# BOROUGH OF KEYPORT
# MONMOUTH COUNTY
# NEW JERSEY

## FINANCIAL STATEMENTS
## AND
## SUPPLEMENTARY DATA
## AND INFORMATION

## FOR THE YEARS ENDED
## DECEMBER 31, 2010 AND 2009

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

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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BOROUGH OF KEYPORT

MONMOUTH COUNTY, NEW JERSEY

PART I

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS – REGULATORY BASIS

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REGISTERED MUNICIPAL ACCOUNTANTS OF NJ

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Keyport
Monmouth County, New Jersey

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

We conducted our audit in accordance with auditing standards generally accepted in the United State of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in conformity with accounting principles prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

In our opinion, because the prescribed regulatory basis of accounting as described in the preceding paragraph is utilized by the Borough of Keyport, County of Monmouth, New Jersey for the purpose of financial statement preparation, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Keyport, County of Monmouth, New Jersey as of December 31, 2010 and 2009 or the results of its operations, or cash flows of its proprietary fund type for the years then ended.

However, in our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Keyport, Monmouth County, New Jersey, as of December 31, 2010 and 2009 and the results of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2010, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2011 on our consideration of the Borough of Keyport'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 compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Keyport, County of Monmouth, New Jersey taken as a whole. The accompanying schedule of expenditures of state awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Additionally, the information included in the supplementary data and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Keyport, County of Monmouth, New Jersey. Such information, as indentified herein, has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hodulik & Morrison, P.A.

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

Robert S. Morrison
Registered Municipal Accountant, No. 412

Highland Park, New Jersey
July 15, 2011

FINANCIAL STATEMENTS – REGULATORY BASIS

Exhibit - A

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2010 AND DECEMBER 31, 2009

| ASSETS | REF. | BALANCE DEC. 31,2010 | BALANCE DEC. 31,2009 |
|---|---|---|---|
| Cash and Investments - Treasurer | A-4 | $ 725,840.93 | $ 1,056,138.69 |
| Cash - Change Fund | A-5 | 525.00 | 525.00 |
| Due from State of N.J. per Ch. 20, P.L. 1976 | A-6 | 2,639.20 | 1,889.20 |
| | | 729,005.13 | 1,058,552.89 |
| Receivables With Offsetting Reserves: | | | |
| Taxes Receivable | A-7 | 622,039.51 | 653,326.41 |
| Tax Title Lien Receivable | A-7 | 118,437.78 | 110,877.51 |
| Property Acquired for Taxes (At Assessed Valuation) | A-7 | 97,100.00 | 97,100.00 |
| Revenue Accounts Receivable | A-8 | 15,377.49 | 31,949.58 |
| Due from Trust Other Fund | A-10 | 460.85 | 63.36 |
| Due from Payroll Fund | A-10 | 614.24 | 614.24 |
| Due from General Capital Fund | A-10 | 88.65 | 305.29 |
| | | 854,118.52 | 894,236.39 |
| Deferred Charges: | | | |
| Special Emergency Authorization N.J.S.A 40A:4-53 | A-9 | 50,000.00 | 100,000.00 |
| | | 50,000.00 | 100,000.00 |
| Total Current Fund | | 1,633,123.65 | 2,052,789.28 |
| State & Federal Grant Fund: | | | |
| Grants Receivable | A-16 | 136,582.65 | 216,676.17 |
| Due from Current Fund | A-10 | 87,471.88 | 27,276.29 |
| Total State & Federal Grant Fund | | 224,054.53 | 243,952.46 |
| | | $ 1,857,178.18 | $ 2,296,741.74 |

| LIABILITIES, RESERVES AND FUND BALANCE | REF. | BALANCE DEC. 31,2010 | BALANCE DEC. 31,2009 |
|---|---|---|---|
| Liabilities: | | | |
| Special Emergency Note Payable | A-15 | $ 50,000.00 | $ 100,000.00 |
| Appropriation Reserves | A-3,A-11 | 196,987.50 | 397,756.62 |
| Reserve for Encumbrances | A-3,A-11 | 127,946.91 | 130,875.13 |
| Prepaid Taxes | A-7 | 77,523.87 | 71,965.54 |
| Various Payables | A-14 | 5,840.00 | 91,700.00 |
| Various Reserves | A-14 | 11,694.78 | 61,521.06 |
| Tax Overpayments | A-12 | 0.01 | 2,704.48 |
| County Taxes Payable | A-13 | 433.18 | - |
| School Taxes Payable | A-13 | 3.50 | 13,942.00 |
| Due Grant Fund | A-10 | 87,471.88 | 27,276.29 |
| | | 557,901.63 | 897,741.12 |
| Reserve for Receivables | Reserve | 854,118.52 | 894,236.39 |
| Fund Balance | A-1 | 221,103.50 | 260,811.77 |
| Total Current Fund | | 1,633,123.65 | 2,052,789.28 |
| State & Federal Grant Fund: | | | |
| Reserve for State and Federal Grants: | | | |
| Appropriated | A-18 | 124,503.26 | 182,884.19 |
| Unappropriated | A-19 | 58,545.41 | 9,188.18 |
| Reserve for Encumbrances | A-18 | 41,005.86 | 51,880.09 |
| Total State & Federal Grant Fund | | 224,054.53 | 243,952.46 |
| | | $ 1,857,178.18 | $ 2,296,741.74 |

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| REVENUE AND OTHER INCOME REALIZED | REF. | YEAR 2010 | YEAR 2009 |
|---|---|---|---|
| Fund Balance Utilized | A-1, A-2 | $ 255,000.00 | $ 400,000.00 |
| Miscellaneous Revenues Anticipated | A-2 | 2,143,147.19 | 2,230,996.92 |
| Receipts from Delinquent Taxes | A-2 | 654,471.11 | 596,291.53 |
| Receipts from Current Taxes | A-7 | 15,689,007.74 | 15,447,238.93 |
| Non-Budget Revenue | A-2 | 80,984.85 | 112,096.09 |
| Other Credits to Income: | | | |
| Unexpended Balances of Approp. Reserves | A-11 | 199,977.50 | 192,678.76 |
| Cancellation of Grant Reserves | A-10 | 50,640.05 | 7.68 |
| Cancellation of Accounts Payable | A-14 | 52,270.03 | |
| Cancellation of Tax Appeal Reserves | | | 953.50 |
| Interfunds Advanced - Net | | | 15,885.09 |
| Total Revenues | | 19,125,498.47 | 18,996,148.50 |
| EXPENDITURES AND OTHER CHARGES | | | |
| Budget Appropriations: | | | |
| Operating | | | |
| Salaries and Wages | A-3 | 3,069,544.00 | 3,091,350.00 |
| Other Expenses | A-3 | 3,452,477.00 | 3,550,749.00 |
| State and Federal Programs Off-Set by Revenue | A-3 | 496,406.06 | 388,235.80 |
| Municipal Debt Service | A-3 | 713,644.69 | 724,375.00 |
| Capital Improvements | A-3 | 20,000.00 | 20,000.00 |
| Deferred Charges and Statutory Expend.-Mun. | A-3 | 190,000.00 | 203,300.00 |
| Transferred to Board of Education | A-3 | 44,754.00 | 58,139.00 |
| County Taxes | A-13 | 1,932,382.02 | 1,969,794.89 |
| Local District School Taxes | A-13 | 8,540,183.50 | 8,419,849.50 |
| Business Improvement District Taxes | A-13 | 118,000.00 | 125,000.00 |
| Municipal Open Space Taxes | A-13 | 189,398.47 | 190,022.00 |
| Prior Year Senior Citizen Deduction Disallowed | A-6 | 1,250.00 | 750.00 |
| Refund of Prior Year Revenue | A-4 | 198.39 | 60.00 |
| Prior Year Tax Appeal | A-4 | 100,067.50 | |
| Cancellation of Grants Receivable | A-10 | 41,720.26 | |
| Interfunds Advanced - Net | A-10 | 180.85 | |
| Total Expenditures | | 18,910,206.74 | 18,741,625.19 |
| Excess in Revenue (Balance Forward) | | 215,291.73 | 254,523.31 |

Exhibit - A- 1

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| REVENUE AND OTHER INCOME REALIZED | REF. | YEAR 2010 | YEAR 2009 |
|---|---|---|---|
| Statutory Excess to Fund Balance (brought forward) | | $ 215,291.73 | $ 254,523.31 |
| FUND BALANCE | | | |
| Balance - January 1 | A | 260,811.77 | 406,288.46 |
| | | 476,103.50 | 660,811.77 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1 | 255,000.00 | 400,000.00 |
| Balance - December 31 | A | $ 221,103.50 | $ 260,811.77 |

Note: See Notes to Financial Statements.

Exhibit A-2

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | REF. | ANTICIPATED 2010 BUDGET | APPROP. N.J.S.A. 40A:4-87 | TOTAL 2010 BUDGET | REALIZED | EXCESS OR (DEFICIT) |
|---|---|---|---|---|---|---|
| Fund Balance Anticipated | A-1 | $ 255,000.00 | | $ 255,000.00 | $ 255,000.00 | $ |
| Miscellaneous Revenues: | | | | | | |
| Licenses: | | | | | | |
| Alcoholic Beverages | A-8 | 33,400.00 | | 33,400.00 | 33,016.63 | (383.37) |
| Other | A-8 | 2,800.00 | | 2,800.00 | 7,186.00 | 4,386.00 |
| Fees and Permits | A-8 | 166,880.00 | | 166,880.00 | 147,240.90 | (19,639.10) |
| Fines and Costs: | | | | | | |
| Municipal Court | A-8 | 288,000.00 | | 288,000.00 | 228,151.69 | (59,848.31) |
| Interest and Costs on Taxes | A-8 | 141,700.00 | | 141,700.00 | 114,654.30 | (27,045.70) |
| Cable Television Fees | A-8 | 23,900.00 | | 23,900.00 | 22,987.00 | (913.00) |
| Payment in Lieu of Taxes: | | | | | | |
| Senior Citizen Housing | A-8 | 236,500.00 | | 236,500.00 | 228,749.26 | (7.750.74) |
| Bethany Manor Annex, Senior Citizen Housing | A-8 | 70,900.00 | | 70,900.00 | 73,212.30 | 2,312.30 |
| Consolidated Municipal Property Tax Relief Aid | A-8 | 146,798.00 | | 146,798.00 | 146,446.80 | (351.20) |
| Energy Receipts Tax (P.L. 1997, Chapters 162 & 167) | A-8 | 567,675.00 | | 567,675.00 | 567,675.00 | |
| Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17): | | | | | | |
| Uniform Construction Code Fees | A-8 | 60,500.00 | | 60,500.00 | 100,223.00 | 39,723.00 |
| Interlocal - Board of Health (Union Beach) | A-8 | 5,000.00 | | 5,000.00 | 5,000.00 | |
| Public and Private Revenues Offset with Approps.: | | | | | | |
| Recycling Tonnage Grant | A-16 | 9,188.18 | | 9,188.18 | 9,188.18 | |
| Clean Communities Program | A-16 | | 12,595.95 | 12,595.95 | 12,595.95 | |
| Alcohol Education and Rehabilitation Fund | A-16 | | 5,731.13 | 5,731.13 | 5,731.13 | |
| Municipal Alliance on Alcoholism and Drug Abuse | A-16 | 26,704.00 | | 26,704.00 | 26,704.00 | |
| Safe and Secure Communities Program | A-16 | 28,202.00 | | 28,202.00 | 28,202.00 | |
| Office on Aging Grant | A-16 | 36,000.00 | | 36,000.00 | 36,000.00 | |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | REF. | ANTICIPATED 2010 BUDGET | APPROP. N.J.S.A. 40A:4-87 | TOTAL 2010 BUDGET | REALIZED | EXCESS OR (DEFICIT) |
|---|---|---|---|---|---|---|
| Public and Private Revenues Offset with Approps. (Cont'd): | | | | | | |
| Neighborhood Housing Rehabilitation 2009 | A-16 | $ | 125,000.00 $ | 125,000.00 $ | 125,000.00 $ | |
| Monmouth County Open Space Grant - Skate Park | A-16 | 52,000.00 | | 52,000.00 | 52,000.00 | |
| Monmouth County Open Space Grant - Beach Park | A-16 | | | | | |
| Hazardous Discharge Site Remediation Fund | A-16 | | 76,755.80 | 76,755.80 | 76,755.80 | |
| Other Special Items: | | | | | | |
| Uniform Fire Safety Act | A-8 | 69,000.00 | | 69,000.00 | 46,427.25 | (22,572.75) |
| Reserve for Debt Service - General Capital Fund | A-8 | 40,000.00 | | 40,000.00 | 40,000.00 | |
| General Capital Fund Balance | A-8 | 10,000.00 | | 10,000.00 | 10,000.00 | |
| Total Miscellaneous Revenues | A-1, A-4, A-8 | 2,015,147.18 | 220,082.88 | 2,235,230.06 | 2,143,147.19 | (92,082.87) |
| Receipts from Delinquent Taxes | A-1 | 652,000.00 | | 652,000.00 | 654,471.11 | 2,471.11 |
| Subtotal General Revenues | | 2,922,147.18 | 220,082.88 | 3,142,230.06 | 3,052,618.30 | (89,611.76) |
| Amount to be Raised by Taxes for Support of Municipal Budget: | | | | | | |
| Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes | A-7 | 5,547,468.92 | | 5,547,468.92 | 5,602,996.67 | 55,527.75 |
| Budget Totals | | 8,469,616.10 | 220,082.88 | 8,689,698.98 | 8,655,614.97 | $ (34,084.01) |
| Non-Budget Revenues | A-1, A-4, A-8 | | | | 80,984.85 | |
| | | $ 8,469,616.10 | $ 220,082.88 | $ 8,689,698.98 | $ 8,736,599.82 | |
| | Ref. | A-3 | | A-3 | A-1 | |

( ) Denotes Deficit

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | | | EXPENDED | | | |
|---|---|---|---|---|---|---|
| | 2010 BUDGET | BUDGET AFTER MODIFICATION | PAID OR CHARGED | ENCUMBERED | RESERVED | UNEXPENDED BALANCE CANCELLED |
| OPERATIONS WITHIN "CAPS" | | | | | | |
| GENERAL GOVERNMENT | | | | | | |
| Administrative and Executive | | | | | | |
| Salaries and Wages | $ 78,000.00 | $ 69,000.00 | $ 68,298.77 | $ | $ 701.23 | $ |
| Other Expenses | 6,300.00 | 6,300.00 | 5,898.24 | 391.08 | 10.68 | |
| Mayor and Council | | | | | | |
| Salaries and Wages | 19,700.00 | 19,700.00 | 19,700.00 | | | |
| Other Expenses | 2,500.00 | 3,500.00 | 3,146.38 | 25.00 | 328.62 | |
| Municipal Clerk | | | | | | |
| Salaries and Wages | 41,000.00 | 41,600.00 | 41,572.98 | | 27.02 | |
| Other Expenses | 7,200.00 | 13,400.00 | 10,282.85 | 1,173.93 | 1,943.22 | |
| Miscellaneous | | | | | | |
| Revision and Codification of Ordinances | 2,000.00 | 2,000.00 | | | 2,000.00 | |
| Financial Administration | | | | | | |
| Salaries and Wages | 54,000.00 | 53,600.00 | 53,591.23 | | 8.77 | |
| Other Expenses | 8,000.00 | 8,000.00 | 6,864.83 | 248.44 | 886.73 | |
| Audit Services | | | | | | |
| Other Expenses | 17,000.00 | 17,000.00 | 17,000.00 | | | |
| Collection of Taxes | | | | | | |
| Salaries and Wages | 80,000.00 | 78,000.00 | 75,741.18 | | 2,258.82 | |
| Other Expenses | 7,550.00 | 7,550.00 | 7,035.00 | 500.70 | 14.30 | |
| Assessment of Taxes | | | | | | |
| Salaries and Wages | 22,700.00 | 22,700.00 | 22,680.00 | | 20.00 | |
| Other Expenses | 2,500.00 | 2,500.00 | 1,155.76 | 1,344.17 | 0.07 | |
| Revision of Tax Map/Revaluation | 2,000.00 | 2,000.00 | | | 2,000.00 | |
| Miscellaneous | | | | | | |
| Legal Services | | | | | | |
| Other Expenses | 110,000.00 | 140,000.00 | 116,859.08 | 23,067.65 | 73.27 | |
| Environmental Commission | | | | | | |
| Other Expenses | 650.00 | 650.00 | | | 650.00 | |
| Engineering Services | | | | | | |
| Other Expenses | 24,000.00 | 17,000.00 | 9,449.87 | 2,784.00 | 4,766.13 | |
| Keyport Historical Society Contracted | 800.00 | 800.00 | | | 800.00 | |
| Municipal Land Use Law (N.J.S.A. 40:55D-1) | | | | | | |
| Planning/Zoning Board | | | | | | |
| Salaries and Wages | 3,400.00 | 3,200.00 | 3,139.18 | | 60.82 | |
| Other Expenses | 5,000.00 | 5,000.00 | 3,271.11 | 79.85 | 1,649.04 | |
| Revision of Master Plan | 100.00 | 100.00 | | | 100.00 | |
| Property Maintenance Code | | | | | | |
| Salaries and Wages | 9,600.00 | 10,000.00 | 9,880.04 | | 119.96 | |
| Other Expenses | 350.00 | 350.00 | 159.06 | | 190.94 | |
| INSURANCES | | | | | | |
| Liability Insurance | 220,000.00 | 203,600.00 | 203,516.60 | | 83.40 | |
| Workers Compensation Insurance | 170,000.00 | 169,400.00 | 169,357.67 | | 42.33 | |
| Employee Group Insurance | 714,500.00 | 728,500.00 | 724,643.83 | | 3,856.17 | |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | | | EXPENDED | | | |
|---|---|---|---|---|---|---|
| OPERATIONS WITHIN "CAPS" | 2010 BUDGET | BUDGET AFTER MODIFICATION | PAID OR CHARGED | ENCUMBERED | RESERVED | UNEXPENDED BALANCE CANCELLED |
| PUBLIC SAFETY | | | | | | |
| Police Department | | | | | | |
| Salaries and Wages | $ 2,149,520.00 | $ 2,149,520.00 | $ 2,117,028.80 | $ | $ 32,491.20 | $ |
| Other Expenses | | | | | | |
| Miscellaneous | 58,350.00 | 58,350.00 | 39,423.40 | 5,913.18 | 13,013.42 | |
| Clothing Allowance | 30,000.00 | 30,000.00 | 25,316.19 | 282.80 | 4,401.01 | |
| Acquisition of Vehicle | 30,000.00 | 30,000.00 | 28,728.00 | 1,159.15 | 112.85 | |
| Emergency Management Services | | | | | | |
| Other Expenses | 1,000.00 | 1,000.00 | 87.97 | 723.70 | 188.33 | |
| Aid to Volunteer Fire Companies | 24,220.00 | 24,220.00 | 12,500.00 | 3,600.00 | 8,120.00 | |
| First Aid Contributions | 15,800.00 | 15,800.00 | 12,239.48 | 3,000.00 | 560.52 | |
| Fire Department | | | | | | |
| Salaries and Wages | 2,000.00 | 2,000.00 | 2,000.00 | | | |
| Other Expenses | 64,160.00 | 64,160.00 | 20,778.45 | 32,964.73 | 10,416.82 | |
| Uniform Fire Safety Act | | | | | | |
| Salaries and Wages | 37,600.00 | 37,600.00 | 28,914.09 | | 8,685.91 | |
| Other Expenses | 24,000.00 | 24,000.00 | 11,791.64 | 757.70 | 11,450.66 | |
| Municipal Prosecutor | | | | | | |
| Salaries and Wages | 13,000.00 | 13,800.00 | 13,785.12 | | 14.88 | |
| Municipal Court | | | | | | |
| Salaries and Wages | 99,000.00 | 93,000.00 | 90,550.94 | | 2,449.06 | |
| Other Expenses | 11,700.00 | 11,700.00 | 8,894.06 | 1,129.31 | 1,676.63 | |
| Public Defender | | | | | | |
| Salaries and Wages | 2,000.00 | 2,000.00 | 186.27 | | 1,813.73 | |
| Other Expenses | 100.00 | 100.00 | | | 100.00 | |
| PUBLIC WORKS | | | | | | |
| Road Repairs and Maintenance | | | | | | |
| Salaries and Wages | 317,620.00 | 317,620.00 | 315,137.42 | | 2,482.58 | |
| Other Expenses | 63,800.00 | 70,800.00 | 60,712.97 | 7,206.47 | 2,880.56 | |
| Garbage and Trash Removal | | | | | | |
| Salaries and Wages | 40,025.00 | 45,025.00 | 44,969.22 | | 55.78 | |
| Other Expenses | 20,500.00 | 16,500.00 | 7,440.00 | 4,764.00 | 4,296.00 | |
| Contracted (40A:4-85) | 224,000.00 | 218,000.00 | 217,151.50 | | 848.50 | |
| Public Buildings and Grounds | | | | | | |
| Salaries and Wages | | | | | | |
| Other Expenses | 67,378.00 | 73,378.00 | 66,416.50 | 5,166.14 | 1,795.36 | |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | 2010 BUDGET | BUDGET AFTER MODIFICATION | EXPENDED PAID OR CHARGED | EXPENDED ENCUMBERED | EXPENDED RESERVED | UNEXPENDED BALANCE CANCELLED |
|---|---|---|---|---|---|---|
| OPERATIONS WITHIN "CAPS" | | | | | | |
| HEALTH AND HUMAN SERVICES | | | | | | |
| Blood Borne Pathogens - Hepatitis B | | | | | | |
| Salaries and Wages | $ 1,800.00 | $ 100.00 | $ 66.67 | $ | $ 33.33 | $ |
| Other Expenses | 1,500.00 | 500.00 | | | 500.00 | |
| Board of Health | | | | | | |
| Salaries and Wages | 18,000.00 | 18,000.00 | 17,937.99 | | 62.01 | |
| Other Expenses | 2,000.00 | 2,000.00 | 1,499.03 | 417.00 | 83.97 | |
| Monmouth County Regional Health | | | | | | |
| Other Expenses | 71,385.00 | 78,185.00 | 76,203.00 | 1,923.50 | 58.50 | |
| Animal Control Services | | | | | | |
| Other Expenses | 16,000.00 | 16,000.00 | 16,000.00 | | | |
| Bayshore Youth Services Bureau Contribution | 1,000.00 | 1,000.00 | 795.66 | 204.34 | 0.00 | |
| PARK AND RECREATION | | | | | | |
| Recreation | | | | | | |
| Salaries and Wages | 18,750.00 | 15,250.00 | 15,220.00 | | 30.00 | |
| Other Expenses | 5,500.00 | 1,300.00 | 772.67 | | 527.33 | |
| Senior Citizen Community Center | | | | | | |
| Salaries and Wages | 2,000.00 | 9,000.00 | 7,283.00 | | 1,717.00 | |
| Other Expenses | 9,400.00 | 9,400.00 | 6,847.44 | 1,691.68 | 860.88 | |
| Senior Citizen Transportation Contracted | 6,000.00 | 5,000.00 | 2,652.00 | | 2,348.00 | |
| Parks and Playgrounds | | | | | | |
| Other Expenses | 14,000.00 | 7,000.00 | 6,044.07 | | 955.93 | |
| OTHER COMMON OPERATING | | | | | | |
| Celebration of Public Events | | | | | | |
| Other Expenses | 100.00 | 550.00 | 550.00 | | | |
| Postage | | | | | | |
| Other Expenses | 26,000.00 | 23,000.00 | 16,266.19 | | 6,733.81 | |
| State Uniform Construction Code Officials | | | | | | |
| Salaries and Wages | 61,329.00 | 68,829.00 | 68,821.71 | | 7.29 | |
| Other Expenses | 3,600.00 | 4,800.00 | 4,110.24 | 484.10 | 205.66 | |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | 2010 BUDGET | BUDGET AFTER MODIFICATION | EXPENDED PAID OR CHARGED | EXPENDED ENCUMBERED | EXPENDED RESERVED | UNEXPENDED BALANCE CANCELLED |
|---|---|---|---|---|---|---|
| OPERATIONS WITHIN "CAPS" | | | | | | |
| UTILITY EXPENSES AND BULK PURCHASES | | | | | | |
| Fuel for Motor Vehicles | $ 65,000.00 | $ 65,000.00 | $ 58,744.87 | $ | $ 6,255.13 | $ |
| Telephone | 51,000.00 | 45,000.00 | 39,978.81 | 2,784.46 | 2,236.73 | |
| Street Lighting | 135,000.00 | 143,750.00 | 130,253.10 | 12,296.34 | 1,200.56 | |
| Fuel Oil | 10,000.00 | 10,000.00 | 7,001.84 | 2,934.16 | 64.00 | |
| Natural Gas | 33,000.00 | 21,300.00 | 14,838.07 | 3,663.67 | 2,798.26 | |
| Electricity | 56,775.00 | 56,775.00 | 46,333.67 | 4,185.66 | 6,255.67 | |
| Landfill Disposal Costs | 210,000.00 | 210,000.00 | 193,593.34 | | 16,406.66 | |
| Total Operations Within "CAPS" | 5,723,762.00 | 5,735,762.00 | 5,429,109.05 | 126,866.91 | 179,786.04 | |
| Contingent | 500.00 | 500.00 | | | 500.00 | |
| Total Operations Including Contingent Within "CAPS" | 5,724,262.00 | 5,736,262.00 | 5,429,109.05 | 126,866.91 | 180,286.04 | |
| Detail: | | | | | | |
| Salaries and Wages | 3,022,194.00 | 3,041,344.00 | 3,016,504.61 | | 54,955.59 | |
| Other Expenses | 2,702,068.00 | 2,694,918.00 | 2,412,604.44 | 126,866.91 | 125,330.45 | |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES | | | | | | |
| Social Security System (O.A.S.I.) | 142,000.00 | 140,000.00 | 134,565.69 | | 5,434.31 | |
| Pension Adjustment Fund | | | | | | |
| Total Deferred Charges and Statutory Expenditures | 142,000.00 | 140,000.00 | 134,565.69 | | 5,434.31 | |
| Total General Appropriations for Municipal Purposes Within "CAPS" | 5,866,262.00 | 5,876,262.00 | 5,563,674.74 | 126,866.91 | 185,720.35 | |
| OPERATIONS EXCLUDED FROM "CAPS" | | | | | | |
| Maintenance of Free Public Library (P.L. 1975, Ch 329) | 251,465.00 | 251,465.00 | 241,954.91 | | 9,510.09 | |
| Contributions to: | | | | | | |
| Police and Firemen's Retirement System of NJ | 356,804.00 | 356,804.00 | 356,804.00 | | | |
| Public Employees' Retirement System | 158,663.00 | 148,663.00 | 147,923.00 | | 740.00 | |
| Total Other Operations - Excluded from "CAPS" | 766,932.00 | 756,932.00 | 746,681.91 | | 10,250.09 | |
| **Interlocal Municipal Service Agreements** | | | | | | |
| 911 Services (County of Monmouth) | | | | | | |
| Other Expenses | 7,600.00 | 7,600.00 | 7,581.79 | | 18.21 | |
| Recycling (Hazlet) | | | | | | |
| Other Expenses | 4,500.00 | 4,500.00 | 2,576.00 | 1,080.00 | 844.00 | |
| Bldgs & Grounds-Board of Education | | | | | | |
| Other Expenses | 16,727.00 | 16,727.00 | 16,623.75 | | 103.25 | |
| Services of Regional Health Association (P.L. 1975, Ch.329) | | | | | | |
| Total Interlocal Municipal Service Agreements | 28,827.00 | 28,827.00 | 26,781.54 | 1,080.00 | 965.46 | |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | 2010 BUDGET | BUDGET AFTER MODIFICATION | EXPENDED: PAID OR CHARGED | EXPENDED: ENCUMBERED | EXPENDED: RESERVED | UNEXPENDED BALANCE CANCELLED |
|---|---|---|---|---|---|---|
| OPERATIONS EXCLUDED FROM "CAPS" | | | | | | |
| Public and Private Programs Offset by Revenues | | | | | | |
| Clean Communities Grant | $ | $ 12,595.95 | $ 12,595.95 | $ | $ | $ |
| Neighborhood Preservation Program | | | | | | |
| State Share | | 125,000.00 | 125,000.00 | | | |
| Local Share | 10,000.00 | 10,000.00 | 10,000.00 | | | |
| Recycling Tonnage Grant | 9,188.18 | 9,188.18 | 9,188.18 | | | |
| Safe and Secure Commnities Program | | | | | | |
| State Share | 28,202.00 | 28,202.00 | 28,202.00 | | | |
| Local Share | 65,793.00 | 65,793.00 | 65,793.00 | | | |
| Office on Aging Grant | | | | | | |
| Grant Share | 36,000.00 | 36,000.00 | 36,000.00 | | | |
| Local Share | 41,760.00 | 41,760.00 | 41,760.00 | | | |
| Hazardous Discharge Site Remediation Fund | | 76,755.80 | 76,755.80 | | | |
| Municipal Court Alcohol Education and Rehabilitation Enforcement Fnd | | 5,731.13 | 5,731.13 | | | |
| Monmouth Country Open Space Grant-Skate Park | 52,000.00 | 52,000.00 | 52,000.00 | | | |
| Municipal Drug Alliance Program | | | | | | |
| Local Share | 6,676.00 | 6,676.00 | 6,676.00 | | | |
| State Share | 26,704.00 | 26,704.00 | 26,704.00 | | | |
| Total Public and Private Programs Offset by Revenues | 276,323.18 | 496,406.06 | 496,406.06 | | | |
| Total Operations Excluded from "CAPS" | 1,072,082.18 | 1,282,165.06 | 1,269,869.51 | 1,080.00 | 11,215.55 | |
| Detail: | | | | | | |
| Salaries and Wages | | | | | | |
| Other Expenses | 1,072,082.18 | 1,282,165.06 | 1,269,869.51 | 1,080.00 | 11,215.55 | |
| Capital Improvements Excluded from "CAPS" | | | | | | |
| Acquisition of Firefighter Turnout Gear | 20,000.00 | 20,000.00 | 19,948.40 | | 51.60 | |
| Total Capital Improvements Excluded from "CAPS" | 20,000.00 | 20,000.00 | 19,948.40 | | 51.60 | |
| Municipal Debt Service Excluded from "CAPS" | | | | | | |
| Payment of Bond Principal | 285,000.00 | 285,000.00 | 285,000.00 | | | |
| Payment of Bond Anticipation Notes and Capital Notes | 160,000.00 | 160,000.00 | 152,214.97 | | | 7,785.03 |
| Interest on Bonds | 201,565.00 | 201,565.00 | 201,565.00 | | | |
| Interest on Notes | 76,000.00 | 76,000.00 | 74,864.72 | | | 1,135.28 |
| Total Municipal Debt Service Excluded from "CAPS" | 722,565.00 | 722,565.00 | 713,644.69 | | | 8,920.31 |

