

BOROUGH OF NEPTUNE CITY

COUNTY OF MONMOUTH

DECEMBER 31, 2012

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

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BOROUGH OF NEPTUNE CITY – COUNTY OF MONMOUTH

TABLE OF CONTENTS

		<u>Page</u>
	Independent Auditor's Report	1 & 3.
 <u>Exhibit</u>		
<u>CURRENT FUND</u>		
A	Comparative Balance Sheet – Regulatory Basis	4 & 5.
A-1	Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	6.
A-2	Statement of Revenues – Regulatory Basis	7 & 8.
A-3	Statement of Expenditures – Regulatory Basis	9 to 15.
<u>TRUST FUND</u>		
B	Comparative Balance Sheet – Regulatory Basis	16.
<u>GENERAL CAPITAL FUND</u>		
C	Comparative Balance Sheet – Regulatory Basis	17.
C-1	Schedule of Capital Fund Balance	18.
<u>SEWER UTILITY FUND</u>		
D	Comparative Balance Sheet – Regulatory Basis	19 & 20.
D-1	Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	21.
D-2	Statement of Revenues – Regulatory Basis	22.
D-3	Statement of Expenditures – Regulatory Basis	23.
<u>PUBLIC ASSISTANCE FUND</u>		
E	Comparative Balance Sheet – Regulatory Basis	24.
<u>GENERAL FIXED ASSETS</u>		
F	Comparative Balance Sheet – Regulatory Basis	25.

BOROUGH OF NEPTUNE CITY – COUNTY OF MONMOUTH

TABLE OF CONTENTS

Notes to Financial Statements	<u>Page</u> 26 to 37.
-------------------------------	---------------------------------

PART II - SUPPLEMENTARY DATA

Supplementary Data	38 & 39.
Officials in Office and Surety Bonds	40.

CURRENT FUND

Exhibit

A-4	Schedule of Cash – Treasurer	41.
A-5	Schedule of Taxes Receivable and Analysis of Property Tax Levy	42.
A-6	Schedule of Senior Citizen and Veterans Deductions Due From State of New Jersey	43.
A-7	Schedule of Tax Title Liens	43.
A-8	Schedule of Tax Foreclosed Property	44.
A-9	Reserve for Hurricane Sandy	44.
A-10	Schedule of Reserve for Master Plan	44.
A-11	Schedule of Local District School Taxes	45.
A-12	Schedule of County Taxes Payable	45.
A-13	Schedule of Revenue Accounts Receivable	46.
A-14	Schedule of Appropriation Reserves	47.
A-15	Federal and State Grant Fund – Schedule of Grants Receivable	48.
A-16	Federal and State Grant Fund – Schedule of Appropriation Reserves	49.
A-17	Federal and State Grant Fund – Schedule of Unappropriated Reserves	50.

BOROUGH OF NEPTUNE CITY – COUNTY OF MONMOUTH

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>TRUST FUND</u>	
B-1	Schedule of Cash – Collector – Treasurer	51.
B-2	Schedule of Reserve for Dog Fund Expenditures	52.
B-3	Schedule of Reserve for Dog Fund Expenditures – Due To/(From) State of New Jersey	52.
B-4	Schedule of Reserve for Unemployment Insurance	53.
B-5	Schedule of Reserve for Municipal Alliance	53.
B-6	Schedule of Reserve for Recreation Commissioners	54.
B-7	Schedule of Reserve for Emergency Management – Hazardous Materials	54.
B-8	Schedule of Reserve for Special Trust	55.
B-9	Schedule of Reserve for Environmental	55.
B-10	Schedule of Reserve for Law Enforcement Trust	56.
B-11	Schedule of Reserve for Uniform Fire Safety	56.
B-12	Schedule of Reserve for Unused Sick Leave	56.
B-13	Schedule of Reserve for Public Defender	56.
B-14	Schedule of Reserve for Off Duty Employment	57.
B-15	Schedule of Reserve for Developer’s Escrow	57.
	<u>GENERAL CAPITAL FUND</u>	
C-2	Schedule of Capital Cash	58.
C-3	Analysis of Cash	59.
C-4	Deferred Charges to Future Taxation – Unfunded	60 & 61.
C-5	Schedule of Bond Anticipation Notes	62.
C-6	Schedule of Improvement Authorizations	63 & 64.
C-7	Schedule of Capital Improvement Fund	65.
C-8	Schedule of Bond Anticipation Notes Authorized But Not Issued	66 & 67.

BOROUGH OF NEPTUNE CITY – COUNTY OF MONMOUTH

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
<u>SEWER UTILITY FUND</u>		
D-4	Schedule of Cash – Sewer Utility Fund	68.
D-5	Schedule of Cash – Analysis of Sewer Capital Cash	68.
D-6	Schedule of Sewer Rents Receivable	69.
D-7	Schedule of Appropriation Reserves	69.
D-8	Schedule of Fixed Assets	70.
D-9	Schedule of Capital Improvement Fund	70.
D-10	Schedule of Bond Anticipation Notes	71.
D-11	Schedule of Improvement Authorizations	72.
<u>PUBLIC ASSISTANCE FUND</u>		
E-1	Schedule of Public Assistance Cash – Treasurer	73.
E-2	Schedule of Public Assistance Cash and Reconciliation Per N.J.S.A. 40A:5-5	74.
E-3	Schedule of Public Assistance Revenues	75.
E-4	Schedule of Public Assistance Expenditures	75.
<u>PART III</u>		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76 & 77.
<u>PART IV</u>		
	GENERAL COMMENTS	78 to 80.
	RECOMMENDATIONS	80.
	APPRECIATION	81.

BOROUGH OF NEPTUNE CITY

COUNTY OF MONMOUTH

PART I

AUDITOR'S REPORT ON THE BOROUGH'S FINANCIAL STATEMENTS,

FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
 of the Board of Commissioners
 Borough of Neptune City
 County of Monmouth
 Neptune City, New Jersey 07753

Report on the Financial Statements

We have audited the accompanying consolidated financial statements - regulatory basis of the various funds and account groups of the Borough of Neptune City (the "Borough"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related consolidated statement of revenues - regulatory basis and consolidated statement of expenditures - regulatory basis of the various funds for the year ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (The "Division"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

As discussed more fully in Note 1, the Borough prepares its basic consolidated financial statements on a regulatory basis of accounting prescribed by the Division, as required by state statute, that demonstrates compliance with a modified accrual basis of accounting, 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. In addition, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit the LOSAP fund financial statements as a part of our audit of the Borough's financial statements. The LOSAP fund financial statements are included in the Borough's Trust Fund and represent 33% and 26% of the assets and liabilities as of December 31, 2012 and 2011, respectively, of the Borough's Trust Fund. The effects on the financial statements of the variances 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.

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

Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph, 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 as of December 31, 2012 and 2011, the changes in financial position, or where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic consolidated financial statements.

However, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Borough, as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the consolidated statements of revenues – regulatory basis and consolidated statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2012 on the basis of accounting described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2013 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and reporting 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 opinion on the consolidated financial statements of the Borough taken as a whole. The accompanying supplementary schedules and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Robert A. Hulsart and Company

Robert A. Hulsart
Certified Public Accountant
Registered Municipal Accountant
R.M.A. Number 158

August 13, 2013

CURRENT FUND
COMPARATIVE BALANCE SHEET

Exhibit A
Sheet 1 of 2

REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Cash:			
Treasurer	A-4	\$ 1,459,071.15	1,322,140.28
Change Fund		745.00	745.00
Notes Receivable:			
General Capital	C	1,029,599.80	1,165,099.80
Sewer Capital	D		15,000.00
		<u>2,489,415.95</u>	<u>2,502,985.08</u>
Receivables With Full Reserves:			
Delinquent Taxes	A-5	467,719.41	247,744.56
Tax Title Liens	A-7	287,731.39	264,486.33
Property Acquired for Taxes	A-8	53,213.00	53,213.00
Revenue Accounts Receivable	A-13	80,852.46	72,029.15
Interfunds:			
Sewer Operating	D	37,510.70	
Trust Enviromental	B	3,286.82	3,286.82
Capital	C	347,858.05	327,859.98
Payroll Agency	B	45,000.00	5,000.00
Payroll	B	20,000.00	20,000.00
		<u>1,343,171.83</u>	<u>993,619.84</u>
Deferred Charges:			
Emergency Per 40A; 4-53	A-3	250,000.00	
Total Current		<u>4,082,587.78</u>	<u>3,496,604.92</u>
<u>Federal and State Grant Fund</u>			
Cash	A-4	39,274.29	43,538.87
Grants Receivable	A-15	305,140.24	291,208.60
Total Federal and State Grant Fund		<u>344,414.53</u>	<u>334,747.47</u>
Total Assets		<u>\$ 4,427,002.31</u>	<u>3,831,352.39</u>

CURRENT FUND
COMPARATIVE BALANCE SHEET

Exhibit A
Sheet 2 of 2

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3	\$ 433,436.13	347,731.41
Encumbrances	A-3,14	53,982.81	39,143.47
Due State for Veterans and Senior Citizens	A-6	3,076.57	3,107.38
Reserve for Hurricane Sandy	A-4	149,121.76	
Reserve for Donation	A-9	689.47	689.47
Reserve for Master Plan	A-10	12,100.00	12,100.00
Prepaid Taxes	A-4,5	86,790.33	76,065.58
Added County Taxes	A-12	5,203.85	8,385.30
Due to State-Construction Fees		520.40	520.40
Local School Taxes Payable	A-11	1,191,022.88	1,108,996.88
Interfund Payroll	A-3	47,000.00	
Interfund Sewer Operating			38,000.00
Total Liabilities		<u>1,982,944.20</u>	<u>1,634,739.89</u>
Reserve for Receivables		1,343,171.83	993,619.84
Fund Balance	A-1	756,471.75	868,245.19
Total Current		<u>4,082,587.78</u>	<u>3,496,604.92</u>
<u>Federal and State Grant Fund</u>			
Appropriation Reserves	A-16	329,014.50	309,152.96
Unappropriated Reserves	A-17	15,400.03	25,594.51
Total Federal and State Grant Fund		<u>344,414.53</u>	<u>334,747.47</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,427,002.31</u>	<u>3,831,352.39</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CURRENT FUND

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE

IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	A-2	\$ 450,000.00	650,000.00
Miscellaneous Revenue Anticipated	A-2	1,344,653.87	1,296,544.88
Receipts from Delinquent Taxes	A-2	249,827.81	227,965.40
Receipts from Current Taxes	A-2	11,437,603.43	11,334,595.61
Non-Budget Revenue	A-2	141,732.60	174,199.96
Other Credits to Income:			
Interfunds Liquidated	A-14		98,980.10
Appropriation Reserves Lapsed	A-14	263,116.60	61,124.15
Budget Appropriations Cancelled	A-3	3,428.31	
		<u>13,890,362.62</u>	<u>13,843,410.10</u>
 <u>Expenditures</u>			
Budget Appropriations:			
Salaries and Wages	A-3	2,897,746.00	2,875,524.00
Other Expenses	A-3	2,466,780.51	2,252,383.43
Capital Improvements	A-3	44,000.00	40,000.00
Debt Service	A-3	290,500.00	231,433.78
Deferred Charges	A-3	640,302.00	717,797.00
County Taxes	A-12	1,581,049.03	1,551,887.87
Local District School Taxes	A-11	5,732,046.00	5,567,994.00
Added County Taxes	A-12	4,923.89	7,269.11
Interfunds	A	144,508.77	3,286.82
Prior Year Charges	A-4	279.86	1,116.19
		<u>13,802,136.06</u>	<u>13,248,692.20</u>
 Adjustment to Expenditures which are Charges to Subsequent Years			
	A-3	<u>250,000.00</u>	<u>-</u>
Adjusted Expenditures		13,552,136.06	13,248,692.20
 Excess in Revenue			
Fund Balance January 1	A	338,226.56	594,717.90
		<u>868,245.19</u>	<u>923,527.29</u>
		1,206,471.75	1,518,245.19
 Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>450,000.00</u>	<u>650,000.00</u>
Fund Balance December 31	A	<u>\$ 756,471.75</u>	<u>868,245.19</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 450,000.00	450,000.00	-
<u>Miscellaneous Revenue</u>				
Licenses:				
Alcoholic Beverages	A-13	9,000.00	9,160.00	160.00
Trailer Park	A-13	14,400.00	14,400.00	-
Fees and Permits	A-13	16,000.00	16,710.00	710.00
Municipal Court	A-13	280,000.00	310,643.73	30,643.73
Interest and Costs on Taxes	A-13	40,000.00	46,988.32	6,988.32
Payment in Lieu of Taxes	A-13	54,000.00	80,337.00	26,337.00
Consolidated Municipal Property Tax Relief Aid	A-13	26,489.00	26,489.00	-
Energy Receipts Tax (P.L. 1997 Chapter 162 & 167)	A-13	451,377.00	451,376.80	(0.20)
Uniform Construction Code Fees	A-13	60,000.00	95,025.00	35,025.00
Cablevision Franchise Fees	A-13	26,000.00	44,914.49	18,914.49
Clean Communities Program	A-16	8,283.15	8,283.15	-
Drive Sober or Get Pulled Over	A-16	5,000.00	5,000.00	-
Certificates of Occupancy	A-18	13,000.00	18,455.00	5,455.00
Fire Prevention Bureau Permits	A-18	10,000.00	8,978.00	(1,022.00)
Body Armor	A-18	1,948.53	1,948.53	-
Safe & Secure Communities	A-18	60,000.00	60,000.00	-
Utility Operating Surplus	A-13	60,000.00	60,000.00	-
Uniform fire Safety Act	A-13	10,000.00	8,735.02	(1,264.98)
Emergency Management Performance Grant	A-16	15,000.00	15,000.00	-
Community Center Fees	A-16	35,000.00	33,850.00	(1,150.00)
DWI Fees	A-16	14,176.27	14,176.27	-
Alcohol Education & Rehabilitation	A-16	1,186.56	1,186.56	-
Drug Alliance	A-16	12,997.00	12,997.00	-
Total Miscellaneous Revenue	A-1	1,223,857.51	1,344,653.87	120,796.36
Receipts from Delinquent Taxes	A-1	195,000.00	249,827.81	54,827.81
Amount to be Raised by Taxes for Support of the Municipal Budget	A-2	4,581,413.40	4,480,526.91	(100,886.49)
Total General Revenues		6,450,270.91	6,525,008.59	74,737.68
Miscellaneous Revenue Not Anticipated	A-1	-	141,732.60	141,732.60
Total Revenues		\$ 6,450,270.91	6,666,741.19	216,470.28

