUNT</u>
State Aid Payments	\$ _____
State Aid for Public Assistance	
Miscellaneous	592.90
Supplemental Security Income:	
Municipal Refund	_____
<b>Total Receipts/Revenues (PATF)</b>	<b>\$ <u><u>592.90</u></u></b>
<u>Ref.</u>	E- 1

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES

	<u>P.A.T.F. I</u> <u>ACCOUNT</u>
Payments for Current Year Assistance (Reported):	
Maintenance Payments	\$
Burial	
Nursing Home Care	
Temporary Rental Assistance	
Other:	
Utilities	
Rent/Security Deposit	
Storage Cost	
Emergency Assistance	
Esst. House Furnish	
Transportation	
Work-related Expenses	_____
Total Reported	_____ 0.00
Total Disbursements (PATF)	<b>\$ <u><u>0.00</u></u></b>
<u>Ref.</u>	

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

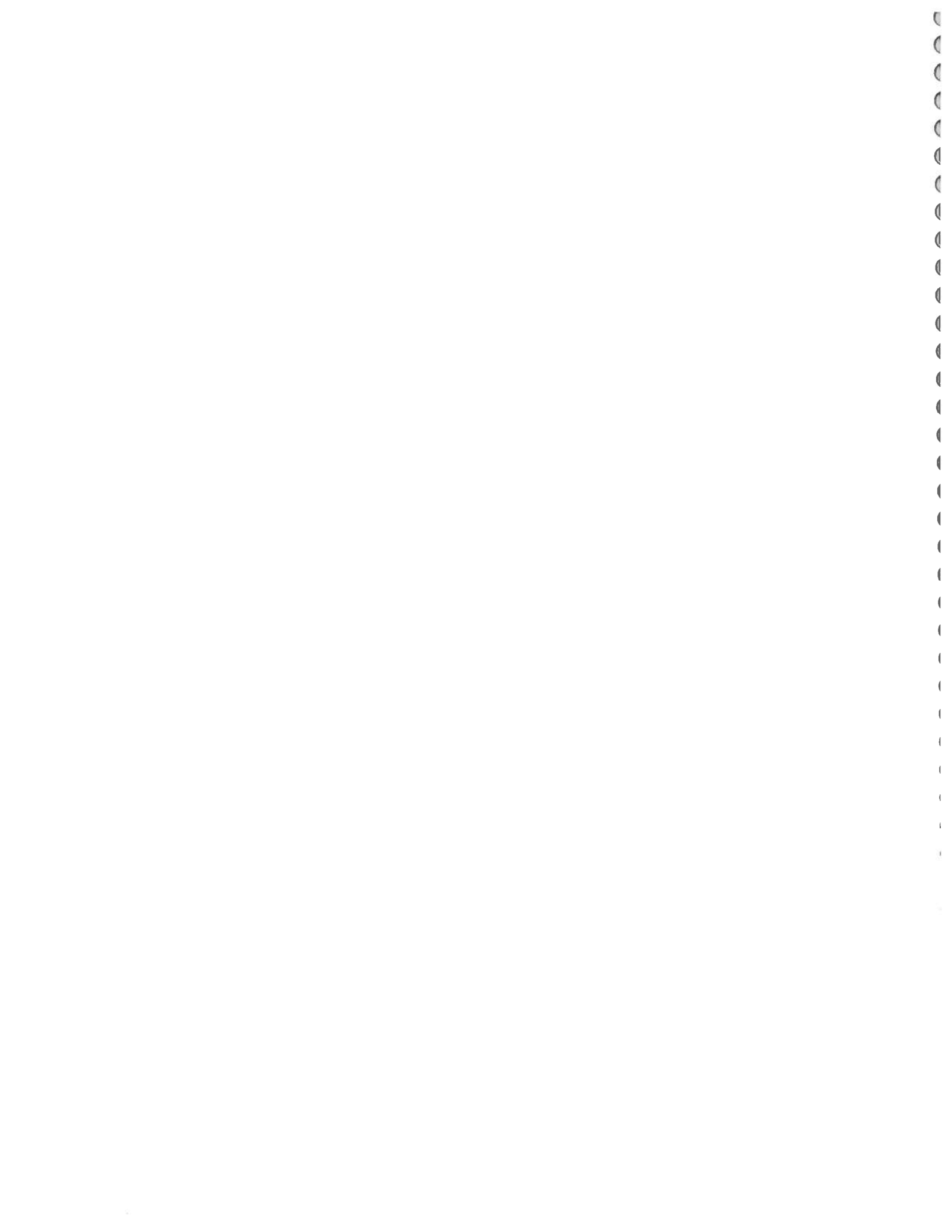
	<u>REF.</u>		
Balance - December 31, 2010	E	\$	5,378.76
Increased by:			
Miscellaneous	E- 1	<u>592.90</u>	
			<u>592.90</u>
			5,971.66
Decreased by:			
Payments for Public Assistance Disbursed to Clients		<u>-</u>	
			<u>-</u>
<b>Balance - December 31, 2011</b>	<b>E</b>	<b>\$</b>	<b><u><u>5,971.66</u></u></b>