Exhibit - A- 3

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | Ref. | 2010 BUDGET | BUDGET AFTER MODIFICATION | EXPENDED PAID OR CHARGED | EXPENDED ENCUMBERED | EXPENDED RESERVED | UNEXPENDED BALANCE CANCELLED |
|---|---|---|---|---|---|---|---|
| OPERATIONS EXCLUDED FROM "CAPS" | | | | | | | |
| Deferred Charges | | | | | | | |
| Special Emergency Authorizations 5 Years (N.J.S.A. 40A4-55) | | $ 50,000.00 | $ 50,000.00 | $ 50,000.00 | $ | $ | $ |
| Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3) | | 44,754.00 | 44,754.00 | 44,754.00 | | | |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | | 1,909,401.18 | 2,119,484.06 | 2,098,216.60 | 1,080.00 | 11,267.15 | 8,920.31 |
| Subtotal General Appropriations | | 7,775,663.18 | 7,995,746.06 | 7,661,891.34 | 127,946.91 | 196,987.50 | 8,920.31 |
| Reserve for Uncollected Taxes | | 693,952.92 | 693,952.92 | 693,952.92 | | | |
| Total General Appropriations | | $ 8,469,616.10 | $ 8,689,698.98 | $ 8,355,844.26 | $ 127,946.91 | $ 196,987.50 | $ 8,920.31 |
| | Ref. | A- 2 | A- 2 | | A | A | |
| 2010 Adopted Budget | A-2 | | $ 8,469,616.10 | | | | |
| 2009 Budget added by N.J.S. 40A:4-87 | A-2 | | 220,082.88 | | | | |
| | | | $ 8,689,698.98 | | | | |
| Disbursed | A- 4 | | | $ 7,115,485.28 | | | |
| Reserve for Uncollected Taxes | A- 7 | | | 693,952.92 | | | |
| Deferred Charges - Special Emerg. Auth. | A-9 | | | 50,000.00 | | | |
| Reserve for State & Federal Grants - Appropriated Due to Grant Fund | A-10, A-18 | | | 496,406.06 | | | |
| | | | | $ 8,355,844.26 | | | |

Note: See Notes to Financial Statements.

Exhibit - B

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

| ASSETS | Ref. | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| Animal Control Fund | | | |
| Cash | B-1 | $ 8,380.47 | $ 5,955.87 |
| Total Animal Control Fund | | 8,380.47 | 5,955.87 |
| Other Trust Fund | | | |
| Cash | B-1 | 502,703.70 | 805,170.60 |
| Total Other Trust Fund | | 502,703.70 | 805,170.60 |
| Open Space Trust Fund | | | |
| Cash | B-1 | $ 115,423.73 | $ 134,461.82 |
| Total Open Sapce Fund | | $ 115,423.73 | $ 134,461.82 |
| Total Trust Funds | | $ 626,507.90 | $ 945,588.29 |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

| | | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Animal Control Fund | | | |
| Reserve for Animal License Expenditures | B-2 | $ 8,380.47 | $ 5,955.87 |
| Total Animal Control Fund | | 8,380.47 | 5,955.87 |
| Other Trust Fund | | | |
| Due State of New Jersey - Fees &Licenses................ | B-3 | 300.00 | 275.00 |
| Due to Current Fund........................ | B-4 | 460.85 | 63.36 |
| Reserve for Various Trust Activities....... | B-5 | 501,942.85 | 804,832.24 |
| Total Other Trust Fund | | 502,703.70 | 805,170.60 |
| Open Space Trust Fund | | | |
| Reserve for Encumbrances.......... | B-6 | $ 28,433.20 | $ 15,660.00 |
| Reserve for Open Space............. | B-6 | 86,990.53 | 118,801.82 |
| | | $ 115,423.73 | $ 134,461.82 |
| Total Trust Funds | | $ 626,507.90 | $ 945,588.29 |

Note: See Notes to Financial Statements.

Exhibit - C

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

| ASSETS | REF. | BALANCE DEC. 31, 2010 | BALANCE DEC. 31, 2009 |
|---|---|---|---|
| Cash and Investments - Treasurer | C-2 | $ 848,010.10 | $ 892,687.82 |
| Investment in Special Emergency Note | C-2 | 50,000.00 | 100,000.00 |
| Due from State of New Jersey DEP | C-4 | 1,097,500.00 | 1,197,602.34 |
| Due from State of New Jersey DOT | C-4 | 419,073.35 | 810,000.00 |
| Due from C.D.B.G. | C-4 | 36,077.95 | 187,114.00 |
| Deferred Charges to Future Taxation: | | | |
| Funded | C-5 | 5,499,085.04 | 5,484,068.00 |
| Unfunded | C-6 | 7,590,889.23 | 8,567,233.00 |
| | | $ 15,540,635.67 | $ 17,238,705.16 |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Serial Bonds | C-9 | $ 4,860,000.00 | $ 5,145,000.00 |
| Bond Anticipation Notes | C-10 | 6,571,300.00 | 7,068,300.00 |
| Green Trust Loan Payable | C-13 | 639,085.04 | 339,068.00 |
| Reserve for Encumbrances | C-8 | 296,528.36 | 1,864,286.38 |
| Due to Current Fund | C-7 | 88.65 | 305.29 |
| Improvement Authorizations: | | | |
| Funded | C-8 | 59,425.66 | 36,801.91 |
| Unfunded | C-8 | 1,575,531.38 | 1,781,271.90 |
| Reserve for: | | | |
| Capital Improvement Fund | C-11 | 41,948.69 | 41,948.69 |
| Receivable and Other Assets | C-12 | 798,324.54 | 171,563.76 |
| DEP Grant Receivable | C-12 | 672,500.00 | 772,602.34 |
| Fund Balance | C-1 | 25,903.35 | 17,556.89 |
| | | $ 15,540,635.67 | $ 17,238,705.16 |
| Authorized But Not Issued | C-14 | $ 1,025,589.23 | $ 1,504,933.00 |

Note: See Notes to Financial Statements.

Exhibit - C-1

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE- REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | REF. | | | |
|---|---|---|---|---|
| Balance - December 31, 2009 | C | | $ | 17,556.89 |
| Increased by: | | | | |
| Premium on BANS | C-2 | 18,346.46 | | |
| | | | | 18,346.46 |
| | | | | 35,903.35 |
| Decreased by: | | | | |
| Approriated 2010 Current Revenue | C-7 | 10,000.00 | | |
| | | | | 10,000.00 |
| Balance - December 31, 2010 | C | | $ | 25,903.35 |

Note: See Notes to Financial Statements.

Exhibit - D

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

| ASSETS | REF. | BALANCE DEC. 31, 2010 | BALANCE DEC. 31, 2009 |
|---|---|---|---|
| Operating Fund: | | | |
| Cash and Investments - Treasurer | D-5 | $ 437,250.90 | $ 449,488.55 |
| | | 437,250.90 | 449,488.55 |
| Receivables With Full Reserves: | | | |
| Consumer Accounts Receivable | D-8 | 252,229.75 | 208,329.24 |
| | | 252,229.75 | 208,329.24 |
| Deferred Charges: | | | |
| Deficit in Operations | D-1 | | 12,122.64 |
| | | | 12,122.64 |
| Total Operating Fund | | 689,480.65 | 669,940.43 |
| Capital Fund: | | | |
| Cash and Investments - Treasurer | D-5 | 815,170.85 | 10,826.65 |
| Fixed Capital | D-10 | 3,674,005.39 | 3,674,005.39 |
| Fixed Capital - Authorized and Uncompleted | D-13 | 3,550,000.00 | 3,550,000.00 |
| State & Federal Grants and Loans | Reserve | 3,500,000.00 | 3,500,000.00 |
| Due from Water/Sewer Operating | D-11 | | 100,000.00 |
| Total Capital Fund | | 11,539,176.24 | 10,834,832.04 |
| | | $ 12,228,656.89 | $ 11,504,772.47 |

| LIABILITIES, RESERVES AND FUND BALANCE | REF. | BALANCE DEC. 31, 2010 | BALANCE DEC. 31, 2009 |
|---|---|---|---|
| Operating Fund: | | | |
| Liabilities: | | | |
| Appropriation Reserves | D-4, D-14 | $ 52,707.96 | $ 32,865.72 |
| Reserve for Encumbrances | D-9 | 18,378.82 | 56,648.61 |
| Water and Sewer Overpayment | D-19 | 1,443.85 | 2,204.10 |
| Prepaid Consumer Accounts | D-20 | 262,280.25 | 241,138.20 |
| Accrued Int. on Bonds, Notes & Loans | D-15 | 24,399.74 | 22,062.20 |
| Accounts Payable | D-7 | | 5,400.00 |
| Due to Water/Sewer Capital Fund | D-10 | | 100,000.00 |
| | | 359,210.62 | 460,318.83 |
| Reserve for Receivables | Reserve | 252,229.75 | 208,329.24 |
| Fund Balance | D- 1 | 78,040.28 | 1,292.36 |
| Total Operating Fund | | 689,480.65 | 669,940.43 |
| Capital Fund: | | | |
| Serial Bonds Payable | D-16 | 330,000.00 | 430,000.00 |
| Bond Anticipation Notes | D-17 | 2,594,600.00 | 1,651,600.00 |
| Reserve for Encumbrances | D-9 | 3,550.39 | 146,161.54 |
| Improvement Authorizations | | | |
| Funded | D-18 | | |
| Unfunded | D-18 | 1,554,342.47 | 1,660,521.86 |
| Capital Improvement Fund | D-21 | 87.00 | 45,687.00 |
| Reserve for Amortization | D-22 | 3,344,005.39 | 3,244,005.39 |
| Reserve for Deferred Amortization | D-23 | 205,400.00 | 148,400.00 |
| Reserve for State & Federal Grants / Loans | Reserve | 3,500,000.00 | 3,500,000.00 |
| Fund Balance | D-2 | 7,190.99 | 8,456.25 |
| Total Capital Fund | | 11,539,176.24 | 10,834,832.04 |
| | | $ 12,228,656.89 | $ 11,504,772.47 |

There were Bonds and Notes Authorized but not Issued at December 31, 2010 in the amount of $750,000.00 (Exhibit D-24).

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| REVENUE AND OTHER INCOME REALIZED | REF. | YEAR 2010 | YEAR 2009 |
|---|---|---|---|
| Fund Balance | D-3 | $ | $ 52,000.00 |
| Water and Sewer Rents | D-3 | 3,125,382.00 | 3,048,478.94 |
| Miscellaneous | D-3 | 169,513.32 | 196,823.66 |
| Capital Improvement Fund Cancelled | D-3 | 45,600.00 | |
| Capital Fund Balance | D-3 | 8,400.00 | |
| Cancel Accounts Payable | D-7 | 5,400.00 | |
| Unexpended Balance of Approp. Reserves | D-14 | 15,328.34 | 50,462.65 |
| Total Revenues | | 3,369,623.66 | 3,347,765.25 |
| EXPENDITURES | | | |
| Operating: | | | |
| Salaries and Wages | D-4 | 555,000.00 | 600,000.00 |
| Other Expenses | D-4 | 491,852.36 | 545,000.00 |
| Bayshore Regional Sewerage Authority | D-4 | 1,451,200.00 | 1,391,000.00 |
| Acquisition of Water | D-4 | 520,000.00 | 549,800.00 |
| Debt Service | D-4 | 210,700.74 | 213,124.41 |
| Deferred Charges and Statutory Expenditures | D-4 | 64,122.64 | 56,000.00 |
| Refunds of Prior Year Revenues | D-5 | | 4,963.48 |
| Total Expenditures | | 3,292,875.74 | 3,359,887.89 |
| Excess/(Deficit) in Revenues | | 76,747.92 | (12,122.64) |
| Operating Deficit to be Raised in Budget of Succeeding Year | D | | 12,122.64 |
| Statutory Excess to Fund Balance | | 76,747.92 | |
| FUND BALANCE | | | |
| Balance - January 1 | D | 1,292.36 | 53,292.36 |
| | | 78,040.28 | 53,292.36 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | D-1 | | 52,000.00 |
| Balance - December 31 | D | $ 78,040.28 | $ 1,292.36 |

Note: See Notes to Financial Statements.

Exhibit - D-2

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 8,456.25 |
| Increased by: | | | |
| Premium on Sale of Bond Anticipation Notes | D-5 | | 7,134.74 |
| Decreased by: | | | |
| Transfer to Operating Budget Revenue | D-5 | | 8,400.00 |
| Balance - December 31, 2010 | D | $ | 7,190.99 |

Note: See Notes to Financial Statements.

Exhibit - D-3

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | REF. | 2010 BUDGET | REALIZED | EXCESS OR (DEFICIT) |
|---|---|---|---|---|
| Water and Sewer Rents | | $ 3,048,470.00 | $ 3,125,382.00 | $ 76,912.00 |
| Miscellaneous | | 196,820.00 | 169,513.32 | (27,306.68) |
| Capital Improvement Fund Cancelled | | 45,600.00 | 45,600.00 | |
| Capital Fund Balance | | 8,400.00 | 8,400.00 | |
| | | $ 3,299,290.00 | $ 3,348,895.32 | $ 49,605.32 |
| | Ref. | D- 4 | D-1 | |

Analysis of Realized Revenues:

| | REF. | REALIZED |
|---|---|---|
| Water and Sewer Rents: | | |
| Consumer Accounts Receivable - | | |
| Collected | D-8 | $ 2,882,039.70 |
| Overpayments Applied | D-19 | 2,204.10 |
| Prepaids Applied | D-20 | 241,138.20 |
| | D- 3 | $ 3,125,382.00 |
| Miscellaneous: | | |
| Cell Tower Leases | | $ 121,922.64 |
| Sewer Connection Fees | | 4,500.00 |
| Interest on Delinquent Accounts | | 24,381.74 |
| Turn On Charges | | 600.00 |
| Meter Test Charges | | 70.00 |
| New Meter / Installation Charges | | 513.67 |
| Pool Fill Permit | | 255.00 |
| NSF Charges | | 260.00 |
| Fire Hydrant Fees | | 864.57 |
| Fire Connection Charges | | 9,908.58 |
| Other | | 6,237.12 |
| | D-5 | $ 169,513.32 |

Note: See Notes to Financial Statements.

Exhibit - D-4

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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

| | Ref. | 2010 BUDGET | Transfers | BUDGET AFTER MODIFICATION | EXPENDED PAID OR CHARGED | EXPENDED ENCUMBERED | RESERVED | UNEXPENDED BALANCE CANCELLED |
|---|---|---|---|---|---|---|---|---|
| Operating: | | | | | | | | |
| Salaries and Wages | | $ 565,000.00 | (10,000.00) | $ 555,000.00 | $ 553,606.53 | $ | $ 1,393.47 | $ |
| Other Expenses | | 493,052.36 | (1,200.00) | 491,852.36 | 455,986.47 | 18,378.82 | 17,487.07 | |
| Bayshore Regional Sewerage Authority | | 1,441,000.00 | 10,200.00 | 1,451,200.00 | 1,451,172.63 | | 27.37 | |
| Acquisition of Water | | 520,000.00 | | 520,000.00 | 488,217.76 | | 31,782.24 | |
| Debt Service: | | | | | | | | |
| Payment on Bond Principal | | 100,000.00 | | 100,000.00 | 100,000.00 | | | |
| Payment on Bond Anticipation Notes | | 57,000.00 | | 57,000.00 | 57,000.00 | | | |
| Interest on Bonds | | 21,610.00 | | 21,610.00 | 21,609.37 | | | 0.63 |
| Interest on Notes | | 38,505.00 | | 38,505.00 | 32,091.37 | | | 6,413.63 |
| Deferred Charges: | | | | | | | | |
| Deficit in Operations | | 12,122.64 | | 12,122.64 | 12,122.64 | | | |
| Statutory Expenditures: | | | | | | | | |
| Contribution to: | | | | | | | | |
| Public Employee's Retirement System | | 2,000.00 | | 2,000.00 | 2,000.00 | | | |
| Social Security System (O.A.S.I.) | | 49,000.00 | 1,000.00 | 50,000.00 | 47,982.19 | | 2,017.81 | |
| Total Water & Sewer Utility Appropriations | | $ 3,299,290.00 | $ | $ 3,299,290.00 | $ 3,221,788.96 | $ 18,378.82 | $ 52,707.96 | $ 6,414.26 |
| | Ref. | D-3 | | | D-1 | D-1, D-9 | D, D-1 | |
| Disbursed | D-5 | | | | $ 3,168,088.22 | | | |
| Accrued Interest on Bonds, Notes and Loans | D-15 | | | | 53,700.74 | | | |
| | | | | | $ 3,221,788.96 | | | |

Note: See Notes to Financial Statements.