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

Exhibit A-2
Sheet 2 of 2

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>Allocation of Current Collections</u>				
Revenue from Collections	A-1		\$ 11,437,603.43	
Less: Allocated to School and County Taxes	A-5		7,318,018.92	
	A-3		4,119,584.51	
			<u>360,942.40</u>	
Add: Reserve for Uncollected Taxes	A-2		<u>\$ 4,480,526.91</u>	
<u>Miscellaneous Revenue Not Anticipated</u>				
Land Use Fees	A-4	\$ 11,077.00		
Rebates	A-4	3,093.58		
Special Police	A-4	22,644.30		
Library Fines	A-4	3,830.81		
Street Openings	A-4	13,000.00		
Rental Fee	A-4	2,200.00		
Hurricane Irene	A-4	24,124.18		
Adm. Fee for Vets and Senior Citizens	A-4	1,225.00		
Interlocal - Avon	A-4	17,000.00		
State DMV	A-4	13,745.84		
Interest	A-4	15,005.55		
Trash Reimbursement	A-4	6,000.00		
Other	A-4	<u>8,786.34</u>		
Total Miscellaneous Revenue Not Anticipated	A-1		<u>\$ 141,732.60</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
General Government					
Administrator's Office					
Salaries and Wages	\$ 44,500.00	44,500.00	42,070.30	2,429.70	
Other Expenses	16,350.00	16,350.00	12,221.24	4,128.76	
Mayor And Council					
Salaries and Wages	35,700.00	35,700.00	35,688.78	11.22	
Other Expenses	1,600.00	1,600.00	879.52	720.48	
Municipal Clerk's Office					
Salaries and Wages	23,000.00	23,000.00	23,000.00	-	
Other Expenses	3,200.00	3,200.00	2,260.70	939.30	
Financial Administration					
Salaries and Wages	23,000.00	23,000.00	20,378.96	2,621.04	
Other Expenses	900.00	900.00	400.00	500.00	
Audit Services					
Other Expenses	14,300.00	14,300.00	2,937.50	11,362.50	
Assessment of Taxes					
Salaries and Wages	25,000.00	25,000.00	24,829.61	170.39	
Other Expenses	5,550.00	5,550.00	5,313.76	236.24	
Collection of Taxes					
Salaries and Wages	59,500.00	59,500.00	58,268.51	1,231.49	
Other Expenses	9,100.00	9,100.00	7,562.16	1,537.84	
Legal Services and Costs					
Other Expenses	42,000.00	39,000.00	22,160.25	16,839.75	
Municipal Court					
Salaries and Wages	151,500.00	151,500.00	150,764.56	735.44	
Other Expenses	12,470.00	12,470.00	7,464.40	5,005.60	
Public Defender					
Salaries and Wages	1,000.00	1,000.00	513.10	486.90	
Other Expenses	300.00	300.00		300.00	
Engineering Services and Costs					
Other Expenses	7,000.00	7,000.00	6,177.50	822.50	

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>General Government (Continued)</u>					
Land Use Board					
Salaries and Wages	10,700.00	10,700.00	10,700.00	-	
Other Expenses	10,700.00	10,700.00	2,432.97	8,267.03	
Code Enforcement Office					
Salaries and Wages	20,000.00	20,000.00	15,758.63	4,241.37	
Other Expenses	500.00	700.00	430.42	269.58	
Insurance					
General Liability	60,000.00	60,000.00	60,000.00	-	
Workers Compensation	100,000.00	100,000.00	100,000.00	-	
Employees Group Health	611,000.00	611,000.00	605,741.78	5,258.22	
<u>Public Safety</u>					
Fire					
Other Expenses - Fire Hydrant Service	44,000.00	44,000.00	39,658.10	4,341.90	
Other Expenses - Miscellaneous	20,750.00	24,750.00	13,111.00	11,639.00	
Police					
Salaries and Wages	1,755,000.00	1,765,000.00	1,756,727.98	8,272.02	
Other Expenses	109,150.00	109,150.00	103,063.17	6,086.83	
First Aid Organization					
Other Expenses	700.00	700.00	650.50	49.50	
Aid to Volunteer Ambulance Company	7,800.00	7,800.00	7,800.00	-	
Fire Prevention Bureau					
Salaries and Wages	12,750.00	12,750.00	12,750.00		
Other Expenses	1,925.00	1,925.00	1,155.81	769.19	
Emergency Management					
Salaries and Wages	1,700.00	1,700.00	1,698.00	2.00	
Other Expenses	3,450.00	3,450.00	3,168.36	281.64	
Municipal Prosecutor					
Salaries and Wages	26,400.00	26,400.00	26,308.86	91.14	
Other Expenses	1,200.00	1,200.00	1,200.00	-	

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Public Works</u>					
Road Repair and Maintenance					
Salaries and Wages	445,000.00	449,000.00	447,896.40	1,103.60	
Other Expenses	25,970.00	25,970.00	19,400.49	6,569.51	
Other Public Works Functions					
Traffic Lights	4,000.00	4,000.00	2,334.67	1,665.33	
Solid Waste Collection					
Salaries and Wages	4,500.00	4,500.00	4,431.12	68.88	
Other Expenses	358,000.00	323,730.00	279,647.74	44,082.26	
Public Buildings and Grounds					
Salaries and Wages	26,806.00	26,806.00	24,297.65	2,508.35	
Other Expenses	33,500.00	33,500.00	30,530.84	2,969.16	
Maintenance of Borough Vehicles					
Other Expenses	39,700.00	46,700.00	39,411.13	7,288.87	
Maintenance of Abandoned Properties					
Other Expenses	900.00	900.00		900.00	
<u>Health and Welfare</u>					
Administration of Public Assistance					
Salaries and Wages	16,850.00	16,850.00	16,630.06	219.94	
Other Expenses	225.00	225.00	83.69	141.31	
Animal Control					
Other Expenses	7,000.00	7,000.00	4,784.00	2,216.00	
<u>Recreation and Education:</u>					
Board of Recreation					
Other Expenses	1,800.00	1,800.00	119.01	1,680.99	
Parks and Playgrounds					
Other Expenses	9,400.00	9,400.00	8,974.40	425.60	

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Recreation and Education (Continued)</u>					
Community Center					
Salaries and Wages	103,000.00	103,000.00	98,097.73	4,902.27	
Other Expenses	13,150.00	13,150.00	8,900.52	4,249.48	
Expenses of Participation in Free County Library					
Salaries and Wages	44,100.00	45,700.00	45,678.00	22.00	
Other Expenses	2,850.00	2,850.00	2,588.88	261.12	
Construction Official					
Salaries and Wages	23,820.00	23,820.00	23,787.90	32.10	
Other Expenses	1,240.00	1,240.00	250.48	989.52	
Building Inspector					
Salaries and Wages	7,700.00	7,700.00	7,630.53	69.47	
Other Expenses	100.00	100.00		100.00	
Plumbing Inspector					
Salaries and Wages	6,000.00	6,000.00	5,840.25	159.75	
Other Expenses	100.00	100.00		100.00	
Electrical Inspector					
Salaries and Wages	6,200.00	6,200.00	6,187.05	12.95	
Other Expenses	100.00	100.00		100.00	
Fire Inspector					
Salaries and Wages	8,420.00	8,420.00	6,985.71	1,434.29	
Other Expenses	100.00	100.00	30.00	70.00	
<u>Unclassified</u>					
Accumulation of Unused Sick Time	72,000.00	72,000.00	48,085.94	23,914.06	
Interest on Tax Appeals	400.00	400.00		400.00	
Celebration of Public Events	4,000.00	4,300.00	4,248.37	51.63	
Electrical Inspector	57,000.00	57,000.00	34,216.76	22,783.24	
Street Lighting	44,000.00	44,000.00	28,176.85	15,823.15	
Telephone	21,150.00	21,150.00	20,346.48	803.52	
Water	2,600.00	2,600.00	2,219.83	380.17	
Natural Gas	23,000.00	23,000.00	8,442.02	14,557.98	
Gasoline	57,000.00	67,170.00	52,766.32	14,403.68	
Landfill/Solid Waste Disposal	2,250.00	2,250.00	350.60	1,899.40	
Total Operations Within "CAPS"	4,747,626.00	4,747,626.00	4,468,617.85	279,008.15	-
Contingent	4,000.00	4,000.00	2,063.25	1,936.75	
Total Operations Within "CAPS" Including Contingent	4,751,626.00	4,751,626.00	4,470,681.10	280,944.90	-

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
Deferred Charges and Statutory Expenditures					
Municipal Within "CAPS"					
Statutory Expenditures:					
Public Employees' Retirement System	155,532.00	155,532.00	155,532.00	-	
Social Security System (O.A.S.I.)	140,000.00	140,000.00	139,793.25	206.75	
Police and Firemen's Retirement System of N.J.	344,770.00	344,770.00	344,770.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	640,302.00	640,302.00	640,095.25	206.75	-
Total General Appropriations for Municipal Purposes Within "CAPS"	5,391,928.00	5,391,928.00	5,110,776.35	281,151.65	-
Operations - Excluded From "CAPS"					
Hurricane Sandy		250,000.00	250,000.00	-	
Recycling Tax	3,672.00	3,672.00	3,672.00	-	
Total Other Operations Excluded from "CAPS"	3,672.00	253,672.00	253,672.00	-	-
Shared Services Agreements					
Township of Neptune 911 System/Police Dispatch	157,000.00	157,000.00	44,850.00	112,150.00	
LOSAP	30,000.00	30,000.00		30,000.00	
Total Shared Services Agreement	187,000.00	187,000.00	44,850.00	142,150.00	
Public and Private Programs Offset by Revenues					
Clean Communities Program	8,283.15	8,283.15	8,283.15	-	
Body Armor	1,948.53	1,948.53	1,948.53	-	
Drive Sober or Get Pulled Over	5,000.00	5,000.00	5,000.00	-	
Alliance to Prevent Drug And Alcohol Abuse	16,246.00	16,246.00	16,246.00	-	
Drunk Driving Enforcement Fund	14,176.27	14,176.27	14,176.27	-	
Emergency Management Grant	15,000.00	15,000.00	15,000.00	-	
Supplemental Safe and Secure					
State Share	60,000.00	60,000.00	60,000.00		
Local Share	50,388.00	50,388.00	50,388.00		
Alcohol Education and Rehabilitation	1,186.56	1,186.56	1,186.56	-	
Total Public and Private Programs Offset by Revenues	172,228.51	172,228.51	172,228.51	-	-

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total Operations Excluded from "CAPS"	362,900.51	612,900.51	470,750.51	142,150.00	-
<u>Capital Improvements - Excluded From "CAPS"</u>					
Capital Improvement Fund	30,000.00	30,000.00	30,000.00	-	-
Fire Safety Equipment	10,000.00	10,000.00		10,000.00	-
Office Equipment	4,000.00	4,000.00	3,865.52	134.48	-
Total Capital Improvement - Excluded From "CAPS"	44,000.00	44,000.00	33,865.52	10,134.48	-
<u>Municipal Debt Service Excluded From "CAPS"</u>					
Payment of Bond Anticipation Notes and Capital Notes	280,500.00	280,500.00	280,500.00		3,428.31
Interest on Notes	10,000.00	10,000.00	6,571.69		3,428.31
Total Municipal Debt Service Excluded From "CAPS"	290,500.00	290,500.00	287,071.69	-	-
Total General Appropriations Excluded from "CAPS"	697,400.51	947,400.51	791,687.72	152,284.48	3,428.31
Subtotal General Appropriation	6,089,328.51	6,339,328.51	5,902,464.07	433,436.13	3,428.31
Reserve for Uncollected Taxes	360,942.40	360,942.40	360,942.40		
Total General Appropriations	\$ 6,450,270.91	6,700,270.91	6,263,406.47	433,436.13	3,428.31
Ref.		A-1		A	A-1
Original Budget		\$ 6,450,270.91			
Emergency N.J.S 40A:4-53		250,000.00			
Modified Budget		\$ 6,700,270.91			

