

Report of Audit

on the

Financial Statements

of the

Borough of
South Bound Brook

in the

County of Somerset
New Jersey

for the

Year Ended
December 31, 2011

BOROUGH OF SOUTH BOUND BROOK

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BOROUGH OF SOUTH BOUND BROOK

PART I

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YEAR ENDED DECEMBER 31, 2011 AND 2010



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

We have audited the accompanying financial statements - regulatory basis of the various individual funds of the Borough of South Bound Brook, County of Somerset, New Jersey as of and for the years ended December 31, 2011 and 2010, and for the year ended December 31, 2011 as listed as financial statements - regulatory basis in the foregoing table of contents. These financial statements - regulatory basis are the responsibility of the management of the Borough of South Bound Brook, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions 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 1, except for the omission of a Statement of General Fixed Assets, the Borough of South Bound Brook, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates 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 U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

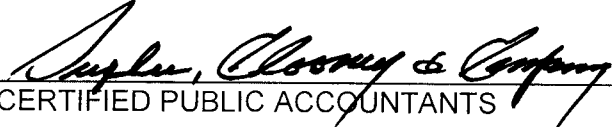
In our opinion, because the Borough of South Bound Brook prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of South Bound Brook as of December 31, 2011 and 2010 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2011.

However, in our opinion, except for the omission noted in the third paragraph, the financial statements - regulatory basis present fairly, in all material respects, the financial position - regulatory basis of the various individual funds of the Borough of South Bound Brook, County of Somerset, as of December 31, 2011 and 2010, and the results of its operations and changes in fund balance - regulatory basis for the years then ended and the revenues, expenditures and changes in fund balance - regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2012 on our consideration of the Borough of South Bound Brook's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 made for the purpose of forming an opinion on the financial statements - regulatory basis taken as a whole. The information included in the schedules of expenditures of federal awards and state financial assistance and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Borough of South Bound Brook, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

April 25, 2012

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CURRENT FUND

BOROUGH OF SOUTH BOUND BROOK

"A"

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>A S S E T S</u>	<u>REF.</u>	BALANCE DECEMBER 31, 2011	BALANCE DECEMBER 31, 2010
Cash	A-4	\$ 730,147.61	\$ 944,431.37
Change Funds	A-5	450.00	450.00
Due to State of New Jersey, Senior Citizens and Veterans Deductions	A-7	<u>35,968.37</u>	<u>29,414.94</u>
		\$ <u>766,565.98</u>	\$ <u>974,296.31</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 152,210.92	\$ 188,911.24
Tax Title Liens Receivable	A-9	50,054.85	28,808.39
Property Acquired for Taxes Assessed Valuation	A-21	46,053.66	46,053.66
Revenue Accounts Receivable	A-10	9,673.38	10,499.24
Interfunds Receivable	A-22	<u>27,565.27</u>	<u>137,042.97</u>
	A	\$ <u>285,558.08</u>	\$ <u>411,315.50</u>
Deferred Charges:			
Emergency Appropriation - NJSA 40A: 4-53	A-32	\$ 50,000.00	\$ 24,000.00
Emergency Appropriation - NJSA 40A: 4-48	A-32	<u>34,530.51</u>	<u>109,876.18</u>
		\$ <u>84,530.51</u>	\$ <u>133,876.18</u>
		\$ <u>1,136,654.57</u>	\$ <u>1,519,487.99</u>
Grant Fund:			
Grants Receivable	A-11	\$ 600,770.47	\$ 512,199.24
Deferred Charges	A-32		7,332.21
Due Capital Fund	A-24	73,000.00	
Due Trust Other Fund	A-28		<u>110,000.00</u>
		\$ <u>673,770.47</u>	\$ <u>629,531.45</u>
		\$ <u>1,810,425.04</u>	\$ <u>2,149,019.44</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Liabilities:			
Appropriation Reserves	A-3:A-14	\$ 16,628.65	\$ 56,615.58
Prepaid Taxes	A-16	12,876.94	24,918.87
Tax Overpayments	A-15	6,629.94	362.94
Reserve for Due County - 5% PILOT	A-13	48,331.16	96,546.82
Accounts Payable	A-20	53,528.10	38,882.80
Local School Taxes Payable	A-18		62,500.50
Reserve for Sale of Municipal Assets	A-19	8,918.21	8,918.21
Reserve for Tax Appeals	A-12	34,150.27	36,250.00
PILOT Overpayments	A-30	2,802.25	
Sewer Overpayments	A-31	1,056.14	
Reserve for Prepaid Revenue (CCO)	A-23	51.00	
Interfunds Payable	A-22	<u>103.91</u>	<u>7,106.07</u>
		\$ <u>185,076.57</u>	\$ <u>332,101.79</u>
Reserve for Receivables and Other Assets	A	285,558.08	411,315.50
Fund Balance	A-1	<u>666,019.92</u>	<u>776,070.70</u>
		\$ <u>1,136,654.57</u>	\$ <u>1,519,487.99</u>
Grant Fund:			
Reserve for Grants - Unappropriated	A-26	\$ 29,350.10	\$ 17,822.07
Reserve for Grants - Appropriated	A-25	381,354.80	380,570.13
Due Trust Other Fund	A-28	260,000.00	
Due Current Fund	A-29	2,786.57	127,172.90
Accounts Payable	A-27	<u>279.00</u>	<u>103,966.35</u>
		\$ <u>673,770.47</u>	\$ <u>629,531.45</u>
		\$ <u>1,810,425.04</u>	\$ <u>2,149,019.44</u>

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

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE-REGULATORY BASIS

	<u>REF.</u>	<u>YEAR 2011</u>	<u>YEAR 2010</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-1:A-2	\$ 550,000.00	\$ 600,000.00
Miscellaneous Revenues Anticipated	A-2	2,142,827.55	1,657,135.34
Receipts From Delinquent Taxes	A-2	158,117.96	137,606.27
Receipts From Current Taxes	A-2	9,341,304.25	9,287,980.34
Non-Budget Revenue	A-2	89,211.22	104,092.50
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	13,324.93	54,497.44
Grant Fund Reserves Canceled	A-25	2,950.00	4,074.05
Reserves Canceled		76,851.50	
Interfunds Returned		109,477.70	
<u>TOTAL INCOME</u>		<u>\$ 12,484,065.11</u>	<u>\$ 11,845,385.94</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations Within "CAPS":			
Operations	A-3	\$ 3,492,331.81	\$ 3,494,969.25
Deferred Charges and Regulatory Expenditures	A-3	700,722.10	340,343.60
Appropriations Excluded From "CAPS":			
Operations	A-3	758,032.40	472,772.56
Capital Improvements	A-3	500.00	3,000.00
Deferred Charges and Regulatory Expenditures	A-3	24,000.00	185,358.00
Judgments	A-3	25,435.07	
Municipal Debt Service	A-3	260,031.14	149,012.70
County Taxes	A-17	1,219,296.88	1,155,853.83
Local District School Tax	A-18	5,630,996.00	5,645,708.50
Grant Fund Receivable Canceled	A-11	2,950.00	39,317.32
Receivables Canceled		14,351.00	
Interfunds Advanced			130,541.44
<u>TOTAL EXPENDITURES</u>		<u>\$ 12,128,646.40</u>	<u>\$ 11,616,877.20</u>
Excess in Revenue		\$ 355,418.71	\$ 228,508.74
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		84,530.51	109,876.18
Regulatory Excess to Fund Balance		\$ 439,949.22	\$ 338,384.92
Fund Balance, January 1	A:A-1	776,070.70	1,037,685.78
		<u>\$ 1,216,019.92</u>	<u>\$ 1,376,070.70</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	550,000.00	600,000.00
Fund Balance, December 31	A:A-1	<u>\$ 666,019.92</u>	<u>\$ 776,070.70</u>

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

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

REF.

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:			
Collections on a Cash Basis	A-1:A-8	\$	9,341,304.25
Allocated to:			
School and County Taxes			<u>6,850,292.88</u>
Balance for Support of Municipal Budget Appropriations		\$	2,491,011.37
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>433,000.00</u>
Amount for Support of Municipal Budget	A-2	\$	<u><u>2,924,011.37</u></u>
Fees and Permits - Other:			
Clerk	A-10	\$	125.00
Bulk Trash	A-10		4,965.00
Miscellaneous	A-10		100.00
Planning	A-10		518.00
Registrar	A-10		330.00
Building Department	A-10		1,360.00
Tax Department	A-10		117.00
Police	A-10		<u>1,777.15</u>
	A-2	\$	<u><u>9,292.15</u></u>
P.I.L.O.T. Revenue:			
Receipts	A-10	\$	918,292.07
Less: Refunds	A-4		<u>1,519.15</u>
	A-2	\$	<u><u>916,772.92</u></u>

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenues Not Anticipated:			
Interest on Investments and Deposits		\$	834.26
Reimbursements of Prior Year Costs			1,450.00
Rent			39,209.45
SC and Veterans' Administrative Costs			662.07
Police Outside Overtime Administrative Costs			3,236.50
Rocky Hill Court Fees			5,974.77
Light Iron			49.10
Police Restitution			980.80
Other Licenses			4,071.00
Miscellaneous			11,722.66
Tax Collector			<u>21,105.61</u>
	A-4	\$	89,296.22
Less: Refunds	A-4		<u>85.00</u>
	A-2	\$	<u><u>89,211.22</u></u>