**BOROUGH OF BOUND BROOK**  
**SOMERSET COUNTY, NEW JERSEY**

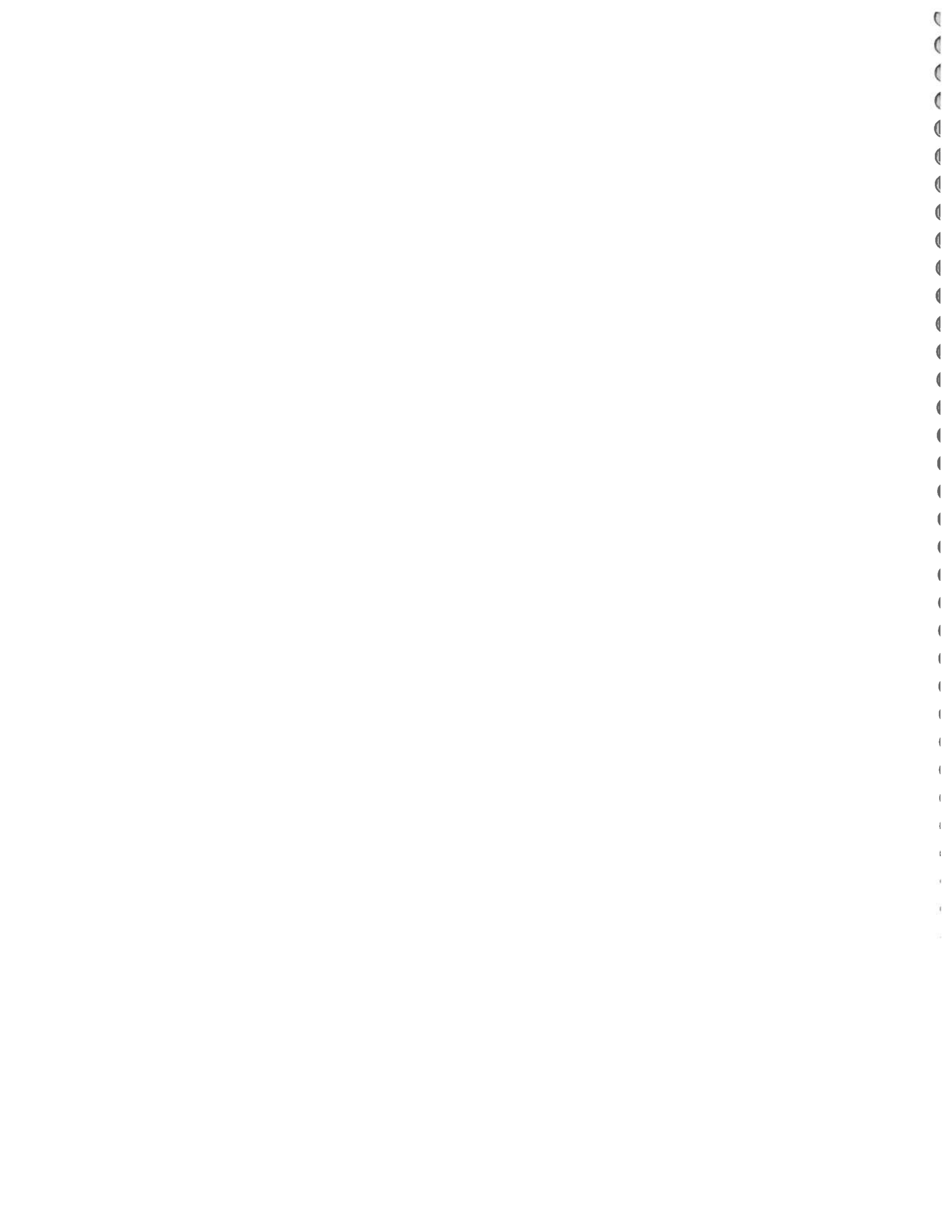
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**PART III**

**SUPPLEMENTARY DATA**



**Length of Service Award Program (LOSAP) (Unaudited)**





**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Honorable Mayor and Members  
of the Borough Council  
Borough of Bound Brook  
County of Somerset, New Jersey

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Bound Brook Length of Service Award Program (LOSAP) as of December 31, 2011, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

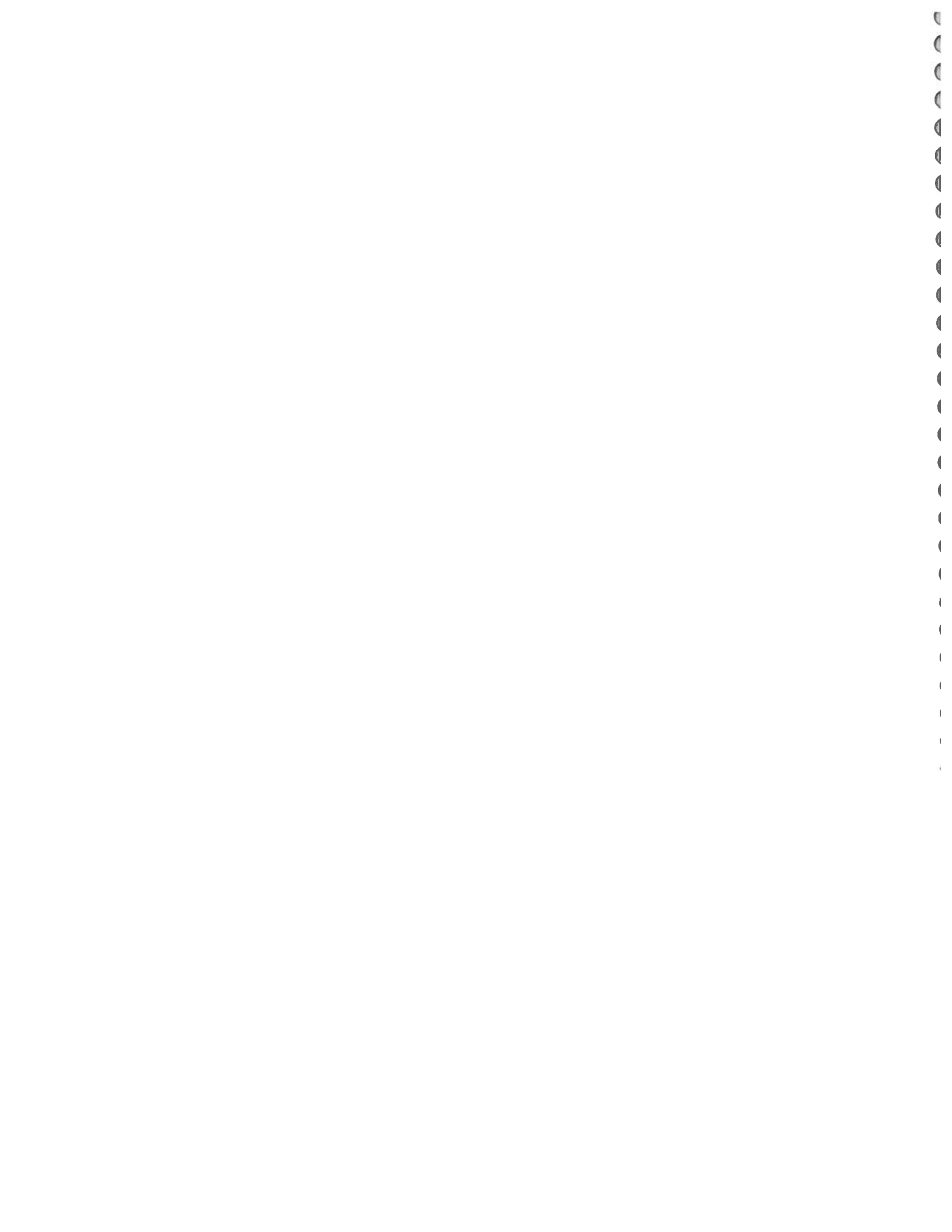
Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in the Note 1.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Highland Park, New Jersey  
November 30, 2012