# BOROUGH OF KEYPORT
## MONMOUTH COUNTY, NEW JERSEY

## PAYROLL AGENCY FUND
## COMPARATIVE BALANCE SHEET - REGULATORY BASIS
## FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

| ASSETS | REF. | BALANCE DEC. 31, 2010 | BALANCE DEC. 31, 2009 |
|---|---|---|---|
| Cash | E-1 | $ 24,376.55 | $ 5,623.67 |
| | | $ 24,376.55 | $ 5,623.67 |
| **LIABILITIES** | | | |
| Due to Current Fund | E | $ 614.24 | $ 614.24 |
| Payroll Deductions Payable | E-1 | 23,762.31 | 5,009.43 |
| | | $ 24,376.55 | $ 5,623.67 |

Note: See Notes to Financial Statements.

Exhibit - F

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
DECEMBER 31, 2010 AND 2009

| GOVERNMENTAL FIXED ASSETS: | DECEMBER 31 2010 | DECEMBER 31 2009 |
|---|---|---|
| Land | $ 5,186,100.00 | $ 5,186,100.00 |
| Buildings/Building Improvements | 5,481,800.00 | 5,481,800.00 |
| Motor Vehicles and Equipment | 2,876,199.08 | 2,847,471.08 |
| Machinery and Equipment | 344,731.30 | 344,731.30 |
| Office Furniture and Equipment | 163,066.09 | 163,066.09 |
| Other Equipment | 218,914.00 | 218,914.00 |
| Total Governmental Fixed Assets | $ 14,270,810.47 | $ 14,242,082.47 |
| Investments in Governmental Fixed Assets | $ 14,270,810.47 | $ 14,242,082.47 |

Note: See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2010 AND 2009

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

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

Animal Control Trust Fund
Developer Escrow
Recreational Bayfront Improvement Trust
Law Enforcement Trust
Recreation Commission
Unemployment Trust
Open Space Trust

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

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

B. Description of Funds (Cont'd.)

Water and Sewer Operating and Capital Fund - account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

Payroll Agency Fund – account for payroll deductions and social security contributions of municipal and utility operations. A payroll Agency fund does not exists under GAAP.

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

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

C. Basis of Accounting and Measurement Focus

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

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

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability.

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

C. Basis of Accounting and Measurement Focus (Cont'd.)

Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts that may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of 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. Over- expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of 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, 2010 is set forth in Note 6.

Compensated Absences - The Borough records expenditures for earned, but unused sick leave and vacation time are not recorded until paid. GAAP requires that expenditures be recorded for earned, but unused vacation and sick leave in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. For the year ended December 31, 2010 and 2009, the Borough's financial statements reflect a cumulative total of $97,100.00. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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

Inventories of Supplies - The 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, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

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

C. Basis of Accounting and Measurement Focus (Cont'd.)

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

Governmental Fixed Assets - Property and equipment acquired by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough has performed an inventory and included the Governmental Fixed Asset Schedule in the financial statements for years ended December 31, 2010 and 2009.

As N.J.A.C. 5:30 -5.6 states that assets having a useful life of more than five years and an acquisition cost pursuant to OMB A-87 must be capitalized in the governmental fixed asset system. Infrastructure assets are excluded from the governmental fixed asset system. Depreciation is not recorded in the governmental fixed asset system.

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

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

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

Recent Accounting Standards

GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund" in March 2009. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

C. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards (Cont'd)

GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" in March 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards" in March 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" in December 2009. This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" in December 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

GASB issued Statement No. 59, "Financial Instruments Omnibus" in June 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

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

C. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards (Cont'd)

GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" in November 2010. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus—and amendment of GASB Statements No. 14 and No. 34" in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB issued Statement NO. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

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

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

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2009 financial statements to conform with classifications used in fiscal year 2010.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

| | YEAR 2010 | YEAR 2009 |
|---|---|---|
| Issued: | | |
| General: | | |
| Bonds and Notes and Loans | $ 12,070,385.04 | $ 12,552,368.00 |
| Water and Sewer Utility: | | |
| Bonds and Notes | 2,924,600.00 | 2,081,600.00 |
| Total Issued | 14,994,985.04 | 14,633,968.00 |
| Net Issued | 14,994,985.04 | 14,633,968.00 |
| Authorized But Not Issued: | | |
| General: | | |
| Bonds and Notes | 1,025,589.23 | 1,504,933.00 |
| Water and Sewer Utility: | | |
| Bonds and Notes | 750,000.00 | 1,750,000.00 |
| Total Authorized But Not Issued | 1,775,589.23 | 3,254,933.00 |
| Total Bonds and Notes Issued and Authorized but not Issued | $ 16,770,574.27 | $ 17,888,901.00 |

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

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2010 and 2009:

| | YEAR 2010 | YEAR 2009 |
|---|---|---|
| General Debt: | | |
| $6,055,000, General Improvement Bonds of 2003 due in annual installments of $55,000 to $425,000 through February 2023, interest at 3.800% to 4.250%. | 4,860,000.00 | 5,145,000.00 |
| $7,068,300, General Capital Bond Anticipation Notes issued on 8/4/10 due on 8/3/11, interest at 1.500%. | 6,571,300.00 | 7,068,300.00 |
| Green Trust Loan | 639,085.04 | 339,068.00 |
| Total General Capital Debt | $ 12,070,385.04 | $ 12,552,368.00 |
| Utility Debt: | | |
| $1,315,000, 1994 Water and Sewer Utility Refunding Bonds due in annual installments of $80,000 to $120,000 through July 2013, interest at 5.350% to 5.625%. | 330,000.00 | 430,000.00 |
| $1,651,600, Water and Sewer Utility Bond Anticipation Notes issued on 8/4/10 due on 8/3/11, interest at 1.500%. | 2,594,600.00 | 1,651,600.00 |
| Total Utility Debt | 2,924,600.00 | 2,081,600.00 |
| Total Debt Issued and Outstanding | $ 14,994,985.04 | $ 14,633,968.00 |

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

| 2010 | Gross Debt | Deductions | Net Debt |
|---|---|---|---|
| Local School District Debt | $ 6,905,000.00 | $ 6,905,000.00 | |
| Water Utility and Sewer Utility Debt | 3,674,600.00 | 3,674,600.00 | |
| General Debt | 13,095,974.27 | 164,706.70 | $ 12,931,267.57 |
| | $ 23,675,574.27 | $ 10,744,306.70 | $ 12,931,267.57 |

Net Debt $13,433,001.00 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $760,403,772.00 = 1.70%

| 2009 | Gross Debt | Deductions | Net Debt |
|---|---|---|---|
| Local School District Debt | $ 7,180,000.00 | $ 7,180,000.00 | |
| Water Utility and Sewer Utility Debt | 3,831,600.00 | 2,679,163.80 | 1,152,436.20 |
| General Debt | 14,057,301.00 | 204,803.36 | $ 13,852,497.64 |
| | $ 25,068,901.00 | $ 10,063,967.16 | $ 15,004,933.84 |

Net Debt $15,004,933.84 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended $776,794,557.00 = 1.93%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

| | 2010 | 2009 |
|---|---|---|
| 3 1/2% of Equalized Valuation Basis Municipal | $ 26,614,132.02 | $ 27,187,809.50 |
| Net Debt | 12,931,267.57 | 15,004,933.84 |
| Remaining Borrowing Power | $ 13,682,864.45 | $ 12,182,875.66 |

CY 2010 Equalized Valuation Basis

| | |
|---|---|
| 2008 Equalized Valuation Basis of Real Property | $ 795,777,170.00 |
| 2009 Equalized Valuation Basis of Real Property | 749,470,822.00 |
| 2010 Equalized Valuation Basis of Real Property | 735,963,325.00 |
| Average Equalized Valuation | $ 760,403,772.33 |

CY 2009 Equalized Valuation Basis

| | |
|---|---|
| 2007 Equalized Valuation Basis of Real Property | $ 785,135,680.00 |
| 2008 Equalized Valuation Basis of Real Property | 795,777,170.00 |
| 2009 Equalized Valuation Basis of Real Property | 749,470,822.00 |
| Average Equalized Valuation | $ 776,794,557.33 |

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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

Calculation of "Self-Liquidating Purpose"
Water and Sewer Utility Per N.J.S.A. 40A:2-45

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Cash Receipts from Fees, Rents or Other Charges for Year | $ | 3,354,295.32 | $ | 3,297,302.60 |
| Deductions: | | | | |
| Operating & Maintenance Cost | | 3,070,052.36 | | 3,141,800.00 |
| Debt Service Per Water & Sewer Acct. | | 210,700.74 | | 213,124.41 |
| Total Deductions | | 3,280,753.10 | | 3,354,924.41 |
| Excess/(Deficit) in Revenue | $ | 73,542.22 | $ | (57,621.81) |

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

| | | | 2010 | | 2009 |
|---|---|---|---|---|---|
| Excess/(Deficit) in Revenues - Cash Basis (D-1) | | $ | 76,747.92 | $ | (12,122.64) |
| Add: | Refunds of Prior Year Revenues | | | | 4,963.48 |
| | Deferred Charge - Deficit in Operations | | 12,122.64 | | |
| | | | 12,122.64 | | 4,963.48 |
| | | | 88,870.56 | | (7,159.16) |
| Less: | Unexpended Balance of Appropriation Reserves | | 15,328.34 | | 50,462.65 |
| | | | 15,328.34 | | 50,462.65 |
| Excess/(Deficit) in Revenue | | $ | 73,542.22 | $ | (57,621.81) |

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

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

| Year Ending December 31 | General Principal | General Interest | Water and Sewer Utility Principal | Water and Sewer Utility Interest | Total |
|---|---|---|---|---|---|
| 2011 | 310,000.00 | 190,260.00 | 100,000.00 | 18,562.50 | 618,822.50 |
| 2012 | 310,000.00 | 178,402.50 | 110,000.00 | 12,937.50 | 611,340.00 |
| 2013 | 335,000.00 | 165,986.25 | 120,000.00 | 6,750.00 | 627,736.25 |
| 2014 | 335,000.00 | 153,005.00 | | | 488,005.00 |
| 2015 | 360,000.00 | 139,452.50 | | | 499,452.50 |
| 2016 | 360,000.00 | 125,412.50 | | | 485,412.50 |
| 2017 | 385,000.00 | 110,788.75 | | | 495,788.75 |
| 2018 | 385,000.00 | 95,388.75 | | | 480,388.75 |
| 2019 | 400,000.00 | 79,392.50 | | | 479,392.50 |
| 2020 | 415,000.00 | 62,477.50 | | | 477,477.50 |
| 2021 | 415,000.00 | 44,943.75 | | | 459,943.75 |
| 2022 | 425,000.00 | 27,093.75 | | | 452,093.75 |
| 2023 | 425,000.00 | 9,031.25 | | | 434,031.25 |
| Totals | $ 4,860,000.00 | $ 1,381,635.00 | $ 330,000.00 | $ 38,250.00 | $ 6,609,885.00 |

D. Green Acres Loan - 1324-03-067

| Year Ending December 31 | Principal | Interest | Total Payments |
|---|---|---|---|
| 2011 | $ 31,908.45 | $ 34,745.33 | $ 66,653.78 |
| 2012 | 32,549.82 | 11,981.60 | 44,531.42 |
| 2013 | 33,204.07 | 11,327.34 | 44,531.41 |
| 2014 | 33,871.47 | 10,659.94 | 44,531.41 |
| 2015 | 34,552.28 | 9,979.12 | 44,531.40 |
| 2016 | 35,246.78 | 9,284.62 | 44,531.40 |
| 2017 | 35,955.24 | 8,576.16 | 44,531.40 |
| 2018 | 36,677.94 | 7,853.46 | 44,531.40 |
| 2019 | 37,415.17 | 7,116.23 | 44,531.40 |
| 2020 | 38,167.22 | 6,364.19 | 44,531.41 |
| 2021 | 38,934.38 | 5,597.03 | 44,531.41 |
| 2022 | 39,716.96 | 4,814.45 | 44,531.41 |
| 2023 | 40,515.27 | 4,016.13 | 44,531.40 |
| 2024 | 41,329.62 | 3,201.78 | 44,531.40 |
| 2025 | 42,160.35 | 2,371.05 | 44,531.40 |
| 2026 | 43,007.77 | 1,523.63 | 44,531.40 |
| 2027 | 43,872.23 | 659.17 | 44,531.40 |
| | $ 639,085.04 | $ 140,071.25 | $ 779,156.29 |

E. Bond Anticipation Notes

The Borough has issued General Capital Bond Anticipation Notes in the amount of $6,571,300.00 and Water and Sewer Capital Bond Anticipation Notes in the amount of $2,594,600.00, bearing and interest rate of 1.500% due on August 4, 2011.

F. Green Trust Loan

The Borough received final drawdown during CY 2010 in the amount of $300,017.04 for the William Ralph Pier Replacemnent Project # 1324-03-067. The toatl loan amount outsatnding as at December 31, 2010 is reported within the General Capital Fund in the total amount of $639,085.04.

Note 7: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments (Cont'd)

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;

6. Local government investment pools;

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities, if:

   a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
   b. the custody of collateral is transferred to a third party;
   c. the maturity of the agreement is more than 30 days; and
   d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

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

The Borough maintains an investment in Special Emergency Notes issued by the Borough of Keyport, County of Monmouth in the amount of $50,000 as at December 31, 2010 and $100,000 as at December 31, 2009. The Special Emergency Notes are reported as an investment within the General Capital Fund.

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The NJ Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of $10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Note 9: GOVERNMENTAL FIXED ASSETS

The Borough's fixed assets are reported as follows:

| | Balance December 31, 2009 | Increase | Decrease | Balance December 31, 2010 |
|---|---|---|---|---|
| Land | $5,186,100.00 | | | $5,186,100.00 |
| Buildings/ Bldg. Improvements | 5,481,800.00 | | | 5,481,800.00 |
| Motor Vehicles & Equipment | 2,847,471.08 | 28,728.00 | | 2,876,199.08 |
| Machinery & Equipment | 344,731.30 | | | 344.731.30 |
| Office Furniture & Equipment | 163,066.09 | | | 163,066.09 |
| Other Equipment | 218,914.00 | | | 218,914.00 |
| | $14,242,082.47 | $28,728.00 | 0.00 | $14,270,810.47 |

Note 10: PENSION AND RETIREMENT PLANS

Employees of the Borough of Keyport are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). The Division of Pensions in the Department of Treasury, State of New Jersey, administers the PERS and PFRS plans. The plans are funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plans, which cover public employees throughout the state, do not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Borough who are members of the plan are not available. For 2010, the Borough contributed amounts of $147,923.00 for PERS and $356,804.00 for PFRS. For 2009, the Borough contributed amounts of $127,054.00 for PERS and $414,209.20 for PFRS.

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

Note 11: POST RETIREMENT HEALTH BENEFITS

P.L. 1997 C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge.

Borough of Keyport PERS employees do not receive any post-retirement benefits.

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Borough of Keyport has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Borough permits its employees 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. Effective for financial statements dated December 31, 1987, the state has required all municipalities to disclose the estimated current cost of such unpaid compensation would be $348,318.77 and $372,242.07 at December 31, 2010 and 2009, respectively. In accordance with New Jersey principles, this amount is not reported as an expenditure or liability for accrued compensated absences in accordance with GAAP.

Note 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the New Jersey Intergovernmental Insurance Fund – Property and Liability Fund and Worker's compensation fund. The joint insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund participates in the Municipal Excess Liability Program which as a contract for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workmen's compensation.

The Borough did not have the Insurance Fund reports on file for the year ended December 31, 2010.

At December 31, 2009, the Property and Liability Fund reported for all years combined, total assets of $18,290,418.00, liabilities and reserves of $16,415,133.00, which includes liabilities recorded for reported and unreported events in the amount of $11,357,307.00 and a fund balance for all years of $1,875,285.00.

At December 31, 2009, the Workers Compensation Fund reported for all years combined, total assets of $19,258,806.00 liabilities and reserves of $23,166,506.00, which includes liabilities recorded for reported and unreported events in the amount of $7,609,162.00 and a deficit fund balance for all years of $3,907,700.00.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following balances are reported for within the Trust Fund in the amount of $12,864.54 and $17,939.60, as at December 31, 2010 and 2009, respectively.

Note 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2010:

| Fund | Interfund Receivable | Interfund Payable |
|---|---|---|
| Current Fund | $ 88,635.62 | $ 87,471.88 |
| Trust Fund | | 460.85 |
| General Capital Fund | | 88.65 |
| Payroll Agency Fund | | 614.24 |
| Total | $ 88,635.62 | $ 88,635.62 |

Note 15: COMMITMENTS AND CONTINGENT

Federal and State Assistance Programs

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

Contingencies – Pending Litigation

As of the day of this report, the Borough had various litigation pending, including but not limited to, worker's compensation claims, civil litigation and pending disciplinary matters. Based upon all information available, the Borough does not believe that there are any legal matters pending, in the event of an adverse or unfavorable outcome, which would have a material impact upon the Borough's financial position.

Note 16: AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

During 2009, the Borough was awarded a total of $3,500,000 under the ARRA program by the United States Department of Agriculture (USDA) for Sanitary Sewer System Upgrades and Inflow/Infiltration Reduction Projects, consisting of a grant in the amount of $844,000 and a loan of $2,656,000. The Borough has recorded a receivable offset by a reserve in the total amount of $3,500,00 within the Sewer and Utility Capital Fund. The Borough has appropriated and authorized $1,600,000 for project expenditures and has reported incurred expenditures of $246,527.66 for the year ended December 31, 2010.

Note 17: SUBSEQUENT EVENTS

Bonds and Notes Authorized

The Borough has authorized the issuance of debt with respect to the following Capital Projects:

| Project(s): | Total | Bonds and Notes Authorized |
|---|---|---|
| A. Improvements to Fireman's Park Boardwalk, the Benjamin Terry Park Bulkhead and the William A. Ralph Pier. | $ 725,000 | $ 150,000 |

Note 17: SUBSEQUENT EVENTS (CONT'D)

Bonds and Notes Authorized (Cont'd)

| Project(s) (Cont'd): | Total | Bonds and Notes Authorized |
|---|---|---|
| B. Various Roadway Improvements. | $ 900,000 | $ 445,000 |
| C. Amending Bond Ordinance 8-09 Providing for Sanitary Sewer System Upgrades. | $ 1,900,000 | $ 1,900,000 |

The Borough expects to permanently fund the improvements with the ARRA funds awarded by the United States Department of Agriculture (USDA) for Sanitary Sewer System Upgrades and Inflow/Infiltration Reduction Projects.

Issuance of Bonds

The Borough has authorized the offering of $3,000,000 General Obligation Bonds, Series 2011and providing for the sale by resolution of the Governing Body adopted July 5, 2011.

Issuance of Bond Anticipation Notes

The Borough has authorized the sale and issuance of $8,074,000 Bond Anticipation Notes by resolution of the Governing Body adopted July 5, 2011.

BOROUGH OF KEYPORT

MONMOUTH COUNTY, NEW JERSEY

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PART II

SUPPLEMENTAL FINANCIAL STATEMENTS

SUPPLEMENTARY DATA

GENERAL COMMENTS AND RECOMMENDATIONS

SINGLE AUDIT SECTION

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

Honorable Mayor and Members
of the Borough Council
Borough of Keyport
Monmouth County, New Jersey

We have audited the financial statements of the Borough of Keyport as of and for the year ended December 31, 2010, which collectively comprise the Borough of Keyport's financial statements and have issued our report thereon dated July 15, 2011. Our report was modified because of the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2 and was unqualified based upon the Other Comprehensive Basis of Accounting financial statement presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Keyport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Keyport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Keyport'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

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

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
July 15, 2011

**HODULIK & MORRISON, P.A.**
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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable Mayor and Members
of the Municipal Council
Borough of Keyport
Monmouth County, New Jersey

### Compliance

We have audited the compliance of the Borough of Keyport with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the New Jersey Compliance Manual "State Grant Compliance Supplement" that are applicable to each of its major state programs for the year ended December 31, 2010. The Borough's major state programs are identified in the "Summary of Auditor's Results Section" of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough of Keyport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04. Those standards and OMB circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Keyport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough of Keyport's compliance with those requirements.