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>Paid or Charged</u>						
Disbursed	A-4			\$5,410,585.07		
Encumbrances	A			242,650.49		
Interfund Due Payroll	A			47,000.00		
Capital Improvement Fund	C			30,000.00		
Federal and State Grant Fund	A-16			172,228.51		
Reserve for Uncollected Taxes	A-2			<u>360,942.40</u>		
				<u>\$6,263,406.47</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

BALANCE SHEET - TRUST FUND

REGULATORY BASIS

DECEMBER 31,

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Dog License Fund			
Cash	B-1	\$ 724.73	1,376.11
Other Funds:			
Cash	B-1	351,840.62	432,468.60
Payroll:			
Cash		11,889.90	59,948.03
Interfund - Sewer Fund	D	7,000.00	
Interfund - Current Fund	A	47,000.00	
		<u>65,889.90</u>	<u>59,948.03</u>
Length of Service Award Programs - Unaudited:			
Investments		206,122.65	169,151.69
Total Assets		<u>\$ 624,577.90</u>	<u>662,944.43</u>
 <u>Liabilities and Reserves</u>			
Dog License Fund:			
Reserve for:			
Due to State	B-3	\$ 21.00	-
Dog Fund Expenditures	B-2	703.73	1,376.11
		<u>724.73</u>	<u>1,376.11</u>
Other Funds:			
Reserve for:			
Unemployment Insurance	B-4	94,178.37	108,001.19
Municipal Alliance	B-5	221.15	794.12
Recreation Commission	B-6	31,176.53	39,524.52
Emergency Management - Hazardous Materials	B-7	1,847.73	3,382.83
Special Trust	B-8	77,109.80	95,088.78
Environmental	B-9	18,455.56	27,003.82
Law Enforcement	B-10	7,890.82	8,838.04
Uniform Fire Safety	B-11	1,616.92	2,428.46
Unused Sick Leave	B-12	4,409.58	4,388.99
Public Defender	B-13	569.86	1,245.15
Off Duty Employee	B-14	1,262.32	-
Developer's Escrow	B-15	109,815.16	138,485.88
Due to Current	A	3,286.82	3,286.82
		<u>351,840.62</u>	<u>432,468.60</u>
Payroll:			
Interfund - Current Fund	A	65,000.00	25,000.00
Payroll Liabilities		889.90	34,948.03
		<u>65,889.90</u>	<u>59,948.03</u>
Length of Service Award Programs - Unaudited:			
Reserve for Length of Service Award Programs		206,122.65	169,151.69
Total Liabilities and Reserves		<u>\$ 624,577.90</u>	<u>662,944.43</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND

Exhibit C

COMPARATIVE BALANCE SHEET

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Assets</u>			
Cash	C-2	\$ 45,214.09	7,431.63
Grants Receivable	C-3		78,461.25
Deferred Charges to Future Taxation:			
Unfunded	C-4	<u>3,062,169.28</u>	<u>2,701,419.28</u>
Total Assets		<u>\$ 3,107,383.37</u>	<u>2,787,312.16</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-5	1,479,599.80	1,760,099.80
Capital Improvement Fund	C-7	23,050.00	26,800.00
Due to Current Fund	A	347,858.05	327,859.98
Improvement Authorizations:			
Funded	C-6	31,277.60	
Unfunded	C-6	1,210,666.42	657,620.88
Fund Balance	C-1	<u>14,931.50</u>	<u>14,931.50</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,107,383.37</u>	<u>2,787,312.16</u>

There were Bonds and Notes on December 31, 2012 and 2011 respectively authorized but not issued for \$1,582,569.48 and \$941,319.48 (Exhibit C-8).

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL FUND BALANCE

REGULATORY BASIS

Exhibit C-1

Ref.

Balance December 31, 2011 and 2012

C

\$ 14,931.50

The accompanying Notes to Financial Statements are an integral part of this statement.

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

Exhibit D
Page 1 of 2

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Assets</u>			
<u>Sewer Operating</u>			
Cash - Checking	D-4	\$ 297,363.93	399,703.91
Interfund Due From Current			38,000.00
Interfund Due From Sewer Capital	Contra	<u>23,718.03</u>	<u>25,694.78</u>
		<u>321,081.96</u>	<u>463,398.69</u>
Receivables with Full Reserves:			
Sewer Rents Receivable	D-6	119,634.60	124,780.24
Sewer Utility Liens		<u>2,525.00</u>	<u>2,525.00</u>
		<u>122,159.60</u>	<u>127,305.24</u>
Total Sewer Operating		<u>443,241.56</u>	<u>590,703.93</u>
<u>Sewer Capital</u>			
Cash	D-5	104,982.36	104,959.11
Fixed Capital Authorized & Uncompleted		774,000.00	774,000.00
Fixed Capital	D-8	<u>1,009,754.05</u>	<u>1,009,754.05</u>
Total Sewer Capital		<u>1,888,736.41</u>	<u>1,888,713.16</u>
Total Assets		<u><u>\$ 2,331,977.97</u></u>	<u><u>2,479,417.09</u></u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Sewer Operating</u>			
Appropriation Reserves	D-3,4	\$ 69,899.73	238,090.43
Reserve For Encumbrances	D-,4	13,040.64	10,576.67
Accrued Interest on Notes		93.96	183.01
Prepaid Sewer Rents	D-2,4	31,309.21	31,341.41
Interfund Payroll	D-3	7,000.00	
Interfund Current	A	<u>37,510.70</u>	
		158,854.24	<u>280,191.52</u>
Reserve for Receivables		122,159.60	127,305.24
Fund Balance	D-1	<u>162,227.72</u>	<u>183,207.17</u>
Total Sewer Operating		<u>443,241.56</u>	<u>590,703.93</u>

SEWER UTILITY FUND

Exhibit D

COMPARATIVE BALANCE SHEET

Page 2 of 2

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Liabilities, Reserves and Fund Balance - (Cont'd)</u>			
<u>Sewer Capital</u>			
Capital Improvement Fund	D-9	86,795.75	84,795.75
Bond Anticipation Note Payable	D-10	130,000.00	190,000.00
Interfund Sewer Operating Improvement Authorizations:	Contra	23,718.03	25,694.78
Funded	D-11	4,074.85	4,074.85
Unfunded	D-11	64,481.89	64,481.89
Deferred Reserve for Amortization		547,500.00	487,500.00
Reserve for Amortization		1,009,754.05	1,009,754.05
Fund Balance	D-5	22,411.84	22,411.84
Total Sewer Capital		<u>1,888,736.41</u>	<u>1,888,713.16</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 2,331,977.97</u>	<u>2,479,417.09</u>

Note: There were Bonds and Notes Authorized but Not Issued on December 31, 2011 and 2012 in the amount of \$96,500.00 .

The accompanying Notes to Financial Statements are an integral part of this statement.

SEWER UTILITY FUND

Exhibit D-1

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	D-2	\$ 47,000.00	75,000.00
Sewer Service Charges	D-2	1,119,352.00	1,089,743.43
Non-Budget Revenue	D-2	14,188.88	16,119.68
Other Credits to Income:			
Budget Appropriations Cancelled	D-3	1,792.25	
Appropriation Reserves Lapsed	D-6	30,987.42	72,186.80
		<u>1,213,320.55</u>	<u>1,253,049.91</u>
 <u>Expenditures</u>			
Budget Appropriations:			
Operating	D-3	1,037,800.00	1,066,200.00
Deferred Charges and Statutory Expenditures	D-3	24,000.00	24,000.00
Capital Improvements	D-3	2,000.00	2,000.00
Debt Service	D-3	63,500.00	62,238.93
		<u>1,127,300.00</u>	<u>1,154,438.93</u>
Excess/(Deficit) in Revenue		86,020.55	98,610.98
Fund Balance December 31, 2011	D	<u>183,207.17</u>	<u>239,596.19</u>
Decreased By:			
Utilized By Current Fund Budget	A-2	60,000.00	80,000.00
Utilized By Sewer Operating Budget	D-2	47,000.00	75,000.00
		<u>107,000.00</u>	<u>155,000.00</u>
Fund Balance December 31, 2012	D	<u><u>\$ 162,227.72</u></u>	<u><u>183,207.17</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SEWER UTILITY FUND

Exhibit D-2

STATEMENT OF REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2012

REGULATORY BASIS

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>	
Surplus Anticipated	D-1	\$ 47,000.00	47,000.00	-	
Sewer Charges	D-1	1,080,300.00	1,119,352.00	39,052.00	
Total Sewer Utility Revenues		<u>1,127,300.00</u>	<u>1,166,352.00</u>	<u>39,052.00</u>	
Miscellaneous Revenue			14,188.88	14,188.88	
Total Revenues		<u>\$ 1,127,300.00</u>	<u>1,180,540.88</u>	<u>53,240.88</u>	
Cash Received				D-4	\$ 1,088,010.59
Prepayments Applied				D	<u>31,341.41</u>
					<u>\$ 1,119,352.00</u>
<u>Miscellaneous Revenue:</u>					
Interest on Delinquent Rents					\$ 11,526.72
Interest on Investments					1,701.57
Sewer Hookups					604.20
Other					356.39
					<u>\$ 14,188.88</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SEWER UTILITY FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2012

REGULATORY BASIS

	2012 Adopted Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operating:					
Salaries and Wages	\$ 172,000.00	172,000.00	160,544.62	11,455.38	
Other Expenses	865,800.00	865,800.00	794,524.75	71,275.25	
Capital Improvements:					
Capital Improvement Fund	2,000.00	2,000.00	2,000.00	-	
Debt Service:					
Payment on Bond Anticipation Note	60,000.00	60,000.00	60,000.00	-	
Interest on Notes	3,500.00	3,500.00	1,707.75		1,792.25
Statutory Expenditures:					
Contribution To:					
Public Employees' Retirement System	9,000.00	9,000.00	8,999.91	0.09	
Social Security System	15,000.00	15,000.00	14,790.35	209.65	
	<u>\$ 1,127,300.00</u>	<u>1,127,300.00</u>	<u>1,042,567.38</u>	<u>82,940.37</u>	<u>1,792.25</u>
Ref.			D, D-1	D	D-1
Interfund Current		Ref.			
Encumbrances		D	\$ 3,870.31		
Interfund Payroll		D	13,040.64		
Disbursements		D	7,000.00		
		D-4	1,018,656.43		
			<u>\$ 1,042,567.38</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

PUBLIC ASSISTANCE TRUST FUNDS

COMPARATIVE BALANCE SHEET

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Assets</u>			
Cash	E-1	<u>\$ 76,059.39</u>	<u>121,617.62</u>
<u>Liabilities</u>			
Reserve For:			
Public Assistance I		\$ 43,288.59	43,917.77
Public Assistance II		<u>32,770.80</u>	<u>77,699.85</u>
		<u>\$ 76,059.39</u>	<u>121,617.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH**GENERAL FIXED ASSETS**

Exhibit F

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Balance Dec. 31, 2012	Balance Dec. 31, 2011
<u>Assets</u>		
Building and Building Improvements	\$ 4,997,900.00	4,997,900.00
Machinery and Equipment	<u>2,421,462.00</u>	<u>2,347,002.31</u>
Total Assets	<u>\$ 7,419,362.00</u>	<u>7,344,902.31</u>
<u>Liabilities</u>		
Reserve for Fixed Assets	<u>\$ 7,419,362.00</u>	<u>7,344,902.31</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of the Borough of Neptune City, County of Monmouth, New Jersey (the “Borough”), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Boards of Education, first aid organization or volunteer fire companies which are subject to separate audits.

The Governmental Accounting Standards Board (“GASB”) Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements.

B. Description of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 accounts for its financial transactions through the following separate funds, which differs from the fund structure required by generally accepted accounting principles:

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

Dog Trust Fund – dog license revenues and expenditures.

Trust Other Funds – sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

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

Sewer Operating and Capital Funds – revenue and expenditures necessary to operate a municipally owned sewer supply system from user fees. The Borough only has a sewer system.

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

Payroll Fund – receipts and disbursements for payroll costs and payroll taxes.

B. Description of Funds (Continued)

General Fixed Assets Account Group – used to account for fixed assets used in general government operations.

C. Basis of Accounting

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

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

Property Taxes and Other Revenues – property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues – 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.