BOROUGH OF HIGHLAND PARK  
 COUNTY OF MIDDLESEX, NEW JERSEY  
 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

AS AT DECEMBER 31, 2011

	2011
Assets	
Investments, at fair value	\$ <u>280,357.52</u>
Total Assets	\$ <u><u>280,357.52</u></u>
 Net Assets	
Restricted	\$ <u>280,357.52</u>
Total Net Assets	\$ <u><u>280,357.52</u></u>

See Acompanying Notes and Independent Accountant's Review Report.

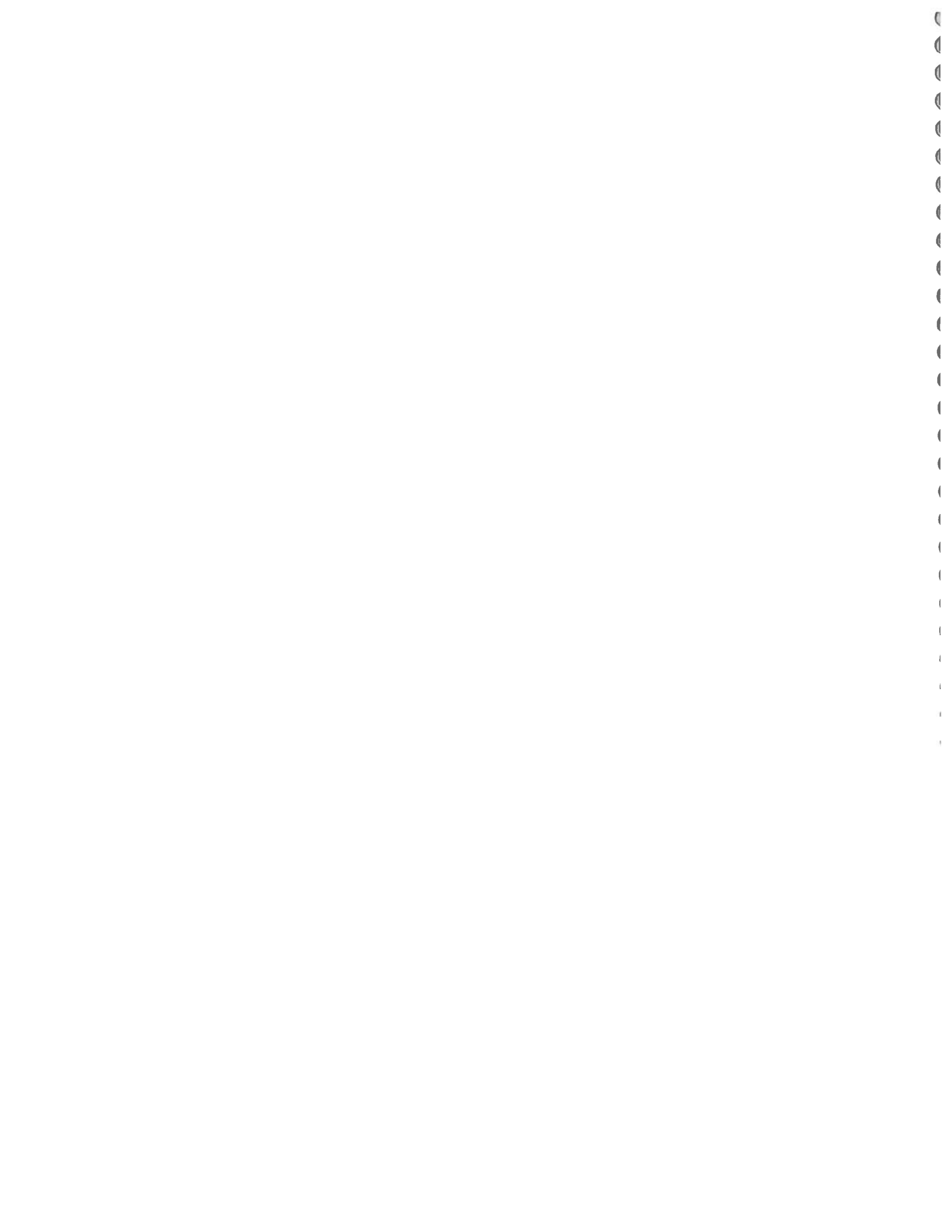


BOROUGH OF HIGHLAND PARK  
 COUNTY OF MIDDLESEX, NEW JERSEY  
 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2011

	2011
Restricted Net Assets	
Contributions	\$ 30,800.00
Earnings (Losses)	(4,329.52)
Withdrawals	(14,365.65)
Service Charges	(1,992.47)
Increase (Decrease) in Net Assets	10,112.36
Net Assets - Beginning of Year	270,245.16
Net Assets - End of Year	\$ 280,357.52

See Accompanying Notes and Independent Accountant's Review Report.



BOROUGH OF BOUND BROOK LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO UNAUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Bound Brook Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The Borough established the LOSAP Program for the applicable Borough nonprofit organizations during CY 2001. LOSAP provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Bound Brook sponsors LOSAP through an annual award appropriated through the municipal budget.

B. Basis of Presentation