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

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

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Mayor & Council:					
Salaries and Wages	\$ 10,243.00	\$ 9,653.95	\$ 9,653.95	\$	\$
Other Expenses	4,500.00	4,992.65	4,992.65		
Clerk:					
Salaries and Wages	101,660.60	97,884.69	97,884.69		
Other Expenses	8,000.00	14,574.67	14,574.67		
Elections:					
Salaries and Wages	1,344.32	1,318.08	1,318.08		
Other Expenses	1,100.00	1,046.76	1,046.76		
Financial Administration:					
Salaries and Wages	47,643.00	47,409.80	47,409.80		
Audit	20,850.00	21,425.00	21,425.00		
Miscellaneous	13,000.00	10,071.00	9,970.99	100.01	
Assessment of Taxes:					
Salaries and Wages	12,583.45	12,582.72	12,582.72		
Other Expenses	1,500.00	1,060.97	1,060.97		
Liquidation of Tl's & Foreclosed Property	50.00				
Collection of Taxes:					
Salaries and Wages	53,862.42	53,738.36	53,738.36		
Other Expenses	10,000.00	10,720.40	10,720.40		
Legal Services & Costs:					
Other Expenses	92,000.00	85,000.00	84,890.44	109.56	
Municipal Prosecutor:					
Salaries and Wages	15,000.00	15,000.00	15,000.00		
Engineering Services & Costs:					
Other Expenses	20,000.00	16,100.00	16,060.33	39.67	
Public Buildings & Grounds:					
Other Expenses	7,000.00	9,110.87	9,110.87		
Planning Board:					
Salaries & Wages	5,444.00	5,995.44	5,995.44		
Other Expenses	1,100.00	139.92	139.92		
Insurance:					
Group- Employees	381,847.00	397,456.46	397,369.25	87.21	
Other Insurance	162,000.00	160,742.94	160,742.94		
Unemployment Compensation Insurance	7,500.00	7,404.75	7,404.75		
Medical & Employee Contracts	500.00				
Fire:					
Other Expenses:					
Miscellaneous	30,000.00	30,000.00	29,765.10	234.90	
Rent	20,000.00	20,000.00	20,000.00		
Bureau of Fire Safety:					
Salaries and Wages	4,500.00	4,158.03	4,158.03		
Other Expenses	1,500.00	1,593.80	1,593.80		
Police:					
Salaries and Wages	1,201,785.00	1,236,315.51	1,236,315.51		
Other Expenses	60,000.00	61,306.66	61,138.61	168.05	
Municipal Court:					
Salaries and Wages	133,620.00	132,385.44	132,385.44		
Other Expenses	10,000.00	9,500.00	9,421.17	78.83	
Environmental Commission:					
Other Expenses	50.00				
First Aid Organization - Other Expenses	17,000.00	12,537.54	12,462.93	74.61	
Emergency Management Services:					
Salaries and Wages	1,680.00	1,680.00	1,677.84	2.16	
Other Expenses	1,500.00	1,500.00	1,500.00		
Road Repair & Maintenance:					
Other Expenses	17,500.00	14,300.00	14,290.32	9.68	
Sewer System:					
Other Expenses	6,500.00	5,981.88	5,981.88		
Department of Public Works:					
Salaries and Wages	335,000.00	355,480.89	355,480.89		
Other Expenses	5,700.00	5,300.00	4,864.06	435.94	
Garbage & Trash:					
Other Expenses	138,000.00	131,700.00	131,615.12	84.88	
Solid Waste Recycling:					
Other Expenses	44,500.00	35,500.00	34,995.91	504.09	

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

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
Board of Health:					
Salaries and Wages	\$ 3,350.00	\$ 3,745.08	\$ 3,745.08	\$	\$
Other Expenses	49,825.00	49,825.00	49,578.29	246.71	
Dog Regulations	10,000.00	10,000.00	10,000.00		
Parks & Playgrounds:					
Other Expenses	6,500.00	3,930.85	3,775.20	155.65	
Board of Recreation Commissioners:					
Salaries & Wages	9,000.00	9,566.48	9,566.48		
Other Expenses-Sports	6,000.00	6,000.00	5,275.92	724.08	
Other Expenses-Social	3,000.00	4,666.60	4,666.60		
Celebration of Public Events	1,500.00	691.69	691.69		
Contribution to Senior Citizens Center	3,850.00	3,850.00		3,850.00	
Historical Society	7,500.00	7,500.00	7,500.00		
Inspection of Buildings:					
Salaries and Wages	82,290.00	89,222.72	89,222.72		
Other Expenses	2,500.00	5,393.42	5,393.42		
inspection of Plumbing:					
Salaries and Wages	5,000.00	4,590.00	4,590.00		
Electrical Inspector:					
Salaries and Wages	5,000.00				
Fire Officials:					
Salaries & Wages	2,951.29	2,951.29	2,951.28	0.01	
Safety and Health Act:					
Other Expenses	3,500.00	3,500.00	3,310.00	190.00	
Unclassified:					
Street Lighting	90,000.00	96,205.73	96,205.73		
Fire Hydrant Service	54,000.00	45,000.00	44,208.82	791.18	
Telephone	27,000.00	24,000.00	23,144.28	855.72	
Fuel Oil	50,000.00	49,700.00	46,072.75	3,627.25	
Gas/Electricity	25,000.00	27,443.99	27,443.99		
Water	1,600.00	879.78	859.78	20.00	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 3,456,929.08</u>	<u>\$ 3,491,331.81</u>	<u>\$ 3,478,941.62</u>	<u>\$ 12,390.19</u>	<u>\$</u>
<u>CONTINGENT</u>	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>	
<u>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</u>	<u>\$ 3,457,929.08</u>	<u>\$ 3,492,331.81</u>	<u>\$ 3,478,941.62</u>	<u>\$ 13,390.19</u>	<u>\$</u>
<u>DEFERRED CHARGES & REGULATORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"</u>					
Deferred Charges:					
Overexpenditure of Grant Reserves	\$ 7,332.21	\$ 7,332.21	\$ 7,332.21	\$	\$
Deficit- Animal Control	4,975.70	4,975.70	4,975.70		
Emergency Authorization	109,876.18	109,876.18	109,876.18		
Regulatory Expenditures:					
Prior Years Bills	22,527.23	22,527.23	22,527.23		
Police & Firemen's Retirement System of N.J.	309,012.00	309,012.00	309,012.00		
Public Employees Retirement System of N.J.	84,871.00	84,871.00	84,871.00		
Social Security System (O.A.S.I.)	162,000.00	162,127.78	162,127.78		
<u>TOTAL DEFERRED CHARGES REGULATORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 700,594.32</u>	<u>\$ 700,722.10</u>	<u>\$ 700,722.10</u>	<u>\$</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 4,158,523.40</u>	<u>\$ 4,193,053.91</u>	<u>\$ 4,179,663.72</u>	<u>\$ 13,390.19</u>	<u>\$</u>
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>					
Sewerage Authority-Share of Costs	\$ 539,300.00	\$ 539,300.00	\$ 539,236.05	\$ 63.95	\$
Length of Service Award Program (LOSAP)	11,000.00	11,000.00	11,000.00		
Insurance:					
Group Employees	3,153.00	3,153.00	3,153.00		
Hurricane Irene- Flood Expenses	50,000.00	100,000.00	99,693.10	306.90	
<u>OPERATIONS-EXCLUDED FROM "CAPS" (Continued)</u>					
Interlocal Municipal Service Agreements					
Police Services- Rocky Hill					
Salaries & Wages	\$ 54,000.00	\$ 54,000.00	\$ 54,000.00	\$	\$

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

	APPROPRIATIONS		EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	CANCELED
<u>STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES</u>					
Somerset County Youth Service Program- 2011	5,000.00	5,000.00	5,000.00		
Somerset County Youth Service Program- 2012	5,000.00	5,000.00	5,000.00		
Click it or Ticket	3,600.00	3,600.00	3,600.00		
Clean Communities Program	6,169.93	6,169.93	6,169.93		
Body Armor Replacement Fund	990.94	990.94	990.94		
Recycling Tonnage Grant	4,453.58	4,453.58	4,453.58		
Over The Limit, Under Arrest	4,400.00	4,400.00	4,400.00		
Alcohol Education & Rehabilitation Fund	2,061.20	2,061.20	2,061.20		
Municipal Alliance - County	15,123.00	15,123.00	15,123.00		
Municipal Alliance - Local Match	3,780.75	3,780.75	3,780.75		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 708,032.40</u>	<u>\$ 758,032.40</u>	<u>\$ 757,661.55</u>	<u>\$ 370.85</u>	<u>\$</u>
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	500.00	500.00	500.00		
<u>TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>	<u>\$ 500.00</u>	<u>\$ 500.00</u>	<u>\$ 500.00</u>	<u>\$</u>	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	110,000.00	110,000.00	110,000.00		
Interest on Bonds	69,000.00	69,000.00	68,444.00		556.00
Somerset County Improvement Authority	86,000.00	86,000.00	81,587.14		4,412.86
<u>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>	<u>\$ 265,000.00</u>	<u>\$ 265,000.00</u>	<u>\$ 260,031.14</u>	<u>\$</u>	<u>\$ 4,968.86</u>
<u>DEFERRED CHARGES - EXCLUDED FROM "CAPS"</u>					
Special Emergency Authorization - 5 Years (N.J.S.A. 40A 4-55)	24,000.00	24,000.00	24,000.00		
<u>TOTAL DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>	<u>\$ 24,000.00</u>	<u>\$ 24,000.00</u>	<u>\$ 24,000.00</u>	<u>\$</u>	<u>\$</u>
Judgments	25,435.07	25,435.07	22,567.46	2,867.61	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 1,022,967.47</u>	<u>\$ 1,072,967.47</u>	<u>\$ 1,064,760.15</u>	<u>\$ 3,238.46</u>	<u>\$ 4,968.86</u>
SUB-TOTAL GENERAL APPROPRIATIONS	5,181,490.87	5,266,021.38	5,244,423.87	16,628.65	4,968.86
RESERVE FOR UNCOLLECTED TAXES	433,000.00	433,000.00	433,000.00		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 5,614,490.87</u>	<u>\$ 5,699,021.38</u>	<u>\$ 5,677,423.87</u>	<u>\$ 16,628.65</u>	<u>\$ 4,968.86</u>
	REF.	A-2:A-3	A-1	A.A-1	
Budget	A-3				
N.J.S.A. 40A 4-53	A-32	\$ 5,614,490.87			
N.J.S.A. 40A 4-46	A-32	50,000.00			
		34,530.51			
		<u>\$ 5,699,021.38</u>			
Disbursements	A-4		\$ 5,027,814.28		
Deferred Charges	A-32		141,208.39		
Accounts Payable	A-20		48,961.72		
Reserve for Grants Appropriated	A-25		50,579.40		
Reserve for Uncollected Taxes	A-2		433,000.00		
			\$ 5,701,563.79		
Less: Refunds	A-4		24,139.92		
			<u>\$ 5,677,423.87</u>		

TRUST FUND

BOROUGH OF SOUTH BOUND BROOKTRUST FUNDBALANCE SHEETS-REGULATORY BASIS

<u>A S S E T S</u>	<u>REF.</u>	BALANCE DECEMBER 31, 2011	BALANCE DECEMBER 31, 2010
Assessment Fund:			
Cash	B-2:B-3	\$ 1,853.61	\$ 1,853.61
Prospective Assessments Funded	B-6	22,802.50	22,802.50
		<u>\$ 24,656.11</u>	<u>\$ 24,656.11</u>
Animal Control Trust Fund:			
Cash	B-2	\$ 10,361.18	\$ 1,525.83
Deficit in Animal Control Expenditures	B-9	173.75	4,975.70
		<u>\$ 10,534.93</u>	<u>\$ 6,501.53</u>
Other Funds:			
Cash	B-2	\$ 70,479.42	\$ 386,289.53
Due From County of Somerset:			
Community Development Block Grants	B-12	44,755.00	59,106.00
Community Development Block Grants	B-15	260,000.00	
		<u>\$ 375,234.42</u>	<u>\$ 445,395.53</u>
		<u>\$ 410,425.46</u>	<u>\$ 476,553.17</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Reserve for Assessments	B-7	\$ 22,802.50	\$ 22,802.50
Fund Balance	B-1	1,853.61	1,853.61
		<u>\$ 24,656.11</u>	<u>\$ 24,656.11</u>
Animal Control Trust Fund:			
Due Current Fund	B-11	\$ 10,525.93	\$ 6,501.53
Due State of New Jersey	B-10	9.00	
		<u>\$ 10,534.93</u>	<u>\$ 6,501.53</u>
Other Funds:			
Reserve for Community Development Block Grants	B-13	\$ 44,755.00	\$ 59,106.00
Reserve for Various Deposits	B-14	123,070.62	75,065.88
Reserve for Escrow Deposits	B-16	170,451.35	175,150.43
Reserve for COAH Deposits	B-4	22,704.68	22,704.68
Due Current Fund	B-8	14,252.77	3,368.54
Due Grant Fund	B-15		110,000.00
		<u>\$ 375,234.42</u>	<u>\$ 445,395.53</u>
		<u>\$ 410,425.46</u>	<u>\$ 476,553.17</u>