Expenditures – unexpended or uncommitted appropriations at June 30, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances – contractual orders at December 31 are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Deferred Charges – 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, overexpenditures and emergency appropriations. Overexpenditures 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. Overexpenditures 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 overexpenditures 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. The status of deferred charges at December 31, 2012 is set forth in Note 11.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences – expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation. (See Note 4).

Property Acquired for Taxes – is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

Interfunds – advances from the Current Fund are reported as interfund receivables with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies – The costs 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. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

General Fixed Assets – In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division, which differs in certain respects from GAAP, the Borough is required to develop a fixed assets accounting and reporting system.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

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

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

Utility Fixed Assets – Accounting for utility fund “fixed capital.

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

Property and equipment of the Water Utility Fund are not depreciated. Principal payments for Water Utility Debt are recorded as expenditures in the Water Utility Statement of Operations.

NOTE 1: Summary of Significant Accounting Policies (Continued)**D. Basic Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general-purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represents amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

F. Reporting Entity

GASB Statement 14 establishes criteria to be used to determine component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Borough to be reported separately.

NOTE 2: Cash and Cash Equivalents**A. 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 insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of 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.

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.

The carrying amount of the Borough's deposits at year-end was \$2,996,796. Of this amount \$410,190 was covered by Federal depository insurance and the remaining \$2,586,606 was covered by a collateral pool maintained by the banks as required by New Jersey statute.

NOTE 2: Cash and Cash Equivalents (Continued)**B. Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

- 1) Bonds or other obligations of the United States 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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- 4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- 5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- 6) Municipal investment pools.
- 7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281; or
- 8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Borough had no investments in qualified securities at December 31, 2012.

NOTE 2: Cash and Cash Equivalents (Continued)**C. Cash Management Plan**

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The Chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Insured:		
FDIC	\$ 410,190	350,224
GUDPA	<u>2,586,606</u>	<u>2,645,973</u>
	<u>\$ 2,996,796</u>	<u>2,996,197</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year, the Borough had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Borough.

The Local Bond Law governs the issuance of bonds and notes to finance general municipal and utility capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid of the notes are to be renewed beyond the fourth anniversary date of the original issuance. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

Long-Term Debt – There was no long-term debt.

A. Short-Term Debt

On December 31, 2012, the Borough's outstanding Bond Anticipation Notes were as follows:

<u>General Capital Fund</u>	<u>Interest Rate</u>	<u>Amount</u>
Improvements to Laurel Avenue*		\$ 25,000.00
Senior Recreation Center	1.50%	65,000.00
Senior Recreation Center*		60,000.00
Street Sweeper	1.50%	50,000.00
Front End Loader*		45,000.00
Improvements to Laird Avenue*		60,000.00
Improvements to Avondale Avenue*		60,000.00
Improvements to Avondale Avenue	1.00%	10,000.00
Improvements to Evergreen Avenue*		60,000.00
Improvements to Evergreen Avenue	1.00%	35,000.00
Improvements to Firehouse*		25,000.00
Improvements to Ridge Avenue	.70%	20,000.00
Improvements to Bennett Avenue	.70%	90,000.00
Improvements to Third Avenue	.70%	70,000.00
Dump Truck*		40,000.00
Police Equipment*		30,000.00
Improvements to Adams Field*		54,599.80
Improvements to Adams Field*		120,000.00
Improvements to Fourth Avenue	1.00%	110,000.00
Communication Equipment*		10,000.00
Communication Equipment*		60,000.00
Communication Equipment*		40,000.00
Improvements to Memorial Park*		110,000.00
Improvements to Memorial Park*		20,000.00
2010 Dump Truck*		90,000.00
Borough Hall Security*		20,000.00
Improvements to Springdale & Oliver*		<u>100,000.00</u>
		<u>\$ 1,479,599.80</u>

* - Items marked are Bond Anticipation Notes held by the Current Fund at 0% Interest

NOTE 3: Debt (Continued)**A. Short-Term Debt (Continued)**

<u>Sewer Utility Capital Fund</u>	<u>Interest Rate</u>	<u>Amount</u>
Laird Avenue Pump Station	.95%	\$ 120,000.00
Sewer Jet	.95%	<u>10,000.00</u>
		<u>\$ 130,000.00</u>

B. Bonds and Notes Authorized but Not Issued

At December 31, 2012, the Borough had authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 1,582,569.00
Sewer Utility Capital Fund	<u>96,500.00</u>
	<u>\$ 1,679,069.00</u>

C. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2012 was 0.58%. The Borough's remaining borrowing power is 2.92%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the Supplementary Data section of this report.

D. Summary of Debt Activity

During 2012 the following changes occurred in the Borough's outstanding debt:

	<u>Balance Jan. 1, 2011</u>	<u>Retired</u>	<u>Balance Dec. 31, 2012</u>
General Debt:			
Bond Anticipation Notes	\$ 1,760,100.00	280,500.00	1,479,600.00
Sewer Utility Fund Debt:			
Bond Anticipation Notes	<u>190,000.00</u>	<u>60,000.00</u>	<u>130,000.00</u>
	<u>\$ 1,950,100.00</u>	<u>340,500.00</u>	<u>1,609,600.00</u>

NOTE 4: Accrued Sick and Vacation Benefits

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation is not available. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5: Fund Balances Appropriated

The fund balance at December 31, 2012, which was appropriated and included as anticipated revenue in the year ending December 31, 2013 as follows:

Current Fund:	
Fund Balance	\$ 370,000.00
Sewer Utility	43,000.00
Sewer Utility in Current	70,000.00

NOTE 6: Assessment and Collections 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 (Board) by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District and County, 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 (Collector) on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. 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 August 1st and November 1st, and the final payments are due and payable on February 1st and May 1st. The N.J. 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% or 18% of the amount delinquent. If taxes are subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien on real estate as of July 1st of the current tax year even though the amount due is not known.

NOTE 7: Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

NOTE 8: Pensions**A. Plan Description**

Employees of the Borough are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employee's Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, disability, annual cost of living adjustments and death benefits to plan members. Each plan has a Board of Trustees that implement benefit provisions which are established and amended by State statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to:

NOTE 8: Pensions (Continued)

A. Plan Description (Continued)

State of New Jersey
 Division of Pensions and Benefits
 P.O. Box 295
 Trenton, NJ 08625-0295

As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L.1994, plan members enrolled in the Public Employees' Retirement System are required to contribute 5% of their annual covered salary. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement Systems are required to contribute 8.5% of their annual covered salary. Contributions during the last three years for the plans are as follows from the Borough.

	<u>PERS</u>	<u>PFRS</u>
2012	\$ 164,532	344,770
2011	149,287	428,500
2010		

NOTE 9: Interfunds Receivable and Payable

The following interfund balances remained on the balance sheet at December 31, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 453,655.57	47,000.00
General Capital		347,858.05
Sewer Operating Fund	24,797.29	44,510.70
Environmental Commission		3,286.82
Sewer Capital Fund		24,797.29
Payroll	20,000.00	20,000.00
Payroll Agency	<u>34,000.00</u>	<u>45,000.00</u>
Total	<u>\$ 532,452.86</u>	<u>532,452.86</u>

NOTE 10: Length of Service Award Program

On November 4, 2003 the voters of the Borough approved the creation of a Length of Service Award Program ("LOSAP"). Subsequently, the Division approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this program is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

NOTE 10: Length of Service Award Program (Continued)

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The program shall provide for a fixed annual contribution of \$800 for the fire company and the first aid squad to each eligible volunteer who accumulates a minimum of 80 service points based on criteria established by Borough Ordinance No. 2003-32. The Borough's contribution shall be included in the current year's budget.

All amounts awarded under a length of service award program shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subjected to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

Borough contributions for the year ended December 31, 2012 were \$30,000. The Borough's estimated contribution for the year ended December 31, 2013 is \$30,000. We did review the plan for the year ended December 31, 2012 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Standards for Accounting and Review Services in conjunction with the 2012 audit of the Borough's financial statements.

At December 31, 2012, the value of the plan is \$206,122.65.

NOTE 11: Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years.

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Amount</u> <u>Resulting</u> <u>From</u> <u>2012</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Current Fund:			
Emergency Appropriation	\$ -0-	<u>250,000.00</u>	<u>250,000.00</u>

NOTE 12: Contingencies

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

Negligence and other types of liability suits of which the Borough is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 13: Significant Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Borough has updated references to GAAP in its financial statements issued for the period ended December 31, 2012. The adoption of FASB ASC 105 did not impact the Borough's financial position or results of operations.

NOTE 13: Significant Accounting Pronouncements (Continued)

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The Borough adopted the amended sections of ASC 855 and it did not have an impact on the Borough's financial statements. The Borough evaluated all events or transactions that occurred after December 31, 2012 through August 13, 2013.

NOTE 14: Subsequent Events

On October 29, 2012 Hurricane Sandy struck the New Jersey coast and caused extensive damage to many communities among which included the Borough of Neptune City. It is anticipated that although the amount of the reimbursement from FEMA is not yet known that the majority of the claimed costs will be reimbursed. Any unreimbursed costs will not be material and do not present a problem with the "going concern concept".

BOROUGH OF NEPTUNE CITY

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collection</u>
2012	\$ 11,932,157.10	11,437,603.43	95.85%
2011	11,592,918.02	11,334,595.61	97.77%
2010	11,165,980.11	10,933,098.45	97.91%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$287,731.89	467,719.41	755,451.30	4.49%
2011	264,486.33	247,744.56	512,230.89	4.42%
2010	253,169.66	220,710.55	473,880.21	4.24%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31 on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 53,213.00
2011	53,213.00
2010	53,213.00

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$2.74	2.66	2.57
<u>Apportionment of Tax Rate</u>			
Municipal	\$1.05	1.02	0.95
County	0.37	0.36	0.36
Local School	1.32	1.29	1.26
<u>Assessed Valuations</u>			
2012	\$ 434,764,136		
2011		\$ 433,133,119	
2010			\$ 433,412,819

COMPARISON OF CURRENT FUND AND SEWER UTILITY OPERATING FUND BALANCES

<u>Year</u>	<u>Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Sewer Utility Operating Fund</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Utilized in Current Budget of Succeeding Year</u>
2012	\$ 756,472.00	370,000.00	162,228.00	43,000.00	70,000.00
2011	868,245.00	450,000.00	183,207.00	47,000.00	60,000.00
2010	923,527.00	650,000.00	239,536.00	75,000.00	80,000.00

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued and Outstanding</u>			
General			
Notes	\$ 1,479,600.00	1,760,100.00	1,682,300.00
Sewer Utility			
Notes	<u>130,000.00</u>	<u>190,000.00</u>	<u>250,000.00</u>
Net Debt Issued	<u>1,609,600.00</u>	<u>1,950,100.00</u>	<u>1,932,300.00</u>
<u>Authorized But Not Issued</u>			
General			
Bonds and Notes	1,582,569.00	941,319.00	1,240,211.00
Sewer Utility			
Bonds and Notes	<u>96,500.00</u>	<u>96,500.00</u>	<u>96,500.00</u>
Total Authorized But Not Issued	<u>1,679,069.00</u>	<u>1,037,819.00</u>	<u>1,336,711.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 3,288,669.00</u>	<u>2,987,919.00</u>	<u>3,269,011.00</u>

Summary of Statutory Debt Condition-Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 7,595,000.00	7,595,000.00	
Sewer Utility Debt	226,500.00	226,500.00	
General Debt	<u>3,062,169.28</u>		<u>3,062,169.00</u>
	<u>\$ 10,883,669.28</u>	<u>7,821,500.00</u>	<u>3,062,169.00</u>

Net Debt \$3,062,169.00 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-6 as amended \$521,519,850.00 = 0.587%

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

3% of Equalized Valuation Basis (Municipal)	\$ 18,253,195.00
Net Debt	<u>3,062,169.00</u>
Remaining Borrowing Power	<u>\$ 15,191,026.00</u>

Calculation OF" Self-Liquidating Purpose"Sewer Utility Fund" Per N.J.S. 40A;2-45

Cash Receipts from Fees or Other Charges for Year and Fund Balance	\$ 1,166,352.00
Deductions:	
Operating	\$ 1,061,800.00
Debt Service	<u>63,500.00</u>
Total Deductions	<u>1,125,300.00</u>
Excess in Revenue-Self Liquidating	<u>\$ 41,052.00</u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH**LIST OF OFFICIALS AND SURETY BOND COVERAGE****DECEMBER 31, 2012**

The following officials were in office during the period under review:

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
Robert Brown	Mayor	
Richard Pryor	Member of Council	
Joseph Zajak	Member of Council	
Barbara Shafer	Member of Council	
Lawrence Cross	Member of Council	
Susan Mitchell	Member of Council	
Charles Hartl	Member of Council	
Mary Sapp	Administrator, Borough Clerk, Treasurer and Tax Collector	\$ 1,000,000.00
William Folk	Chief Financial Officer and Purchasing Agent	
Tamara Brown	Deputy Clerk and Deputy Treasurer	
Richard Thompson	Municipal Court Judge	
Dorothy Reibrich	Municipal Court Clerk	
Matt Shafai	Engineer	
Mark Aikins	Attorney	
William Doolittle	Construction Official, Zoning Official, Building Sub-Code Official and Fire Sub-Code Inspector	
Jerry Applegate	Housing Officer, Building Sub-Code Official and Fire Sub-Code Inspector	
Robert Reynolds	Code Enforcement Officer	
J. Stephen Walters	Assessor	

The above bond was provided by the Monmouth County Municipal Joint Insurance Fund.