The accounting policies of the Borough of Bound Brook (the "Borough"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the Borough to the participants through the Lincoln Financial Group, Plan Administrator.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Description of Program (Cont'd.)

In accordance with standards established by the Governmental Accounting standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is tax exempt in Internal revenue Code Section 457.

D. Amount of Contribution

The Borough will contribute to the plan for an active volunteer who thereafter annually attains the minimum point score as provided below shall receive an annual contributions in accordance with the plan regulations.

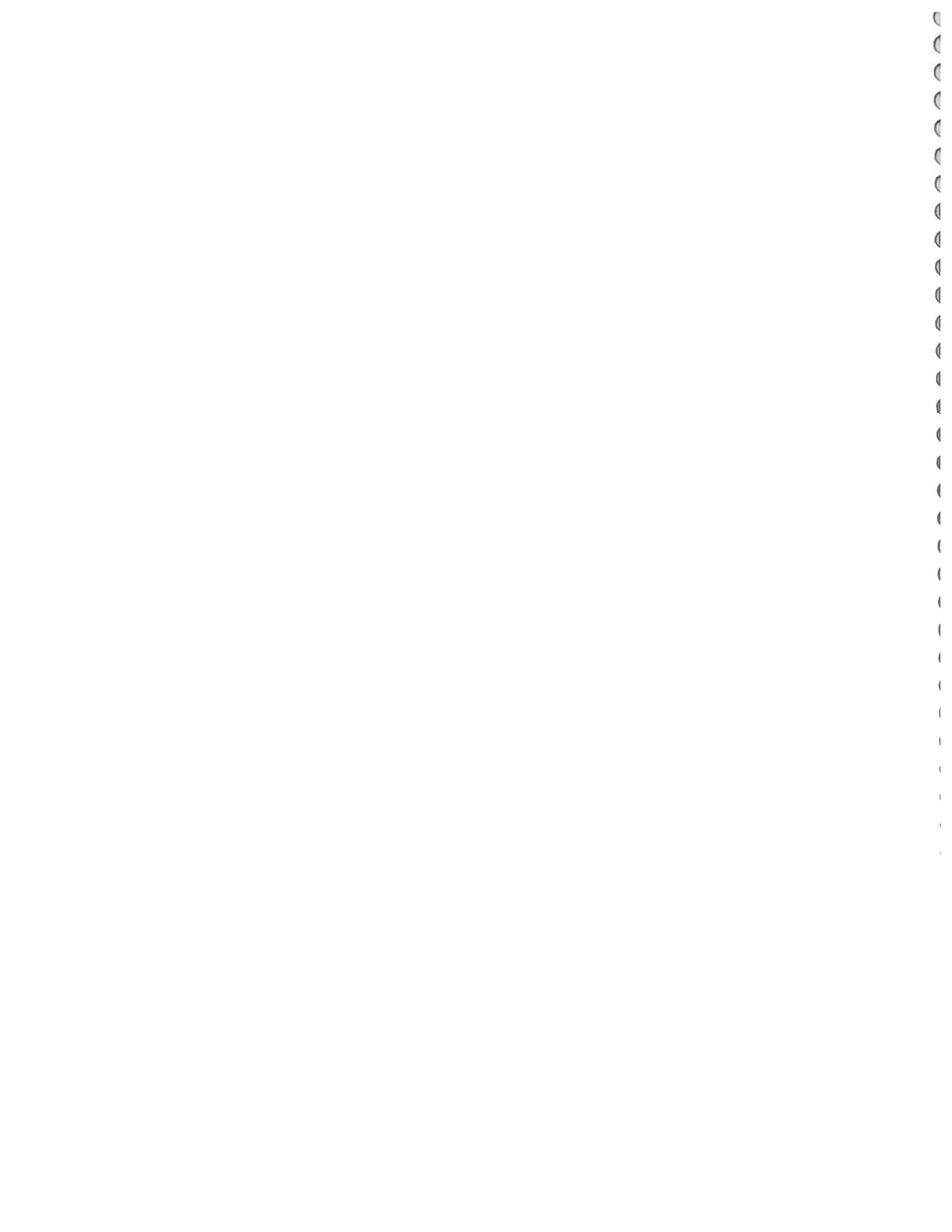
An active volunteer member will qualify for contribution to a LOSAP deferred account if they earn a cumulative total minimum of 100 points based on the point system below for each service year. For each service year during which a volunteer member is determined to be eligible to receive a LOSAP contribution, he/she will be credited with a year of service for purposes of vesting in accordance with this Plan. All members must be an active volunteer member in good standing throughout the year in order to be considered an eligible "qualified participant" in the Program and must be a qualified participant in the Program for five (5) years in order to be vested.