In our opinion, the Borough of Keyport complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of major state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that the material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

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

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
July 15, 2011

# SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Schedule B

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDING DECEMBER 31, 2010

| State of New Jersey Department / Program Title | Grant Number/State Loan Number | Grant Period | Grant Award | 2010 Grant Receipts | 2010 Expenditures | Cummulative Expenditures/ Cancellations |
|---|---|---|---|---|---|---|
| Neighborhood Preservation Program | 022-8020-100-092 | 2009 | $ 150,000 00 | $ 20,972.76 | $ 32,895 11 | $ 150,000 00 |
| Neighborhood Preservation Program | 022-8020-100-092 | 2010 | 135,000 00 | 125,000.00 | 104,490 42 | 104,490 42 |
| Neighborhood Housing Rehab | 022-8020-100-101 | 2009 | 100,000 00 | 66,853 50 | 57,429 24 | 73,344 50 |
| Municipal Alliance | 2000-475-995120-60 | 2009 | 33,380 00 | 12,611.00 | 11,978 76 | 33,380 00 |
| Municipal Alliance | 2000-475-995120-60 | 2010 | 33,380 00 | 7,815.00 | 23,372 52 | 23,372 52 |
| | | | 451,760.00 | 233,252 26 | 230,166 05 | 384,587 44 |
| New Jersey Department of Environmental Protection | | | | | | |
| Recycling Tonnage Grants | 042-4900-752-001 | 2007 | 2,192 57 | | 2,087 37 | 2,192 57 |
| Recycling Tonnage Grants | 042-4900-752-001 | 2008 | 2,304 51 | | 2,304 51 | 2,304 51 |
| Recycling Tonnage Grants | 042-4900-752-001 | 2009 | 5,025 40 | | 5,025.40 | 5,025 40 |
| Recycling Tonnage Grants | 042-4900-752-001 | 2010 | 9,188 18 | 9,188 18 | 448 13 | 448 13 |
| Clean Communities Program | 042-4900-765-004 | 2009 | 12,121 87 | | 1,292 49 | 12,121 87 |
| Clean Communities Program | 042-4900-765-004 | 2010 | 12,595.95 | 12,595 95 | 5,915 17 | 5,915 17 |
| Harzardous Discharge Site Remediation Municipal Grant Program | P24381 | 2008 | 407,511 00 | | 22,360 25 | 407,511.00 |
| Harzardous Discharge Site Remediation Municipal Grant Program | P20185 | 2010 | 76,755 80 | 76,755 80 | 54,824 63 | 54,824 63 |
| Green Acres Grant/Loan (William A Ralph Pier) | 042-4800-002/003-6120-04 | 2004 | 852,500.00 | 400,022 72 | | 793,625 98 |
| Green Acres Grant (Waterfront Park) | 042-4800-003-6120-08 | 2008 | 724,375 00 | | 56,471.55 | 724,375.00 |
| Green Acres Loan (Waterfront Park) | 042-4800-002-6120-08 | 2008 | 373,125 00 | | 29,091 41 | 373,125 00 |
| | | | 2,477,695 28 | 498,562 65 | 179,820 91 | 2,381,469 26 |
| New Jersey Department of Transportation | | | | | | |
| State Aid Highway Projects (Rte. 35/36 Jughandle Improvements) | 078-6320-480-AKC | 2009 | 410,000 00 | 272,176 65 | 410,000 00 | 410,000 00 |
| State Aid Highway Projects (Beers Street Phase II) | 078-6320-480-AKN | 2009 | 225,000 00 | 168,750 00 | 225,000 00 | 225,000.00 |
| State Aid Highway Projects (Beers Street Phase III) | | 2010 | 225,000 00 | | 225,000 00 | 225,000.00 |
| | | | 860,000 00 | 440,926 65 | 860,000 00 | 860,000 00 |
| Dept of Law and Public Safety | | | | | | |
| Safe and Secure Communities | 066-1020-100-232 | 2009 | 93,995 00 | | 9,400 00 | 93,995 00 |
| Safe and Secure Communities | 066-1020-100-232 | 2010 | 93,995 00 | 28,202 00 | 77,892 00 | 93,995 00 |
| Drunk Driving Enforcement Fund | N/A | 2009 | 8,523 16 | | 4,035 14 | 8,201 10 |
| Body Armor Replacement Grant | 066-1020-718-001 | 2008 | 5,575 89 | | 932 75 | 932 75 |
| | | | 202,089 05 | 28,202 00 | 92,259 89 | 197,123 85 |
| Judiciary | | | | | | |
| Alcohol Education and Rehabilitation | 098-9735-760-001 | 2007 | 2,224.33 | | 374 33 | 2,224 33 |
| Alcohol Education and Rehabilitation | 098-9735-760-001 | 2008 | 3,528 66 | | 3,528 66 | 3,528 66 |
| Alcohol Education and Rehabilitation | 098-9735-760-001 | 2009 | 4,338 24 | | 4,338 24 | 4,338 24 |
| Alcohol Education and Rehabilitation | 098-9735-760-001 | 2010 | 5,731 13 | 5,731 13 | 2,351 77 | 2,351 77 |
| | | | 15,822 36 | 5,731 13 | 10,593 00 | 12,443 00 |
| | | | $ 4,007,366 69 | $ 1,206,674 69 | $ 1,372,839 85 | $ 3,835,623 55 |

Footnote:

NOTE See accompanying Notes to Schedule of Expenditures of State Financial Assistance

The Borough's state grants are presented within the Borough's overall financial statements on the modified accrual basis of accounting in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles

N/A - Not Available or Not Applicable

**BOROUGH OF KEYPORT**
**COUNTY OF MONMOUTH, NEW JERSEY**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**
**DECEMBER 31, 2010**

## NOTE 1: GENERAL

The accompanying schedule of expenditures of state financial assistance presents the activity of all state financial assistance programs of the Borough of Keyport. The Borough is defined in Note 1 to the financial statements.

## NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of state financial assistance is presented using the basis of accounting as described in Note 2 to the Borough's financial statements.

## NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's financial statements.

## NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports, where required.

BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

***Section 1 – Summary of Auditor's Results***

**Financial Statements**

Type of auditor's report issued: Unqualified (OCBOA)

Internal Control over financial reporting:

1) Material weakness(es) identified? ______ Yes __X__ No

2) Control Deficiency(s) identified that are not considered to be material weaknesses? ______ Yes __X__ No

Noncompliance material to financial statements noted? ______ Yes __X__ No

**State Awards**

Internal Control over financial reporting:

1) Material weakness (es) identified? ______ Yes __X__ No

2) Control Deficiency (s) identified that are not considered to be material weaknesses? ______ Yes __X__ No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? ______ Yes __X__ No

Identification of major programs:

| State Account Number(s) | Name of State Program or Cluster |
|---|---|
| ______ | State Aid Highway Projects : |
| 078-6320-480-AKC | Rte. 35/36 Jughandle Improvements |
| 078-6320-480-AKN | Beers Street Phase II |
| 078-6320-480-XXX | Beers Street Phase III |

BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

(continued)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? _____ Yes __X__ No

## *Section II – Financial Statement Findings*

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Governmental Auditing Standards.*

*Significant Deficiency(s)*

None noted.

*Non-Compliance*

None noted.

BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

(continued)

## ***Section III – State Award Findings and Questioned Costs***

State Award Programs:

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by OMB Circular A-133 and NJ OMB Circular 04-04.

*Significant Deficiency(s):*

None noted.

*Non-Compliance:*

None noted.

# BOROUGH OF KEYPORT
# COUNTY OF MONMOUTH, NEW JERSEY
# SUMMARY SCHEDULE OF PRIOR FINDINGS
# FOR THE YEAR ENDED DECEMBER 31, 2010

*Section 1 – Summary of Prior Year Findings*

## SUMMARY OF PRIOR YEAR FINDINGS

N/A

# CURRENT FUND

Exhibit A-4

# CURRENT FUND
# SCHEDULE OF CASH

| | Ref. | CURRENT FUND | |
|---|---|---|---|
| Cash Balance December 31, 2009 | A | | $ 1,056,138.69 |
| Increased by Cash Receipts | | | |
| Miscellaneous Anticipated Revenue | A-2,A-8 | $ 1,770,970.13 | |
| Miscellaneous Revenue Not Anticipated | A-2,A-8 | 80,984.85 | |
| Taxes Receivable | A-7 | 16,289,787.18 | |
| Due NJ Sr Citizens and Veterans Deductions | A-6 | 57,500.00 | |
| Interfunds | A-10 | 520,130.15 | |
| Various Accounts Payable & Reserves | A-14 | 27,900.75 | |
| Petty Cash Returned | A-5 | 800.00 | |
| Unappropriated Grant Reserves | A-10 | 58,545.41 | |
| Grants Receivable | A-10 | 401,362.14 | |
| Total Cash Receipts | | | 19,207,980.61 |
| Decreased by Disbursements | | | |
| Prior Year Revenue Refund | A-1 | $ (100,515.89) | |
| Budget Appropriations | A-3 | (7,115,485.28) | |
| Appropriated Grant Reserves | A-10 | (515,021.17) | |
| Appropriation Reserves | A-11 | (322,814.25) | |
| Tax Overpayments | A-12 | (2,704.47) | |
| Taxes Payable | A-13 | (10,793,469.31) | |
| Interfunds | A-10 | (570,311.00) | |
| Various Accounts Payable & Reserves | A-14 | (117,157.00) | |
| Petty Cash/Change Funds Advanced | A-5 | (800.00) | |
| Total Cash Disbursements | | | (19,538,278.37) |
| Cash Balance December 31, 2010 | A | | $ 725,840.93 |

Exhibit A-5

CURRENT FUND
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

| | Balance December 31, 2009 | Advanced | Returned | Balance December 31, 2010 |
|---|---|---|---|---|
| Change Fund | | | | |
| Tax Collector | $ 175.00 | | | $ 175.00 |
| Municipal Court............ | 200.00 | | | 200.00 |
| Construction................ | 50.00 | | | 50.00 |
| Board of Health............ | 50.00 | | | 50.00 |
| Borough Clerk............... | 50.00 | | | 50.00 |
| Petty Cash Funds: | | | | |
| Administration............. | | 200.00 | 200.00 | |
| Senior Center............... | | 200.00 | 200.00 | |
| Public Works............... | | 200.00 | 200.00 | |
| Police........................ | | 200.00 | 200.00 | |
| | $ 525.00 | $ 800.00 | $ 800.00 | $ 525.00 |
| Ref. | A | A-4 | A-4 | A |

Exhibit - A-6

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

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | A | | $ 1,889.20 |
| Increased by: | | | |
| Allowable Deductions per Tax Billings | A- 7 | $ 58,250.00 | |
| 2010 Sr. Citizens and Vet. Ded. Allowed by Collector | A- 7 | 1,500.00 | |
| 2009 Sr. Citizens And Vet. Ded. Allowed by Collector | A-4 | 250.00 | |
| | | | 60,000.00 |
| | | | 61,889.20 |
| Decreased by: | | | |
| Collected | A- 4 | 57,500.00 | |
| 2010 Sr. Citizens and Vet. Ded. Disallowed by Collector 2010 | A- 7 | 500.00 | |
| Ded. Disallowed by Collector 2009 | A- 1 | 1,250.00 | |
| | | | 59,250.00 |
| Balance - December 31, 2010 | A | | $ 2,639.20 |

Analysis of Sr. Citizens & Veterans Deductions Allowed - 2010 Taxes

| | | |
|---|---|---|
| Per Tax Billings | A- 7 | $ 58,250.00 |
| Allowed (Disallowed) by Tax Collector (Net) | A- 7 | 1,000.00 |
| | A-7 | $ 59,250.00 |

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

| | Ref. | Total | CY 11 Prepaid | CY 10 Current | Prior Years Delinquent | Arrears | Tax Liens | Property Acquired for Taxes |
|---|---|---|---|---|---|---|---|---|
| Balance 12/31/2009 | A | $ 789,338 38 | $ (71,965.54) | $ | $ 653,326 41 | $ | $ 110,877 51 | $ 97,100 00 |
| Billings / Levy: | | | | | | | | |
| Original Levy | Res | 16,335,091 02 | | 16,335,091.02 | | | | |
| Added & Omitted | Res | 3,637 04 | | 3,637 04 | | | | |
| Year End Penalty | Res | 16,731.79 | | 16,731 79 | | | | |
| Remitted/Canceled Taxes | Res | (36,957 63) | | (36,957.63) | | | | |
| Transfers | | | | | | | | |
| Tax Lien | | | | (7,454.97) | (105 30) | | 7,560 27 | |
| Revenue | | | | | | | | |
| Sr Citizens & Vets | | | | | | | | |
| Original Levy | A-6 | (58,250 00) | | (58,250.00) | | | | |
| Allowed/Disallowed | A-6 | 250.00 | | (1,000 00) | 1,250 00 | | | |
| Cash Receipts | A-4 | (16,289,787 18) | (79,011 15) | (15,556,304 92) | (654,471 11) | | | |
| Transfer from Overpayments | A-12 | | 1,487 28 | (1,487.28) | | | | |
| Prepaid Applied | | | 71,965 54 | (71,965 54) | | | | |
| Balance 12/31/2010 | A | $ 760,053 42 | $ (77,523 87) | $ 622,039 51 | $ | $ | $ 118,437 78 | $ 97,100 00 |
| | Ref. | | A | A, A-7 | | | A | A |

Analysis of 2010 Property Tax Levy.

| Tax Yield | |
|---|---|
| General Purpose Tax | $ 16,216,492 56 |
| Special District Taxes | 118,598 46 |
| Added Taxes | 3,637 04 |
| | $ 16,338,728 06 |

| | Ref. | |
|---|---|---|
| Local School District Tax | A-13 | $ 8,540,183.50 |
| County Tax | A-13 | 1,818,564 69 |
| County Open Space | A-13 | 113,384 15 |
| Due County - Added & Omitted | A-13 | 433 18 |
| Municipal Open Space Tax | A-13 | 189,398 47 |
| Business Improvement District | A-13 | 118,000 00 |
| | | 10,779,963 99 |
| Local Tax for Municipal Purposes | A-2 | 5,547,468.92 |
| Add Additional Tax Levied | | 11,295 15 |
| | | $ 16,338,728 06 |

| Current Taxes Realized | Ref. | |
|---|---|---|
| Sr Citizens & Vets | A-7 | $ 59,250 00 |
| Cash Receipts | A-7 | 15,556,304 92 |
| Prepayments | A-7 | 71,965 54 |
| Tranfer to Overpayments | A-7 | 1,487 28 |
| Subtotal | A-1 | 15,689,007 74 |
| Res For Uncoll Tax | A-3 | 693,952 92 |
| | | 16,382,960 66 |
| Taxes Payable | A-13 | (10,779,963 99) |
| | A-2 | $ 5,602,996 67 |

## CURRENT FUND
## SCHEDULE OF REVENUE ACCOUNTS RECEIVABLES AND MISCELLANEOUS REVENUES NOT ANTICIPATED

| | Ref. | 12/31/09 | Accrued/ Adjustments | Cash Receipts | 12/31/10 |
|---|---|---|---|---|---|
| Revenue Accounts Receivable: | | | | | |
| Licenses: | | | | | |
| Alcoholic Beverages | | | $ 33,016.63 | $ (33,016.63) | |
| Other | | | 7,186.00 | (7,186.00) | |
| Fees and Permits | | | | | |
| Construction Code Fees | | $ 8,088.00 | 113,752.00 | (115,078.00) | 6,762.00 |
| Other | | | 132,385.90 | (132,385.90) | |
| Fines and Costs - Municipal Court | | 23,861.58 | 212,905.60 | (228,151.69) | 8,615.49 |
| Interest and Costs on Taxes | | | 114,654.30 | (114,654.30) | |
| Cable Television Fees | | | 22,987.00 | (22,987.00) | |
| Payment in Lieu of Taxes: | | | | | |
| Senior Citizen Housing | | | 228,749.26 | (228,749.26) | |
| Bethany Manor Annex | | | 73,212.30 | (73,212.30) | |
| Reserve for Debt Service - Capital | | | 40,000.00 | (40,000.00) | |
| Consolidated Municipal Property Tax Relief Aid | | | 146,446.80 | (146,446.80) | |
| Energy Receipts Tax | | | 555,599.00 | (555,599.00) | |
| Supplemental Energy Receipts Tax | | | 12,076.00 | (12,076.00) | |
| Uniform Fire Safety Act | | | 47,292.25 | (46,427.25) | |
| Interlocal - Union Beach Board of Health | | | 5,000.00 | (5,000.00) | |
| General Capital Fund Balance | | | 10,000.00 | (10,000.00) | |
| | | 31,949.58 | 1,755,263.04 | (1,770,970.13) | 15,377.49 |
| | Ref. | A | Reserve | | A |
| Analysis of Miscellaneous Revenues: | | | | | |
| Account Receivable Collections | A-2, A-4 | | | $ 31,949.58 | |
| Current Year Collections | A-2, A-4 | | | 1,739,020.55 | |
| Subtotal | A-2, A-4 | | | 1,770,970.13 | |
| Grants Realized - Grant Fund | A-16 | | | 372,177.06 | |
| Total Miscellaneous Revenues Realized | A-2 | | | $ 2,143,147.19 | |

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLES AND
MISCELLANEOUS REVENUES NOT ANTICIPATED

| | | | |
|---|---|---|---|
| Miscellaneous Revenues Not Anticipated: | | | |
| Photocopies | | $ | 204.55 |
| Tire Recycling | | | 95.00 |
| Scrap Metal Recycling | | | 2,403.50 |
| Post Office Land Rent | | | 1,925.00 |
| NSF Charges | | | 220.00 |
| Miscellaneous | | | 10,932.06 |
| Fire Museum Rent | | | 1.00 |
| Film Permit Application | | | 1,000.00 |
| Interfaith Neighbor Lease | | | 7,475.00 |
| Restitution | | | 394.00 |
| Postage | | | 2.44 |
| Senior Citizen & Veteran Administrative Fee | | | 1,150.00 |
| Board of Health | | | 2,890.00 |
| NJ DMV Inspections | | | 7,233.00 |
| Void Municipal Court O/S Checks | | | 36.00 |
| Fire Arms Report | | | 32.00 |
| Fingerprinting | | | 32.00 |
| Miscellaneous - UCC | | | 8,249.00 |
| CBS Outdoor Billboard Lease | | | 9,000.00 |
| CBS Outdoor - 15% Sales Rent | | | 841.86 |
| Clean Energy Rebate | | | 200.00 |
| Historical Society Rent | | | 2.00 |
| Bid Specs | | | 50.00 |
| Verizon FIOS Fee | | | 13,018.08 |
| Void O/S Checks | | | 8,731.68 |
| Various Interest | | | 2,081.68 |
| Insurance Deductible Refund | | | 1,500.00 |
| Void Old O/S Checks - Trust | | | 325.00 |
| Auction - Municipal Property | | | 960.00 |
| Ref. | A-1, A-2, A-4 | $ | 80,984.85 |

Exhibit - A-9

## SCHEDULE OF DEFERRED CHARGES

| | Date Authorized | BALANCE DEC. 31, 2009 | RAISED IN 2010 BUDGET | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|
| Special Emergency | | | | |
| Revision of Tax Map/Revaluation | 5/16/06 | 100,000.00 | 50,000.00 | $ 50,000.00 |
| | | $ 100,000.00 | $ 50,000.00 | $ 50,000.00 |
| | Ref. | A | A-3 | A |

Exhibit A-10

# CURRENT FUND
## SCHEDULE OF INTERFUNDS

| | Ref. | 12/31/09 | Cash Receipts | Cash Disbursements | Budget Revenues | Budget Appropriations | Adjustments | 12/31/10 |
|---|---|---|---|---|---|---|---|---|
| Interfunds | | | | | | | | |
| General Capital Fund | | $ (305.29) | $ 500,000.00 | $ (549,783.36) | | | $ 50,000.00 | $ (88.65) |
| Water and Sewer Operating Fund | | | 18,852.75 | (18,852.75) | | | | |
| Payroll Fund | | (614.24) | | | | | | (614.24) |
| Grant Fund | | 27,276.29 | | | $ (372,177.06) | $ 496,406.06 | (64,033.41) | 87,471.88 |
| Animal Control Fund | | | 22.40 | (22.40) | | | | |
| Trust - Other Fund | | (63.36) | 1,255.00 | (1,652.49) | | | | (460.85) |
| Total | | $ 26,293.40 | $ 520,130.15 | $ (570,311.00) | $ (372,177.06) | $ 496,406.06 | $ (14,033.41) | $ 86,308.14 |
| | Ref. | A | A-4 | A-4 | A-2 | A-3 | | A |
| Receivables | | $ (982.89) | | | | | | $ (1,163.74) |
| Payables | | 27,276.29 | | | | | | 87,471.88 |
| | | $ 26,293.40 | | | | | | $ 86,308.14 |

| | Ref. | Adjustments |
|---|---|---|
| Special Emergency Note Payable | A-15 | $ 50,000.00 |
| Grants Appropriations Cancelled | A-1 | (50,640.05) |
| Grants Receivable Cancelled | A-1 | 41,720.26 |
| Grant Revenue Deposited in Current Fund | A-4 | 459,907.55 |
| Grant Expenditures Paid in Current Fund | A-4 | (515,021.17) |
| | | $ (14,033.41) |

SCHEDULE OF 2009 APPROPRIATION RESERVES

| | BALANCE DEC. 31, 2009 | AMOUNT AFTER MODIFICATION | PAID OR CHARGED | BALANCE LAPSED |
|---|---|---|---|---|
| Operations Within "CAPS" | | | | |
| Salaries and Wages: | | | | |
| Administrative and Executive | $ 272.86 | $ 1,172.86 | $ 1,170.00 | $ 2.86 |
| Municipal Clerk | 11,198.05 | 3,198.05 | 2,397.75 | 800.30 |
| Financial Administration | 1,616.00 | 1,616.00 | 1,146.50 | 469.50 |
| Collection of Taxes | 1,336.26 | 1,336.26 | 669.00 | 667.26 |
| Assessment of Taxes | 465.60 | 465.60 | 465.00 | 0.60 |
| Planning/Zoning Board | 200.12 | 200.12 | 195.50 | 4.62 |
| Property Maintenance Code | 3,773.95 | 3,773.95 | | 3,773.95 |
| Police Department | 92,882.21 | 97,882.21 | 76,624.55 | 21,257.66 |
| Uniform Fire Safety Act | 5,015.02 | 5,015.02 | 821.00 | 4,194.02 |
| Municipal Prosecutor | 489.89 | 489.89 | 444.00 | 45.89 |
| Municipal Court | 6,287.38 | 6,287.38 | 4,182.47 | 2,104.91 |
| Public Defender | 3,534.00 | 3,534.00 | | 3,534.00 |
| Road Repairs and Maintenance | 49,385.69 | 49,385.69 | 15,101.00 | 34,284.69 |
| Garbage and Trash Removal | 506.09 | 906.09 | 858.55 | 47.54 |
| Blood Borne Pathogens - Hepititis B | 6.94 | 6.94 | | 6.94 |
| Board of Health | 2,032.61 | 2,032.61 | | 2,032.61 |
| Recreation | 1,542.00 | 1,542.00 | | 1,542.00 |
| Senior Citizen Community Center | 1,184.00 | 1,184.00 | 1,096.60 | 87.40 |
| Accumulated Leave Compensation | 36.00 | 36.00 | | 36.00 |
| State Uniform Construction Code Officials | 182.59 | 182.59 | 168.00 | 14.59 |
| Total Salaries and Wages - Within "CAPS" | 181,947.26 | 180,247.26 | 105,339.92 | 74,907.34 |
| Other Expenses: | | | | |
| Administrative and Executive | 2,647.41 | 1,747.41 | 1,368.90 | 378.51 |
| Mayor and Council | 379.97 | 379.97 | 161.70 | 218.27 |
| Municipal Clerk | 2,294.36 | 15,294.36 | 14,961.90 | 332.46 |
| Revision & Codification of Ordinance | 6,000.00 | 6,000.00 | 5,840.00 | 160.00 |
| Financial Administration | 993.23 | 1,093.23 | 1,078.85 | 14.38 |

## SCHEDULE OF 2009 APPROPRIATION RESERVES

| | BALANCE DEC. 31, 2009 | AMOUNT AFTER MODIFICATION | PAID OR CHARGED | BALANCE LAPSED |
|---|---|---|---|---|
| Operations Within "CAPS" | | | | |
| Other Expenses (cont'd): | | | | |
| Collection of Taxes | 713.59 | 713.59 | 494.06 | 219.53 |
| Assessment of Taxes | 5,773.51 | 5,773.51 | 1,047.18 | 4,726.33 |
| Legal Services | 18,441.74 | 21,441.74 | 20,460.67 | 981.07 |
| Environmental Commission | 90.00 | 90.00 | | 90.00 |
| Engineering Services | 10,430.49 | 10,430.49 | 4,508.25 | 5,922.24 |
| Planning/Zoning Board | 951.47 | 951.47 | 580.41 | 371.06 |
| Revision of Master Plan | 100.00 | 100.00 | | 100.00 |
| Property Maintenance Code | 674.23 | 674.23 | | 674.23 |
| Liability Insurance | 3,422.60 | 22.60 | | 22.60 |
| Workmen's Compensation | 1,710.40 | 10.40 | | 10.40 |
| Employee Group Insurance | 2,980.54 | 180.54 | 100.00 | 80.54 |
| Police Department | 25,015.16 | 25,015.16 | 14,739.18 | 10,275.98 |
| Police Clothing Allowance | 4,228.42 | 4,228.42 | 1,611.58 | 2,616.84 |
| Emergency Management Service | 1,429.70 | 1,829.70 | 1,436.71 | 392.99 |
| Aid to Volunteer Fire Companies | 500.00 | 500.00 | | 500.00 |
| First Aid Contributions | 470.97 | 470.97 | 112.50 | 358.47 |
| Fire Department | 33,498.47 | 33,498.47 | 32,029.89 | 1,468.58 |
| Uniform Fire Safety Act | 14,361.75 | 14,361.75 | 4,281.31 | 10,080.44 |
| Municipal Court | 1,060.47 | 1,360.47 | 1,296.16 | 64.31 |
| Public Defender | 100.00 | 100.00 | | 100.00 |
| Road Repairs and Maintenance | 12,774.58 | 12,774.58 | 10,558.19 | 2,216.39 |
| Garbage and Trash Removal | 1,916.70 | 1,916.70 | 682.00 | 1,234.70 |
| Garbage and Trash Removal - Contracted (40A:4-85) | 20,047.85 | 20,047.85 | 17,232.49 | 2,815.36 |
| Public Buildings and Grounds | 1,665.21 | 1,665.21 | 1,199.65 | 465.56 |
| Blood Borne Pathogens - Hepititis B | 2,300.00 | 2,300.00 | 500.00 | 1,800.00 |
| Board of Health | 2,625.36 | 2,625.36 | 491.36 | 2,134.00 |
| Bayshore Youth Services Bureau | 227.50 | 227.50 | 227.50 | |
| Recreation | 8,926.64 | 8,926.64 | 500.00 | 8,426.64 |
| Senior Citizen Community Center | 2,350.46 | 2,350.46 | 1,307.30 | 1,043.16 |