There was a Public Employees' Blanket Bond insurance policy in effect for the period under audit, in the amount of \$50,000.00. Coverage was supplied by the Monmouth County Joint Insurance Fund.

All of the bonds were examined and properly executed.

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-4

SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Current Fund</u>	<u>State and Federal Grant Fund</u>
Balance December 31, 2011	A	\$ 1,322,140.28	43,538.87
Increased by:			
Property Taxes	A-5	\$ 11,549,584.85	
Prepaid Taxes	A	86,790.33	
State of New Jersey Veterans and Senior Citizens	A-6	61,750.00	
Revenue Accounts Receivable	A-13	1,226,062.36	
Federal and State Grants Receivable	A-16		79,065.36
Federal and State Grants Unappropriated	A-17		15,400.03
Miscellaneous Revenue Not Anticipated	A-2	141,732.60	
FEMA Reimbursement	A-9	149,121.76	
General Capital Notes	A	135,500.00	
Sewer Capital Notes	D	15,000.00	
Interfunds:			
Current Fund	Contra		53,637.00
		<u>13,365,541.90</u>	<u>148,102.39</u>
		14,687,682.18	191,641.26
Decreased by:			
Budget Appropriations	A-3	5,410,585.07	
Appropriation Reserves	A-14	123,758.28	
Federal and State Grants	Contra	53,673.00	152,366.97
Local District School Taxes	A-11	5,650,020.00	
County Taxes Payable	A-12	1,589,434.43	
Interfunds:			
Capital	C	323,629.55	
Sewer Operating	D	37,510.70	
Payroll Agency	A	40,000.00	
		<u>13,228,611.03</u>	<u>152,366.97</u>
Balance December 31, 2012	A	<u>\$ 1,459,071.15</u>	<u>39,274.29</u>

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2011	Added Taxes	Tax Levy	Cash		Veterans and Senior Citizens Deductions	Cancelled	Transfer To Liens	Balance Dec. 31, 2012
				2011	2012				
Prior Years	\$ 247,744.56	2,083.25	11,932,157.10	76,065.58	249,827.81	61,780.81	3,589.20	23,245.06	467,719.41
2012	\$ 247,744.56	2,083.25	11,932,157.10	76,065.58	11,549,584.85	61,780.81	3,589.20	23,245.06	467,719.41
Ref.	A			A	A-4,5	A-8		A-7	A

Analysis of Property Tax Levy

Fiscal Year Tax Levy	\$ 11,895,146.76
Added and Omitted Taxes	37,010.34
	<u>\$ 11,932,157.10</u>

Tax Levy

Local District School Tax		
General County Tax	A-11	\$ 5,732,046.00
County Library Tax		1,391,639.05
County Health Tax		80,946.27
Open Space Preservation		27,751.86
Added Taxes Due County	A-12	80,711.85
		<u>4,923.89</u>
		1,585,972.92
		<u>4,614,138.18</u>
		\$ 11,932,157.10

Amount to be Raised in Support of Municipal Budget

Added Taxes	A-2	4,581,413.40
		<u>32,724.78</u>
		4,614,138.18
		<u>\$ 11,932,157.10</u>

CURRENT FUND

Exhibit A-6

SCHEDULE OF SENIOR CITIZEN AND VETERANS

DEDUCTIONS DUE FROM STATE OF NEW JERSEY

	<u>Ref.</u>	
Balance December 31, 2011 (Due To State)	A	\$ 3,107.38
Increased by:		
Veterans Per Tax Billings		\$ 51,250.00
Senior Citizens Per Tax Billings		11,500.00
Senior Citizens Allowed by Tax Collector		250.00
Veterans Allowed by Tax Collector		989.11
		<u>63,989.11</u>
Less Senior Citizens Deductions Disallowed By the Tax Collector		<u>2,208.30</u>
	A-5	<u>61,780.81</u> <u>(58,673.43)</u>
Decreased by:		
Received from State	A-4	<u>61,750.00</u>
Balance December 31, 2012 (Due to State)	A	<u><u>\$ 3,076.57</u></u>

SCHEDULE OF TAX TITLE LIENS

Exhibit A-7

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 264,486.33
Increased By:		
Transferred From Taxes Receivable	A-5	<u>23,245.06</u>
Balance December 31, 2012	A	<u><u>\$ 287,731.39</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A-8

SCHEDULE OF FORECLOSED PROPERTY

Balance Dec. 31, 2011 and 2012	<u>Ref.</u> A	<u>\$ 53,213.00</u>
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RESERVE FOR HURRICANE SANDY

Exhibit A-9

Cash Received	<u>Ref.</u> A, A-4	<u>\$ 149,121.76</u>
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SCHEDULE OF RESERVE FOR MASTER PLAN

Exhibit A-10

Balance Dec. 31, 2011 and Dec. 31, 2012	<u>Ref.</u> A	<u>\$ 12,100.00</u>
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CURRENT FUND

Exhibit A-11

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES

	<u>Ref.</u>		
Balance Payable Dec. 31, 2011	A		\$ 2,783,996.88
School Tax Deferred		\$ 1,675,000.00	
School Tax Payable	A	<u>1,108,996.88</u>	
Levy School Year:			
Dec. 31, 2011 to Dec. 31, 2012	A-1		<u>5,732,046.00</u>
			8,516,042.88
Decreased by:			
Paid	A-4		<u>5,650,020.00</u>
School Tax Deferred		1,675,000.00	
School Tax Payable	A	<u>1,191,022.88</u>	
Balance December 31, 2012			<u><u>\$ 2,866,022.88</u></u>

SCHEDULE OF COUNTY TAXES PAYABLE

Exhibit A-12

	<u>Ref.</u>		
Balance December 31, 2011			
Due County For Added Taxes	A		\$ 8,385.30
Additional 2011 County Added Taxes	A-1		<u>279.96</u>
			8,665.26
County Tax Levy:			
General County		\$ 1,391,639.05	
County Library		80,946.27	
County Health		27,751.86	
County Open Space Preservation		80,711.85	
Due County for Added Taxes		<u>4,923.89</u>	
	A-1		<u>1,585,972.92</u>
Decreased by:			
Paid	A-4		<u>1,589,434.33</u>
Balance December 31, 2012			
Added Taxes Due County	A		<u><u>\$ 5,203.85</u></u>

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

FOR THE YEAR ENDED DECEMBER 31, 2012

	Ref.	Balance Dec 31, 2011	Accrued	Receipts	Balance Dec 31, 2012
Licenses:					
Alcoholic Beverages	A-2	\$ -	9,160.00	9,160.00	
Trailer Park Licenses	A-2		14,400.00	14,400.00	
Fees and Permits	A-2		16,710.00	16,710.00	
Municipal Court	A-2	25,142.76	312,747.43	310,643.73	27,246.46
Interest and Costs on Taxes	A-2		46,988.32	46,988.32	
Payment in Lieu of Taxes	A-2		80,337.00	80,337.00	
Cable Franchise Fees	A-2	43,606.49	54,914.00	44,914.49	53,606.00
Energy Receipts Tax	A-2		451,376.80	451,376.80	
Consolidated Municipal Property Tax Relief Aid	A-2		26,489.00	26,489.00	
Certificates of Occupancy	A-2		18,455.00	18,455.00	
Fire Prevention Bureau-Permits	A-2		8,978.00	8,978.00	
Community Center Fees	A-2		33,850.00	33,850.00	
Uniform Construction Code Fees	A-2		95,025.00	95,025.00	
Utility Operating Surplus	A-2		60,000.00	60,000.00	
Uniform Fire Safety Act	A-2	3,279.90	5,455.12	8,735.02	
Total Revenue		<u>\$ 72,029.15</u>	<u>1,234,885.67</u>	<u>1,226,062.36</u>	<u>80,852.46</u>
	Ref.	A		A-2	A

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A-14

SCHEDULE OF APPROPRIATION RESERVES

Balance Dec. 31, 2011	<u>Ref.</u> A		\$ 347,731.41
Increased By:			
Encumbrances	A		<u>39,143.47</u>
			386,874.88
Decreased by:			
Disbursed	A-4	\$ 123,758.28	
Balance Lapsed	A-1	<u>263,116.60</u>	
			<u><u>\$ 386,874.88</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

Exhibit A-15

FEDERAL AND STATE GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

<u>Purpose</u>	Balance Dec. 31, 2011	2012 Budget Revenue Realized	Received	Balance Dec. 31, 2012
Safe & Secure Communities-P.L. 1994,Ch.220	\$ 50,388.00	60,000.00	50,388.00	60,000.00
Emergency Mgmt Performance Grant	12,000.00	15,000.00	15,000.00	12,000.00
Hazardous Discharge Remediation Site	173,584.00			173,584.00
Smart Future Hwy 35	39,570.00			39,570.00
Drive Sober or Get Pulled Over	15,666.60	5,000.00	5,000.00	-
Drug Alliance	15,666.60	12,997.00	8,677.36	19,986.24
	<u>\$ 291,208.60</u>	<u>92,997.00</u>	<u>79,065.36</u>	<u>305,140.24</u>

Ref.	A	A-3	A-4	A
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FEDERAL AND STATE GRANT FUND

SCHEDULE OF APPROPRIATION RESERVES

Grant	Balance	Transfer	Expended	Balance
	Dec. 31, 2011	From 2012 Budget		Dec. 31, 2012
Drug Alliance	\$ 21,161.80	16,246.00	8,386.72	29,021.08
Clean Communities		8,283.15	5,844.67	2,438.48
Safe & Secure	36,117.42	110,388.00	102,600.00	43,905.42
Police Body Armor	0.30	1,948.53		1,948.83
Municipal Storm Water Grant	10,586.00			10,586.00
Smart Growth	38,108.12			38,108.12
Hazardous Discharge	162,487.74			162,487.74
Smart Future Planning	17,998.07			17,998.07
Drive Sober or Get Pulled Over		5,000.00		5,000.00
Emergency Management Pass Through	5,967.58	15,000.00	18,420.95	2,546.63
Alcohol Ed. And Rehabilitation	1,743.21	1,186.56	2,100.00	829.77
Drunk Driving Enforcement Fund	14,982.72	14,176.27	15,014.63	14,144.36
	<u>\$ 309,152.96</u>	<u>172,228.51</u>	<u>152,366.97</u>	<u>329,014.50</u>
Ref.	A	A-3	A-4	A

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2011	Transferred To 2012 Appropriations	Received	Balance Dec. 31, 2012
Police Body Armor	\$ 1,948.53	1,948.53	1,988.62	1,988.62
DWI	14,176.27	14,176.27		-
Drive Sober	1,186.56	1,186.56	4,400.00	4,400.00
Alcohol Ed. & Rehabilitation	8,283.15	8,283.15	863.41	863.41
Clean Communities			8,148.00	8,148.00
	<u>\$ 25,594.51</u>	<u>25,594.51</u>	<u>15,400.03</u>	<u>15,400.03</u>
Ref.	A	A-16	A-4	A

TRUST FUND

SCHEDULE OF CASH - COLLECTOR - TREASURER

	<u>Ref.</u>	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2011	B	\$ 1,376.11	<u>432,468.60</u>
Increased by Receipts:			
Dog Receipts	B-2	7,733.85	
State Registration Fees	B-3	920.40	
Unemployment Insurance	B-4		32,996.85
Municipal Alliance	B-5		122.03
Recreation Commission	B-6		47,304.39
Emergency Management	B-7		2,338.30
Special Trust	B-8		302,441.40
Environmental	B-9		17,222.54
Law Enforcement	B-10		38.16
Uniform Fire Safety	B-11		11.35
Unused Sick Leave	B-12		20.59
Public Defender	B-13		5,746.11
Developer's Escrow	B-15		23,753.75
Off Duty Employment	B-14		<u>125,364.62</u>
		<u>8,654.25</u>	<u>557,360.09</u>
		10,030.36	<u>989,828.69</u>
Decreased by Disbursements:			
Expenditures Under R.S. 4:19-15-11	B-2	8,406.23	
State Registration Fees	B-3	899.40	
Unemployment Insurance	B-4		46,819.67
Marriage License Fees	B-5		695.00
Recreation Commission	B-6		55,652.38
Emergency Management	B-7		3,873.40
Special Trust	B-8		320,420.38
Environmental	B-9		25,770.80
Law Enforcement	B-10		985.38
Uniform Fire Safety	B-11		822.89
Public Defender	B-13		6,421.40
Developer's Escrow	B-15		52,424.47
Off Duty Employment	B-14		<u>124,102.30</u>
		<u>9,305.63</u>	<u>637,988.07</u>
Balance December 31, 2012	B	<u>\$ 724.73</u>	<u><u>351,840.62</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Exhibit B-2