E. Qualifications

Each active volunteer member shall be credited with points for volunteer services provided to the applicable Borough nonprofit organization pursuant to the requirements stated in the organizing plan document.



**Other Supplementary Data**



**COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - CURRENT FUND**

Revenue and Other <u>Income Realized</u>	Year 2011		Year 2010	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$250,000.00	0.94	\$325,000.00	1.19
Miscellaneous - From Other Than Local Property Tax Levies	4,183,999.57	15.65	4,615,412.25	16.86
Collection of Delinquent Taxes and Tax Title Liens	579,968.00	2.17	509,024.06	1.86
Collection of Current Tax Levy	<u>21,722,196.00</u>	<u>81.25</u>	<u>21,926,265.92</u>	<u>80.09</u>
Total Income	<u>26,736,163.57</u>	<u>100.00</u>	<u>27,375,702.23</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	11,873,837.65	43.19	11,454,853.23	42.28
County Taxes	3,109,632.04	11.31	3,103,900.62	11.46
Local School Taxes	12,421,073.00	45.18	12,388,448.00	45.73
Other Charges	<u>89,171.75</u>	<u>0.32</u>	<u>146,140.63</u>	<u>0.54</u>
Total Expenditures	<u>27,493,714.44</u>	<u>100.00</u>	<u>27,093,342.48</u>	<u>100.00</u>
Excess in Revenue				
Deficit in Revenue	(757,550.87)		282,359.75	
Less: Expenditures to be Raised by Future Taxes	<u>500,000.00</u>			
Statutory Excess to Surplus			282,359.75	
Deficit in Operations to be Riased in Succeeding Budget	<u>(\$257,550.87)</u>			
Fund Balance January 1	<u>317,018.27</u>		<u>359,658.52</u>	
	317,018.27		642,018.27	
Less:				
Utilization as Anticipated Revenue	<u>250,000.00</u>		<u>325,000.00</u>	
Fund Balance December 31	<u>\$67,018.27</u>		<u>\$317,018.27</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate:</u>	<u>\$2.653</u>	<u>\$2.630</u>	<u>\$2.574</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.819</u>	<u>0.822</u>	<u>0.743</u>
County	<u>0.368</u>	<u>0.363</u>	<u>0.394</u>
Local School	<u>1.466</u>	<u>1.445</u>	<u>1.437</u>

Assessed Valuation:

2011	<u>\$847,164,402.00</u>	
2010		<u>\$857,026,922.00</u>
2009		<u>\$860,046,411.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Somerset County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$91,500.00 for the year 2011.

COMPARISON OF TAX LEVIES AND COLLECTION 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>Percentage of Collection</u>
2011	\$ 22,499,650.93	\$ 21,722,196.00	96.54%
2010	22,539,808.05	21,926,265.92	97.28%
2009	22,146,213.06	21,581,215.60	97.45%

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 three years.

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$ 19,720.83	\$ 628,219.70	\$ 647,940.53	2.88%
2010	16,292.26	586,222.08	602,514.34	2.67%
2009	2,590.09	541,760.60	544,350.69	2.46%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No Properties have been acquired, reported or recorded in CY 2011 or as at December 31, 2010 by foreclosure or deed.

COMPARISON OF SEWER BILLINGS AND COLLECTIONS (Component of Current Fund)

<u>Year</u>	<u>Billings</u>	<u>Collections</u>
2011	\$1,185,438.99	\$986,382.71

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2011	\$67,018.27	\$47,576.00
	2010	\$317,018.27	\$250,000.00
	2009	\$359,658.52	\$325,000.00
	2008	\$553,957.37	\$450,000.00
	2007	\$403,148.43	\$300,000.00