SCHEDULE OF 2009 APPROPRIATION RESERVES

| | BALANCE DEC. 31, 2009 | AMOUNT AFTER MODIFICATION | PAID OR CHARGED | BALANCE LAPSED |
|---|---|---|---|---|
| Operations Within "CAPS" | | | | |
| Other Expenses (cont'd): | | | | |
| Senior Citizen Transportation Contracted | 1,647.00 | 1,647.00 | 1,464.00 | 183.00 |
| Parks and Playgrounds | 4,516.43 | 4,516.43 | 1,577.00 | 2,939.43 |
| Postage | 3,945.74 | 3,945.74 | 209.06 | 3,736.68 |
| State Uniform Construction Code Officials | 426.06 | 426.06 | 244.33 | 181.73 |
| Fuel for Motor Vehicles | 15,682.63 | 15,682.63 | 5,898.36 | 9,784.27 |
| Telephone | 9,831.21 | 9,831.21 | 3,792.28 | 6,038.93 |
| Street Lighting | 5,982.07 | 12,082.07 | 12,024.03 | 58.04 |
| Fuel Oil | 3,155.69 | 3,155.69 | 298.69 | 2,857.00 |
| Natural Gas | 9,035.20 | 9,035.20 | 8,478.18 | 557.02 |
| Electricity | 6,754.81 | 7,154.81 | 7,072.87 | 81.94 |
| Landfill Disposal Costs | 36,256.18 | 23,456.18 | 17,722.36 | 5,733.82 |
| Contingent | 500.00 | 500.00 | | 500.00 |
| Contribution to Social Security Systems (O.A.S.I.) | 8,149.48 | 8,149.48 | | 8,149.48 |
| Pension Adjustment Fund | 9,600.00 | 9,600.00 | | 9,600.00 |
| Total Other Expenses - Within "CAPS" | 306,585.28 | 308,285.28 | 197,588.90 | 110,696.38 |
| Total Appropriation Reserves - Within "CAPS" | 488,532.54 | 488,532.54 | 302,928.82 | 185,603.72 |
| Operations Excluded from "CAPS" | | | | |
| Other Expenses: | | | | |
| Maintenance of Free Public Library (P.L. 1985, Ch 541) | 2,490.68 | 2,490.68 | 286.41 | 2,204.27 |
| Contributions to Police and Firemen's Retirement System | 0.80 | 0.80 | | 0.80 |
| Public Employees' Retirement System | 9,660.00 | 9,660.00 | 452.87 | 9,207.13 |
| 911 Services (County of Monmouth) | 691.90 | 691.90 | | 691.90 |
| Recycling (Hazlet) | 1,713.00 | 1,713.00 | 1,713.00 | |

## SCHEDULE OF 2009 APPROPRIATION RESERVES

| | Ref. | BALANCE DEC. 31, 2009 | AMOUNT AFTER MODIFICATION | PAID OR CHARGED | BALANCE LAPSED |
|---|---|---|---|---|---|
| Operations Excluded from "CAPS" | | | | | |
| Other Expenses (cont'd): | | | | | |
| Public Building & Grounds (Keyport Board of Education) | | 3,690.83 | 3,690.83 | 3,324.75 | 366.08 |
| Monmouth County Regional Health II (P.L. 1975, Ch 329) | | 1,852.00 | 1,852.00 | | 1,852.00 |
| Acquisition of Firefighter Turnout Gear | | 20,000.00 | 20,000.00 | 19,948.40 | 51.60 |
| Total Other Expenses Excluded from "CAPS" | | 40,099.21 | 40,099.21 | 25,725.43 | 14,373.78 |
| Total Appropriation Reserves - Excluded from "CAPS" | | 40,099.21 | 40,099.21 | 25,725.43 | 14,373.78 |
| Total Appropriation Reserves | | $ 528,631.75 | $ 528,631.75 | $ 328,654.25 | $ 199,977.50 |
| | Ref.. | A | A | | A- 1 |
| 2009 Appropriation Reserves | A | $ 397,756.62 | | | |
| Reserve for Encumbrances | A | 130,875.13 | | | |
| | | $ 528,631.75 | | | |
| Cash Disbursements | A-4 | | | $ 322,814.25 | |
| Accounts Payable | A-14 | | | 5,840.00 | |
| | | | | $ 328,654.25 | |

Exhibit A-12

# CURRENT FUND
## SCHEDULE OF PROPERTY TAX OVERPAYMENTS

| | Ref. | | |
|---|---|---|---|
| Balance - December 31, 2009......................... | A | $ | 2,704.48 |
| Decreased By: | | | |
| Overpayments Refunded | A-4 | | 2,704.47 |
| Balance - December 31, 2010......................... | A | $ | 0.01 |

Exhibit A-13

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

| | 12/31/09 | Taxes Levied | Cash Disbursements | Adjustments | 12/31/10 |
|---|---|---|---|---|---|
| County Taxes Payable | | $ 1,931,948.84 | $ (1,931,948.84) | | |
| County - Added and Omitted | | 433.18 | | | $ 433.18 |
| Municipal Open Space Tax Payable | | 189,398.47 | (189,398.47) | | |
| Local School District Taxes | 13,942.00 | 8,540,183.50 | (8,554,122.00) | | 3.50 |
| Business Improvement District Taxes | | 118,000.00 | (118,000.00) | | |
| Total | $ 13,942.00 | $ 10,779,963.99 | $ (10,793,469.31) | $ - | $ 436.68 |
| Ref. | A | A-1, A-7 | A-4 | | A |

Exhibit A-14

## CURRENT FUND
## SCHEDULE OF VARIOUS ACCOUNTS PAYABLES & RESERVES

| | 12/31/09 | Transfer from/(to) Budget | Cash Receipts | Cash Disbursements | Adjustments | 12/31/10 |
|---|---|---|---|---|---|---|
| Accounts Payable: | | | | | | |
| Vendor Accounts Payable | $ 91,700.00 | 5,840.00 | | $ (39,429.97) | $ (52,270.03) | $ 5,840.00 |
| Subtotal | 91,700.00 | 5,840.00 | | (39,429.97) | (52,270.03) | 5,840.00 |
| Reserve for: | | | | | | |
| Senior Programs | 29,252.72 | | 27,900.75 | (46,234.22) | | 10,919.25 |
| Reserve for Tax Map/Revaluation | 32,268.34 | | | (31,492.81) | | 775.53 |
| Subtotal | 61,521.06 | | 27,900.75 | (77,727.03) | | 11,694.78 |
| Total | $ 153,221.06 | $ 5,840.00 | $ 27,900.75 | $ (117,157.00) | $ (52,270.03) | $ 17,534.78 |
| Ref. | A | A-11 | A-4 | A-4 | | A |

| | | |
|---|---|---|
| Cancel Accounts Payable | A-1 | $ (52,270.03) |
| | | $ (52,270.03) |

Exhibit - A-15

SCHEDULE OF SPECIAL EMERGENCY NOTE PAYABLE

| ORD# NO. | IMPROVEMENT DESCRIPTION | ORIGINAL DATE ISSUED | DATE OF ISSUE | MATURITY DATE | INTEREST RATE | BALANCE DEC. 31, 2009 | DECREASE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| 8-06 | Revision of Tax Map/Revaluation | 12/20/06 | 12/20/06 | 12/20/07 | 0.00% | $ 100,000.00 | $ 50,000.00 | $ 50,000.00 |
| | | | | | | $ 100,000.00 | $ 50,000.00 | $ 50,000.00 |
| | | Ref. | | | | A | A-3 | A |

Exhibit - A-16

## SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
### GRANT FUND

| GRANT | BALANCE DEC. 31,2009 | 2010 BUDGET REVENUE REALIZED | COLLECTED 2010 | UNAPPROPRIATED REALIZED | CANCELLED | BALANCE DEC. 31,2010 |
|---|---|---|---|---|---|---|
| Municipal Drug Alliance Grant | $ 12,611.00 | $ 26,704.00 | 20,426.00 | | | $ 18,889.00 |
| Office on Aging | 36,000.00 | 36,000.00 | 36,000.00 | | | 36,000.00 |
| Safe and Secure Communities Program | 16,103.00 | 28,202.00 | 28,202.00 | | 16,103.00 | |
| Federal Bulletproof Vest Program | 15,992.26 | | | | 15,992.26 | |
| Neighborhood Housing Rehabilitation - 2009 | 93,525.00 | | 66,853.50 | | | 26,671.50 |
| NJ DEP Hazardous Discharge Site Remediation | | 76,755.80 | 76,755.80 | | | |
| Recycling Tonage Grant | | 9,188.18 | | 9,188.18 | | |
| Clean Communities | | 12,595.95 | 12,595.95 | | | |
| Alcohol Education and Rehabilitation | 22.15 | 5,731.13 | 5,731.13 | | | 22.15 |
| Monmouth Cty Open Space - Therese Ave Park | 7,000.00 | | | | 7,000.00 | |
| Monmouth Cty Open Space - Skate Park | | 52,000.00 | | | | 52,000.00 |
| DWI Saturation Patrol Grant | 11,450.00 | | 8,825.00 | | 2,625.00 | |
| Community Forestry Management Plan | 3,000.00 | | | | | 3,000.00 |
| Neighborhood Preservation - Balanced Housing | 20,972.76 | 125,000.00 | 145,972.76 | | | |
| | $ 216,676.17 | $ 372,177.06 | $ 401,362.14 | $ 9,188.18 | $ 41,720.26 | $ 136,582.65 |
| Ref. | A | A-2, A-17 | A-4 | A-19 | A-10 | A |

Exhibit - A-17

SCHEDULE OF DUE CURRENT FUND
GRANT FUND

| | Ref. | | | |
|---|---|---|---|---|
| Balance December 31, 2009 - Due From | A | | $ | (27,276.29) |
| Increased By: | | | | |
| Grant Appropriations Cancelled | A-18 | 50,640.05 | | |
| 2010 Budget Revenue | A-16 | 372,177.06 | | |
| Grant Expenditures Paid in Current Fund | A-18 | 55,113.62 | | |
| | | | | 477,930.73 |
| Decreased By: | | | | |
| 2010 Budget Appropriations | A-18 | 496,406.06 | | |
| Grants Receivable Cancelled | A-16,A-19 | 41,720.26 | | |
| | | | | 538,126.32 |
| Balance December 31, 2010 - Due From | A | | $ | (87,471.88) |

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

Exhibit - A-18

| GRANT/AID PROGRAM | BALANCE DEC. 31, 2009 | ENC. DEC. 31, 2009 | TRANSFERRED FROM 2010 BUDGET | PAID OR CHARGED | ENC. DEC. 31, 2010 | ADJUSTMENTS / CANCELLED | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|
| Alcohol Education and Rehabilitation | $ 8,241.23 | $ | $ 5,731.13 | $ 10,593.00 | $ | $ | $ 3,379.36 |
| Municipal Drug Alliance | | 11,978.76 | 33,380.00 | 35,351.28 | 9,414.25 | | 593.23 |
| Monmouth County Open Space - Skate Park | | | 52,000.00 | | | | 52,000.00 |
| Drunk Driving Enforcement Fund | 4,357.20 | | | 4,035.14 | 278.95 | | 43.11 |
| Recycling Tonnage Grant | 8,277.28 | 1,140.00 | 9,188.18 | 9,865.41 | 1,268.00 | | 7,472.05 |
| Clean Communities Program | 192.49 | 1,100.00 | 12,595.95 | 7,207.66 | 3,704.66 | | 2,976.12 |
| Safe and Secure Communities Program | 9,400.00 | | 93,995.00 | 87,292.00 | | 16,103.00 | |
| Office on Aging | 5,779.87 | 2,053.67 | 77,760.00 | 79,444.28 | 540.00 | 5,609.26 | |
| Body Armor Replacement Grant | 5,575.89 | | | 932.75 | | | 4,643.14 |
| Neighborhood Housing Rehab | 84,084.74 | | | 57,429.24 | | | 26,655.50 |
| Federal DOJ Bulletproof Vest Program | 12,138.28 | | | | | 12,138.28 | |
| Neighborhood Preservation Program | 187.45 | 32,707.66 | 135,000.00 | 137,385.53 | 25,800.00 | | 4,709.58 |
| US Homeland Security Grant | 3,294.51 | | | | | 3,294.51 | |
| NJ Hwy Safety - Over Limit Under Arrest | 25.00 | | | | | 25.00 | |
| NJ DEP Hazardous Discharge Site Remediation | 22,360.25 | | 76,755.80 | 77,184.88 | | | 21,931.17 |
| DWI Saturation Patrol | 18,870.00 | | | 5,400.00 | | 13,470.00 | |
| Community Forestry Management Plan | 100.00 | 2,900.00 | | 2,900.00 | | | 100.00 |
| | $ 182,884.19 | $ 51,880.09 | 496,406.06 | $ 515,021.17 | $ 41,005.86 | $ 50,640.05 | $ 124,503.26 |
| Ref. | A | A | A-3, A-17 | A-4 | A | A-1 | A |

Exhibit - A-19

SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED GRANT FUND

| GRANTS | BALANCE DEC. 31, 2009 | RECEIPTS | APPLIED TO STATE & FED GRANTS RECEIVABLE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|
| Recycling Tonnage Grant | 9,188.18 | 7,124.07 | 9,188.18 | 7,124.07 |
| Body Armor Replacement Grant | | 2,804.34 | | 2,804.34 |
| NJ EDA - Hazardous Discharge Site Remediation | | 48,617.00 | | 48,617.00 |
| | $ 9,188.18 | $ 58,545.41 | $ 9,188.18 | $ 58,545.41 |
| Ref. | A | A-4 | A-16 | A |

TRUST FUND

Exhibit - B-1

## STATEMENT OF CASH
## ANIMAL CONTROL AND OTHER TRUST FUNDS

| | REF. | ANIMAL CONTROL FUND | | OTHER TRUST FUND | | OPEN SPACE TRUST FUND | |
|---|---|---|---|---|---|---|---|
| Balance - December 31, 2009 | | | $ 5,955.87 | | $ 805,170.60 | | $ 134,461.82 |
| Increased by Receipts: | | | | | | | |
| Animal Control Fees | B-2 | $ 4,745.50 | | | | | |
| Budget Appropriation | B-2 | 16,000.00 | | | | | |
| Interfunds | B-4 | | | $397.49 | | | |
| Receipts of Various Trust Fund Deposits & Reserves | B-5 | | | 255,377.89 | | | |
| Tax Lexy | B-6 | | | | | 189,398.47 | |
| Interest on Deposits/Miscellaneous | B-6 | | | | | 77.49 | |
| State Fees | B-3 | | | 955.00 | | | |
| | | | 20,745.50 | | 256,730.38 | | 189,475.96 |
| | | | 26,701.37 | | 1,061,900.98 | | 323,937.78 |
| Decreased by Disbursements: | | | | | | | |
| Expenditures for Animal Control | B-2 | 18,320.90 | | | | | |
| Expenditures for Open Space | B-6 | | | | | 208,514.05 | |
| Due to the State of New Jersey | B-3 | | | 930.00 | | | |
| Disbursements of Various Trust Fund Deposits & Reserves | B-5 | | | 558,267.28 | | | |
| | | | 18,320.90 | | 559,197.28 | | 208,514.05 |
| Balance - December 31, 2010 | | | $ 8,380.47 | | $ 502,703.70 | | $ 115,423.73 |

Exhibit - B-2

ANIMAL CONTROL FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

| | Ref. | | | |
|---|---|---|---|---|
| Balance December 31, 2009 | B | | $ | 5,955.87 |
| Increased by: | | | | |
| Dog and Cat Licenses | B-1 | 4,745.50 | | |
| Budget Appropriation | B-1 | 16,000.00 | | |
| | | | | 20,745.50 |
| | | | | 26,701.37 |
| Decreased by: | | | | |
| Expenditures | B-1 | | | 18,320.90 |
| Balance December 31, 2010 | B | | $ | 8,380.47 |

Exhibit - B-3

OTHER TRUST FUNDS

SCHEDULE OF DUE TO STATE OF NEW JERSEY - FEES & LICENSES

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2009 | B | $ | 275.00 |
| Increased by: | | | |
| State Fees Collected | B-1 | | 955.00 |
| | | | 1,230.00 |
| Decreased by: | | | |
| Payments to State of New Jersey | B-1 | | 930.00 |
| Balance December 31, 2010 | B | $ | 300.00 |

Exhibit - B-4

OTHER TRUST FUNDS
DUE CURRENT FUND

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2009 ( Due to ) | B | $ | 63.36 |
| Increased by: Cash Receipts | B-1 | | 397.49 |
| Balance December 31, 2010 ( Due to ) | B | $ | 460.85 |

Exhibit B-5

OTHER TRUST FUNDS
SCHEDULE OF TRUST FUND DEPOSITS AND RESERVES

| | Balance December 31, 2009 | ..........Cash.......... Receipts | Disbursements | Balance December 31, 2010 |
|---|---|---|---|---|
| Cellular Tower Lease | $ 6,267.02 | $ | $ | $ 6,267.02 |
| Premium on Tax Sale | 242,100.00 | 2,200.00 | 229,700.00 | 14,600.00 |
| Welcome Center | 100.00 | | | 100.00 |
| Contractor Deposits | 45,598.46 | | | 45,598.46 |
| Interest on Contractor Deposits | 13,602.68 | | | 13,602.68 |
| Cash Repair Deposits | 39,764.00 | 2,428.50 | | 42,192.50 |
| POAA | 2,196.52 | 727.00 | 302.00 | 2,621.52 |
| Public Defender Fees | 8,235.75 | 4,355.00 | 5,000.00 | 7,590.75 |
| Municipal Drug Alliance | 6,419.10 | 74.88 | 1,127.61 | 5,366.37 |
| Construction Debris Deposits | 10,703.00 | 150.00 | 350.00 | 10,503.00 |
| Material Disposition | 350.00 | | | 350.00 |
| Law Enforcement Trust | 3,729.05 | 2,100.20 | | 5,829.25 |
| Developer's Escrow Deposits | 321,984.46 | 111,693.57 | 179,470.25 | 254,207.78 |
| Bayfront Improvements | 46,402.40 | 63,559.81 | 74,320.72 | 35,641.49 |
| Recreation Commission | 18,493.65 | 16,580.60 | 10,276.15 | 24,798.10 |
| Unemployment | 17,939.60 | 20,263.63 | 25,338.69 | 12,864.54 |
| Donations - Maint. & Beautification | 3,314.95 | 1,075.00 | 1,879.00 | 2,510.95 |
| Reserve for Recreation Events | 17,631.60 | 30,169.70 | 30,502.86 | 17,298.44 |
| Total | $ 804,832.24 | $ 255,377.89 | $ 558,267.28 | $ 501,942.85 |
| Ref. | B | B-1 | B-1 | B |

Exhibit - B-6

OPEN SPACE TRUST FUND
RESERVE FOR OPEN SPACE TRUST FUND

| | Ref. | | | |
|---|---|---|---|---|
| Balance December 31, 2009 | B | | $ | 118,801.82 |
| Increased by: | | | | |
| Res. For Encumbrances - Beg. | B | 15,660.00 | | |
| Cash Receipts | B-1 | 189,475.96 | | |
| | | | | 205,135.96 |
| | | | | 323,937.78 |
| Decreased by: | | | | |
| Res. For Encumbrances - Beg. | B | 28,433.20 | | |
| Cash Disbursement | B-1 | 208,514.05 | | |
| | | | | 236,947.25 |
| Balance December 31, 2010 | B | | $ | 86,990.53 |

GENERAL CAPITAL FUND

Exhibit - C- 2

SCHEDULE OF GENERAL CAPITAL FUND CASH
AND INVESTMENTS - TREASURER

| | REF. | | | |
|---|---|---|---|---|
| Balance - December 31, 2009 | C | | $ | 892,687.82 |
| Increased by Receipts: | | | | |
| Premium Received on Sale of Bond Anticipation Notes | C-1 | 18,346.46 | | |
| Various Grants and Other Receivables | C-4 | 766,962.70 | | |
| Budget Appropriations - Note Paydowns | C-6 | 602,000.00 | | |
| Interfunds | C-7 | 735,783.36 | | |
| Various Reserves | C-12 | 1,146,104.55 | | |
| Reimbursement Improvement Authorizations | C-8 | 446,578.85 | | |
| Proceeds from Sale of Bond Anticip. Notes | C-10 | 6,571,300.00 | | |
| | | | | 10,287,075.92 |
| | | | | 11,179,763.74 |
| Decreased by Disbursements: | | | | |
| Improvement Authorizations | C-8 | 2,527,453.64 | | |
| Interfunds | C-7 | 736,000.00 | | |
| Redemption of Bond Anticip. Notes | C-10 | 7,068,300.00 | | |
| | | | | 10,331,753.64 |
| Balance - December 31, 2010 | C, C-3 | | $ | 848,010.10 |
| Cash & Investments | C | | $ | 848,010.10 |
| Investment in Special Emergency Note | C | | | 50,000.00 |
| | | | $ | 898,010.10 |