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

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

STATEMENT OF FUND BALANCE -
ASSESSMENT TRUST FUND-REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2010 and December 31, 2011	B	\$ <u>1,853.61</u>

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

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GENERAL CAPITAL FUND

"C"

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2010</u>
<u>ASSETS</u>			
Cash (Overdraft)	C-2:C-3	\$ (52.47)	\$ 341,275.42
Deferred Charges to Future Taxation-Unfunded	C-5	940,507.43	764,107.43
Deferred Charges to Future Taxation-Funded	C-4	2,462,000.00	2,572,000.00
Due Current Fund	C-6	103.91	7,106.07
Grants Receivable	C-13	459,791.49	285,012.49
		<u>\$ 3,862,350.36</u>	<u>\$ 3,969,501.41</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Improvement Fund	C-7	\$ 130,594.73	\$ 138,915.73
Improvement Authorizations:			
Funded	C-8	447,008.44	342,372.50
Unfunded	C-8	637,393.49	476,884.93
Reserve for Redevelopment	C-9	726.31	726.31
Contracts Payable	C-10	46,695.62	366,870.17
General Serial Bonds	C-12	2,462,000.00	2,572,000.00
Due Grant Fund	C-11	73,000.00	
Fund Balance	C-1	64,931.77	71,731.77
		<u>\$ 3,862,350.36</u>	<u>\$ 3,969,501.41</u>

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

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE-REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2010	C	\$ 71,731.77
Decreased by: Improvement Authorizations	C-8	<u>6,800.00</u>
Balance, December 31, 2011	C	<u>\$ 64,931.77</u>

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

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NOTES TO FINANCIAL STATEMENTS

BOROUGH OF SOUTH BOUND BROOK

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of South Bound Brook is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

The financial statements of the Borough of South Bound Brook include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of South Bound Brook, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of South Bound Brook do not include the operations of the Board of Education, inasmuch as their activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of South Bound Brook conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, 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 financial transactions and accounts of the Borough of South Bound Brook are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set for self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – N.J.A.C. 5:30-5.6 Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm since 2005. However, since that date the fixed assets records have not been maintained and are incomplete, and accordingly, have not been included in the financial statements.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. Basic Financial Statements

The GASB codification also defines the financial statements of governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements, schedules and statistical data listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, and cash in banks as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Under GUDPA, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of South Bound Brook had the following cash and cash equivalents at December 31, 2011:

	<u>Change Fund</u>	<u>Cash in Bank</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reconciled Balance</u>
Cuurent Fund	\$450.00	\$897,389.65	\$370,000.00	\$537,242.04	\$730,147.61
Assessment Fund		1,853.61			1,853.61
Animal Contol Fund		10,361.18			10,361.18
Trust Other Fund		470,245.59		373,751.42	96,494.17
General Capital Fund		8,780.03		8,832.50	(52.47)
	<u>\$450.00</u>	<u>\$1,388,630.06</u>	<u>\$370,000.00</u>	<u>\$919,825.96</u>	<u>\$838,804.10</u>

Custodial Credit Rick – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2011, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$500,000.00 was covered by Federal Depository Insurance and \$888,630.06 was covered by NJ GUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, 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) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of South Bound Brook's investment activities during the year were in accordance with the above New Jersey Statute.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the regulatory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT AND OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2011</u>	<u>YEAR 2010</u>	<u>YEAR 2009</u>
Issued:			
Bonds and Notes	\$2,462,000.00	\$2,572,000.00	\$2,657,724.00
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>940,507.43</u>	<u>764,107.43</u>	<u>470,783.43</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$3,402,507.43</u>	<u>\$3,336,107.43</u>	<u>\$3,128,507.43</u>

SUMMARY OF REGULATORY 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 regulatory net debt of 1.00%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
General Debt	\$3,402,507.43		\$3,402,507.43
School District Debt	<u>2,837,000.00</u>	<u>\$2,837,000.00</u>	
TOTAL	<u>\$6,239,507.43</u>	<u>\$2,837,000.00</u>	<u>\$3,402,507.43</u>

NET DEBT \$3,402,507.43 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2 AS AMENDED \$339,256,328.33 EQUALS 1.00%.

NOTE 3: LONG-TERM DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S.40A:2-6 AS AMENDED

Equalized Valuation Basis - December 31, 2011	<u>\$339,256,328.33</u>
3-1/2% of Equalized Valuation Basis	\$11,873,971.49
Net Debt	<u>3,402,507.43</u>
Remaining Borrowing Power	<u>\$8,471,464.06</u>

*Equalized Valuation Basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

LONG-TERM DEBT:

General Serial Bonds:

\$2,572,000.00 General Improvement Bonds of 2010 due in annual installments of \$110,000.00 to \$220,000.00 through 2024 at a variable interest rate	<u>\$2,462,000.00</u>
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NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2011

CALENDAR YEAR	GENERAL		TOTAL
	PRINCIPAL	INTEREST	
2012	\$ 125,000.00	\$ 66,244.00	\$ 191,244.00
2013	135,000.00	63,744.00	198,744.00
2014	150,000.00	61,044.00	211,044.00
2015	160,000.00	58,044.00	218,044.00
2016	175,000.00	54,044.00	229,044.00
2017	190,000.00	49,669.00	239,669.00
2018	210,000.00	44,919.00	254,919.00
2019	220,000.00	39,669.00	259,669.00
2020	220,000.00	33,619.00	253,619.00
2021	220,000.00	27,019.00	247,019.00
2022	220,000.00	20,419.00	240,419.00
2023	220,000.00	13,819.00	233,819.00
2024	<u>217,000.00</u>	<u>6,944.00</u>	<u>223,944.00</u>
	<u>\$ 2,462,000.00</u>	<u>\$ 539,197.00</u>	<u>\$ 3,001,197.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

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

Current Fund	\$455,000.00
--------------	--------------

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the county and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2011</u>	BALANCE DECEMBER <u>31, 2010</u>
Prepaid Taxes	<u>\$12,876.94</u>	<u>\$24,918.87</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System, the Police and Firemen's Retirement System, and Defined Contribution Retirement Program (DCRP). The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the cost are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$393,883.00 for 2011, \$338,955.00 for 2010 and \$171,591.00 for 2009. The Borough had no employees in DCRP in 2011 or 2010.

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers, which may be taken as time off, or paid at a later date, at an agreed upon rate. A reasonable estimate of such unpaid compensation is not readily available from the Borough but is probably material. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2011.

NOTE 8: LITIGATION, CLAIMS AND JUDGMENTS

There are several pending lawsuits in which the Borough is involved. The Borough attorney estimates that the potential claims against the Borough, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Borough.

NOTE 9: CONTINGENT LIABILITIES

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

NOTE 10: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11: TAX APPEALS

There are several tax appeals filed requesting a reduction of assessments for 2011 and prior years. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

NOTE 12: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plans are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Public Employees Benefit Service Corporation (PEBSCO) and Variable Life Insurance Company (VALIC).

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

During 2009, the Borough of South Bound Brook adopted an ordinance establishing a Length of Service Awards Program for the members of the South Bound Brook Fire Department and the South Bound Brook First Aid/Rescue Squad pursuant to N.J.S.A. 40A:14-183 *et seq.* in accordance with Chapter 388 of the Laws of the 1997 Internal Revenue Code.

Under this program, each volunteer of the South Bound Brook Fire Department and First Aid/Rescue Squad that performs the minimum amount of service will have an annual minimum amount of \$350.00 to a maximum amount of \$1,000.00 deposited into a tax deferred income account that will earn interest for the volunteer. These amounts will be subject to periodic increases as permitted pursuant to subsection f section 3 of P.L. 1997, c.388. The Borough's costs amounted to \$17,000.00 in 2011, \$20,000.00 in 2010 and \$48,000.00 in 2009 for the years 2006 to 2008.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by state regulations.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2011:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 27,565.27	\$ 103.91
Grant Fund	73,000.00	262,786.57
Animal Control Fund		10,525.93
Trust Other Fund	260,000.00	14,252.77
General Capital Fund	<u>103.91</u>	<u>73,000.00</u>
	<u>\$360,669.18</u>	<u>\$360,669.18</u>

All Interfund balances resulted from the time lag between the dates that payments between funds are made.

NOTE 15: GASB 45 – OTHER POST-RETIREMENT BENEFITS (UNAUDITED)

The Borough provides Post Retirement Benefits to certain employees, per the terms of their various labor agreements. Commencing with the year ending December 31, 2008 the above noted post employment benefits require the Borough to implement the note disclosure provision of GASB Statement 45, “Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension.” This statement which was adopted during 2004 by the Government Accounting Standard Board (GASB) requires the Township to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the Borough has contractually agreed to provide employees once they have retired.

The future value of benefits paid is not required to be reported in the financial statements as presented and has not been determined, but is probably material. Under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets.

The Borough’s expense for the post-retirement reimbursement of health benefit costs for the year ended December 31, 2011 was \$23,095.10 and for the year ended December 31, 2010 was \$18,540.20.