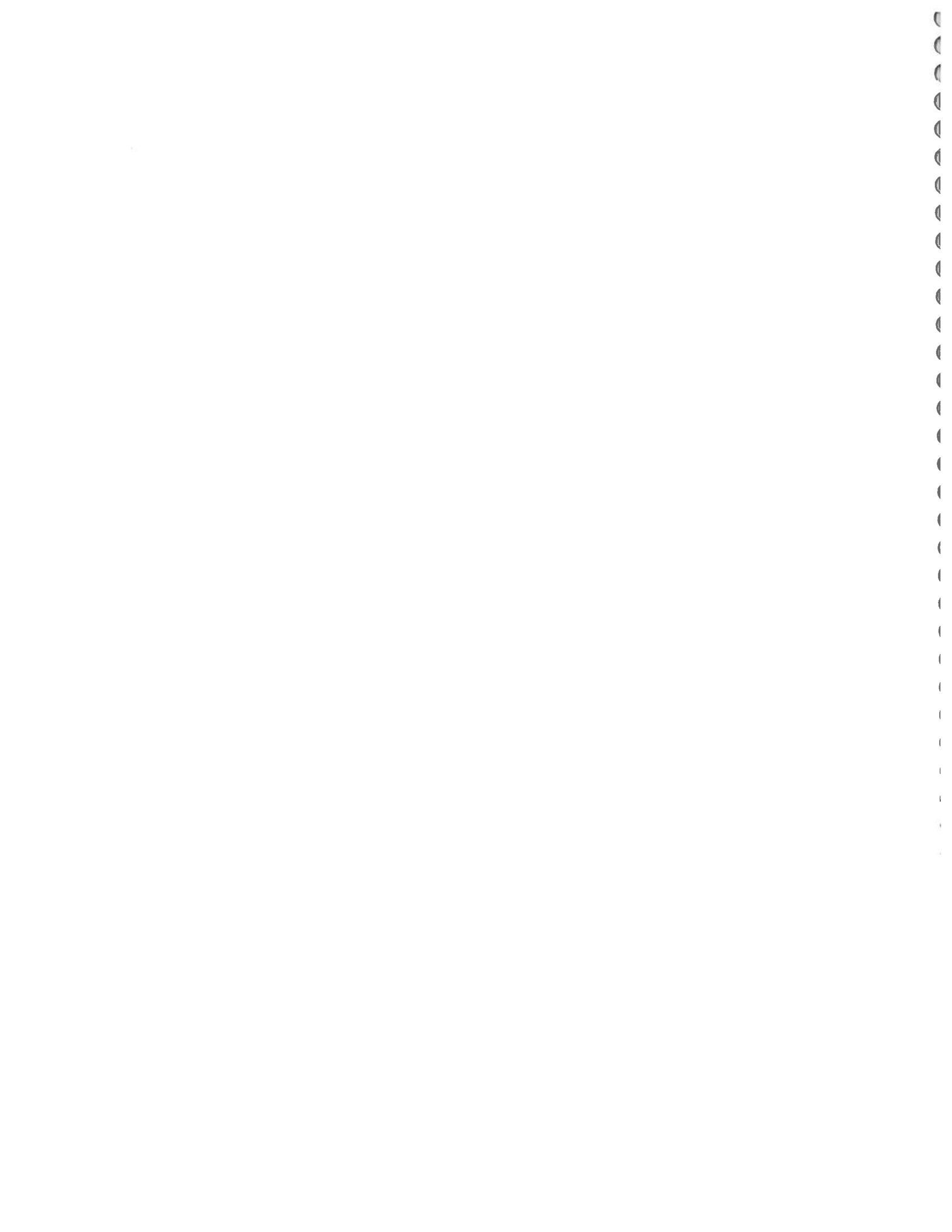


OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2011:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Carey Pilato	Mayor	
Anthony Pranzatelli	President of Council	
John Buckley	Councilperson	
Hal Dietrich	Councilperson	
Mark Hasting	Councilperson	
Vinnie Petti	Councilperson	
Howard Wagner	Councilperson	
Randy Bahr	Administrator, Chief Financial Officer	\$1,000,000.00 (A)
Donna Marie Godleski	Borough Clerk	
Michael Imbriaco	Tax Assessor	
Earl Ronald Wright	Borough Magistrate	\$1,000,000.00 (A)
Loretta H. Duardo	Court Administrator	\$1,000,000.00 (A)
Louis N. Rainone	Borough Attorney	

(A) Blanket Bond \$1,000,000.00 Middlesex County Municipal Joint Insurance Fund.





**BOROUGH OF BOUND BROOK  
SOMERSET COUNTY, NEW JERSEY**

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**PART IV**

**GENERAL COMMENTS AND RECOMMENDATIONS**



**BOROUGH OF BOUND BROOK  
COUNTY OF SOMERSET, NEW JERSEY  
YEAR ENDED DECEMBER 31, 2011**

**GENERAL COMMENTS**

An audit of the financial accounts and transactions of the Borough of Bound Brook, County of Somerset, New Jersey, for the year ended December 31, 2011, has been completed. The General Comments are herewith set forth:

**Scope of Audit**

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Bound Brook, County of Somerset, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

**INTERNAL CONTROL MATTERS**

In planning and performing our audit of the financial statements of Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd.)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The following control deficiencies were considered to be material weaknesses in internal control over financial reporting:

#### 2011-1 General Ledger Accounting and Reporting System – All Funds

The Borough did not maintain general ledger records for all funds in a complete manner during calendar year 2011 that would permit the reporting of the Borough's financial position in accordance with the other comprehensive basis of accounting required by the State of New Jersey.

#### 2011-2 Computerized Subsidiary Accounting and Reporting System

The Borough maintains computerized subsidiary records for tax, sewer rents, and garbage disposal through a third party service provider. The records maintained were not always reconciled or maintained in agreement with the general ledger activity for CY 2011.

A payroll/payroll deductions general ledger for CY 2011 could not be located and was not presented for audit.

The following control deficiencies were considered to be significant deficiencies in internal control over financial reporting:

#### 2011-3 Bank Reconciliations

Bank reconciliations performed by the Borough did not agree with General Ledger Accounting and Reporting System account balances. Bank reconciliations reflected numerous reconciling items other than deposits in transit and outstanding checks. Differences were reported between client reconciled balances and cash amounts reported on the Accounting and Reporting System. The Payroll/Payroll Agency bank account was not reconciled for the period under review.

The control deficiencies reported below are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd.)

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

#### Control Deficiencies:

##### 2011-4 Segregation of Duties - Outside Offices & Departments

Conditions exist whereby the same person may collect, record (if a record is maintained) and deposit cash receipts in the following offices - Clerk, Police, Construction Code, Fire Prevention/Housing Inspection, Recreation, and Municipal Court.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

##### 2011-5 Segregation of Duties - Finance & Tax Office

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following: Finance and Tax Office, respectively.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

The reporting of these deficiencies does not affect our report dated November 30, 2012 on the financial statements of the Borough of Bound Brook. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

##### 2011-6 Material Non-Compliance - Governmental Fixed Assets

The Borough does not maintain a Governmental Fixed Asset Accounting and Reporting System or present a Schedule of Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6 "Accounting for Governmental Fixed Assets"

#### Other Matters

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

N.J.S.A. 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 or 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 therefor, except as is 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 \$17,500.00 except by contract or agreement."