GENERAL CAPITAL
SCHEDULE OF ANALYSIS OF CASH

| Ord. | Description | Ref | Deferred Charges | Ordinance Balance | Notes Outstanding | Other | Cash Balance |
|---|---|---|---|---|---|---|---|
| 21-96, 06-04 | Improvements to Various Roads | | $ (56,500.00) | $ | $ 56,500.00 | $ | $ |
| 12-03 | Related Expenses | | (900,000.00) | 144,917.10 | 900,000.00 | | 144,917.10 |
| 10-01 | Various Capital Improvements | | | 75.30 | | | 75.30 |
| 28-02 | Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles | | (100.00) | 2,891.15 | | | 2,791.15 |
| 8-03, 5-04 | Improvements to Therese Street | | (368,200.00) | 6,887.25 | 328,200.00 | | (33,112.75) |
| 15-03 | Construction of a Public Works Complex | | (801,500.00) | 706,936.70 | 91,000.00 | | (3,563.30) |
| 20-03, 12-04 | Improvements to Atlantic Street | | (492,000.00) | 128,931.25 | 392,000.00 | | 28,931.25 |
| 26-03 | Various 2003 Capital Improvements | | (124,760.00) | | 124,500.00 | | (260.00) |
| 28-03 | Improvements to Benjamin Terry Park Bulkhead | | (54,000.00) | 54,185.19 | | | 185.19 |
| 11-04 | Replacement of William A. Ralph Pier | | | 56,374.02 | | | 56,374.02 |
| 14-04, 22-05 | Construction of Waterfront Park | | (1,187,000.00) | 147,076.68 | 1,187,000.00 | | 147,076.68 |
| 08-05 | Reconstruction of Third Street | | (333,173.00) | 49,147.35 | 333,100.00 | | 49,074.35 |
| 25-05, 04-06 | Replacement of Borough Hall Roof | | (404,900.00) | 96,198.77 | 304,900.00 | | (3,801.23) |
| 27-05 | Preliminary Planning for Redevelopment Project | | (132,500.00) | 8,765.57 | 132,500.00 | | 8,765.57 |
| 09-06 | Reconstruction of Warren St & Coluco Place & Drainage Impts to Green Grove Ave. | | (349,600.00) | 151.10 | 349,600.00 | | 151.10 |
| 07-07 | Improvements to Cedar Street | | (230,000.00) | 31,900.87 | 230,000.00 | | 31,900.87 |
| 09-08 | Improvements Beers Street | | (300,000.00) | 2,703.27 | 300,000.00 | | 2,703.27 |
| 23-08 | Waterfront Park and Related Improvements | | (845,656.23) | 58,882.41 | 825,000.00 | | 38,226.18 |
| 25-08 | Various Capital Improvements | | (308,000.00) | 66,540.34 | 308,000.00 | | 66,540.34 |
| 2-09 | Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug | | (598,000.00) | 64,434.61 | 598,000.00 | | 64,434.61 |
| 11-10 | Improvements to Beers Street - Phase III | | (105,000.00) | 7,958.11 | 105,000.00 | | 7,958.11 |
| Reserve for Encumbrances | | C-8 | | 296,528.36 | | | 296,528.36 |
| Investment in Special Emergency Note | | C | | | | (50,000.00) | (50,000.00) |
| Excess BAN Cash | | C-6 | | | 6,000.00 | | 6,000.00 |
| State & Federal Grants Receivable | | C-4 | | | | (880,151.30) | (880,151.30) |
| Due from Current Fund | | C-7 | | | | 88.65 | 88.65 |
| Capital Improvement Fund | | C-11 | | | | 41,948.69 | 41,948.69 |
| Fund Balance | | C-1 | | | | 25,903.35 | 25,903.35 |
| Reserve for: | | | | | | | |
| | Pay Debt Service | C-12 | | | | 164,706.70 | 164,706.70 |
| | Drainage Improvements | C-12 | | | | 11,496.00 | 11,496.00 |
| | Infrastructure Improvements | C-12 | | | | 56,253.84 | 56,253.84 |
| | Insurance Proceeds | C-12 | | | | 565,868.00 | 565,868.00 |
| Total | | | $ (7,590,889.23) | $ 1,931,485.40 | $ 6,571,300.00 | $ (63,886.07) | $ 848,010.10 |
| | | Ref. | C,C-6 | C,C-8 | C,C-10 | | C,C-2 |

Exhibit - C-4

## SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

| | Ordinance Number | Ref. | Balance December 31, 2009 | Increases | Decreases | Balance December 31, 2010 |
|---|---|---|---|---|---|---|
| State & Federal Grant Receivables: | | | | | | |
| State of NJ DOT: | | | | | | |
| Beers Street Improvements | 09-08 | | $ 175,000.00 | $ | $ 175,000.00 | $ |
| Rte. 35/36 Jughandle Improvements | 02-09 | | 410,000.00 | | 272,176.65 | 137,823.35 |
| Beers Street Phase II | 02-09 | | 225,000.00 | | 168,750.00 | 56,250.00 |
| Beers Street Phase III | 11-10 | | | 225,000.00 | | 225,000.00 |
| Subtotal | | | 810,000.00 | | 615,926.65 | 419,073.35 |
| State of NJ DEP: | | | | | | |
| Replacement of William A. Ralph Pier | 11-04 | | 100,102.34 | | 100,102.34 | |
| Waterfront Park and Related Improvements - Grants | 23-08, 09-09 | | 724,375.00 | | | 724,375.00 |
| Waterfront Park and Related Improvements - Grants | 23-08 | | 373,125.00 | | | 373,125.00 |
| Subtotal | | | 1,197,602.34 | | 100,102.34 | 1,097,500.00 |
| CDBG: | | | | | | |
| Maple Place Streetscape | 02-09 | | 187,114.00 | | 151,036.05 | 36,077.95 |
| Subtotal | | | 187,114.00 | | 151,036.05 | 36,077.95 |
| | | | $ 2,194,716.34 | $ | $ 867,065.04 | $ 1,552,651.30 |
| | | Ref. | C | | | C |
| Grants Receivable Cancelled | | C-12 | | $ | $ 96.66 | |
| Reserve for State & Federal Grants, Loans and Other Receivables | | C-12 | | | 100,005.68 | |
| Cash Receipts | | C-2 | | | 766,962.70 | |
| Improvement Authorizations Unfunded | | C-8 | | 225,000.00 | | |
| | | | | $ 225,000.00 | $ 867,065.04 | |

Exhibit C-5

## SCHEDULE OF DEFERRED CHARGES - FUNDED

| | Ref. | | |
|---|---|---|---|
| Balance - December 31, 2009 | C | $ | 5,484,068.00 |
| Increased by: | | | |
| Bonds/Loans Issued | C-13 | | 300,017.04 |
| | | | 5,784,085.04 |
| Decreased by: | | | |
| Serial Bonds From Budget Appropriation | C-9 | | 285,000.00 |
| Balance - December 31, 2010 | C | $ | 5,499,085.04 |

Exhibit C-6

## SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

| ORD. NO. | IMPROVEMENT DESCRIPTION | BALANCE DEC. 31, 2009 | 2010 AUTHOR. | TRANSF. TO DEFERRED CHARGES FUNDED | 2010 FUNDING | BALANCE DEC. 31, 2010 | ANALYSIS OF BALANCE DECEMBER 31, 2010: BOND ANTICIPATION NOTES | EXPENDED | UNEXPENDED BALANCE IMPROV. AUTHOR. |
|---|---|---|---|---|---|---|---|---|---|
| | General Improvements: | | | | | | | | |
| 21-96 | Improvements to Various Roads | $ 58,500.00 | $ | $ | $ 2,000.00 | $ 56,500.00 | $ 56,500.00 | $ | $ |
| 21-99, 23-00, 12-03 | Construction of Municipal Building and Other Related Expenses | 913,000.00 | | | 13,000.00 | 900,000.00 | 900,000.00 | | |
| 28-02 | Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles | 100.00 | | | | 100.00 | | | 100.00 |
| 8-03, 5-04 | Improvements to Therese Street | 398,500.00 | | | 30,300.00 | 368,200.00 | 328,200.00 | 33,112.75 | 6,887.25 |
| 15-03 | Construction of a Public Works Complex | 803,500.00 | | | 2,000.00 | 801,500.00 | 91,000.00 | 3,563.30 | 706,936.70 |
| 20-03, 12-04 | Improvements to Atlantic Street | 504,000.00 | | | 12,000.00 | 492,000.00 | 392,000.00 | | 100,000.00 |
| 26-03 | Various 2003 Capital Improvements | 134,760.00 | | | 10,000.00 | 124,760.00 | 124,500.00 | 260.00 | |
| 28-03 | Improvements to Benjamin Terry Park Bulkhead | 86,000.00 | | | 32,000.00 | 54,000.00 | | | 54,000.00 |
| 11-04 | Replacement of William A. Ralph Pier | 376,000.00 | | | 376,000.00 | | | | |
| 14-04, 22-05 | Construction of Waterfront Park | 1,253,000.00 | | | 66,000.00 | 1,187,000.00 | 1,187,000.00 | | |
| 08-05 | Reconstruction of Third Street | 352,873.00 | | | 19,700.00 | 333,173.00 | 333,100.00 | | 73.00 |
| 25-05, 04-06 | Replacement of Borough Hall Roof | 416,200.00 | | | 11,300.00 | 404,900.00 | 304,900.00 | 3,801.23 | 96,198.77 |
| 27-05 | Preliminary Planning for Redevelopment Project | 137,500.00 | | | 5,000.00 | 132,500.00 | 132,500.00 | | |
| 09-06, 17-08, 18-08 | Reconstruction of Warren St & Coluco Place & Drainage Impts to Green Grove Ave. | 359,300.00 | | | 9,700.00 | 349,600.00 | 349,600.00 | | |
| 07-07 | Improvements to Cedar Street | 243,000.00 | | | 13,000.00 | 230,000.00 | 230,000.00 | | |
| 09-08 | Beers Street Improvement | 300,000.00 | | | | 300,000.00 | 300,000.00 | | |
| 23-08 | Waterfront Park and Related Improvements | 1,325,000.00 | | 479,343.77 | | 845,656.23 | 825,000.00 | | 20,656.23 |
| 25-08 | Various Capital Improvements | 308,000.00 | | | | 308,000.00 | 308,000.00 | | |
| 2-09 | Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug | 598,000.00 | | | | 598,000.00 | 598,000.00 | | |
| 11-10 | Improvements to Beers Street - Phase III | | 105,000.00 | | | 105,000.00 | 105,000.00 | | |
| | | $ 8,567,233.00 | $ 105,000.00 | $ 479,343.77 | $ 602,000.00 | $ 7,590,889.23 | $ 6,565,300.00 | $ 40,737.28 | $ 984,851.95 |
| | Ref. | C | C-8 | C-12 | C-2 | C | | | |

| | |
|---|---|
| Excess Note Cash - Ord. No. 18-08 | $ 6,000.00 |
| Bond Anticipation Notes Outstanding December 31, 2010 | $ 6,571,300.00 |

Exhibit C-6

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

| | | | |
|---|---|---|---|
| Improvement Authorization Balance - Unfunded: | | $ | 1,575,531.38 |
| Less: Unexpended BAN Cash | | | |
| Ord # | 12-03 | | (144,917.10) |
| Ord # | 12-04 | | (28,931.25) |
| Ord # | 14-04, 22-05 | | (50,877.91) |
| Ord # | 8-05, 22-07 | | (49,074.35) |
| Ord # | 25-05, 4-06 | | (96,198.77) |
| Ord # | 27-05 | | (8,765.57) |
| Ord # | 18-08 | | (151.10) |
| Ord # | 07-07 | | (31,900.87) |
| Ord # | 09-08 | | (2,703.27) |
| Ord # | 23-08 | | (38,226.18) |
| Ord # | 25-08 | | (66,540.34) |
| Ord # | 02-09 | | (64,434.61) |
| Ord # | 11-10 | | (7,958.11) |
| | | $ | 984,851.95 |

SCHEDULE OF INTERFUNDS
GENERAL CAPITAL FUND

| | Ref. | BALANCE DEC. 31, 2009 | INCREASES | DECREASES | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|
| Due Current Fund | | $ 305.29 | $ 785,783.36 | $ 786,000.00 | $ 88.65 |
| Due Water & Sewer Operating Fund | | | 84,175.70 | 84,175.70 | |
| Due Water & Sewer Capital Fund | | | 2,601,734.74 | 2,601,734.74 | |
| Open Space Trust Fund | | | 182,285.95 | 182,285.95 | |
| | | $ 305.29 | $ 3,653,979.75 | $ 3,654,196.39 | $ 88.65 |
| | Ref. | C | | | C |
| Receivables | | $ | | | $ |
| Payables | | 305.29 | | | 88.65 |
| | | $ 305.29 | | | $ 88.65 |
| Res to Pay Debt Service | C-12 | | $ 40,000.00 | $ | |
| Anticipated as Rev. in Current | C-1 | | 10,000.00 | | |
| Investment in Special Emergency Note | C-2 | | | 50,000.00 | |
| Cash Receipts | C-2 | | 735,783.36 | | |
| Cash Disbursements | C-2 | | | 736,000.00 | |
| Interfunds - Contra | Contra | | 2,868,196.39 | 2,868,196.39 | |
| | | | $ 3,653,979.75 | $ 3,654,196.39 | |

Exhibit C-8

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS - GENERAL CAPITAL FUND

| ORD. NO. | IMPROVEMENT DESCRIPTION | ORDINANCE DATE | ORDINANCE AMOUNT | BALANCE - DEC 31, 2009 FUNDED | BALANCE - DEC 31, 2009 UNFUNDED | 2010 AUTHORIZATIONS DEFERRED UNFUNDED | 2010 AUTHORIZATIONS OTHER FUNDING | RES FOR ENCUM 2009 | PAID OR CHARGED | RES FOR ENCUM 2010 | BALANCE - DEC 31, 2010 FUNDED | BALANCE - DEC 31, 2010 UNFUNDED |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Improvements. | | | | | | | | | | | |
| 13-01/ | | 09/04/01 | 200,000 00 | | | | | | | | | |
| 32-02 | Road Improvements (NJDOT $665,000) | 12/03/02 | 250,000 00 | $ 17,238 34 | $ | $ | $ | $ | $ 17,238 34 | $ | $ | $ |
| 21-99/ | | 09/21/99 | 3,000,000.00 | | | | | | | | | |
| 23-00/ | Construction of Municipal Building | 11/21/00 | 400,000 00 | | | | | | | | | |
| 12-03 | and Other Related Expenses | 05/06/03 | 1,000,000 00 | | 116,460 08 | | | 13,807 75 | (61,001 39) | 46,352 12 | | 144,917 10 |
| 10-01 | Various Capital Improvements | 07/10/01 | 273,000.00 | 75.30 | | | | | | | 75 30 | |
| | Acquisition of Fire Truck, Equipment | | | | | | | | | | | |
| 28-02 | and Non-Passenger Vehicles | 10/01/02 | 837,000.00 | 2,791 15 | 100 00 | | | | | | 2,791 15 | 100 00 |
| 08-03 | | 03/18/03 | 500,000.00 | | | | | | | | | |
| 05-04 | Improvements to Therese Street (CDBG $199,635) | 05/04/04 | 150,000.00 | | 42,065 64 | | | | 35,178 39 | | | 6,887 25 |
| 15-03 | Construction of Public Works Complex | 05/20/03 | 850,000 00 | | 706,986 16 | | | | 49 46 | | | 706,936 70 |
| 20-03 | | 05/05/03 | 400,000 00 | | | | | | | | | |
| 12-04 | Improvements to Atlantic Street (NJDOT $310,000) | 07/06/04 | 450,000 00 | | 147,843 31 | | | | 18,912 06 | | | 128,931 25 |
| 26-03 | Various 2003 Capital Improvements | 10/08/03 | 173,000 00 | 16,697 12 | 260 00 | | | | 16,957 12 | | | |
| | Improvements to Benjamin Terry Park | | | | | | | | | | | |
| 28-03 | Bulkhead | 10/07/03 | 100,000 00 | | 54,185 19 | | | | | | 185 19 | 54,000 00 |
| 11-04 | Replacement of William A Ralph Pier (NJDEP $340,750) | 07/06/04 | 850,000 00 | | 58,497 97 | | | 3,140 00 | 5,263 95 | | 56,374 02 | |
| 14-04 | | 08/03/04 | 1,000,000 00 | | | | | | | | | |
| 22-05 | Construction of Waterfront Park | 10/18/05 | 400,000 00 | | 157,105 58 | | | 290 00 | 5,476 87 | 4,842 03 | | 147,076 68 |
| 08-05 | Reconstruction of Third Street (CDBG $176,173) | 06/06/05 | 645,000 00 | | 49,552 41 | | | | 405 06 | | | 49,147 35 |
| 25-05 | | 11/01/05 | 300,000 00 | | | | | | | | | |
| 04-06 | Replacement of Borough Hall Roof | 03/07/06 | 150,000 00 | | 96,823 50 | | | | 624 73 | | | 96,198 77 |
| 26-05 | Reappropriation - Trucks and Various Equipment | 12/06/05 | 65,732 62 | | | | | | | | | |
| 27-05 | Preliminary Planning for Redevelopment Projects | 12/06/05 | 150,000 00 | | 17,640 81 | | | 1,764.00 | 10,639 24 | | | 8,765 57 |
| 09-06, 17-08 | Reconstruction of Warren St & Coluco Place | 05/16/06, 06/10/08 | | | | | | | | | | |
| 18-08 | & Drainage Impts to Green Grove Ave | 07/15/08 | 525,000 00 | | 767 10 | | | 12,503 72 | 616 00 | 12,503 72 | | 151 10 |
| 07-07 | Improvements to Cedar Street | 03/20/07 | 450,000 00 | | 44,911 56 | | | 78,560 65 | 86,272.49 | 5,298 85 | | 31,900 87 |
| 09-08 | Improvements Beers Street | 03/18/08 | 475,000 00 | | 1,801 08 | | | 78,212 29 | 77,310 10 | | | 2,703 27 |
| 23-08, 09-09 | Waterfront Park and Related Improvements | 09/16/08, 09/01/09 | 1,750,000 00 | | 105,311 65 | | | 474,195 91 | 396,789 56 | 123,835 59 | | 58,882 41 |
| 25-08 | Various Capital Improvements | 12/22/08 | 325,000 00 | | 66,707 75 | | | | 167 41 | | | 66,540 34 |
| 02-09 | Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug | 06/23/09 | 1,425,000 00 | | 114,252.11 | | | 1,201,812 06 | 1,221,064 36 | 30,565 20 | | 64,434 61 |
| 11-10 | Improvements to Beers Street - Phase III | | | | | 105,000 00 | 225,000 00 | | 248,911 04 | 73,130 85 | | 7,958 11 |
| | | | | $ 36,801 91 | $ 1,781,271 90 | $ 105,000 00 | $ 225,000 00 | $ 1,864,286 38 | $ 2,080,874.79 | $ 296,528 36 | $ 59,425.66 | $ 1,575,531 38 |
| | | | Ref. | C | C | C - 6 | C - 4 | C | | C | C | C |

| | Ref. | |
|---|---|---|
| Cash Disbursements | C-2 | $ 2,527,453 64 |
| Cash Receipts Refunds/Reimb | C-2 | (446,578 85) |
| | | $ 2,080,874 79 |

Exhibit - C-9

## SCHEDULE OF GENERAL SERIAL BONDS

| ISSUE | DATE OF ISSUE | ORIGINAL ISSUE | MATURITIES OF BONDS OUTSTANDING - DEC. 31,2010 DATE | AMOUNT | INTEREST RATE | BALANCE DEC. 31, 2009 | DECREASE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Various Improvements | 2/15/03 | 6,055,000.00 | 2/15/11 | 310,000.00 | 3.800% | | | |
| | | | 2/15/12 | 310,000.00 | 3.850% | | | |
| | | | 2/15/13 | 335,000.00 | 3.850% | | | |
| | | | 2/15/14 | 335,000.00 | 3.900% | | | |
| | | | 2/15/15 | 360,000.00 | 3.900% | | | |
| | | | 2/15/16 | 360,000.00 | 3.900% | | | |
| | | | 2/15/17 | 385,000.00 | 3.950% | | | |
| | | | 2/15/18 | 385,000.00 | 4.050% | | | |
| | | | 2/15/19 | 400,000.00 | 4.100% | | | |
| | | | 2/15/20 | 415,000.00 | 4.200% | | | |
| | | | 2/15/21 | 415,000.00 | 4.250% | | | |
| | | | 2/15/22 | 425,000.00 | 4.250% | | | |
| | | | 2/15/23 | 425,000.00 | 4.250% | 5,145,000.00 | 285,000.00 | 4,860,000.00 |
| | | | | | | $ 5,145,000.00 | $ 285,000.00 | $ 4,860,000.00 |
| | | | | Ref. | | C | C-5 | C |

## SCHEDULE OF BOND ANTICIPATION NOTES

| ORD. NO. | IMPROVEMENT DESCRIPTION | ORIGINAL DATE ISSUED | DATE OF ISSUE | MATURITY DATE | INTEREST RATE | BALANCE DEC. 31, 2009 | INCREASE | DECREASE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|
| 08-03, 05-04 | Improvements to Therese Street | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | $ 358,500.00 | $ 328,200.00 | $ 358,500.00 | $ 328,200.00 |
| 12-03 | Construction of Municipal Building | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | 913,000.00 | 900,000.00 | 913,000.00 | 900,000.00 |
| 15-03 | Construction of Public Works Complex | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | 93,000.00 | 91,000.00 | 93,000.00 | 91,000.00 |
| 20-03, 12-04 | Improvements to Atlantic Street | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | 404,000.00 | 392,000.00 | 404,000.00 | 392,000.00 |
| 26-03 | Various 2003 Capital Improvements | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | 134,500.00 | 124,500.00 | 134,500.00 | 124,500.00 |
| 28-03 | Improvements to Benjamin Terry Park Bulkhead | 2/17/04 | 8/4/10 | 8/3/11 | 1.500% | 32,000.00 | | 32,000.00 | |
| 11-04 | Replacement of William A. Ralph Pier | 8/12/04 | 8/4/10 | 8/3/11 | 1.500% | 376,000.00 | | 376,000.00 | |
| 21-96, 06-04 | Improvements to Various Roads | 8/12/04 | 8/4/10 | 8/3/11 | 1.500% | 58,500.00 | 56,500.00 | 58,500.00 | 56,500.00 |
| 14-04, 22-05 | Waterfront Park/Bulkhead Improvements | 8/11/05<br>8/10/06 | 8/4/10<br>8/4/10 | 8/3/11<br>8/3/11 | 1.500%<br>1.500% | 886,000.00<br>367,000.00 | 833,000.00<br>354,000.00 | 886,000.00<br>367,000.00 | 833,000.00<br>354,000.00 |
| 08-05 | Reconstruction of Third Street | 8/10/06 | 8/4/10 | 8/3/11 | 1.500% | 352,800.00 | 333,100.00 | 352,800.00 | 333,100.00 |
| 25-05, 04-06 | Replacement of Borough Hall Roof | 8/10/06 | 8/4/10 | 8/3/11 | 1.500% | 316,200.00 | 304,900.00 | 316,200.00 | 304,900.00 |
| 27-05 | Preliminary Planning - Redevelopment | 8/10/06 | 8/4/10 | 8/3/11 | 1.500% | 137,500.00 | 132,500.00 | 137,500.00 | 132,500.00 |
| 09-06 | Reconst. Warren Pl. & Colluco Pl. and Green Grove Drainage Impts | 8/10/06 | 8/4/10 | 8/3/11 | 1.500% | 365,300.00 | 355,600.00 | 365,300.00 | 355,600.00 |
| 07-07 | Improvements to Cedar Street | 8/9/07 | 8/4/10 | 8/3/11 | 1.500% | 243,000.00 | 230,000.00 | 243,000.00 | 230,000.00 |
| 09-08 | Improvements Beers Street | 8/8/08 | 8/4/10 | 8/3/11 | 1.500% | 300,000.00 | 300,000.00 | 300,000.00 | 300,000.00 |
| 23-08 | Waterfront Park and Related Improvements | 8/6/09 | 8/4/10 | 8/3/11 | 1.500% | 825,000.00 | 825,000.00 | 825,000.00 | 825,000.00 |
| 25-08 | Various Capital Improvements - Ambulance / PW Trucks | 8/6/09 | 8/4/10 | 8/3/11 | 1.500% | 308,000.00 | 308,000.00 | 308,000.00 | 308,000.00 |
| 02-09 | Various Capital Improvements - Beers II, Maple Pl, 35/36 Jug | 8/6/09 | 8/4/10 | 8/3/11 | 1.500% | 598,000.00 | 598,000.00 | 598,000.00 | 598,000.00 |
| 11-10 | Improvements to Beers Street Phase III | 8/4/10 | 8/4/10 | 8/3/11 | 1.500% | | 105,000.00 | | 105,000.00 |
| | | | | | | $ 7,068,300.00 | $ 6,571,300.00 | $ 7,068,300.00 | $ 6,571,300.00 |
| | | Ref. | | | | C | C-2 | C- 2 | C |