NOTE 16: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown:

	Balance December 31, <u>2010</u>	Resulting in <u>2011</u>	Raised in 2011 <u>Budget</u>	Balance Deferral To Succeeding <u>Years</u>
Current Fund:				
Emergency Appropriation				
- N.J.S.A. 40A:4-53	\$24,000.00	\$50,000.00	\$24,000.00	\$50,000.00
- N.J.S.A. 40A:4-48	109,876.18	34,530.51	109,876.18	34,530.51
Grant Fund:				
Overexpenditure	7,332.21		7,332.21	
Animal Control Fund:				
Deficit in Expenditures	<u>4,975.70</u>	<u>173.75</u>	<u>4,975.70</u>	<u>173.75</u>
	<u>\$146,184.09</u>	<u>\$84,704.26</u>	<u>\$146,184.09</u>	<u>\$84,704.26</u>

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

NOTE 17: LEASE PURCHASES

During the 2007, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$469,650.00. The projects to be funded include the purchase of a fire pumper and equipment. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
8/1/2012	\$45,696.89	\$13,505.50	\$59,202.39
8/1/2013	47,712.12	11,490.26	59,202.38
8/1/2014	49,816.22	9,386.16	59,202.38
8/1/2015	52,013.12	7,189.26	59,202.38
8/1/2016	54,306.90	4,895.48	59,202.38
8/1/2017	<u>56,701.83</u>	<u>2,500.55</u>	<u>59,202.38</u>
	<u>\$306,247.08</u>	<u>\$48,966.21</u>	<u>\$355,214.29</u>

During the 2007, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$60,600.00. The projects to be funded include the purchase of a fire chief truck and equipment. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT NUMBER</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
5	8/1/2012	<u>\$13,190.46</u>	<u>\$569.83</u>	<u>\$13,760.29</u>

During the 2008, the Borough entered into an agreement with the Somerset County Improvement Authority to lease purchase various capital projects for \$60,027.33. The projects to be funded include the purchase of a public worker dump truck. In accordance with the lease agreement, the Borough will be obligated to make the following remaining principal and interest payments:

<u>PAYMENT NUMBER</u>	<u>PAYMENT DATE</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>	<u>TOTAL PAYMENT</u>
4	9/15/2012	\$12,332.21	\$ 700.27	\$13,032.48
5	9/15/2013	<u>12,677.51</u>	<u>354.97</u>	<u>13,032.48</u>
		<u>\$25,009.72</u>	<u>\$1,055.24</u>	<u>\$26,064.96</u>

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BOROUGH OF SOUTH BOUND BROOK
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2011

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF CURRENT CASH-COLLECTOR-TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2010	A	\$ 944,431.37	\$
Increased by Receipts:			
State of New Jersey Senior Citizens' Deductions	A-7	\$ 33,103.42	\$
2011 Appropriation Refunds	A-3	24,139.92	
Grants Receivable	A-11		44,660.88
Taxes Receivable	A-8	9,433,116.03	
Tax Overpayments	A-15	28,786.45	
Prepaid Taxes	A-16	12,876.94	
PILOT Overpayments	A-30	2,802.25	
Sewer Overpayments	A-31	1,056.14	
Miscellaneous Revenue Not Anticipated	A-2	89,296.22	
Revenue Accounts Receivable	A-10	2,097,548.05	
Petty Cash	A-6	300.00	
Reserve for Prepaid Revenue (CCO)	A-23	51.00	
Reserve for Due County - 5% Pilot	A-13	48,331.16	
Interfunds	A-22	522,628.12	
Due Current Fund	A-29		330,737.61
Due Trust Other Fund	A-28		370,000.00
Reserve for Grants - Unappropriated	A-26		29,350.10
		\$ 12,294,035.70	\$ 774,748.59
		\$ 13,238,467.07	\$ 774,748.59
Decreased by Disbursements:			
2011 Appropriations	A-3	\$ 5,027,814.28	\$
2010 Appropriation Reserves	A-14	77,607.07	
Local District School Tax	A-18	5,630,996.00	
County Taxes	A-17	1,219,296.88	
Petty Cash	A-6	300.00	
Refund of Miscellaneous Revenue not Anticipated	A-2	85.00	
Refund of P.I.L.O.T. Revenue	A-2	1,519.15	
Reserve for Tax Appeals	A-12	2,099.73	
Reserve for Due County - 5% Pilot	A-13	96,546.82	
Tax Overpayments	A-15	20,788.99	
Interfunds	A-22	431,265.54	
Due General Fund	A-24		73,000.00
Due Current Fund	A-29		444,010.98
Reserve for Grants - Appropriated	A-25		257,737.61
		\$ 12,508,319.46	\$ 774,748.59
Balance, December 31, 2011	A	\$ 730,147.61	\$ -0-

"A-5"

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF CHANGE FUNDS

REF.

Balance, December 31, 2010
and December 31, 2011

A

\$ 450.00

ANALYSIS OF BALANCE

Tax Collector
Municipal Court
Administration

\$ 200.00
200.00
50.00

\$ 450.00

"A-6"

SCHEDULE OF PETTY CASH

DISBURSEMENTS

RECEIPTS

Finance Department

\$ 300.00 \$ 300.00

REF.

A-4

A-4

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
PER CHAPTER 20, P.L. 1971

	<u>REF.</u>		
Balance, December 31, 2010 (Due From)	A		\$ 29,414.94
Increased by:			
Senior Citizens and Veterans Deductions Allowed:			
Per Tax Billings		\$ 38,500.00	
Per Tax Collector		1,500.00	
	A-7	<u>40,000.00</u>	\$ 40,000.00
			<u>\$ 69,414.94</u>
Decreased by:			
Senior Citizens and Veterans Deductions			
Disallowed by Tax Collector:			
2011 Taxes	A-7	\$ 343.15	
Received in Cash From State	A-4	<u>33,103.42</u>	
			<u>33,446.57</u>
Balance, December 31, 2011 (Due From)	A		<u>\$ 35,968.37</u>

CALCULATION OF "STATE'S-SHARE"-2011
SENIOR CITIZENS AND VETERANS DEDUCTION ALLOWED

Deductions per tax Billings:			
Senior Citizens		\$ 8,500.00	
Veterans		30,000.00	
Senior Citizen's Deductions Allowed by Collector		750.00	
Veterans Deductions Allowed by Collector		<u>750.00</u>	
	A-7		\$ 40,000.00
Less: Disallowed by Collector	A-7		<u>343.15</u>
	A-8		<u>\$ 39,656.85</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2010	ADDED TAXES	2011 LEVY	COLLECTION BY CASH		CANCELED	OVERPAYMENTS APPLIED	TRANSFER TO TAX TITLE LIENS	BALANCE DECEMBER 31, 2011
				2010	2011				
Prior	\$ 188,911.24	\$ 3,167.98	\$ 9,559,648.51	\$ 24,918.87	\$ 158,117.96	\$ 30,978.22	\$ 1,730.46	\$ 21,246.46	\$ 2,983.04
2011	\$ 188,911.24	\$ 3,167.98	\$ 9,559,648.51	\$ 24,918.87	\$ 9,472,772.88	\$ 47,869.92	\$ 1,730.46	\$ 21,246.46	\$ 149,227.88
REF. A				A-2-A-16	A-2		A-2-A-15	A-9	A

REF.

Collector-Treasurer
Due from State of New Jersey Per Chapter 20 P.L. 1971

\$ 9,433,116.03	A-4
39,656.85	A-7
<u>\$ 9,472,772.88</u>	

ANALYSIS OF 2011 PROPERTY TAX LEVY

TAX YIELD	
General Purpose Tax:	
Added Taxes (54-4-63.1 et seq.)	\$ 5,466.69
General Purpose Tax	<u>9,554,181.82</u>
TOTAL	\$ 9,559,648.51
TAX LEVY	
Local District School Tax (Abstract)	
County Taxes:	
County Tax - Regular (Abstract)	\$ 975,150.25
County Tax - Library (Abstract)	141,281.20
County Tax - Open Space (Abstract)	102,521.32
County Tax Added	<u>344.11</u>
	1,219,296.88
Local Tax for Municipal Purposes (Abstract)	
Add: Additional Tax Levied	\$ 2,704,071.22
Local Tax for Municipal Purposes Levied	<u>5,284.41</u>
	2,709,355.63
	<u>\$ 9,559,648.51</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF TAX TITLE LIENS

	<u>REF.</u>	
Balance, December 31, 2010	A	\$ 28,808.39
Increased by:		
Taxes Receivable	A-8	<u>21,246.46</u>
Balance, December 31, 2011	A	<u>\$ 50,054.85</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

<u>REF.</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>ACCRUED IN 2011</u>	<u>COLLECTED BY COLLECTOR/ TREASURER</u>	<u>BALANCE DECEMBER 31, 2011</u>
Clerk:				
Alcoholic Beverage License	\$	8,000.00	8,000.00	\$
Fees and Permits		125.00	125.00	
Bulk Disposal Fees		4,965.00	4,965.00	
Registrar:				
Fees and Permits		330.00	330.00	
Police:				
Fees and Permits		1,777.15	1,777.15	
Planning:				
Fees and Permits		518.00	518.00	
Miscellaneous Fees		100.00	100.00	
Tax Collector:				
Fees and Permits		117.00	117.00	
Construction Code:				
Fees and Permits		1,360.00	1,360.00	
Municipal Court - Fines and Costs	10,499.24	124,477.93	125,303.79	9,673.38
Interest and Costs on Taxes		32,922.84	32,922.84	
Consolidated Municipal Property Tax Relief Aid		69,819.00	69,819.00	
Energy Receipt Taxes		349,475.00	349,475.00	
Uniform Construction Code Fees		39,583.00	39,583.00	
Sewer Charges		439,816.77	439,816.77	
P.I.L.O.T.		918,292.07	918,292.07	
Police Services - Rocky Hill		48,128.07	48,128.07	
Uniform Fire Safety Act		2,299.05	2,299.05	
Cable T.V. Franchise Fee		34,017.00	34,017.00	
Verizon Franchise Fee		15,024.31	15,024.31	
State of NJ Division of Motor Vehicles		5,575.00	5,575.00	
	<u>\$ 10,499.24</u>	<u>\$ 2,096,722.19</u>	<u>\$ 2,097,548.05</u>	<u>\$ 9,673.38</u>
<u>REF.</u>	A		A-4	A

BOROUGH OF SOUTH BOUND BROOK

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2010	ACCRUED	RECEIPTS	UNAPPROPRIATED APPLIED	CANCELED	BALANCE DECEMBER 31, 2011
Clean Communities Program		\$ 6,169.93	\$	\$ 6,169.93	\$	
Click it or Ticket		3,600.00		3,600.00		
Over the Limit Under Arrest		4,400.00	1,450.00		2,950.00	
Body Armor Replacement Fund		990.94		990.94		
Municipal Alliance on Alcohol & Drug Abuse		15,123.00	12,653.50			2,469.50
Youth Services Program - 2010		5,000.00		5,000.00		
Youth Services Program - 2011		5,000.00	5,000.00			
Economic Development Incentive Program	18,921.66					18,921.66
Alcohol Education Rehabilitation Fund		2,061.20		2,061.20		
Youth Athletic and Recreation Facility	10,419.94	19,385.53				29,805.47
Hazardous Discharge - SBB Auto Body	26,030.00					26,030.00
Hazardous Discharge - GAF Corp.	13,008.00					13,008.00
Main Street Revitalization	22,145.10		21,103.80			1,041.30
N.J. Historic Trust Grant - Staats House Restoration	339,898.00					339,898.00
Historic Preservation Grant (Staats)	42,780.54					42,780.54
Country Smokehouse/ Corn Crib		87,820.00				87,820.00
Recycling Tonnage		4,453.58				
Interlocal Service/ Master Plan	18,250.00					18,250.00
NJ EDA Allied/Starville	20,746.00					20,746.00
	\$ 512,199.24	\$ 154,004.18	\$ 44,660.88	\$ 17,822.07	\$ 2,950.00	\$ 600,770.47
REF.	A		A-4	A-26	A-1	A
2011 Budget		\$ 46,798.65				
Non-Budgeted		107,205.53				
		\$ 154,004.18				