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 1,376.11
Increased by Receipts:		
Receipts	B-1	<u>7,733.85</u>
		9,109.96
Decreased by:		
Expenditures Under R.S.4:19-15.1	B-1	<u>8,406.23</u>
Balance December 31, 2012	B	<u><u>\$ 703.73</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

DUE TO/(FROM) STATE OF NEW JERSEY

Exhibit B-3

	<u>Ref.</u>	
Increased by:		
Dog License Fees Collected	B-1	<u>\$ 920.40</u>
Decreased by:		
State Registration Fees Paid	B-1	<u>899.40</u>
Balance December 31, 2012 - Due to	B	<u><u>\$ 21.00</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

SCHEDULE OF RESERVE FOR UNEMPLOYMENT INSURANCE

Exhibit B-4

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 108,001.19
Increased by:		
Receipts	B-1	32,996.85
		<u>140,998.04</u>
Decreased by:		
State Billings	B-1	46,819.67
		<u>94,178.37</u>
Balance December 31, 2012	B	<u>\$ 94,178.37</u>

SCHEDULE OF RESERVE FOR MUNICIPAL ALLIANCE

Exhibit B-5

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 794.12
Increased by:		
Receipts	B-1	122.03
		<u>916.15</u>
Decreased by:		
Disbursed	B-1	695.00
		<u>221.15</u>
Balance December 31, 2012	B	<u>\$ 221.15</u>

TRUST FUND

Exhibit B-6

SCHEDULE OF RESERVE FOR RECREATION COMMISSIONERS

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 39,524.52
Increased by:		
Receipts	B-1	<u>47,304.39</u>
		86,828.91
Decreased by:		
Disbursements	B-1	<u>55,652.38</u>
Balance December 31, 2012	B	<u><u>\$ 31,176.53</u></u>

SCHEDULE OF RESERVE FOR EMERGENCY MANAGEMENT -

HAZARDOUS MATERIALS

Exhibit B-7

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 3,382.83
Increased by:		
Receipts	B-1	<u>2,338.30</u>
		5,721.13
Decreased by:		
Disbursements	B-1	<u>3,873.40</u>
Balance December 31, 2012	B	<u><u>\$ 1,847.73</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH**Exhibit B-8****TRUST FUND****SCHEDULE OF RESERVES FOR SPECIAL TRUST**

Balance December 31, 2011	<u>Ref.</u> B	\$ 95,088.78
Increased by:		
Receipts	B-1	<u>302,441.40</u>
		397,530.18
Decreased by:		
Disbursed	B-1	<u>320,420.38</u>
Balance December 31, 2012	B	<u><u>\$ 77,109.80</u></u>

SCHEDULE OF RESERVE FOR ENVIRONMENTAL**Exhibit B-9**

Balance December 31, 2011	<u>Ref.</u> B	\$ 27,003.82
Increased by:		
Receipts		<u>17,222.54</u>
		44,226.36
Decreased by:		
Disbursed		<u>25,770.80</u>
Balance December 31, 2012	B	<u><u>\$ 18,455.56</u></u>

TRUST FUND

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 8,838.04
Increased by:		
Receipts	B-1	38.16
		<u>8,876.20</u>
Decreased by:		
Disbursements	B-1	985.38
		<u>7,890.82</u>
Balance December 31, 2012	B	<u>\$ 7,890.82</u>

SCHEDULE OF RESERVE FOR UNIFORM FIRE SAFETY

Exhibit B-11

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 2,428.46
Increased by:		
Receipts	B-1	11.35
		<u>2,439.81</u>
Decreased by:		
Disbursements	B-1	822.89
		<u>1,616.92</u>
Balance December 31, 2012	B	<u>\$ 1,616.92</u>

SCHEDULE OF RESERVE FOR UNUSED SICK LEAVE

Exhibit B-12

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 4,388.99
Increased by:		
Receipts	B-1	20.59
		<u>4,409.58</u>
Balance December 31, 2012	B	<u>\$ 4,409.58</u>

SCHEDULE OF RESERVE FOR PUBLIC DEFENDER

Exhibit B-13

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 1,245.15
Increased by:		
Receipts	B-1	5,746.11
		<u>6,991.26</u>
Decreased by:		
Disbursements	B-1	6,421.40
		<u>569.86</u>
Balance December 31, 2012	B	<u>\$ 569.86</u>

TRUST FUND

Exhibit B-14

SCHEDULE OF RESERVES FOR OFF DUTY EMPLOYMENT

	<u>Ref.</u>	
Increased by:		
Receipts	B-1	\$ 125,364.62
Decreased by:		
Disbursed	B-1	<u>124,102.30</u>
Balance December 31, 2012	B	<u><u>\$ 1,262.32</u></u>

SCHEDULE OF RESERVE FOR DEVELOPER'S ESCROW

Exhibit B-15

Balance December 31, 2011	B	\$ 138,485.88
Increased by:		
Receipts	B-1	<u>23,753.75</u>
		162,239.63
Decreased by:		
Disbursements	B-1	<u>52,424.47</u>
Balance December 31, 2012	B	<u><u>\$ 109,815.16</u></u>

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL CASH

Exhibit C-2

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 7,431.63
Increased by:			
Interfund Current	C-3	\$ 50,343.61	
Grants Receivable	C-3	<u>78,461.25</u>	
			<u>128,804.86</u>
			136,236.49
Decreased By:			
Interfund Current	C-3	345.54	
Improvement Authorizations	C-6	<u>90,676.86</u>	
			<u>91,022.40</u>
Balance December 31, 2012	C		<u><u>\$ 45,214.09</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	Balance	Receipts	Disbursements	Transfers		Balance
	Dec. 31, 2011			From	To	Dec. 31, 2012
Fund Balance	\$ 14,931.50					14,931.50
Capital Improvement Fund	26,800.00			33,750.00	30,000.00	23,050.00
Interfund Current	327,859.98	50,343.61	345.54	30,000.00		347,858.05
Receivable - Federal & State Aid	(78,461.25)	78,461.25				-
Improvement Authorizations:						
Renovations to Municipal Building	13,865.34					13,865.34
Improvements to Oliver Drive	68.47					68.47
2000 Fire Vehicle	(225.00)					(225.00)
Police Dispatch Equipment	(4,777.95)					(4,777.95)
Leaf Collector	(225.00)					(225.00)
Pedestrian Corridor - Sylvania Ave.	(6,012.50)					(6,012.50)
2003 Road Improvements - Laurel, Woodland	(4,511.39)					(4,511.39)
Video Conferencing Equipment	(8,823.24)					(8,823.24)
Dump Truck	(666.88)		225.00			(891.88)
Road Improvements - Laird, Holly	(6,520.62)					(6,520.62)
Improvements - Avondale Ave.	(4,421.88)					(4,421.88)
Communications Equipment	(426.45)					(426.45)
Improvements Ridge Ave & McAneny	(479.25)		225.00			(704.25)
Front End Loader	(19,928.13)		225.00			(20,153.13)
Evergreen Ave.	(4,256.24)					(4,256.24)
Telephone System	(20,813.26)					(20,813.26)
Street Sweeper	(3,500.00)					(3,500.00)
Bennett Ave.	(47,706.79)					(47,706.79)
Third St.	7,574.28					7,574.28
Improvements to Adams Field	(1,900.20)					(1,900.20)
Fourth Ave.	(14,990.30)					(14,990.30)
Fifth Ave.	(3,761.30)					(3,761.30)
2008 Leaf Collector	(30,295.00)					(30,295.00)
Improvements to East End & Sylvania Ave.	(35,071.60)					(35,071.60)
Fifth Avenue - Phase II	(18,556.00)					(18,556.00)
Improvements to Adams Field	32,383.23					32,383.23
Video Equipment	(22,893.60)					(22,893.60)
Underground Fuel System	(37,888.15)					(37,888.15)
Dump Truck	(7,030.38)					(7,030.38)
Improvements to Memorial Park	(14,022.44)		4,886.05			(18,908.49)
Improvements to Community Center	(30,203.00)		15,125.00			(15,078.00)
Improvements to Springdale & Oliver	20,639.63					20,639.63
Borough Hall Security	(8,323.00)					(8,323.00)
Fire Truck			1,406.21		18,750.00	17,343.79
Pick Up Truck			53,885.60		3,000.00	(50,885.60)
Improvements to Pedestrian Corridor			14,699.00		12,000.00	(2,699.00)
	\$ 7,431.63	128,804.86	91,022.40	63,750.00	63,750.00	45,214.09

Ref.

C

C-2

C-2

C

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Exhibit C-4
Page 1 of 2

Date	Description	Analysis of Balance December 31, 2012				Notes Payable	Expenditures	Unexpended Improvement Authorizations
		Balance Dec. 31, 2011	Authorized In 2012	Decreased	Balance Dec. 31, 2012			
12/3/1994	Fire Pumper Truck	\$ 10,862.87			10,862.87		10,862.87	
4/8/1996	Road Improvements	6,566.36			6,566.36		6,566.36	
3/9/2008	Dump Truck	1,322.17			1,322.17		1,322.17	
4/27/1998	Impvts Oliver Drive	4,500.00			4,500.00		4,500.00	
12/28/1998	Impvts to Wall Rd	1,450.00			1,450.00		1,450.00	
4/10/2000	2000 Fire Vehiole	985.50			985.50		760.50	
6/26/2000	Impvts to Riverdale & Locust	210,230.67			210,230.67		210,230.67	
8/28/2010	Police Equipment	130,000.00		15,000.00	115,000.00	110,000.00	222.05	
8/28/2000	Leaf Collector	2,568.24			2,568.24		2,343.24	
12/11/2010	Pedestrian Corridor Sylvania Ave.	23,978.30		5,000.00	18,978.30		12,965.80	
5/9/2001	2001 Road Impvts	7,071.20			7,071.20		7,071.20	
11/12/2001	Recreation Center	220,000.00		95,000.00	125,000.00	125,000.00		
11/12/2001	Impvts to Firehouse	30,211.24		5,000.00	25,211.24	25,000.00	211.24	
4/8/2002	Impvts to Laurel Ave.	55,362.97		25,500.00	29,862.97	25,000.00	351.58	
7/8/2002	Video Conferencing Center	14,250.00			14,250.00		5,426.76	
9/9/2002	Dump Truck	52,500.00		10,000.00	42,500.00	40,000.00	1,608.12	
12/23/2002	Impvts to Laird Ave.	77,000.00		10,000.00	67,000.00	60,000.00	479.38	
12/23/2002	Avondale Ave	119,850.00		15,000.00	104,850.00	70,000.00	30,428.12	
3/8/2004	Communications Equipment	35,500.00		5,000.00	30,500.00	30,000.00	73.55	
5/10/2004	Impvts to Ridge Ave & McAneny St.	37,439.00		5,000.00	32,439.00	20,000.00	11,734.75	
5/10/2004	Front End Loader	98,500.00		10,000.00	88,500.00	45,000.00	23,346.87	
4/11/2005	Impvts to Evergreen Ave.	124,350.00		20,000.00	104,350.00	95,000.00	5,093.76	
6/15/2005	Telephone Equipment	20,900.00			20,900.00		86.74	
6/15/2005	Street Sweeper	73,500.00		20,000.00	53,500.00	50,000.00		
11/14/2005	Impvts to Bennett St.	148,100.00		10,000.00	138,100.00	90,000.00	393.21	
7/24/2006	Impvts to Third Ave.	100,687.00		10,000.00	90,687.00	70,000.00	20,687.00	
7/24/2006	Impvts to Adams Field	186,500.00		10,000.00	176,500.00	174,599.80		
2/26/2007	Impvts to Fourth Ave.	140,883.76		10,000.00	130,883.76	110,000.00	5,893.46	
4/11/2008	Impvts to Fifth Ave.	55,100.00			55,100.00		51,338.70	

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-4
Page 2 of 2

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Date	Description	Analysis of Balance December 31, 2012				Notes Payable	Expenditures	Unexpended Improvement Authorizations
		Balance Dec. 31, 2011	Authorized In 2012	Decreased	Balance Dec. 31, 2012			
6/23/2008	2008 Leaf Collector	31,350.00			31,350.00	30,295.00	1,055.00	
4/28/2008	Impvts to East End & Sylvania	37,536.00			37,536.00	35,071.60	2,464.40	
3/9/2009	Fifth Ave Phase 11	18,556.00			18,556.00	18,556.00		
4/13/2009	Impvts to Adams field	17,500.00			17,500.00		17,500.00	
10/26/2009	Video Equipment	25,175.00			25,175.00	22,893.60	2,281.40	
10/26/2009	Underground Fuel System	38,000.00			38,000.00	37,888.15	111.85	
10/26/2009	Dump Truck	99,750.00			99,750.00	7,030.38	2,719.62	
7/12/2010	Memorial Park	246,525.00			246,525.00	14,022.45	102,502.56	
7/26/2010	Community Center	30,203.00			30,203.00	30,203.00		
5/23/2011	Impvts to Springdale & Oliver	128,655.00			128,655.00	100,000.00	28,655.00	
2/28/2011	Borough Hall Security	38,000.00			38,000.00	20,000.00	9,677.00	
6/25/2012	2012 Fire Truck		356,250.00		356,250.00	8,323.00	356,250.00	
7/11/2012	Pick Up Truck		57,000.00		57,000.00	50,885.60	6,114.40	
8/27/2012	Pedestrian Corridor Sylvania Ave.		228,000.00		228,000.00	2,699.00	225,301.00	
		<u>\$ 2,701,419.28</u>	<u>643,262.00</u>	<u>120,000.00</u>	<u>3,062,169.28</u>	<u>1,479,599.80</u>	<u>1,159,217.46</u>	
Ref.		C	C-6	C-3	C	C-5	C-6	