Exhibit - C-11

## SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND

| | REF. | |
|---|---|---|
| Balance - December 31, 2009 | C | $ 41,948.69 |
| Balance - December 31, 2010 | C | $ 41,948.69 |

## SCHEDULE OF VARIOUS RESERVES

| | Ref. | Balance December 31, 2009 | Increases (Decreases) | Balance December 31, 2010 |
|---|---|---|---|---|
| Reserve for: | | | | |
| Cash or Appropriated Reserves: | | | | |
| Pay Debt Service | | $ 104,701.02 | $ 60,005.68 | $ 164,706.70 |
| Drainage Improvements | | 11,496.00 | | 11,496.00 |
| Reserve for Infrastructure Improvements | | 55,366.74 | 887.10 | 56,253.84 |
| Insurance Proceeds | | | 565,868.00 | 565,868.00 |
| Subtotal | | 171,563.76 | 626,760.78 | 798,324.54 |
| Grants, Loans & Other Receivables: | | | | |
| State of NJ DEP: | | | | |
| Waterfront Park and Related Improvements - Grants | | 299,375.00 | | 299,375.00 |
| Waterfront Park and Related Improvements - Loans | | 373,125.00 | | 373,125.00 |
| Replacement of William A. Ralph Pier | | 100,102.34 | (100,102.34) | |
| Subtotal | | 772,602.34 | (100,102.34) | 672,500.00 |
| | | $ 944,166.10 | $ 526,658.44 | $ 1,470,824.54 |
| | | C | | C |
| Cash Receipts | C-2 | | $ 1,146,104.55 | |
| Transferred to Deferred Charges Funded | C-6 | | (479,343.77) | |
| Grants Receivable Collected | C-4 | | (100,005.68) | |
| Grant Receivable Cancelled | C-4 | | (96.66) | |
| Revenue Received in Current | C-7 | | (40,000.00) | |
| | | | $ 526,658.44 | |

Exhibit C-13

## SCHEDULE OF GREEN TRUST LOAN PAYABLE

| | Ref. | | |
|---|---|---|---|
| Balance - December 31, 2009 | C | $ | 339,068.00 |
| Increased by: | | | |
| 2010 Loans Issued | C-5 | | 300,017.04 |
| Balance - December 31, 2010 | C | $ | 639,085.04 |

Exhibit - C-14

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

| ORD. NO. | IMPROVEMENT DESCRIPTION | BALANCE DEC. 31, 2009 | 2010 AUTHOR. | BOND ANTICIPATION NOTES BONDS ISSUED | 2010 FUNDED | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|
| | General Improvements: | | | | | |
| 28-02 | Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles | $ 100.00 | $ | $ | $ | $ 100.00 |
| 08-03, 05-04 | Improvements to Therese Street | 40,000.00 | | | | 40,000.00 |
| 15-03 | Construction of a Public Works Complex | 710,500.00 | | | | 710,500.00 |
| 20-03, 12-04 | Improvements to Atlantic Street | 100,000.00 | | | | 100,000.00 |
| 26-03 | Various Capital Improvements | 260.00 | | | | 260.00 |
| 28-03 | Improvements to Benjamin Terry Park Bulkhead | 54,000.00 | | | | 54,000.00 |
| 08-05 | Reconstruction of Waterfront Park | 73.00 | | | | 73.00 |
| 25-05, 04-06 | Replacement of Borough Hall Roof | 100,000.00 | | | | 100,000.00 |
| 23-08, 09-09 | Waterfront Park and realted Improvements | 500,000.00 | | | 479,343.77 | 20,656.23 |
| 11-10 | Beers Street Phase III | | 105,000.00 | 105,000.00 | | |
| | | 1,504,933.00 | $ 105,000.00 | $ 105,000.00 | $ 479,343.77 | $ 1,025,589.23 |
| | Ref. | | | | | Footnote C |

WATER AND SEWER UTILITY FUND

Exhibit - D-5

## SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

| | REF. | OPERATING FUND | | CAPITAL FUND | |
|---|---|---|---|---|---|
| Balance - December 31, 2009 | D | | $ 449,488.55 | | $ 10,826.65 |
| Increased by Receipts: | | | | | |
| Consumer Accounts Receivable | D-8 | 2,882,039.70 | | | |
| Capital Fund Balance Budgeted as Operating Revenue | D-2 | 8,400.00 | | | |
| 2009 Operating Deficit raised in 2010 Budget | D | 12,122.64 | | | |
| Consumer Account Overpayments | D-19 | 1,443.85 | | | |
| Prepaid Consumer Accounts | D-20 | 262,280.25 | | | |
| Miscellaneous Revenue | D-3 | 169,513.32 | | | |
| Capital Improvement Fund to Operating Budget | D-21 | 45,600.00 | | | |
| Interfunds | D-11, D-12 | | | 100,000.00 | |
| Premium Received on Sale of Notes | D-2 | | | 7,134.74 | |
| Proceeds from Sale of Bond Anticipation Notes | D-17 | | | 2,594,600.00 | |
| Refunds - Contra | Contra | | | 57,000.00 | |
| | | | 3,381,399.76 | | 2,758,734.74 |
| | | | 3,830,888.31 | | 2,769,561.39 |
| Decreased by Disbursements: | | | | | |
| Budget Expenditures | D-4 | 3,168,088.22 | | | |
| Appropriation Reserves | D-14 | 74,185.99 | | | |
| Improvement Authorizations | D-18 | | | 248,790.54 | |
| Capital Fund Balance Budgeted as Operating Revenue | D-2 | | | 8,400.00 | |
| Accrued Interest on Bonds, Notes and Loans | D-15 | 51,363.20 | | | |
| Capital Improvement Fund to Operating Budget | D-21 | | | 45,600.00 | |
| Bond Anticipation Note Redeemed | D-17 | | | 1,594,600.00 | |
| Interfunds | D-11, D12 | 100,000.00 | | | |
| Refunds - Contra | Contra | | | 57,000.00 | |
| | | | 3,393,637.41 | | 1,954,390.54 |
| Balance - December 31, 2010 | D | | $ 437,250.90 | | $ 815,170.85 |

Exhibit D-6

## WATER AND SEWER CAPITAL FUND
## SCHEDULE OF ANALYSIS OF CASH

| Ord. | Description | Ref. | Deferred Charges | Ordinance Balance | Notes Outstanding | Other | Cash Balance |
|---|---|---|---|---|---|---|---|
| 13-04 | Various Improvements to Water and Sewer System.... | | $ (157,000.00) | $ 7,685.44 | $ 157,000.00 | $ | $ 7,685.44 |
| 21-05 | Perry Street Water Treatment Facility Upgrade.......... | | (1,019,600.00) | 15,564.11 | 1,019,600.00 | | 15,564.11 |
| 05-06 | Cass Street Standpipe Painting Project.................. | | (568,000.00) | 183,908.43 | 418,000.00 | | 33,908.43 |
| 08-09 | Sanitary Sewer System Upgrades | | (1,600,000.00) | 1,347,184.49 | 1,000,000.00 | | 747,184.49 |
| Reserve for Encumbrances..................................................... | | D-9 | | 3,550.39 | | | 3,550.39 |
| Due to Water and Sewer Operating Fund.................................. | | D-11 | | | | | |
| Capital Improvement Fund..................................................... | | D-21 | | | | 87.00 | 87.00 |
| Fund Balance................................................................ | | D-2 | | | | 7,190.99 | 7,190.99 |
| Total.................................................................................... | | | $ (3,344,600.00) | $ 1,557,892.86 | $ 2,594,600.00 | $ 7,277.99 | $ 815,170.85 |
| | | Ref. | D-13 | D-18 | D-17 | Var. | D, D-5 |

Exhibit - D-7

SCHEDULE OF ACCOUNTS PAYABLE
WATER AND SEWER UTILITY OPERATING FUND

| | REF. | |
|---|---|---|
| Balance - December 31, 2009 | D | $ 5,400.00 |
| Decreased By: | | |
| Cancel Accounts Payable | D-1 | 5,400.00 |
| Balance - December 31, 2010 | D | $ - |

Exhibit - D-8

## SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
## WATER AND SEWER UTILITY OPERATING FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | | $ 208,329.24 |
| Increased by: | | | |
| Water and Sewer Utility Billings | Reserve | | 3,169,282.51 |
| | | | 3,377,611.75 |
| Decreased by: | | | |
| Overpayments Applied | D-19 | 2,204.10 | |
| Prepaids Applied | D-20 | 241,138.20 | |
| Collected | D-5 | 2,882,039.70 | |
| | | | 3,125,382.00 |
| Balance - December 31, 2010 | D | | $ 252,229.75 |

Exhibit - D-9

SCHEDULE OF RESERVE FOR ENCUMBRANCES
WATER AND SEWER UTILITY FUND

| | Ref. | TOTAL | OERATING FUND | CAPITAL FUND |
|---|---|---|---|---|
| Balance - December 31, 2009 | D | $ 202,810.15 | $ 56,648.61 | $ 146,161.54 |
| Increased by: | | | | |
| CY 2009 Reserve for Encumbrances | D-4, D-18 | 21,929.21 | 18,378.82 | 3,550.39 |
| | | 224,739.36 | 75,027.43 | 149,711.93 |
| Decreased by: | | | | |
| Transferred to Approp.Res./Improv. Auth. | D-14, D-18 | 202,810.15 | 56,648.61 | 146,161.54 |
| Balance - December 31, 2010 | D | $ 21,929.21 | $ 18,378.82 | $ 3,550.39 |

Exhibit - D-10

SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND

| ACCOUNT | BALANCE DECEMBER 31, 2009 | Increases | Decreases | BALANCE DECEMBER 31, 2010 |
|---|---|---|---|---|
| Distribution System Land | $ 20,500.00 | $ | $ | $ 20,500.00 |
| Miscellaneous Land - Capital | 750.00 | | | 750.00 |
| Springs and Wells | 107,432.80 | | | 107,432.80 |
| Collection Reservoir | 15,000.00 | | | 15,000.00 |
| Filters | 31,877.89 | | | 31,877.89 |
| Clear Well Basin | 1,000.00 | | | 1,000.00 |
| Pumping Station Structures | 68,569.50 | | | 68,569.50 |
| Reservoirs and Standpipes | 10,000.00 | | | 10,000.00 |
| Distribution Mains and Accessories | 770,104.60 | | | 770,104.60 |
| Fire Hydrant and Cisterns | 2,500.00 | | | 2,500.00 |
| Bulkheads | 15,691.72 | | | 15,691.72 |
| Meters and Meter Bonds | 1,391.05 | | | 1,391.05 |
| Insurance and Bonds | 1,275.00 | | | 1,275.00 |
| Electric Pumping Power Equipment | 42,940.50 | | | 42,940.50 |
| Ferry Street Plant and Wells | 1,467,500.00 | | | 1,467,500.00 |
| General Equipment | 71,609.00 | | | 71,609.00 |
| Construction of Well #8 | 249,863.33 | | | 249,863.33 |
| Repairs and Improvements to Water Plant | 435,000.00 | | | 435,000.00 |
| Cedar Street Pumping Station | 210,000.00 | | | 210,000.00 |
| Rehabiliation of Sewer System | 151,000.00 | | | 151,000.00 |
| | $ 3,674,005.39 | $ | $ | $ 3,674,005.39 |
| Ref. | D | | | D |

The Fixed Capital, as reported, is taken from the Borough records and does not necessarily reflect the true condition of such Fixed Capital

Exhibit - D-11

## SCHEDULE OF INTERFUNDS
## WATER AND SEWER OPERATING FUND

| | Ref. | BALANCE DEC. 31, 2009 | INCREASES | DECREASES | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|
| Due Water & Sewer Capital Fund | | $ 100,000.00 | | $ 100,000.00 | $ |
| | | $ | $ - | $ 100,000.00 | $ |
| Payables | | $ 100,000.00 | | | $ |
| | | $ 100,000.00 | | | $ |
| Cash Disbursements | D-5 | | | $ 100,000.00 | |
| | | | | $ 100,000.00 | |

Exhibit - D-12

SCHEDULE OF INTERFUNDS
WATER AND SEWER CAPITAL FUND

| | BALANCE DEC. 31, 2009 | INCREASES | DECREASES | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|
| Due Water & Sewer Operating Fund | $ (100,000.00) | 100,000.00 | | $ |
| | - | | | |
| | $ | $ 100,000.00 | $ | $ |
| Receivables | $ (100,000.00) | | | |

| | Ref. | |
|---|---|---|
| Cash Receipts | D-5 | $ 100,000.00 |
| | | $ 100,000.00 |

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

| ORD. NO. | IMPROVEMENT DESCRIPTION | BALANCE DEC. 31,2009 | AUTHORIZED 2010 | BALANCE DEC. 31,2010 |
|---|---|---|---|---|
| 13-04 | Various Improvements to Water Sewer System | $ 250,000.00 | $ | $ 250,000.00 |
| 21-05 | Perry Street Water Treatment Facility Upgrade | 1,100,000.00 | | 1,100,000.00 |
| 05-06 | Cass Street Standpipe Painting Project | 600,000.00 | | 600,000.00 |
| 08-09 | Sanitary Sewer System Upgrades USDA | 1,600,000.00 | | 1,600,000.00 |
| | | $ 3,550,000.00 | $ | $ 3,550,000.00 |
| | Ref. | D | | D |

SCHEDULE OF 2009 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND

| | BALANCE DEC. 31, 2009 | RESERVE FOR ENCUMBRANCES DEC. 31, 2009 | BALANCE AFTER MODIFICATION | PAID OR CHARGED | BALANCE LAPSED |
|---|---|---|---|---|---|
| Operating: | | | | | |
| Salaries and Wages | $ 16,642.59 | $ | $ 16,642.59 | $ 7,766.68 | $ 8,875.91 |
| Other Expenses | 7,721.44 | 16,648.61 | 26,370.05 | 25,349.30 | 1,020.75 |
| Bayshore Regional Sewerage Authority | 66.91 | | 66.91 | | 66.91 |
| Acquisition of Water | 355.94 | 40,000.00 | 41,155.94 | 41,070.01 | 85.93 |
| Statutory Expenditures: | | | | | |
| Contribution to: | | | | | |
| Social Security System (O.A.S.I.) | 8,078.84 | | 5,278.84 | | 5,278.84 |
| | $ 32,865.72 | $ 56,648.61 | $ 89,514.33 | $ 74,185.99 | $ 15,328.34 |
| Ref. | D | D | | D - 5 | D - 1 |

Exhibit - D-15

## SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS
## WATER AND SEWER UTILITY OPERATING FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 22,062.20 |
| Increased by: | | | |
| Accrued Interest Charged to: | | | |
| Budget Appropriations | D-4 | | 53,700.74 |
| | | | 75,762.94 |
| Decreased by: | | | |
| Payment | D-5 | | 51,363.20 |
| Balance - December 31, 2010 | D, D-15 | $ | 24,399.74 |

Analysis of Balance - December 31, 2010:

| Principal Outstanding Dec. 31, 2010 | Interest Rate | From | To | Period | | Amount |
|---|---|---|---|---|---|---|
| 1994 Refunding Bonds 330,000.00 | 5.625% | 7/15 | 12/31 | 5.5 Mos. | $ | 8,507.81 |
| Bond Anticipation Notes 2,594,600.00 | 1.500% | 8/8 | 12/31 | 147 Days | | 15,891.93 |
| Total | | | | | $ | 24,399.74 |
| | | | | REF. | | D-15 |

Exhibit - D-16

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

| PURPOSE | DATE OF ISSUE | ORIGINAL ISSUE | MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2010 DATE | AMOUNT | INTEREST RATE | BALANCE DEC. 31, 2009 | DECREASE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Water and Sewer Utility Refunding Bonds - Series 1994 | 7/1/94 | 1,315,000 | 7/1/11 | 100,000 | 5.625% | | | |
| | | | 7/1/12 | 110,000 | 5.625% | | | |
| | | | 7/1/13 | 120,000 | 5.625% | $ 430,000.00 | $ 100,000.00 | $ 330,000.00 |
| | | | | | | $ 430,000.00 | $ 100,000.00 | $ 330,000.00 |
| | | | | | Ref. | D | D-22 | D |

## SCHEDULE OF BOND ANTICIPATION NOTES

| ORD. NO. | IMPROVEMENT DESCRIPTION | ORIGINAL DATE ISSUED | DATE OF ISSUE | MATURITY DATE | INTEREST RATE | BALANCE DEC. 31, 2009 | INCREASE | DECREASE | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|
| 13-04 | Repair and Improvement to Water/Sewer System | 8/11/05 | 8/4/10 | 8/4/11 | 1.500% | $ 184,000.00 | $ 157,000.00 | $ 184,000.00 | $ 157,000.00 |
| 21-05 | Perry Street Water Treatment Facility Upgrade | 8/10/06 | 8/4/10 | 8/4/11 | 1.500% | 1,033,600.00 | 1,019,600.00 | 1,033,600.00 | 1,019,600.00 |
| 05-06 | Cass Street Standpipe Painting Project | 8/10/06 | 8/4/10 | 8/4/11 | 1.500% | 434,000.00 | 418,000.00 | 434,000.00 | 418,000.00 |
| 08-09 | Sanitary Sewer System Upgrades USDA | 8/4/10 | 8/4/10 | 8/4/11 | 1.500% | | 1,000,000.00 | | 1,000,000.00 |
| | | | | | | $ 1,735,600.00 | $ 2,594,600.00 | $ 1,651,600.00 | $ 2,594,600.00 |
| | | | | | Ref. | D | D-5 | | D |
| | Notes Redeemed | | | | D-5 | | | $ 1,594,600.00 | |
| | Paid by Operating Fund | | | | Contra | | | 57,000.00 | |
| | | | | | | | | $ 1,651,600.00 | |

Exhibit - D-18

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
WATER AND SEWER UTILITY CAPITAL FUND

| ORD. NO. | IMPROVEMENT DESCRIPTION | ORDINANCE DATE | ORDINANCE AMOUNT | BALANCE - DEC. 31,2009 FUNDED | BALANCE - DEC. 31,2009 UNFUNDED | RESERVE FOR ENCUMB. DEC. 31, 2009 | PAID OR CHARGED | RESERVE FOR ENCUMB. DEC. 31, 2010 | BALANCE - DEC. 31,2010 FUNDED | BALANCE - DEC. 31,2010 UNFUNDED |
|---|---|---|---|---|---|---|---|---|---|---|
| 13-04 | Various Improvements to Water/Sewer System | 08/03/04 | 250,000.00 | $ | $ 7,770.78 | $ | $ 85.34 | $ | $ | $ 7,685.44 |
| 21-05 | Perry Street Water Treatment Facility Upgrade | 10/18/05 | 1,100,000.00 | | 17,514.45 | | 1,950.34 | | | 15,564.11 |
| 05-06 | Cass Street Standpipe Painting Project | 03/07/06 | 600,000.00 | | 184,135.63 | | 227.20 | | | 183,908.43 |
| 08-09 | Sanitary Sewer System Upgrades | 09/01/09 | 1,600,000.00 | | 1,451,101.00 | 146,161.54 | 246,527.66 | 3,550.39 | | 1,347,184.49 |
| | | | | $ | $ 1,660,521.86 | $ 146,161.54 | $ 248,790.54 | $ 3,550.39 | $ | $ 1,554,342.47 |
| | | | Ref. | D | D | D, D-9 | D- 5 | D - 9 | D | D |

Exhibit - D-19

## SCHEDULE OF WATER AND SEWER OVERPAYMENTS
## WATER AND SEWER UTILITY OPERATING FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 2,204.10 |
| Increased by: | | | |
| Collections | D-5 | | 1,443.85 |
| | | | 3,647.95 |
| Decreased by: | | | |
| Applied water Sewer Rents Receivable | D-8 | | 2,204.10 |
| Balance - December 31, 2010 | D | $ | 1,443.85 |

Exhibit - D-20

## SCHEDULE OF PREPAID CONSUMER DEPOSITS
## WATER AND SEWER UTILITY OPERATING FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 241,138.20 |
| Increased by: | | | |
| Prepaid Rents Collected | D-5 | | 262,280.25 |
| | | | 503,418.45 |
| Decreased by: | | | |
| Prepaids Applied | D-8 | | 241,138.20 |
| Balance - December 31, 2010 | D | $ | 262,280.25 |

Exhibit - D-21

## SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
## WATER AND SEWER UTILITY CAPITAL FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 45,687.00 |
| Decreased By: | | | |
| Cancel Capital Improvement Fund to Water and Sewer Operating Budget | D-5 | | 45,600.00 |
| Balance - December 31, 2010 | D | $ | 87.00 |

Exhibit - D-22

## SCHEDULE OF RESERVE FOR AMORTIZATION
## WATER AND SEWER UTILITY CAPITAL FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 3,244,005.39 |
| Increased By: | | | |
| Serial Bonds Paid | D-16 | | 100,000.00 |
| Balance - December 31, 2010 | D | $ | 3,344,005.39 |

Exhibit - D-23

## SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
## WATER AND SEWER UTILITY CAPITAL FUND

| | REF. | | |
|---|---|---|---|
| Balance - December 31, 2009 | D | $ | 148,400.00 |
| Increased by: | | | |
| Operating Budget - Notes Paid | D-17 | | 57,000.00 |
| Balance - December 31, 2010 | D | $ | 205,400.00 |

Exhibit - D-24

## SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

| ORD. NO. | IMPROVEMENT DESCRIPTION | BALANCE DEC. 31, 2009 | BOND ANTICIPATION NOTES ISSUED | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|
| 05-06 | Cass Street Standpipe Painting Project | $ 150,000.00 | $ | $ 150,000.00 |
| 08-09 | Sewer Upgrades USDA | 1,600,000.00 | 1,000,000.00 | 600,000.00 |
| | | $ 1,750,000.00 | $ 1,000,000.00 | $ 750,000.00 |
| | Ref. | | | Footnote D |

# PAYROLL FUND

## SCHEDULE OF PAYROLL AGENCY ACTIVITY

Exhibit - E-1

| | BALANCE DEC 31, 2009 | PAYROLL DEDUCTIONS | DISBURSE-MENTS | BALANCE DEC 31, 2010 |
|---|---|---|---|---|
| Federal Withholding Tax | $ | $ 457,375.13 | $ 457,375.13 | $ |
| Social Security/Medicare | | 387,150.82 | 387,150.82 | |
| State Withholding Tax | | 128,324.29 | 128,324.29 | |
| SUI/Disability | | 21,211.67 | 21,003.34 | 208.33 |
| 457B Plan | | 43,250.00 | 43,250.00 | |
| AFLAC | | 12,479.00 | 12,479.00 | |
| PERS | 2,169.88 | 146,616.78 | 143,849.85 | 4,936.81 |
| PFRS | 947.06 | 281,137.09 | 265,773.63 | 16,310.52 |
| Police/Firemens Insurance | | 4,131.36 | 4,131.36 | |
| Garnishments | | 111,300.03 | 111,300.03 | |
| Monoc Credit Union | | 57,767.14 | 57,767.14 | |
| PBA Dues | | 15,975.00 | 15,975.00 | |
| Clerical/PW Union Dues | | 24,115.39 | 24,115.39 | |
| Life Insurance | | 8,599.92 | 8,599.92 | |
| Miscellaneous | 1,892.49 | | 1,443.36 | 449.13 |
| Health Insurance Co-Pay | | 36,236.46 | 34,378.94 | 1,857.52 |
| | $ 5,009.43 | $ 1,735,670.08 | $ 1,716,917.20 | $ 23,762.31 |
| Ref. | E | | | E |