"A-12"

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

	<u>REF.</u>	
Balance, December 31, 2010	A	\$ 36,250.00
Decreased by:		
Disbursements	A-4	<u>2,099.73</u>
Balance, December 31, 2011	A	<u>\$ 34,150.27</u>

"A-13"

SCHEDULE OF RESERVE FOR 5% P.I.L.O.T. - DUE COUNTY

Balance, December 31, 2010	A	\$ 96,546.82
Increased by:		
Receipts	A-4	<u>48,331.16</u>
		144,877.98
Decreased by:		
Disbursements	A-4	<u>96,546.82</u>
Balance, December 31, 2011	A	<u>\$ 48,331.16</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF APPROPRIATION RESERVES - 2011

	BALANCE DECEMBER 31, 2010	MODIFIED BALANCE	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:				
Planning Board	\$ 1.56	\$ 1.56		\$ 1.56
Emergency Management Services	2.16	2.16		2.16
Other Expenses:				
Mayor & Council	143.75	294.75	294.75	
Clerk		428.35	428.35	
Financial Administration - Miscellaneous	375.00	600.00	600.00	
Collection of Taxes		1,363.00	1,363.00	
Public Buildings and Grounds		370.53	365.32	5.21
Other Insurance		1,459.00	1,459.00	
Fire - Miscellaneous & Rent	1,875.22	13,007.41	13,007.41	
Bureau of Fire Safety		200.00	200.00	
Police	1,608.24	11,360.01	9,906.00	1,454.01
Municipal Court		290.00	290.00	
First Aid Organization And Maintenance Costs		3,758.50	3,463.59	294.91
Emergency Management Services	1,684.83	2,919.83	2,919.83	
Road Repair & Maintenance	336.41	3,556.58	3,220.17	336.41
Department of Public Works	178.67	178.67		178.67
Garbage & Trash		922.62	419.93	502.69
Solid Waste Recycling		1,689.00	1,473.00	216.00
Board of Health	4,465.15	4,465.15		4,465.15
Administration of Public Assistance	50.00	50.00		50.00
Parks & Playgrounds	16.56	16.56		16.56
Contribution to Senior Citizens Center	3,850.00	3,850.00	3,850.00	
Board of Recreation Commissioners: Sports	1,237.86	1,887.86	728.60	1,159.26
Board of Recreation Commissioners: Social		500.00	274.19	225.81
Historical Society	2.59	1,539.26	964.00	575.26
Safety & Health Act	653.04	653.04		653.04
Street Lighting	20,179.69	20,179.69	18,086.20	2,093.49
Fire Hydrant Service	8,945.32	8,945.32	8,850.96	94.36
Telephone	2,339.37	2,339.37	2,339.37	
Gas/Electricity	1,669.78	1,669.78	1,669.78	
Contingent	1,000.00	1,000.00		1,000.00
Sewerage Authority - Share of Costs	0.38	0.38		0.38
Length of Service Program	6,000.00	6,000.00	6,000.00	
	<u>\$ 56,615.58</u>	<u>\$ 95,498.38</u>	<u>\$ 82,173.45</u>	<u>\$ 13,324.93</u>

REF. A:A-14

A-1

2010 Appropriation Reserves	A-14	\$ 56,615.58
Accounts Payable	A-20	<u>38,882.80</u>
		<u>\$ 95,498.38</u>

Disbursements	A-4	\$ 77,607.07
Accounts Payable	A-20	<u>4,566.38</u>
		<u>\$ 82,173.45</u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2010	A		\$ 362.94
Increased by:			
Overpayments in 2011	A-4		<u>28,786.45</u>
			\$ 29,149.39
Decreased by:			
Refund of Overpayments	A-4	\$ 20,788.99	
Applied to Taxes	A-8	<u>1,730.46</u>	
			<u>22,519.45</u>
Balance, December 31, 2011	A		\$ <u><u>6,629.94</u></u>

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2010	A		\$ 24,918.87
Increased by:			
Receipts	A-4		<u>12,876.94</u>
			\$ 37,795.81
Decreased by:			
Applied to 2011 Taxes Receivable	A-8		<u>24,918.87</u>
Balance, December 31, 2011	A		\$ <u><u>12,876.94</u></u>

"A-17"

BOROUGH OF SOUTH BOUND BROOK
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
2011 Tax Levy:			
County Taxes		\$ 1,218,952.77	
Added Taxes		344.11	
	A-1:A-8	<u> </u>	\$ 1,219,296.88
Decreased by:			
Payments	A-4		\$ <u>1,219,296.88</u>

"A-18"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance, December 31, 2010	A		\$ 62,500.50
Increased by:			
Levy	A-1:A-8		<u>5,630,996.00</u>
			\$ 5,693,496.50
Decreased by:			
Payments	A-4	\$ 5,630,996.00	
Canceled		<u>62,500.50</u>	
			\$ <u>5,693,496.50</u>

"A-19"

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF RESERVE FOR SALE OF MUNICIPAL ASSETS

REF.

Balance, December 31, 2010			
December 31, 2011	A		\$ <u>8,918.21</u>

"A-20"

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

Balance, December 31, 2010	A		\$ 38,882.80
Increased by:			
2011 Appropriations	A-3	\$ 48,961.72	
2010 Appropriation Reserves	A-14	<u>4,566.38</u>	
			\$ <u>53,528.10</u>
			\$ 92,410.90
Decreased by:			
Transferred to Appropriation Reserves	A-14		<u>38,882.80</u>
Balance, December 31, 2011	A		\$ <u>53,528.10</u>

"A-21"

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

Balance, December 31, 2010 and December 31, 2011	A		\$ <u>46,053.66</u>
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BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>TRUST OTHER FUND</u>	<u>GENERAL CAPITAL FUND</u>
Balance, December 31, 2010:						
Receivable	A	\$ 137,042.97	\$ 127,172.90	\$ 6,501.53	\$ 3,368.54	\$ 7,106.07
Payable	A	<u>7,106.07</u>				
Receipts	A-4	\$ 522,628.12	\$ 444,010.98	\$	\$ 5,617.14	\$ 73,000.00
Transfer	A-29	<u>11,112.96</u>	<u>11,112.96</u>			
Disbursements	A-4	<u>431,265.54</u>	<u>330,737.61</u>	<u>4,024.40</u>	<u>16,501.37</u>	<u>80,002.16</u>
Balance, December 31, 2011:						
Receivable	A	\$ 27,565.27	\$ 2,786.57	\$ 10,525.93	\$ 14,252.77	\$ 103.91
Payable	A	<u>103.91</u>				

"A-23"

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF RESERVE FOR PREPAID REVENUE

	<u>REF.</u>	
Increased by:		
Receipts	A-4	\$ <u>51.00</u>
Balance, December 31, 2011	A	\$ <u><u>51.00</u></u>

"A-24"

GRANT FUND

SCHEDULE OF DUE GENERAL CAPITAL FUND

Increased by:		
Disbursements	A-4	\$ <u>73,000.00</u>
Balance, December 31, 2011	A	\$ <u><u>73,000.00</u></u>

BOROUGH OF SOUTH BOUND BROOK

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2010	TRANSFERRED FROM 2011 APPROPRIATION	PAID OR CHARGED	CANCELED	BALANCE DECEMBER 31, 2011
Drunk Driving Enforcement Fund	\$ 55,040.52	\$	\$ 2,162.99	\$	\$ 52,877.53
Clean Communities Program	4,782.74	6,169.93	5,977.64		4,975.03
Alcohol Education Rehabilitation	5,532.94	2,061.20	1,675.00		5,919.14
Recycling Tonnage Grant	4,220.04	4,453.58	1,502.85		7,170.77
Start Talking Before They Start Drinking	500.00				500.00
Somerset County Ridewise	10,000.00				10,000.00
Smart Growth Program	4,200.00				4,200.00
Economic Development Incentive Program	15,995.36				15,995.36
Youth Athletic and Recreation Facility	1,005.07	19,385.53	16,101.50		4,289.10
County Smokehouse/ Corn Crib		87,820.00	65,450.91		22,369.09
Over the Limit, Under Arrest		4,400.00	1,450.00	2,950.00	
Click it or Ticket	1,800.00	3,600.00	675.00		5,400.00
Municipal Stormwater Regulation Program	7,265.50				6,590.50
Hazardous Discharges Site Remediation	144,005.26				144,005.26
Hazardous Discharge - GAF Corp.	33,228.00				33,228.00
NJ EDA - GAF Development	9,924.00				9,924.00
NJ EDA - GAF Development	10,322.00				10,322.00
N.J. Historic Trust Grant - Staats House Restoration	58,669.86		26,365.75		32,304.11
Municipal Alliance on Alcohol & Drug Abuse & Match	7,248.64	18,903.75	22,739.57		3,412.82
Youth Services Program - 2010		5,000.00	5,000.00		
Youth Services Program - 2011		5,000.00	4,949.05		
Body Armor Replacement Fund -2007	205.11				50.95
Body Armor Replacement Fund -2008	1,272.65				205.11
Body Armor Replacement Fund -2011		990.94			1,272.65
NJ EDA - Allied/Starline	5,352.44				990.94
	\$ 380,570.13	\$ 157,784.93	\$ 154,050.26	\$ 2,950.00	\$ 381,354.80

REF.