On June 9, 2010, the Local Public Contracts Law was amended, effective on January 1, 2011. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$21,000.00 to \$26,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's Purchasing Agent is "Qualified" the Committee may increase the bid threshold from \$29,000.00 to \$36,000.00. On May 5, 2011, a revised Local Finance Notice was issued which reduced the threshold for Non-QPA municipalities from \$26,000.00 to \$17,500.00.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Contracts and Agreements Required to be Advertised Per N.J.S.A. 40A:11-4 (Cont'd.)

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the limits described above within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items as disclosed in the official minutes:

Reconstruction of Metape Circle  
HVAC Renovation Municipal Building  
2011 Road/Road Resurfacing Program  
2011 Road Reconstruction Program - West

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing 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.

Our examination of expenditures revealed that no individual payments, contracts or agreements in excess \$17,500.00 thereafter "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement.

Our examination indicated several instances wherein purchases were made utilizing pricing from State Contracts. However, in many instances, the vendors and purchases had not been approved by the governing body.

It is recommended that purchases or contracts awarded utilizing pricing from state contracts be approved by resolution of the governing body.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5. We noted no evidence of the inclusion of not-to-exceed amounts was provided.

It is recommended that the Borough include not-to-exceed amounts on all professional service resolutions awarded.

We noted the issuance of confirming orders during the period ended December 31, 2011.

It is recommended that the practice of issuing confirming orders be discontinued.

Any interpretations as to possible violation of N.J.S.A. 40A:11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Compliance with P.L. 2005, c.271

The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. "Pay-to-Play" laws cover all contracts (not just professional services as some believe). Any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Borough to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

A non-compliance would result with the issuance of purchase orders exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures. It is important to note that the laws and regulations implementing "Pay-to-Play" focus on vendors rather than categories of goods and services. While this change may appear subtle, it greatly expands the monitoring required to assure continuing compliance.

The Borough was unable to provide evidence of compliance with the "Pay-to-Play" statutes for three (3) vendor for the items tested.

We suggest that all required documentation be maintained for compliance with the "Pay-to-Play" statutes.

#### 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 would become delinquent.

The governing body, on January 1, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Committee of the Borough of Bound Brook, that in accordance with the provisions of N.J.S.A. 54:4-67, the Tax Collector of the Borough of Bound Brook be, and he is hereby authorized and directed to charge interest on delinquent taxes or assessments at the rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 provided, however, that no interest be charged if payment of any installment is made within ten days after the time within the same became payable.

#### Delinquent Taxes and Tax Title Liens

The last tax sale was held in 2011 and was held with the exception of items considered to be in bankruptcy and or disputed.

It is recommended that all items subject to tax sale should be included in the next scheduled tax sale, where found to be appropriate.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Delinquent Taxes and Tax Title Liens (Cont'd)

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

<u>Year</u>	<u>Number of Liens</u>
2011	3
2010	3
2009	2

It is recommended that the Borough maintain a record of Tax Title Lien transactions and activities preferably through the computerized subsidiary accounting and reporting system, and that the subsidiary be maintained in agreement with the general ledger accounting and reporting system.

#### Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2011.

These interfunds, in some cases, resulted from 2011 operations. In other instances, the balances have remained unchanged from the prior period. Interfund balances should be cleared by cash transfer where feasible. As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, however recommendation is made as part of this report.

It is recommended that all interfund balances be cleared by cash transfer, where feasible.

#### Investments

The Treasurer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2011.

The Borough did not adopt a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan". However, all depositories and accounts were approved, and no investments in certificates of deposit or repurchase agreements were made during the year.

Cash and investments held by the Borough were confirmed as of December 31, 2011.

#### Payment of Claims

Claims were examined on a test basis for the year under review. Supporting documentation was on file as part of voucher packages for items tested.



## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Approval of Claims

We noted that the Borough Council approves bill lists by motion, and that the dollar value of the bill lists approved and a listing of the bills approved is included in the official minutes.

#### Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category and cash was reconciled monthly. The examination of the bail account's financial and supporting records maintained by the Municipal Court indicated that the analysis of outstanding bail was reconciled to the book balance.

The processing of traffic and criminal cases entered on the State's on-line computer system indicated no exceptions with respect to items tested

#### Condition of Records - Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees, which were designed to determine that minimum levels of internal control and accountability were met, and that cash receipts were deposited or turned over to the Borough's Treasurer's accounts within a 48 hour period as required by N.J.S.A. 40A:5-15, revealed the following:

We noted that all Outside Offices & Departments do not maintain a standardized formal cash receipt journal, do not issue duplicate receipts for all cash collections, and do not prepare and submit formalized monthly reports to the Finance Department. In addition, it is essential that the reports are reviewed and reconciled the records maintained in the Finance Department. The recording of cash receipts by date of deposit does not allow for the review of the 48-hour deposit requirement.

We suggest that the Borough a standardized formal control policies and procedures for all Outside Offices & Departments that collect Borough funds.

#### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2011, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

During July 1998 the Local Finance Board completed a re-adoption of the Board's general rules in the New Jersey Administrative Code. Based upon the new provision of N.J.A.C 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. The Borough's coverages comply with the suggested coverages.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Condition of the Records – Office of Tax Collector

The records maintained by the Tax Collector were reviewed, with the following exceptions identified:

The Borough implemented Sewer Rent billing and collections during the year CY 2011. During our review it was noted that not all transactions were processed and recorded on the computerized subsidiary accounting and reporting system. Specifically, sewer rent manual billings and cash collections were not recorded. In addition, the Borough had processed billings in CY 2010 for CY 2011 that were not recorded in the computerized billing system or the financial statements of the Borough at December 31, 2010. As a result, general ledger amounts and balances did not reconcile to subsidiary records.