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

Exhibit C-5

SCHEDULE OF BOND ANTICIPATION NOTES

	Original Amount Issued	Original Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Paid	Balance Dec. 31, 2012
Impvts to Laurel Ave.	\$ 190,000.00	12/9/03	11/30/13		\$ 50,500.00	25,500.00	25,000.00
Senior Recreation Ctr.	400,000.00	12/9/03	5/8/13	1.50%	140,000.00	75,000.00	65,000.00
Senior Recreation Ctr.	120,000.00	12/9/03	11/13/13		80,000.00	20,000.00	60,000.00
Street Sweeper	120,000.00	7/13/05	7/7/13	1.50%	70,000.00	20,000.00	50,000.00
Front End Loader	80,000.00	12/27/05	12/19/13		55,000.00	10,000.00	45,000.00
Impvts to Laird Ave.	100,000.00	12/27/05	12/5/13		70,000.00	10,000.00	60,000.00
Impvts to Avondale Ave.	100,000.00	12/27/05	12/5/13		70,000.00	10,000.00	60,000.00
Impvts to Avondale Ave.	20,000.00	12/10/08	12/6/13	1.00%	15,000.00	5,000.00	10,000.00
Impvts to Evergreen Ave.	100,000.00	12/27/05	12/5/13		70,000.00	10,000.00	60,000.00
Impvts to Evergreen Ave.	55,000.00	12/10/08	12/6/13	1.00%	45,000.00	10,000.00	35,000.00
Impvts to Firehouse	47,000.00	12/10/06	11/13/13		30,000.00	5,000.00	25,000.00
Pedestrian Corridor	21,000.00	12/10/06			5,000.00	5,000.00	-
Impvts to Ridge Ave.	36,000.00	10/12/07	10/4/13	0.70%	25,000.00	5,000.00	20,000.00
Impvts to Bennett Ave	120,000.00	10/12/07	10/4/13	0.70%	100,000.00	10,000.00	90,000.00
Impvts to Third Ave.	100,000.00	10/12/07	10/4/13	0.70%	80,000.00	10,000.00	70,000.00
Dump Truck	64,000.00	10/9/07	10/4/13		50,000.00	10,000.00	40,000.00
Police Equipment	80,000.00	10/9/07	10/4/13		35,000.00	5,000.00	30,000.00
Impvts to Adams Field	175,000.00	12/23/07	12/19/13		64,599.80	10,000.00	54,599.80
Impvts to Adams Field	120,000.00	12/27/11	12/27/13		120,000.00		120,000.00
Impvts to Fourth Ave.	125,000.00	12/10/08	12/6/13	1.00%	120,000.00	10,000.00	110,000.00
Communication Equipment	37,500.00	12/10/08	12/6/13		15,000.00	5,000.00	10,000.00
Communication Equipment	80,000.00	10/9/07	10/5/13		70,000.00	10,000.00	60,000.00
Communication Equipment	40,000.00	12/27/11	12/26/13		40,000.00		40,000.00
Impvts to Memorial Park	110,000.00	12/27/10	12/27/13		110,000.00		110,000.00
Impvts to Memorial Park	20,000.00	12/27/11	12/27/13		20,000.00		20,000.00
2010 Dump Truck	90,000.00	12/27/10	12/26/13		90,000.00		90,000.00
Borough Hall Security	20,000.00	12/27/11	12/26/13		20,000.00		20,000.00
Impvts to Springdale & Oliver	100,000.00	12/27/11	12/27/13		100,000.00		100,000.00
					<u>\$ 1,760,099.80</u>	<u>280,500.00</u>	<u>1,479,599.80</u>

Ref.

C

A-3

C

Notes Payable to Current Fund show 0% Interest.

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-6
Page 1 of 2

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Balance Dec. 31, 2011		2012		Balance Dec. 31, 2012	
		Unfunded	Funded	Authorizations	Expended	Funded	Unfunded
12/31/1994	Purchase of Fire Pumper Truck	\$ 10,862.87				13,865.34	10,862.87
12/1/1995	Renovation of the Municipal Building	13,865.34					
4/8/1996	Computer Equipment in Tax Office	6,566.36					6,566.36
3/9/1998	Acquisition of Land Block 29 Lot 5	1,322.17					1,322.17
4/27/1998	Improvements to Oliver Drive	4,568.47				68.47	4,500.00
12/28/1998	Improvements to Wall RD.	1,450.00					1,450.00
4/10/2000	2001 Purchase of a Fire Vehicle	760.50					760.50
6/26/2000	Improvements to Riverdale/Locust Aves.	210,230.67					210,230.67
8/28/2000	Police Dispatch Equipment	222.05					222.05
8/28/2000	Purchase of Leaf Collector	2,343.24					2,343.24
12/11/2000	Pedestrian Corridor-Sylvania Ave.	12,965.80					12,965.80
5/29/2001	Roadway Improvements	7,071.20					7,071.20
11/12/2001	Improvements to Firehouse	211.24					211.24
4/8/2002	Improvements to Laurel Ave.	351.58					351.58
7/8/2002	Video Conference Center	5,426.76					5,426.76
9/9/2002	Purchase of Dump Truck	1,833.12					1,608.12
12/23/2002	Improvements to Laird Ave.	479.38			225.00		479.38
12/22/2003	Improvements to Avondale Ave.	30,428.12					30,428.12
3/8/2004	Purchase of Communication Equipment	73.55					73.55
5/10/2004	Improvements to Ridge Ave. & McAneny St.	11,959.75			225.00		11,734.75
5/10/2004	Purchase of Front End Loader	23,571.87			225.00		23,346.87
4/11/2005	Improvements to Evergreen Ave.	5,093.76					5,093.76
6/15/2005	Telephone System	86.74					86.74
11/13/2005	Improvements to Bennett Ave.	393.21					393.21
7/24/2006	Improvements to Third Ave.	28,261.28					28,261.28

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-6
Page 2 of 2

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Balance Dec. 31, 2011		2012		Balance Dec. 31, 2012	
		Unfunded	Funded	Authorizations	Expended	Funded	Unfunded
2/26/2007	Improvements to Fourth Ave.	5,893.46					5,893.46
4/11/2008	Improvements to Fifth Ave.	51,338.70					51,338.70
6/23/2008	Leaf Collector	1,055.00					1,055.00
4/28/2008	Improvements to East End & West Sylvania	2,464.40					2,464.40
4/13/2009	Improvements to Adams Field	49,883.23					49,883.23
10/26/2009	Video Equipment	2,281.40					2,281.40
10/26/2009	Underground Fuel system	111.85					111.85
10/26/2009	Dump Truck	2,719.62					2,719.62
7/26/2010	Improvements to Memorial Park	102,502.56			4,886.05		97,616.51
5/23/2011	Improvements to Spring, Oliver	49,294.63			15,125.00		34,169.63
2/28/2011	Borough hall Security	9,677.00					9,677.00
6/25/2012	Purchase of Fire Truck			375,000.00	1,406.21	17,343.79	356,250.00
7/11/2012	Purchase of Pick up Truck			60,000.00	53,885.60		6,114.40
8/27/2012	Improvements to Pedestrian Corridor			240,000.00	14,699.00		225,301.00
		\$ 657,620.88		677,012.00	90,676.86	31,277.60	1,210,666.42
	Ref	C		C	C-2,3	C	C
	Deferred Charges Unfunded	Ref					
	Capital Improvement Fund	C-4,8		\$ 641,250.00			
		C-7		33,750.00			
				\$ 675,000.00			

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 26,800.00
Increased by:		
2012 Appropriations	C-2	<u>30,000.00</u>
		56,800.00
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-6	<u>33,750.00</u>
Balance December 31, 2012	C	<u><u>\$ 23,050.00</u></u>

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-8
Page 1 of 2

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Purpose</u>	<u>Date</u>	<u>Balance</u>	<u>2012</u>	<u>Balance</u>
		<u>Dec. 31, 2011</u>	<u>Authorizations</u>	<u>Dec. 31, 2012</u>
Purchase of Fire Truck	12/31/1994	\$ 10,862.87		10,862.87
Roadway Improvement Program	4/8/1996	6,566.36		6,566.36
Dump Truck	3/9/1998	1,322.17		1,322.17
Improvements Oliver Drive	4/27/1998	4,500.00		4,500.00
Improvements Wall Rd	12/28/1998	1,450.00		1,450.00
2001 Fire Vehicle	4/10/2000	985.50		985.50
Improvements - Riverdale & Locust Aves	6/26/2000	210,230.67		210,230.67
Police Dispatch Equipment	8/28/2000	5,000.00		5,000.00
Leaf Collector	8/28/2000	2,568.24		2,568.24
Pedestrian Corridor - Sylvania Ave.	12/11/2000	18,978.30		18,978.30
2001 Road Improvements	5/29/2001	7,071.20		7,071.20
Improvements to Firehouse	11/21/2001	211.24		211.24
Improvements to Laurel Ave.	4/8/2002	4,862.97		4,862.97
Video Conferencing Equipment	7/8/2002	14,250.00		14,250.00
Dump Truck	9/9/2002	2,500.00		2,500.00
Improvements to Laird Ave.	12/23/2002	7,000.00		7,000.00
Improvements to Avondale Ave.	12/22/2003	34,850.00		34,850.00
Communication Equipment	3/8/2004	500.00		500.00
Improvements to Ridge Ave & McAneny St.	5/10/2004	12,439.00		12,439.00
Front End Loader	5/10/2004	43,500.00		43,500.00
Improvements Evergreen Ave.	4/11/2005	9,350.00		9,350.00
Telephone System	6/15/2005	20,900.00		20,900.00
Street Sweeper	6/15/2005	3,500.00		3,500.00
Improvements to Bennett Ave.	11/14/2005	48,100.00		48,100.00

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED

Exhibit C-8
Page 2 of 2

BUT NOT ISSUED

Purpose	Date	Balance	Authorizations	Balance
		Dec. 31, 2011		Dec. 31, 2012
Improvements to Third Ave.	7/24/2006	142,587.20		142,587.20
Improvements to Fourth Ave.	2/26/2007	58,350.00		58,350.00
Improvements to Fifth Ave.	4/11/2008	17,633.76		17,633.76
2008 Leaf Collector	6/23/2008	31,350.00		31,350.00
Improvements to East End & W. Sylvania	4/28/2008	17,536.00		17,536.00
Improvements to Fifth Ave. - Phase 11	3/9/2009	18,556.00		18,556.00
Improvements to Adams Field	4/13/2009	17,500.00		17,500.00
Purchase of Video Equipment	10/26/2009	25,175.00		25,175.00
Underground Fuel System	10/26/2009	38,000.00		38,000.00
Dump Truck	10/26/2009	9,750.00		9,750.00
Improvements Memorial Park	7/26/2010	16,525.00		16,525.00
Improvements to Community Center	7/26/2010	30,203.00		30,203.00
Improvements to Springdale & Oliver	5/23/2011	28,655.00		28,655.00
Borough Hall Security	2/28/2011	18,000.00		18,000.00
Fire Truck	6/25/2012		356,250.00	356,250.00
Pick Up Truck	7/11/2012		57,000.00	57,000.00
Pedestrian Corridor	8/27/2012		228,000.00	228,000.00
		\$ 941,319.48	641,250.00	1,582,569.48

Ref. C C-6 C

SEWER UTILITY FUND

Exhibit D-4

SCHEDULE OF CASH

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2011	D	\$ 399,703.91	104,959.11
Increased by:			
Sewer Charges Receivable	D-2	1,088,010.59	
Interest Income Due Operating	D-5		1,102.51
Interfund Current		487.45	
Miscellaneous Revenue	D-1	14,188.88	
Prepaid Sewer Charges	D-2	31,309.21	
Total Receipts		<u>1,133,996.13</u>	<u>1,102.51</u>
		<u>1,533,700.04</u>	<u>106,061.62</u>
Decreased by:			
Encumbrances	D-8	10,576.67	
Appropriation Reserves	D-7	207,103.01	
2012 Appropriations	D-8	1,018,656.43	
Total Disbursements		<u>1,236,336.11</u>	
Balance December 31, 2012	D	<u>\$ 297,363.93</u>	<u>106,061.62</u>