2011 Appropriations	A-3	\$ 50,579.40	
Non-Budgeted	A-11	107,205.53	
		<u>157,784.93</u>	
Disbursements	A-4	\$ 257,737.61	
Accounts Payable	A-27	279.00	
		<u>258,016.61</u>	
Less: Prior Year Accounts Payable	A-27	\$ 103,966.35	
		<u>\$ 154,050.26</u>	

A

A-1

A

BOROUGH OF SOUTH BOUND BROOK

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	BALANCE DECEMBER 31, 2010	RECEIPTS	APPLIED TO RECEIVABLE	BALANCE DECEMBER 31, 2011
Recycling Tonnage Grant	\$	3,279.97	\$	3,279.97
Alcohol Education Rehabilitation	2,061.20	3,020.34	2,061.20	3,020.34
Youth Services	5,000.00	9,500.00	5,000.00	9,500.00
Clean Communities Program	6,169.93	6,243.97	6,169.93	6,243.97
Drunk Driving Enforcement Fund	3,600.00	5,783.33	3,600.00	5,783.33
Click it or Ticket	990.94	1,522.49	990.94	1,522.49
Body Armor Replacement				
	<u>\$ 17,822.07</u>	<u>29,350.10</u>	<u>\$ 17,822.07</u>	<u>\$ 29,350.10</u>
<u>REF.</u>	A	A-4	A-11	A

BOROUGH OF SOUTH BOUND BROOK

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2010	A	\$ 103,966.35
Increased by:		
Reserve for Grants Appropriated	A-25	279.00
		<u>\$ 104,245.35</u>
Decreased by:		
Reserve for Grants Appropriated	A-25	<u>103,966.35</u>
Balance, December 31, 2011	A	<u><u>\$ 279.00</u></u>

"A-28"

BOROUGH OF SOUTH BOUND BROOK
GRANT FUND
SCHEDULE OF DUE TRUST OTHER FUND

	<u>REF.</u>		
Balance, December 31, 2010 (Due From)	A	\$	110,000.00
Decreased by:			
Receipts	A-4		<u>370,000.00</u>
Balance, December 31, 2011 (Due To)	A	\$	<u><u>260,000.00</u></u>

"A-29"

SCHEDULE OF DUE CURRENT FUND

Balance, December 31, 2010 (Due To)	A	\$	127,172.90
Increased by:			
Receipts	A-4		<u>330,737.61</u>
		\$	457,910.51
Decreased by:			
Disbursements	A-4	\$	444,010.98
Transfer	A-22		<u>11,112.96</u>
			<u>455,123.94</u>
Balance, December 31, 2011 (Due To)	A	\$	<u><u>2,786.57</u></u>

"A-30"

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF PILOT OVERPAYMENTS

	<u>REF.</u>	
Increased by:		
Receipts	A-4	\$ <u>2,802.25</u>
Balance, December 31, 2011	A	\$ <u><u>2,802.25</u></u>

"A-31"

SCHEDULE OF SEWER OVERPAYMENTS

Increased by:		
Receipts	A-4	\$ <u>1,056.14</u>
Balance, December 31, 2011	A	\$ <u><u>1,056.14</u></u>

BOROUGH OF SOUTH BOUND BROOK

CURRENT FUND

SCHEDULE OF DEFERRED CHARGES

	BALANCE DECEMBER 31, 2010	AMOUNT RESULTING FROM OPERATIONS	2011 APPROPRIATIONS	BALANCE DECEMBER 31, 2011
Emergency Appropriation - NJSA 40A: 4-53	\$ 24,000.00	\$ 50,000.00	\$ 24,000.00	\$ 50,000.00
Emergency Appropriation - NJSA 40A: 4-46	109,876.18	34,530.51	109,876.18	34,530.51
Overexpenditure	7,332.21		7,332.21	
	<u>\$ 141,208.39</u>	<u>\$ 84,530.51</u>	<u>\$ 141,208.39</u>	<u>\$ 84,530.51</u>
<u>REF.</u>	A	A-3	A-3	A

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF TRUST CASH - COLLECTOR-TREASURER

<u>REF.</u>	<u>ASSESSMENT</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2010	\$ 1,853.61	\$ 1,525.83	\$ 386,289.53
Increased by Receipts:			
Reserve for Various Deposits	\$	\$ 2,986,349.70	
Reserve for Escrow Deposits		24,223.43	
Reserve for Police Outside Overtime		27,600.00	
Reserve for Animal Control Trust Fund Expenditures		17,984.70	
Due State of New Jersey-Dog Fees		468.00	
Due Current Fund		4,024.40	
	<u>\$ 1,853.61</u>	<u>22,477.10</u>	<u>3,054,674.50</u>
		<u>\$ 24,002.93</u>	<u>\$ 3,440,964.03</u>
Decreased by Disbursements:			
Reserve for Various Deposits	\$	\$ 2,938,344.96	
Reserve for Escrow Deposits		28,922.51	
Reserve for Police Outside Overtime		27,600.00	
Due to State of New Jersey-Dog Fees		459.00	
Expenditures Under R.S.4:19-15.11		13,182.75	
Due Current Fund			5,617.14
Due Grant Fund			370,000.00
		<u>13,641.75</u>	<u>3,370,484.61</u>
Balance, December 31, 2011	<u>\$ 1,853.61</u>	<u>\$ 10,361.18</u>	<u>\$ 70,479.42</u>

"B-3"

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

BALANCE
DECEMBER
31, 2011 AND 2010

Fund Balance

\$ 1,853.61

REF.

B

"B-4"

BOROUGH OF SOUTH BOUND BROOK
TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS

REF.

Balance, December 31, 2010
and December 31, 2011

B

\$ 22,704.68

"B-5"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME

Increased by:
Receipts

B-2

\$ 27,600.00

Decreased by:
Disbursements

B-2

\$ 27,600.00

"B-6"

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2011 AND 2010</u>
6-94	Improvements to Louis Avenue	\$ 7,802.50
6-95	Various Road Improvements	<u>15,000.00</u>
		\$ <u>22,802.50</u>
	<u>REF.</u>	B

"B-7"

SCHEDULE OF RESERVE FOR ASSESSMENTS

Balance, December 31, 2010 and December 31, 2011	B	\$ <u>22,802.50</u>
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BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

Balance, December 31, 2010 (Due To)	B	\$	3,368.54
Increased by:			
Receipts	B-2		16,501.37
		\$	<u>19,869.91</u>
Decreased by:			
Disbursements	B-2		<u>5,617.14</u>
Balance, December 31, 2011 (Due To)	B	\$	<u><u>14,252.77</u></u>

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL TRUST FUND EXPENDITURES

	<u>REF.</u>		
Increased by:			
Dog License Fees Collected		\$ 2,913.00	
Cat License Fees Collected		96.00	
Budget Appropriation		<u>10,000.00</u>	
	B-2		\$ <u>13,009.00</u>
			13,009.00
Decreased by:			
Expenditures Under R.S. 4:19-15.11	B-2		<u>13,182.75</u>
Balance, December 31, 2011 (Deficit)	B		\$ <u><u>(173.75)</u></u>

ANIMAL LICENSE FEES COLLECTED

<u>YEAR</u>	<u>AMOUNT</u>
2010	\$ 3,835.40
2009	<u>3,225.00</u>
	\$ <u><u>7,060.40</u></u>

"B-10"

BOROUGH OF SOUTH BOUND BROOK
TRUST FUND
SCHEDULE OF DUE STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Increased by:			
Receipts	B-2	\$	468.00
Decreased by:			
Disbursements	B-2		<u>459.00</u>
Balance, December 31, 2011 (Due State)	B	\$	<u><u>9.00</u></u>

"B-11"

SCHEDULE OF DUE CURRENT FUND
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2010 (Due To)	B	\$	6,501.53
Increased by:			
Receipts	B-2		<u>4,024.40</u>
Balance, December 31, 2011 (Due To)	B	\$	<u><u>10,525.93</u></u>

"B-12"

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF COMMUNITY DEVELOPMENT BLOCK GRANTS RECEIVABLE

<u>PROGRAM TITLE</u>	<u>PROJECT GRANT NUMBER</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2011</u>
Redevelopment Agency	00-T1901-19	\$ 14,351.00	\$ 14,351.00	\$
South Bound Brook Playground Equipment	10-U1901-19	44,755.00		44,755.00
		<u>\$ 59,106.00</u>	<u>\$ 14,351.00</u>	<u>\$ 44,755.00</u>
	<u>REF.</u>	B	B-13	B

"B-13"

SCHEDULE OF RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANTS

<u>PROGRAM TITLE</u>	<u>PROJECT GRANT NUMBER</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>CANCELED</u>	<u>BALANCE DECEMBER 31, 2011</u>
Redevelopment Agency	00-T1901-19	\$ 14,351.00	\$ 14,351.00	\$
South Bound Brook Playground Equipment	10-U1901-19	44,755.00		44,755.00
		<u>\$ 59,106.00</u>	<u>\$ 14,351.00</u>	<u>\$ 44,755.00</u>
	<u>REF.</u>	B	B-12	B

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF RESERVE FOR VARIOUS DEPOSITS

<u>RESERVE TITLE</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DECEMBER 31, 2011</u>
Parking Offense Adjudication Act	\$ 1,003.29	\$ 14.00	\$	\$ 1,017.29
Public Defender	21,279.97	7,250.50	10,404.00	18,126.47
Disaster Relief Donations	1,264.00			1,264.00
Road Opening Deposits	1,947.50			1,947.50
Allied Builders Escrow Deposit	3,500.00			3,500.00
Due State of New Jersey - D.C.A.	300.00	1,950.00	1,773.00	477.00
Due State of New Jersey - Marriage Licenses	225.00	800.00	725.00	300.00
Fire Fines and Penalties	2,724.00	172.00	200.92	2,695.08
Payroll Deductions Payable	28,354.87	2,733,947.94	2,723,360.70	38,942.11
Miscellaneous	777.00		777.00	
Outside Lien Redemption		235,313.26	198,621.34	36,691.92
Tax Premiums	4,800.00			4,800.00
Public Assistance	115.04			115.04
Police Equipment	2,947.55			2,947.55
Historic Preservation	1,060.00			1,060.00
Recreation	1,437.00	1,200.00	2,083.00	554.00
Salt Dome		5,300.00		5,300.00
Community Day Donations		1,250.00	1,250.00	
Law Enforcement Trust	3,330.66	2.00		3,332.66
	<u>\$ 75,065.88</u>	<u>\$ 2,987,199.70</u>	<u>\$ 2,939,194.96</u>	<u>\$ 123,070.62</u>
<u>REF.</u>	<u>B</u>			<u>B</u>
Receipts	\$	2,986,349.70		
Adjustments		<u>850.00</u>		
	\$	<u>2,987,199.70</u>		
Disbursements	\$		2,938,344.96	
Adjustments			<u>850.00</u>	
	\$		<u>2,939,194.96</u>	

"B-15"

BOROUGH OF SOUTH BOUND BROOK

TRUST FUND

SCHEDULE OF DUE GRANT FUND

Balance, December 31, 2010 (Due To)	B	\$ 110,000.00
Decreased by:		
Disbursements	B-2	<u>370,000.00</u>
Balance, December 31, 2011 (Due From)	B	<u>\$ 260,000.00</u>

"B-16"

SCHEDULE OF RESERVE FOR ESCROW DEPOSITS
TRUST OTHER FUND

Balance, December 31, 2010	B	\$ 175,150.43
Increased by:		
Receipts	B-2	<u>24,223.43</u>
		\$ <u>199,373.86</u>
Decreased by:		
Disbursements	B-2	<u>28,922.51</u>
Balance, December 31, 2011	B	<u>\$ 170,451.35</u>

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2010	C		\$ 341,275.42
Increased by Receipts:			
Budget Appropriation:			
Capital Improvement Fund	C-7	\$ 500.00	
Due Current Fund	C-6	<u>80,002.16</u>	
			<u>80,502.16</u>
			\$ 421,777.58
Decreased by Disbursements:			
Contracts Payable	C-10		<u>421,830.05</u>
Balance, December 31, 2011 (overdraft)	C		<u><u>\$ (52.47)</u></u>