GOVERNMENTAL FIXED ASSETS

Exhibit - F-1

## SCHEDULE OF GOVERNMENTAL FIXED ASSETS

| FIXED ASSETS | BALANCE DEC. 31, 2009 | ADDITIONS | DELETIONS | BALANCE DEC. 31, 2010 |
|---|---|---|---|---|
| Land | $ 5,186,100.00 | | | $ 5,186,100.00 |
| Buildings/Building Improvements | 5,481,800.00 | | | 5,481,800.00 |
| Motor Vehicles and Equipment | 2,847,471.08 | $ 28,728.00 | | 2,876,199.08 |
| Machinery and Equipment | 344,731.30 | | | 344,731.30 |
| Office Furniture and Equipment | 163,066.09 | | | 163,066.09 |
| Other Equipment | 218,914.00 | | | 218,914.00 |
| | $ 14,242,082.47 | $ 28,728.00 | $ - | $ 14,270,810.47 |

SUPPLEMENTARY DATA

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2010

| ASSETS | CURRENT FUND | TRUST FUND | GENERAL CAPITAL FUND | WATER AND SEWER UTILITY FUND | PAYROLL AGENCY FUND | GOVERNMENTAL FIXED ASSETS | MEMORANDUM ONLY TOTALS DEC. 31,2010 | MEMORANDUM ONLY TOTALS DEC. 31,2009 |
|---|---|---|---|---|---|---|---|---|
| Cash and Investments | $ 726,365.93 | $ 626,507.90 | $ 898,010.10 | $ 1,252,421.75 | $ 24,376.55 | $ | $ 3,527,682.23 | $ 3,460,878.67 |
| Accounts Receivable: | | | | | | | | |
| State, Federal & Local Grants Receivable | 136,582.65 | | 1,552,651.30 | 3,500,000.00 | | | 5,189,233.95 | 5,911,392.51 |
| Due from Board of Health | | | | | | | | |
| Due from County of Monmouth | | | | | | | | |
| Due from State of New Jersey | 2,639.20 | | | | | | 2,639.20 | 1,889.20 |
| Taxes, Assessments, Liens & Utility Charges | 740,477.29 | | | 252,229.75 | | | 992,707.04 | 972,533.16 |
| Interfund Loans | 88,635.62 | | | | | | 88,635.62 | 128,259.18 |
| Prepaid Local District School Tax | | | | | | | | |
| Other Accounts Receivable | 15,377.49 | | | | | | 15,377.49 | 31,949.58 |
| Property Acquired for Taxes at Assessed Valuation | 97,100.00 | | | | | | 97,100.00 | 97,100.00 |
| Fixed Assets - General | | | | | | 14,270,810.47 | 14,270,810.47 | 14,242,082.47 |
| Fixed Capital - Utility | | | | 3,674,005.39 | | | 3,674,005.39 | 3,674,005.39 |
| Fixed Capital - Authorized and Uncompleted - Utility | | | | 3,550,000.00 | | | 3,550,000.00 | 3,550,000.00 |
| Deferred Charges - Deficit in Operations | | | | | | | | 12,122.64 |
| Deferred Charges to Revenue of Succeeding Years | 50,000.00 | | | | | | 50,000.00 | 100,000.00 |
| Deferred Charges to Future Taxation: | | | | | | | | |
| General Capital Fund | | | 13,089,974.27 | | | | 13,089,974.27 | 14,051,301.00 |
| | $ 1,857,178.18 | $ 626,507.90 | $ 15,540,635.67 | $ 12,228,656.89 | $ 24,376.55 | $ 14,270,810.47 | $ 44,548,165.66 | $ 46,233,513.80 |

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2010

| LIABILITIES, RESERVES AND FUND BALANCE | CURRENT FUND | TRUST FUND | GENERAL CAPITAL FUND | WATER AND SEWER UTILITY FUND | PAYROLL AGENCY FUND | GOVERNMENTAL FIXED ASSETS | MEMORANDUM ONLY TOTALS DEC. 31,2010 | MEMORANDUM ONLY TOTALS DEC. 31,2009 |
|---|---|---|---|---|---|---|---|---|
| Bonds and Notes Payable | $ | $ | $ 11,431,300.00 | $ 2,924,600.00 | $ | $ | $ 14,355,900.00 | $ 14,294,900.00 |
| Loans Payable | | | 639,085.04 | | | | 639,085.04 | 339,068.00 |
| Prepaid Taxes, Assessments, Utility Charges and Licenses | 77,523.87 | | | 262,280.25 | | | 339,804.12 | 313,103.74 |
| Tax, Assessment, Lien, License and Utility Charge Overpayments | 0.01 | | | 1,443.85 | | | 1,443.86 | 4,908.58 |
| Appropriation Reserves | 196,987.50 | | | 52,707.96 | | | 249,695.46 | 430,622.34 |
| Reserve for Encumbrances/ Accounts Payable | 174,792.77 | 28,433.20 | 296,528.36 | 18,378.82 | | | 518,133.15 | 2,216,450.21 |
| Other Liabilities | | 300.00 | | 27,950.13 | 23,762.31 | | 52,012.44 | 173,508.17 |
| Due County Taxes | 433.18 | | | | | | 433.18 | |
| Due School Taxes | 3.50 | | | | | | 3.50 | 13,942.00 |
| Due State of New Jersey | | | | | | | | |
| Amts. Pledged to Specific Purposes | 194,743.45 | 597,313.85 | 41,948.69 | 87.00 | | | 834,092.99 | 1,270,819.05 |
| Improvement Authorizations | | | 1,634,957.04 | 1,554,342.47 | | | 3,189,299.51 | 3,478,595.67 |
| Interfund Loans | 87,471.88 | 460.85 | 88.65 | | 614.24 | | 88,635.62 | 128,259.18 |
| Investments in General Fixed Assets | | | | | | 14,270,810.47 | 14,270,810.47 | 14,242,082.47 |
| Reserve for Amortization | | | | 3,549,405.39 | | | 3,549,405.39 | 3,392,405.39 |
| Reserve for State & Federal Grants | | | | | | | | |
| Reserve for Certain Assets Acquired or Receivables & Inventories | 853,504.28 | | 1,470,824.54 | 3,752,229.75 | | | 6,076,558.57 | 5,546,117.49 |
| Special Emergency Note Payable | 50,000.00 | | | | | | 50,000.00 | 100,000.00 |
| Fund Balance | 221,717.74 | | 25,903.35 | 85,231.27 | | | 332,852.36 | 288,731.51 |
| | $ 1,857,178.18 | $ 626,507.90 | $ 15,540,635.67 | $ 12,228,656.89 | $ 24,376.55 | $ 14,270,810.47 | $ 44,548,165.66 | $ 46,233,513.80 |

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

| Revenue and Other Income Realized | Year 2010 Amount | Year 2010 % | Year 2009 Amount | Year 2009 % |
|---|---|---|---|---|
| Fund Balance Utilized | $ 255,000.00 | 1.33 | $ 400,000.00 | 2.11 |
| Miscellaneous - From Other Than Local Property Tax Levies | 2,143,147.19 | 11.21 | 2,230,996.92 | 11.75 |
| Collection of Delinquent Taxes and Tax Title Liens | 654,471.11 | 3.42 | 596,291.53 | 3.14 |
| Collection of Current Tax Levy | 15,689,007.74 | 82.03 | 15,447,238.93 | 81.32 |
| Other Credits to Income | 383,872.43 | 2.01 | 321,621.12 | 1.69 |
| Total Income | 19,125,498.47 | 100.00 | 18,996,148.50 | 100.00 |
| **Expenditures** | | | | |
| Budget Expenditures: | | | | |
| Municipal Purposes | 7,986,825.75 | 42.24 | 8,036,148.80 | 42.88 |
| County Taxes | 1,932,382.02 | 10.22 | 1,969,794.89 | 10.51 |
| Local School Taxes | 8,540,183.50 | 45.16 | 8,419,849.50 | 44.93 |
| Business Improvement District Taxes | 118,000.00 | 0.62 | 125,000.00 | 0.67 |
| Municipal Open Space Taxes | 189,398.47 | 1.00 | 190,022.00 | 1.01 |
| Other Expenditures | 143,417.00 | 0.76 | 810.00 | 0.00 |
| Total Expenditures | 18,910,206.74 | 100.00 | 18,741,625.19 | 100.00 |
| Less: Expenditures to be Raised by Future Taxes | | | | |
| Total Adjusted Expenditures | 18,910,206.74 | | 18,741,625.19 | |
| Excess in Revenue | 215,291.73 | | 254,523.31 | |
| Fund Balance January 1 | 260,811.77 | | 406,288.46 | |
| | 476,103.50 | | 660,811.77 | |
| Less: Utilization as Anticipated Revenue | 255,000.00 | | 400,000.00 | |
| Fund Balance December 31 | $ 221,103.50 | | $ 260,811.77 | |

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - WATER AND SEWER UTILITY OPERATING FUND

| Revenue and Other Income Realized | Year 2010 Amount | Year 2010 % | Year 2009 Amount | Year 2009 % |
|---|---|---|---|---|
| Fund Balance Utilized | $ - | | $ 52,000.00 | 1.55 |
| Collection of Water and Sewer Rents | 3,125,382.00 | 92.75 | 3,048,478.94 | 91.06 |
| Miscellaneous - From Other Than Water and Sewer Rents | 244,241.66 | 7.25 | 247,286.31 | 7.39 |
| Total Income | 3,369,623.66 | 100.00 | 3,347,765.25 | 100.00 |
| **Expenditures** | | | | |
| Budget Expenditures: | | | | |
| Operating | 3,018,052.36 | 91.65 | 3,085,800.00 | 91.84 |
| Debt Service | 210,700.74 | 6.40 | 213,124.41 | 6.34 |
| Deferred Charges and Statutory Expenditures | 64,122.64 | 1.95 | 56,000.00 | 1.67 |
| Surplus (General Budget) | | | | |
| Other Credits | | | 4,963.48 | 0.15 |
| Total Expenditures | 3,292,875.74 | 100.00 | 3,359,887.89 | 100.00 |
| Excess in Revenue | 76,747.92 | | (12,122.64) | |
| Operating Deficit to be Raised in Budget of Succeeding Year | | | 12,122.64 | |
| Statutory Excess to Fund Balance | 76,747.92 | | (0.00) | |
| Fund Balance January 1 | 1,292.36 | | 53,292.36 | |
| | 78,040.28 | | 53,292.36 | |
| Less: | | | | |
| Utilization as Anticipated Revenue | | | 52,000.00 | |
| Fund Balance December 31 | $ 78,040.28 | | $ 1,292.36 | |

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:

| Year | | Amount |
|---|---|---|
| 2010 | $ | 97,100 |
| 2009 | | 97,100 |
| 2008 | | 97,100 |

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

| Year | | Billings | | *Collections |
|---|---|---|---|---|
| 2010 | $ | 3,169,283 | $ | 3,125,382 |
| 2009 | | 3,064,707 | | 3,048,479 |
| 2008 | | 3,126,282 | | 3,115,894 |

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

| | Year | | Balance December 31 | | Utilized in Budget of Succeeding Year |
|---|---|---|---|---|---|
| | 2010 | $ | 221,104 | $ | 218,000 |
| Current Fund | 2009 | | 260,812 | | 255,000 |
| | 2008 | | 406,288 | | 400,000 |
| | 2007 | | 415,857 | | 380,000 |
| | 2006 | | 604,363 | | 570,000 |
| | 2010 | $ | 78,040 | $ | 78,000 |
| Water and Sewer Utility | 2009 | | 1,292 | | |
| Operating Fund | 2008 | | 53,292 | | 52,000 |
| | 2007 | | 145,442 | | 126,000 |
| | 2006 | | 120,769 | | 110,000 |

## COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Tax Rate: | $2.141 | $2.106 | $4.764 |
| Apportionment of Tax Rate: | | | |
| Municipal | 0.758 | 0.739 | 1.604 |
| County | 0.255 | 0.259 | 0.570 |
| Local School | 1.128 | 1.108 | 2.590 |
| Assessed Valuation: | | | |
| 2010 | $757,426,044.00 | | |
| 2009 | | $760,091,206.00 | |
| 2008 | | | $329,310,230.00 |

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Monmouth County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be $58,250.00 for the year 2010.

## COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

| | | CURRENTLY | |
|---|---|---|---|
| Year | Tax Levy | Cash Collections | Percentage of Collection |
| 2010 | $ 16,338,728.06 | $ 15,689,007.74 | 96.02% |
| 2009 | 16,134,107.55 | 15,447,238.93 | 95.74% |
| 2008 | 15,925,408.28 | 15,224,518.92 | 95.60% |

## DELINQUENT TAXES AND TAX TITLE LIENS

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

| Dec. 31 Year | Amount of Tax Title Liens | Amount of Delinquent Taxes | Total Delinquent | Percentage of Tax Levy |
|---|---|---|---|---|
| 2010 | $118,437.78 | $622,039.51 | 740,477.29 | 4.53% |
| 2009 | 110,877.51 | 653,326.41 | 764,203.92 | 4.74% |
| 2008 | 102,263.07 | 596,099.29 | 698,362.36 | 4.39% |

## OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office as at December 31, 2010:

| NAME | TITLE | AMOUNT OF BOND | NAME OF CORPORATE SURETY |
|---|---|---|---|
| Robert J. Bergen | Mayor | | |
| Joseph E. Sheridan | Council President | | |
| Christian Bolte | Councilperson | | |
| Susan Sefcik | Councilperson | | |
| Kenneth McPeek | Councilperson | | |
| John Kovacs | Councilperson | | |
| Stephen K. Gross | Councilperson | | |
| Lorene K. Wright | Business Administrator | | |
| Valerie T. Heilwell | Borough Clerk | | |
| Thomas P. Fallon | Chief Financial Officer | $ 1,000,000.00 | New Jersey Intergovernmental Insurance Fund |
| Keri R. Stencel | Tax/Utility Collector, Treasurer | $ 1,000,000.00 | New Jersey Intergovernmental Insurance Fund |
| Scott Pezarra | Tax Assessor | | |
| Emery Z. Toth | Borough Magistrate | $ 1,000,000.00 | New Jersey Intergovernmental Insurance Fund |
| Kathryn A. Coffey | Court Administrator | $ 1,000,000.00 | New Jersey Intergovernmental Insurance Fund |
| John S. Wisniewski | Borough Attorney | | |

**BOROUGH OF KEYPORT**
**COUNTY OF MONMOUTH, NEW JERSEY**
**FOR YEAR ENDED DECEMBER 31, 2010**

## GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Keyport, County of Monmouth, New Jersey, for the year ended December 31, 2010, has been completed. The General Comments are herewith set forth:

### Scope of Audit

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

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

### INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Keyport, County of Monmouth, New Jersey as of and for the fiscal year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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

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

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd)

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

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

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

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated July 15, 2011 on the financial statements of the Borough of Keyport. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Control Deficiencies:

Segregation of Duties - Tax/Water and Sewer Offices

Individuals that have the responsibilities and function of cash collections are responsible for the Tax/Water and Sewer Utility receivable subsidiary ledgers.

This condition is the result of multiple tasks performed by the same individual within the Tax/Water and Sewer Utility Collector's Office.

Segregation of Duties – Other Outside Offices/Department
Collecting Municipal Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts in the following offices/departments: Borough Clerk, Police Records, Board of Health/Vital Statistics, Construction Code, Fire Safety, Senior Center, Municipal Boat Ramp and Municipal Court.

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

Maintenance of Source Documents - Issuance of Duplicate Receipt Forms - Other Offices and Officials Collecting Fees

Conditions exist whereby the following offices/departments do not always issue duplicate receipt forms for all Borough monies collected: Police Records Clerk, Construction Code, Board of Health/Vital Statistics, Municipal Clerk, Fire Safety, & Municipal Boat Ramp.

GENERAL COMMENTS

OTHER MATTERS

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

N.J.S.A. 40A: 11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidder therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold 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.

On June 22, 2005, the Local Public Contracts Law was amended, effective July 1, 2005. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from $17,500.00 to $21,000.00 under which a contract may be awarded without public advertising. Furthermore, if the Borough's Purchasing Agent is "Qualified" the Borough may increase the bid threshold from $25,000.00 to $29,000.00.

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

Materials, Supplies, and Equipment

33,000 LBS GVW Dump Truck; F$55 4x4 mason Body Dump Truck; and Ford E450 Class Type II Ambulance.

Service Rentals, Construction and Repairs

Improvements to Beers Street – Phase II; Improvements to Beers Street – Phase III; Improvements to Wayfinding Signage; Garbage Contract; Contract for Route 35/36 Jughandle; and Contract for Maple Place Streetscape.

State Contract
Firefighting Turn Out Gear; and 2011 Ford Crown Victoria.

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

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

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of $21,000.00, as applicable, "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement for maintenance and repairs to emergency vehicles. It was noted that the Borough solicited quotations for purchases, in excess 15% of the bid statutory threshold and under the statutory bid threshold, in compliance with statutes.

Upon inquiry of the various officials responsible for the purchases of materials, supplies, equipment, etc. for the Borough in relation to the Local Public Contracts Laws regarding the solicitation of quotations when the cost is $3,150.00, monitoring of change orders, quantities and unit prices of contracts, procedures presently in place were found to be good.

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. 5:30-11.1 would be in the province of the municipal solicitor.

Collection of Interest on Delinquent Taxes and Assessments

The statutes provide 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, 2010 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

BE IT HEREBY RESOLVED, by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth and State of New Jersey, that the interest rate be established on delinquent taxes for the year 2010, at 8% per annum on delinquent taxes in an amount less than $1,500 and on taxes in an amount in excess of $1,500, the interest rate shall be 18% per annum and both shall be computed from the tax due date and it shall further provide that a ten (10) day grace period be established for each quarterly due date; and

WHEREAS, N.J.S.A. 54:4-67 has recently been amended by P.L. 1991, c.75, to provide that, in addition to the established interest rate, the governing body may also fix a penalty up to six percent (6%) to be charged for delinquencies in excess of $10,000 which are not paid prior to the end of the calendar year; and

WHEREAS, it is the policy of the Borough of Keyport to establish the maximum interest and penalty rates permitted by law upon delinquencies in taxes and municipal charges.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth, State of New Jersey, as follows:

1. That, in addition to the previously established interest rates, there shall be a penalty of six percent (6%) to be charged upon delinquencies in excess of $10,000, which are not paid prior to the end of the calendar year.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

#### Collection of Interest on Delinquent Taxes and Assessments (Cont'd)

2. That the term "delinquency" shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

#### Delinquent Taxes and Tax Title Liens

A tax sale was held during CY 2010. We suggest that the outstanding items be included in the next Tax Sale when appropriate and be complete in all respects.

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

| Year | Tax Title Liens | Water and Sewer Liens |
|---|---|---|
| 2010 | 12 | 0 |
| 2009 | 13 | 0 |
| 2008 | 11 | 0 |

#### Interfund Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2010.

These interfunds, in most cases, resulted from 2010 operations and closing entries, and we suggest that all interfund amounts and balances be cleared by cash transfer.

#### Investment of Borough Funds

During 2010, the Borough's funds were invested primarily in interest bearing and sweep accounts.

The Borough has adopted a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan."

#### Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in generally good order for items tested.

## GENERAL COMMENTS

### OTHER MATTERS (Cont'd)

### Purchase Order and Encumbrance System

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting system during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. However, payments through the use of confirming orders were noted. Prior years' outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

### Outside Offices/Departments Collecting Fees

Our review of the activities of the various outside offices and departments indicated the following findings for the year ended December 31, 2010:

Lack of Issuance of complete single set of duplicate receipt slips/forms.

Lack of maintenance of a permanent cash receipt journal: Municipal Boat Ramp.

It is suggested that all outside offices and departments collecting municipal fees adhere to control policies and procedures and statutory requirements in all respects.

### Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage in effect at December 31, 2010. The Borough has provided evidence of coverage with the blanket bond coverage provided through its joint insurance fund coverage. The evidence provided with respect to the minimum surety bond requirements for both the Tax Collector and Municipal Court for the year 2010 indicate the surety bond coverage met the minimum requirements as set forth by regulation. Pursuant to confirmation of bond coverage with the joint insurance fund: (1) The positions of Tax Collector and Treasurer coverage's by endorsement as employees, and (2) the Municipal Court coverage under Borough employees.

### Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis.

### Condition of Records - Finance Office

The records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund and was found to serve as the basis for financial statement – regulatory basis preparation.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2010, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process; matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for the separate recording of grant activity. As required of A-133, the schedules of financial assistance should be prepared and submitted on a timely basis.

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements. In addition, we suggest the Borough review all of the applicable grant requirements in conjunction with the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

In addition, as with other local entities, due to weaknesses in the grant notification process followed by certain agencies that pass-through federal and state assistance to the Borough, the Borough often does not receive accurate and timely information with respect to grant funding sources, along with the relevant CFDA and account number information from its respective grantor agencies, which can inhibit the preparation of these financial assistance schedules.

Condition of Records - Tax Office

The records maintained by the Tax Collector were reviewed. Computerized real estate tax billings and billing adjustments were reviewed.

Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to $3,369,623.66 and expenditures amounted to $3,292,875.74 resulting in excess operations of $76,747.92. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in a statutory excess for debt statement purposes of $73,542.22, which allowed the amount of $3,674,600.00 as a deduction of Water and Sewer Utility Debt in the calculation of statutory net debt of the Borough at December 31, 2010. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

Other Compliance Matters

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

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

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Other Compliance Matters (Cont'd)

N.J.A.C. 5:30 – 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough is in compliance with this directive.

N.J.A.C. 5:30 – 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, as least, the Current Fund. The Borough is in compliance with this directive.

Internal Control Documentation

We suggest that the Borough continue to develop its process of documentation of internal controls. This course of action will serve the purpose of meeting certain requirements as set for the by the Statement on Auditing Standards (SAS) 115. We also suggest that the Borough consider utilizing the framework established by the Council of Sponsoring Organizations of the Treadway commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communications; and Monitoring. In addition, we also suggest that the documentation should also include the internal controls that exist over grant compliance.

Business Improvement District

The Borough has designated a "District Management Corporation" (meaning "Business Improvement District") as the entity to administer the special assessment within the Borough of Keyport, County of Monmouth by Local Ordinance pursuant to State Statute.

It is required by the Local Finance Board, State of New Jersey and the Division of Local Government Services, Department of Community Affairs, State of New Jersey that Business (Special) Improvement Districts have an audit performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As of the date of the filing of this report, the Borough has not received a copy of the CY 2010 report of audit.

We recommend that the Business Improvement District Management Corporation have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Municipal Library

As of the date of this report, the Municipal Library did not provide evidence of an independent audit for the periods ended December 31, 2010, 2009 and 2008. Accordingly, the Borough did not have the Report of Audit on file in accordance with state statute requirements.

As of the date of the filing of this report, The Library has engaged for professional services for CY's 2010, 2009, and 2008.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Municipal Library (Cont'd)

We recommend that the Municipal Library obtain an independent audit and file same with the Borough Clerk in accordance with state statute.

RECOMMENDATION(S)

It is recommended:

That the Business Improvement District Management Corporation have an audit performed in compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

That the Municipal Library obtain an independent audit and file same with the Borough Clerk in accordance with state statute.

* * * * * * * * * * * * * * * * * * * * * * * * * *

ACKNOWLEDGMENT

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

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

Respectfully submitted,

HODULIK & MORRISON, P.A.

Robert S. Morrison, CPA, RMA
Registered Municipal Accountant
No. 412