SEWER CAPITAL FUND

ANALYSIS OF SEWER CAPITAL CASH

Exhibit D-5

	<u>Balance</u>		<u>Transfers</u>		<u>Balance</u>
	<u>Dec. 31, 2011</u>	<u>Receipts</u>	<u>From</u>	<u>To</u>	<u>Dec. 31, 2012</u>
Fund Balance	\$ 22,411.84				22,411.84
Capital Improvement Fund	84,795.75			2,000.00	86,795.75
Interfund Sewer Operating	25,694.78	1,102.51	2,000.00		24,797.29
Improvement Authorizations:					
Improvements-Steiner Ave.	12,706.06				12,706.06
Improvements-Windsor Court	10,566.07				10,566.07
Improvements-Ridge Ave.	(387.03)				(387.03)
Sewer Jet	(530.30)				(530.30)
Laird Avenue Pump Station	(218.91)				(218.91)
Improvements-Bennett Ave.	4,074.85				4,074.85
Truck	(54,154.00)				(54,154.00)
	<u>\$ 104,959.11</u>	<u>1,102.51</u>	<u>2,000.00</u>	<u>2,000.00</u>	<u>106,061.62</u>
Ref.	D	D-2			D

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTHSEWER UTILITY FUND

Exhibit D-6

SCHEDULE OF SEWER RENTS RECEIVABLE

Balance December 31, 2011	<u>Ref.</u> D		\$ 124,780.24
Increased by:			
Rents Levied			<u>1,114,206.36</u>
			<u>1,238,986.60</u>
Decreased by:			
Receipts - Sewer Account	D-2		<u>1,119,352.00</u>
Balance December 31, 2012	D		<u><u>\$ 119,634.60</u></u>

SCHEDULE OF APPROPRIATION RESERVES

Exhibit D-7

Balance December 31, 2011	<u>Ref.</u> D		<u>\$ 238,090.43</u>
Decreased by:			
Disbursed	D-4	\$ 207,103.01	
Cancelled	D-1	<u>30,987.42</u>	
			<u><u>\$ 238,090.43</u></u>

SEWER OPERATING UTILITY FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL

<u>Description</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011 and 2012</u>
Sewer System Prior to January 1, 1935		\$ 190,000.00
Sewer Improvements-1937		17,100.00
Legal Fees		950.00
Engineering Fees		1,026.00
Interest during Construction		500.00
Miscellaneous Expense		374.86
Sewer Extension-1947		8,159.00
Addition and Improvements-1952		43,642.14
Addition and Improvements-1969		180,791.13
Improvement to Sewer Treatment Plant		36,126.09
Alteration & Improvement of Sewer Lift Stations-1969		22,904.92
Purchase of Sewer Roddler-1975		6,200.00
Conversion to Sewer Pumping Stations-1986		184,241.43
Purchase of Front End Loader-1987		22,612.92
Construction of Storage Building-1990		19,849.85
Purchase & Installation of Sewer Pump-1990		4,784.23
Purchase of Sewer Jet & Breaker-1990		23,510.89
Improvement to Sewer System-1994		150,000.00
Improvement to Pumping Station-1992		51,870.61
Installation of Communications-1996		45,109.98
	D	<u>\$ 1,009,754.05</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Exhibit D-9

	<u>Ref.</u>	
Balance December 31, 2011	D	\$ 84,795.75
Increased by:		
Budget Appropriation	D-5	<u>2,000.00</u>
Balance December 31, 2012	D	<u>\$ 86,795.75</u>

SEWER UTILITY FUND

SCHEDULE OF BOND ANTICIPATION NOTES

Description	Original Amount Issued	Original Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Budget Paydown	Balance Dec. 31, 2012
Windsor Court Sewer	\$ 135,000.00	10/27/2003	10/12/2012		\$ 15,000.00	15,000.00	-
Ridge Ave Sewer	45,000.00	11/26/2006	11/21/2012		15,000.00	15,000.00	
Laird Ave Pump Station	223,000.00	11/26/2006	12/6/2013	0.95%	140,000.00	20,000.00	120,000.00
Sewer Jet	35,000.00	12/11/2008	12/6/2013	0.95%	20,000.00	10,000.00	10,000.00
					\$ 190,000.00	60,000.00	130,000.00

Ref.

D

D-3

D

BOROUGH OF NEPTUNE CITY - COUNTY OF MONMOUTH

SEWER CAPITAL UTILITY FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Exhibit D-11

<u>Date</u>	<u>Description</u>	<u>Amount</u>	<u>Balance December 31, 2011 and December 31, 2012</u>	
			<u>Funded</u>	<u>Unfunded</u>
4/28/1997	Sewer Improvements-Windsor Court	\$ 135,000.00	\$ -	3,566.07
6/28/1999 & 3/27/00	Sewer Improvements-Steiner Ave.	120,000.00		2,706.06
3/27/2000	Sewer Improvements-Ridge Ave.	50,000.00		6,112.97
8/28/2000	Sewer Jet	40,000.00		2,469.70
4/14/2003	Laird Ave Pump Station	350,000.00		46,781.09
10/10/2006	Sewer Improvements-Bennett Ave.	19,000.00	4,074.85	
7/26/2010	Dump Truck Body	60,000.00		2,846.00
			<u>\$ 4,074.85</u>	<u>64,481.89</u>

D D D

PUBLIC ASSISTANCE FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH-TREASURER

	<u>Ref.</u>	<u>PATF I</u>	<u>PATF II</u>	<u>Fund Total</u>
Balance December 31, 2011	E	\$ 43,917.77	77,699.85	121,617.62
Increased By:				
State Aid			7,579.00	7,579.00
Interest Income		203.23	254.95	458.18
SSI Refunds			3,780.00	3,780.00
		<u>203.23</u>	<u>11,613.95</u>	<u>11,817.18</u>
		<u>44,121.00</u>	<u>89,313.80</u>	<u>133,434.80</u>
Decreased by:				
Public Assistance - 2012			56,543.00	56,543.00
Miscellaneous		832.41		832.41
		<u>832.41</u>	<u>56,543.00</u>	<u>57,375.41</u>
Balance December 31, 2012	E	<u>\$ 43,288.59</u>	<u>32,770.80</u>	<u>76,059.39</u>

PUBLIC ASSISTANCE FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND RECONCILIATION

PER N.J.S.A. 40A:5-5

Balance December 31, 2011	<u>Ref.</u> E-1	\$ 121,617.62
Increased By:		
Cash Receipts Record		<u>11,817.18</u>
		133,434.80
Decreased by:		
Cash Disbursements Record		<u>57,375.41</u>
Balance December 31, 2012	E-1	<u><u>\$ 76,059.39</u></u>

	<u>PATF I</u>	<u>PATF II</u>	<u>Fund Total</u>
<u>Reconciliation - December 31, 2012</u>			
Balance on Deposit per Bank Statements:			
Checking	<u>\$ 43,288.59</u>	<u>32,770.80</u>	<u>76,059.39</u>

PUBLIC ASSISTANCE FUND

SCHEDULE OF PUBLIC ASSISTANCE REVENUES

	<u>PATF I</u>	<u>PATF II</u>	<u>Fund Total</u>
State Aid Payments	\$ -	7,579.00	7,579.00
Interest Earned	203.23	254.95	458.18
Supplemental Security Income:			
State/Municipal Refund	-	3,780.00	3,780.00
Total Revenues (PATF)	<u>203.23</u>	<u>11,613.95</u>	<u>11,817.18</u>
Intrafund Transfer	-		
Total Receipts	<u>\$ 203.23</u>	<u>11,613.95</u>	<u>11,817.18</u>

Ref.

E-1

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES

	<u>PATF I</u>	<u>PATF II</u>	<u>Fund Total</u>
Payments for Current Year Assistance (Reported):			
Maintenance Payments	\$ -	35,190.00	35,190.00
Other:			
Temporary Rent Assistance		17,680.00	17,680.00
Work Related		1,528.00	1,528.00
Emergency Assistance - Rent	-	2,145.00	2,145.00
Total Payments Reported	<u>-</u>	<u>56,543.00</u>	<u>56,543.00</u>
Assistance Not Reported	<u>832.41</u>		<u>832.41</u>
Total Disbursements (PATF)	<u>\$ 832.41</u>	<u>56,543.00</u>	<u>57,375.41</u>

Ref.

E-1

BOROUGH OF NEPTUNE CITY

COUNTY OF MONMOUTH

PART III

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2012

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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 Board of Commissioners
 Borough of Neptune City
 County of Monmouth
 Neptune City, New Jersey 07753

We have audited the consolidated financial statements of the Borough of Neptune City (the "Borough"), as of and for the year ended December 31, 2012, and have issued our report thereon dated August 13, 2013. Our report disclosed that, as described in Note 1 to the regulatory basic financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough'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 of the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's consolidated financial statements are free of material misstatement, we performed tests of it compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division. We noted certain matters that we reported to management of the Borough in the comments and recommendations section of this report and in a separate letter dated August 13, 2013.

This report is intended solely for the information and use of the Borough's management, the Borough Council, others within the organization, the Division, and federal and state awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Robert A. Hulsart and Company
Independent Auditors

August 13, 2013

BOROUGH OF NEPTUNE CITY

COUNTY OF MONMOUTH

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

GENERAL COMMENTS

Scope of Audit

The audit covered the financial activities of the Treasurer, Chief Financial Officer, Tax and Utility Collector, the activities of the Mayor and Council, and the records of the various outside departments.

The audit did not and could not determine the character of services rendered for which payments 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 approved of such claims by the governing body.

Cash on hand was counted and cash balances reconciled with independent certifications obtained directly from the depositories.

The accrued and realized revenues for the various Borough Departments as shown on the Statement of Revenue and Schedule of Revenue Accounts Receivable are presented as recorded in the Borough records.

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost 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 therefore, 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 amount set forth in, or the amount calculated by the governor pursuant to Section 3 of P.L. 1971, c.198 (c.40A:11-2), except by contract or agreement". The amount set forth pursuant to the above statute was \$12,800 effective July 1, 1999. Effective July 1, 2010, the public contracts law was amended to change the bid threshold to \$26,000.00 and \$36,000.00 if there is a certified purchasing agent. Effective January 1, 2011, if there is no Qualified Purchasing Agent the bid threshold was adjusted to \$17,500.00 and \$2,625.00 for quotes.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation 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.

Where expenditures of \$2,625.00 or more are made on applicable items, the governing body has the responsibility of securing quotations as defined under the statute, or higher if the municipality has a qualified purchasing agent (\$5,400.00 with a qualified purchasing agent). A test of quotes for purchases was made with no exceptions.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings 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. The compliance review of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid limit "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously adopted under the provisions of N.J.S. 40A:11-6.

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

There were miscellaneous purchases through state contracts.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contract or agreements for “Professional Services” per N.J.S. 40A:11-4.

Collection of Interest on Delinquent Taxes and Assessments

N.J.S. 54:4-67, as amended, 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, 2012, adopted a resolution authorizing interest to be charged as follows after a 10 day grace period:

8% per annum for first \$1,500.00 of delinquency and
 18% per annum on any amount in excess of \$1,500.00
 6% penalty on total delinquency if such delinquency is in excess of \$10,000.00

Such interest shall be calculated from the date due until actual payment, provided however, no interest shall be charged if payment is made within a 10 day grace period.

It appears from an examination of the collector’s records, on a test-check basis, that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 12, 2012. Inspection of tax sale certificates on file revealed that all sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2012	1
2011	1
2010	1

Confirmation of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Delinquent Taxes	19
Sewer Charged Unpaid	10
Information - Taxes	25
Information – Sewer Utility	25

For those confirmation notices which were not returned by taxpayers, we performed alternative procedures. No irregularities were noted.

FINDINGS/RECOMMENDATIONS

Payroll

Findings:

Approved salaries listed in the minutes indicate a range for employees but the approved salaries should be specific to each employee to clearly identify the salary paid to each employee. We identified two instances where errors were made in the salaries paid to employees, which has been adjusted.

It was determined during our tests that turnovers to the payroll account were not adequate for the withholdings disbursed from the account mainly due to incorrect percentages being applied to Social Security liabilities. These undercharges have been adjusted and charged to the 2012 budget and the funds will be paid over to the payroll account to adjust for the undercharges.

A review of the internal controls and discussions with the Chief Financial Officer and the Administrator indicates that these situations have been corrected for 2013.

Recommendations:

That all salaries approved in the minutes be specific for each employee so there is a clear understanding of the salary to be paid.

That each turnover to the payroll account be reconciled to the amounts that are paid out.

That rates for Social Security and other withholdings be reviewed on a regular basis to verify that the correct rates are being used to calculate the withholding liabilities.

APPRECIATION

We desire to express our appreciation for the assistance and courtesies rendered by the officials and employees during the course of the audit.

* * * * *

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

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