"C-3"

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	BALANCE DECEMBER 31, 2011
Fund Balance	\$ 64,931.77
Capital Improvement Fund	130,594.73
Grants Receivable	(459,791.49)
Contracts Payable	46,695.62
Improvement Authorizations Funded Set Forth on Schedule "C-8"	447,008.44
Unexpended Proceeds of Bond Anticipation Notes on Schedule "C-5"	(303,113.94)
Reserve for Redevelopment	726.31
Due Current Fund	(103.91)
Due Grant Fund	73,000.00
	<hr/>
	\$ (52.47)
	<hr/> <hr/>
<u>REF.</u>	C

"C-4"

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2010	C	\$ 2,572,000.00
Decreased by:		
2011 Budget Appropriation to Pay Bonds	C-12	<hr/> 110,000.00
Balance, December 31, 2011	C	\$ <hr/> <hr/> 2,462,000.00

BOROUGH OF SOUTH BOUND BROOK
GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

<u>ORDINANCE #</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>ANALYSIS OF BALANCE</u>		<u>EXPENDITURES</u>	<u>UNEXPENDED IMPROVEMENT AUTHORIZATIONS</u>
		<u>BALANCE DECEMBER 31, 2010</u>	<u>BALANCE DECEMBER 31, 2011</u>		
		\$	\$	\$	\$
01-08	Various Public Improvements	13,007.43	13,007.43	10,070.50	2,936.93
03-03	Acquisition of Real Property	30,000.00	30,000.00	28,997.24	1,002.76
04-04	Acquisition of Real Property	150,500.00	150,500.00		150,500.00
05-16	Reconstruction of Maple Avenue and Baldwin Avenue	42,200.00	42,200.00		42,200.00
06-07	Improvements to Latourette Avenue	100,800.00	100,800.00		100,800.00
08-07	Reconstruction of Clinton Street	90,000.00	90,000.00		90,000.00
10-01	Acquisition of Real Property	190,000.00	190,000.00	186,450.83	3,549.17
10-06	Reconstruction of Jerome and Howard Avenue	47,600.00	47,600.00	47,600.00	47,600.00
10-07	Acquisition of Turnout Gear - Fire Department	100,000.00	100,000.00	77,595.37	22,404.63
11-03	Various Public Improvements		176,400.00		176,400.00
		<u>\$ 764,107.43</u>	<u>\$ 940,507.43</u>	<u>\$ 303,113.94</u>	<u>\$ 637,393.49</u>
		C	C	C-3	C-8

REF.

"C-6"

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2010 (Due From)	C	\$ 7,106.07
Increased by:		
Disbursements	C-11	73,000.00
		<u>\$ 80,106.07</u>
Decreased by:		
Receipts	C-2	80,002.16
		<u>80,002.16</u>
Balance, December 31, 2011 (Due From)	C	<u><u>\$ 103.91</u></u>

"C-7"

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2010	C	\$ 138,915.73
Increased by:		
2011 Budget Appropriation	C-2	500.00
		<u>\$ 139,415.73</u>
Decreased by:		
Improvement Authorizations	C-8	8,821.00
		<u>8,821.00</u>
Balance, December 31, 2011	C	<u><u>\$ 130,594.73</u></u>

BOROUGH OF SOUTH BOUND BROOK
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORD. #	IMPROVEMENT DESCRIPTION	DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2010		2011 AUTHORIZATIONS	CONTRACTS PAYABLE	BALANCE DECEMBER 31, 2011	
				FUNDED	UNFUNDED			FUNDED	UNFUNDED
11-94	Refunding Bond Ordinance	12/28/94	\$ 260,000.00	\$ 4,153.23	\$	\$	\$	4,153.23	\$
7-98	Improvement to Sanitary Sewer - Prospect	06/09/98	75,000.00	4,074.64				4,074.64	
9-98	Improvement to Washington St	06/09/98	70,000.00	15,375.74				15,375.74	
12-98	Improvement to Municipal Buildings	07/18/98	16,000.00	333.07				333.07	
14-98	Various Capital Improvements	09/08/98	175,000.00	24,511.45				24,511.45	
8-99	Various Capital Improvements	08/10/99	20,000.00	52.97				52.97	
9-99	Various Public Improvements	10/12/99	220,000.00	33,472.72				33,472.72	
00-08	Purchase of Various Equipment and Repairs	11/20/00	119,250.00	16,400.88				16,400.88	
01-08	Various Public Improvements	10/09/01	425,000.00	2,936.93				2,936.93	
01-10	Purchase of Land	11/08/01	20,100.00	100.00				100.00	
02-03	Various Capital Improvements	05/14/02	52,000.00	175.55				175.55	
03-03	Acquisition of Real Property	07/29/03	730,000.00						
04-03	Acquisition of Real Property	04/13/04	1,500,000.00	1,002.76				1,002.76	
04-07	Reconstruction of Van Sickle & Armstrong	07/13/04	540,000.00	18,159.76				18,159.76	
04-08	Construction of Zimmerman & Cedar	11/09/04	40,000.00	17,710.06				17,710.06	
05-14	Acquisition of Real Property	09/06/05	170,000.00	3,249.95				3,249.95	
05-16	Reconstruction of Maple and Baldwin	11/08/05	475,000.00	13,045.40				13,045.40	
05-17	Public Building Repairs & Police Equipment	12/13/05	26,000.00	20,639.51				20,639.51	
06-03	First Aid Squad Equipment	05/09/06	5,000.00	118.80				118.80	
06-07	Improvements to Latourrette Avenue	09/12/06	300,000.00	1,020.00				1,020.00	
06-08	Police Car Light Bars	10/10/06	6,000.00	8,104.91				8,104.91	
07-05	Computer Upgrade	07/10/07	25,000.00	495.00				495.00	
08-02	Purchase of Equipment	04/08/08	20,000.00	1,432.34				1,432.34	
08-05	Fire Department Repairs	09/02/08	15,000.00	1,002.51			982.90	19.61	
08-07	Reconstruction of Clinton Street	11/11/08	460,000.00	6,094.13				6,094.13	
09-05	Purchase of Equipment	04/14/09	30,000.00	7,970.16				7,970.16	
10-01	Acquisition of Real Property	02/09/10	190,000.00	143,760.42				3,549.17	
10-06	Reconstruction of Jerome and Howard Avenue	06/08/10	600,000.00	47,600.00				86,368.42	
10-07	Acquisition of Turnout Gear - Fire Department	10/12/10	105,000.00	38,296.07				15,891.44	
11-03	Various Public Improvements	08/09/11	360,000.00		360,000.00				24,889.16
11-04	Purchase of Equipment	08/09/11	6,800.00		6,800.00				2,500.00
			\$	\$ 342,372.50	\$ 476,884.93	\$	\$ 101,655.50	\$ 447,008.44	\$ 637,393.49

REF.

Capital Improvement Fund
 Deferred Charges to Future Taxation-Unfunded
 Fund Balance
 Grants Receivable

\$ 8,821.00
 \$ 176,400.00
 6,800.00
 174,779.00
 \$ 366,800.00

C-7
 C-5
 C-1
 C-13

C
 C
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C-10
 C-10
 C-10
 C-10

C-C-3
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 C-C-3

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR REDEVELOPMENT

	<u>REF.</u>	
Balance, December 31, 2010 and December 31, 2011	C	\$ <u><u>726.31</u></u>

"C-10"

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF CONTRACTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2010	C	\$ 366,870.17
Increased by:		
Improvement Authorizations	C-8	<u>101,655.50</u>
		\$ 468,525.67
Decreased by:		
Disbursements	C-2	<u>421,830.05</u>
Balance, December 31, 2011	C	<u><u>\$ 46,695.62</u></u>

"C-11"

SCHEDULE OF DUE GRANT FUND

Increased by:		
Receipts	C-6	<u>\$ 73,000.00</u>
Balance, December 31, 2011 (Due To)	C	<u><u>\$ 73,000.00</u></u>

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2010</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
General Improvement Bonds	08/15/10	\$ 2,572,000.00	08/15/12	\$ 125,000.00	2.000%			
			08/15/13	135,000.00	2.000%			
			08/15/14	150,000.00	2.000%			
			08/15/15	160,000.00	2.500%			
			08/15/16	175,000.00	2.500%			
			08/15/17	190,000.00	2.500%			
			08/15/18	210,000.00	2.500%			
			08/15/19	220,000.00	2.750%			
			08/15/20	220,000.00	3.000%			
			08/15/21	220,000.00	3.000%			
			08/15/22	220,000.00	3.000%			
		08/15/23	220,000.00	3.125%				
		08/15/24	217,000.00	3.200%				
						\$ 2,572,000.00	\$ 110,000.00	\$ 2,462,000.00
						\$ 2,572,000.00	\$ 110,000.00	\$ 2,462,000.00

REF.

C

C-4

C

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF GRANTS RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2010	C	\$ 285,012.49
Increased by:		
Improvement Authorizations	C-8	\$ <u>174,779.00</u>
Balance, December 31, 2011	C	\$ <u><u>459,791.49</u></u>

ANALYSIS OF BALANCE

Washington Street - Ord. 9-98		\$ 6,376.79
Bell Street - Ord. 00-08		5,004.21
Improvements to Jerome and Howard Avenues - Ord. 10-06		273,631.49
Sanders Avenue - Ord. 11-03		<u>174,779.00</u>
		\$ <u><u>459,791.49</u></u>

BOROUGH OF SOUTH BOUND BROOK

GENERAL CAPITAL FUND

SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE #</u>	<u>PURPOSE</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
01-08	Various Public Improvements	\$ 13,007.43
03-03	Acquisition of Real Property	30,000.00
04-04	Acquisition of Real Property	150,500.00
05-16	Reconstruction of Maple Avenue and Baldwin Avenue	42,200.00
06-07	Improvements to Latourette Avenue	100,800.00
08-07	Reconstruction of Clinton Street	90,000.00
10-01	Acquisition of Real Property	190,000.00
10-06	Reconstruction of Jerome and Howard Avenue	47,600.00
10-07	Acquisition of Turnout Gear - Fire Department	100,000.00
11-03	Various Public Improvements	<u>176,400.00</u>
		<u>\$ 940,507.43</u>

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BOROUGH OF SOUTH BOUND BROOK

PART II

REPORTS OF 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

SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF
EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Members
of the Borough Council
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

We have audited the accompanying financial statements - regulatory basis of the Borough of South Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated April 25, 2012 in which we expressed a qualified opinion due to the omission of a Statement of Fixed Assets. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of South Bound Brook prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of South Bound Brook's internal control over financial reporting as a basis for designing our audit 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 South Bound Brook's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of South Bound Brook's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

SUPLEE, CLOONEY & COMPANY

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 present or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough of South Bound Brook'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 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 financial reporting that we consider to be material weaknesses as defined above. However, we noted immaterial matters involving internal control that we has reported to the Borough of South Bound Brook in Part III, General Comments and Recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of South Bound Brook's financial statements - regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of noncompliance which are discussed in Part III, General Comments and Recommendations Section of this report.