It is recommended that the Office of the Tax Collector subsidiary records be maintained complete in all respects, including the recording of sewer rent transactional activity.

#### Condition of the Records – Finance Office

The records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund, with the exception of Payroll/Payroll Agency Fund. Adjusting entries were required to be posted and recorded within the general ledger accounting and reporting system in order to utilize the ledgers as the basis for financial statement preparation and presentation.

It is recommended that the General Ledger Accounting and Reporting System for all Funds be established and maintained complete in all respects.

We suggest that the Borough review the Other Trust Fund for deficit balances and unallocated receipts, and record the necessary entry, and where found to be required, raise any resulting deferred charges and/or deficiencies in the next succeeding budget.

Bank reconciliations performed by the Borough did not always agree with cash balances in the respective general ledger account. The Payroll/Payroll Agency account has not been reconciled as at December 31, 2011. In addition, the reconciling items were reflected for items other than deposits in transit and outstanding checks.

It is recommended that bank reconciliations be performed in a timely manner and agreed to cash balances in its respective general ledger accounting and reporting system.

#### Deferred Charges – Cash Deficit

The Borough reports the following deferred charge, of significance, as at December 31, 2011:

##### Current Fund

Cash Deficit	<u>\$257,550.87</u>
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The above referenced cash deficit was due primarily to the deficit in Sewer Rent collections for the year ended December 31, 2011. The cash deficit was raised in the CY 2012 Local Municipal Budget.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Administration and Accounting of State & Federal Grants

During 2011, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, it is essential that grant coordinators review financial reports with the CFO before filing to assure that reported expenditures of grant funds match the official financial records of the Borough.

We suggest the Borough review its system of internal controls and various policies and procedures as they apply to the compliance requirements for State and Federal grants. In addition, the grant receivable and appropriation schedules indicate a number of prior years' balances still outstanding. We suggest that the Borough review and monitor grant receivable and appropriation balances in order to ensure timely collection and payment of balances.

The Borough reports that no single audit requirement was in effect for CY 2011.

#### Compliance with N.J.A.C 5:30:

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as "technical accounting directives", as codified in the New Jersey Administration Code as follows:

N.J.A.C. 5:30 - 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. As previously The Borough is in compliance with this directive.

N.J.A.C. 5:30 - 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough has not established a Governmental Fixed Asset Accounting and Reporting System.

It is recommended that the Borough establish a Fixed Asset Accounting and Reporting System and prepare a Schedule of Governmental Fixed Assets for compliance with N.J.A.C. 5:30-5.6.

N.J.A.C. 5:30 - 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive. However, as previously discussed in the Report of Audit, the general ledger accounting and reporting systems for all funds are not maintained complete.

#### Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for 2010 was presented and accepted by the governing body.

## GENERAL COMMENTS

### Other Matters (Cont'd.)

#### Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough initiate this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. If possible, this documentation should be supplemented by a record of Borough positions and job descriptions, along with descriptions of the tasks that each position is expected to perform and a procedures manual identifying the steps to be taken in performing each task.

#### Restatement of Beginning Balances

##### Cash & Interfund Balances – January 1, 2011

As discussed in Note 2D to the financial statements, the Borough's financial statements were restated as at January 1, 2011 in the Current and General Capital Funds, respectively. The restatement reflects bank reconciliations as prepared and presented by the Borough.

##### Length of Service Awards Program (LOSAP)

Pursuant to the New Jersey Administrative Code, Local Finance Board, State of New Jersey, the Borough restated the Trust Fund – Length of Service Awards Program (LOSAP) - Unaudited as at January 1, 2011, as cited in N.J.A.C. 5:30-14.26 "Sponsoring Agency Retaining Assets".

Exhibit B reports the financial position of the Length of Service Awards Program (LOSAP) for CY 2011. The Length of Service Awards Program (LOSAP) review report as required by New Jersey rules and regulations is included in this Report as listed in the table of contents.

RECOMMENDATIONS

We recommend the following:

That the Borough include a not-to-exceed amount on all professional service contracts awarded by resolution of the governing body.

That the practice of issuing confirming orders be discontinued.

That the purchase or contracts awarded utilizing pricing from state contracts be approved by resolution of the governing body.

That all items subject to tax sale be included in the next scheduled tax sale, where found to be appropriate.

That the Borough maintain a record of Tax Title Lien transactions and activities, preferably through the computerized subsidiary accounting and reporting system, in agreement with the general ledger accounting and reporting system.

That interfund balances be cleared by cash transfer, where feasible.

That the Office of the Tax Collector subsidiary records be maintained complete in all respects, including the recording of sewer rent transactional activity.

That the General Ledger Accounting and Reporting System for all Funds be established and maintained complete in all respects.

That bank reconciliations be performed in a timely manner and agreed to cash balances in the respective general ledger accounts.

That the Borough establish a Fixed Asset Accounting and Reporting System and prepare a Schedule of Governmental Fixed Assets for compliance with N.J.A.C. 5:30-5.6.

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ACKNOWLEDGMENT

During the course of our audit we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

Should any questions arise as to our comments or recommendations or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.

Very truly yours,

HODULIK & MORRISON, P.A.

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**Andrew G. Hodulik, CPA, RMA**  
**No. 406**