This report is intended solely for the information of the Borough of South Bound Brook, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

April 25, 2012

BOROUGH OF SOUTH BOUND BROOK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>GRANT PERIOD FROM</u>	<u>TO</u>	<u>GRANT AWARD AMOUNT</u>	<u>2011 RECEIPTS</u>	<u>2011 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2011</u>
<u>Department of Housing and Urban Development</u>								
<u>Pass Through County of Somerset</u>								
Community Development Block Grants:								
Playground Equipment	14.218	10-U1901-19	09/01/10	08/31/11	\$ 44,755.00	\$	\$	\$
<u>U.S. Department of Homeland Security</u>								
Hazardous Waste Discharge Site Remediation	97.039	3200-850-0002	01/01/05	12/31/05	640,438.00	\$	\$	496,432.74
GAF Development	97.039		01/01/04	12/31/04	10,322.00			
GAF Development	97.039		01/01/06	12/31/06	9,924.00			
Allied/Stamile	97.039		01/01/05	12/31/05	20,746.00			15,393.56
Hazardous Discharge Mitigation - SBB Auto Body	97.039		01/01/05	12/31/05	26,030.00			26,030.00
Hazardous Discharge Mitigation - GAF Corp.	97.039	P16866	01/01/05	12/31/05	33,228.00			
					\$	\$	\$	\$ 537,856.30
<u>TOTAL FEDERAL FINANCIAL ASSISTANCE</u>					\$	\$ -0-	\$ -0-	\$ 537,856.30

BOROUGH OF SOUTH BOUND BROOK

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011

STATE GRANT OR PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT PERIOD FROM	TO	GRANT AWARD AMOUNT	2011 RECEIPTS	2011 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2011
DEPARTMENT OF LAW AND PUBLIC SAFETY							
Alcohol Education Rehabilitation Fund - 2009	9735-760-098-Y900-001-X100-6020	Various		4,230.10	\$	\$	4,230.10
Alcohol Education Rehabilitation Fund - 2010	9735-760-098-Y900-001-X100-6020	Various		4,316.09		1,216.85	4,230.10
Alcohol Education Rehabilitation Fund - 2011	9735-760-098-Y900-001-X100-6020	Various		2,061.20		458.15	458.15
Alcohol Education Rehabilitation Fund - Unappropriated	9735-760-098-Y900-001-X100-6020	Various		3,020.34	3,020.34		
Drunk Driving Enforcement Fund - 2004	6040-100-078-6400-YYYY	Various		20,290.38		2,162.99	17,469.37
Drunk Driving Enforcement Fund - 2005	6040-100-078-6400-YYYY	Various		12,719.31			
Drunk Driving Enforcement Fund - 2007	6040-100-078-6400-YYYY	Various		17,250.52			
Drunk Driving Enforcement Fund - 2008	6040-100-078-6400-YYYY	Various		7,160.84			
Drunk Driving Enforcement Fund - 2009	6040-100-078-6400-YYYY	Various		353.06			
Drunk Driving Enforcement Fund - 2010	6040-100-078-6400-YYYY	Various		12,572.79			
Drunk Driving Enforcement Fund - Unappropriated	6040-100-078-6400-YYYY	Various		5,783.33	5,783.33		
Click-it or Ticket - 2011	1160-100-066-1160-113-YHTS-6020	Various		1,800.00			
Over: The Limit, Under Arrest	1160-100-066-1160-113-YHTS-6020	Various		3,600.00			
Body Armor Replacement Fund - 2007	1160-100-066-1160-116-YHTS-6020	Various		1,450.00	1,450.00	1,450.00	1,450.00
Body Armor Replacement Fund - 2008	1160-100-066-1160-116-YHTS-6120	Various		2,643.11			2,438.00
Body Armor Replacement Fund - 2011	1160-100-066-1160-116-YHTS-6120	Various		1,272.65			
Body Armor Replacement Fund - Unappropriated	1160-100-066-1160-116-YHTS-6120	Various		990.94			
				1,522.49	1,522.49		
					11,776.16	5,287.99	26,045.62
DEPARTMENT OF ENVIRONMENTAL PROTECTION							
Recycling Tonnage Grant - 2009	4900-752-178810-60	Various		3,051.56			
Recycling Tonnage Grant - 2010	4900-752-178810-60	Various		3,969.93		250.11	3,051.56
Recycling Tonnage Grant - 2011	4900-752-178810-60	Various		4,453.58	4,453.58	1,252.74	1,252.74
Municipal Stormwater Regulation Program - 2008	4900-752-178810-60	Various		3,279.97	3,279.97		
Municipal Stormwater Regulation Program - 2009	4900-752-178810-60	Various		5,117.00		675.00	1,936.50
Clean Communities Program - 2009	4900-765-042-4900-004-VCMC-6020	Various		5,925.32		4,782.74	5,925.32
Clean Communities Program - 2011	4900-765-042-4900-004-VCMC-6020	Various		6,169.93		1,194.90	1,194.90
Clean Communities Program - Unappropriated	4900-765-042-4900-004-VCMC-6020	Various		6,243.97	6,243.97		
					13,977.52	8,155.49	13,361.02
DEPARTMENT OF COMMUNITY AFFAIRS							
Historic Preservation Trust		Various		150,000.00			150,000.00
Historic Preservation Trust		Various		339,898.00		26,365.75	307,593.89
						26,365.75	457,593.89
DEPARTMENT OF TRANSPORTATION							
New Jersey Transportation Trust Fund		Various		300,000.00			300,000.00
Main Street Revitalization Project	01-480-078-6320-ADC-6010	Various		325,000.00	21,103.80	29,568.45	101,919.73
Jerome Avenue Improvements	10-480-078-6320-AKE-6010	Various		225,000.00		225,000.00	225,000.00
Howard Avenue Improvements	11-480-078-6320-AKH-6010	Various		174,779.00			
Sanders Avenue Improvements	11-480-078-6320-AK3-6010	Various					
					21,103.80	254,568.45	626,919.73
NEW JERSEY GOVERNOR'S COUNCIL ON ALCOHOLISM AND DRUG ABUSE							
Pass Through from County of Somerset		01/01/10	12/31/10	18,903.75		7,248.64	18,903.75
Municipal Alliance on Alcoholism and Drug Abuse		01/01/11	12/31/11	18,903.75	12,653.50	15,490.93	15,490.93
Municipal Alliance on Alcoholism and Drug Abuse					12,653.50	22,739.57	34,394.68
					59,510.98	317,117.25	1,158,314.94

BOROUGH OF SOUTH BOUND BROOK

NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2011

NOTE 1. GENERAL

The accompanying schedules of expenditures of financial assistance present the activity of all federal and state financial assistance programs of the Borough of South Bound Brook, County of Somerset, New Jersey. All federal and state financial assistance received directly from federal or state agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than U.S. generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Township's financial statements - regulatory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules of expenditures agree with the amounts reported in the related federal and state financial report.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's regulatory basis financial statements. All of these amounts are reported in the Current, Trust and General Capital Funds in 2011.

Receipts:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ _____	\$ 59,510.98	\$ 14,500.00	\$ 74,010.98
	<u>\$ -0-</u>	<u>\$ 59,510.98</u>	<u>\$ 14,500.00</u>	<u>\$ 74,010.98</u>

Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ _____	\$ 62,548.80	\$ 91,501.46	\$ 154,050.26
General Capital Fund	_____	254,568.45	_____	254,568.45
	<u>\$ -0-</u>	<u>\$ 317,117.25</u>	<u>\$ 91,501.46</u>	<u>\$ 408,618.71</u>

NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedules.

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PART III

BOROUGH OF SOUTH BOUND BROOK

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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

	YEAR 2011		YEAR 2010	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 550,000.00	4.41%	\$ 600,000.00	5.07%
Miscellaneous - From Other Than Local Property Tax Levies	2,434,642.90	19.50%	1,819,799.33	15.36%
Collection of Delinquent Taxes and Tax Title Liens	158,117.96	1.27%	137,606.27	1.16%
Collections of Current Tax Levy	9,341,304.25	74.83%	9,287,980.34	78.41%
<u>Total Revenue</u>	<u>\$ 12,484,065.11</u>	<u>100.00%</u>	<u>\$ 11,845,385.94</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 5,261,052.52	43.38%	\$ 4,645,456.11	39.99%
County Taxes	1,219,296.88	10.05%	1,155,853.83	9.95%
Local School Taxes	5,630,996.00	46.43%	5,645,708.50	48.60%
Other Expenditures	17,301.00	0.14%	169,858.76	1.46%
<u>Total Expenditures</u>	<u>\$ 12,128,646.40</u>	<u>100.00%</u>	<u>\$ 11,616,877.20</u>	<u>100.00%</u>
Excess in Revenue	\$ 355,418.71		\$ 228,508.74	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	84,530.51		109,876.18	
Regulatory Excess to Fund Balance	\$ 439,949.22		\$ 338,384.92	
Fund Balance - January 1	<u>776,070.70</u>		<u>1,037,685.78</u>	
	\$ 1,216,019.92		\$ 1,376,070.70	
Less: Utilization as Anticipated Revenue	<u>550,000.00</u>		<u>600,000.00</u>	
Fund Balance, December 31	<u>\$ 666,019.92</u>		<u>\$ 776,070.70</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009*</u>
Tax Rate	<u>\$2.824</u>	<u>\$2.799</u>	<u>\$2.700</u>
Apportionment of Tax Rate:			
Municipal	\$0.799	\$0.801	\$0.741
County	0.360	0.341	0.364
Local School *revaluation	<u>1.665</u>	<u>1.657</u>	<u>1.595</u>
Assessed Valuation:			
2011	<u>\$338,320,886.00</u>		
2010		<u>\$340,573,963.00</u>	
2009			<u>\$343,677,585.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CURRENTLY</u>	
		<u>CASH COLLECTIONS</u>	<u>PERCENTAGE OF COLLECTION</u>
2011	\$9,559,648.51	\$9,341,304.25	97.71%
2010	\$9,540,995.91	\$9,287,980.34	97.34%
2009	\$9,286,188.61	\$9,066,302.66	97.63%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>DEC. 31ST YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2011	\$50,054.85	\$152,210.92	\$202,265.77	2.12%
2010	\$28,808.39	\$188,911.24	\$217,719.63	2.28%
2009	-0-	\$143,559.81	\$143,559.81	1.55%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>YEAR</u>	<u>AMOUNT</u>
2011	\$46,053.66
2010	\$46,053.66
2009	\$46,712.29

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
<u>Current Fund</u>	2011	\$666,019.92	\$455,000.00
	2010	\$776,070.70	\$550,000.00
	2009	\$1,037,685.78	\$600,000.00
	2008	\$1,373,815.37	\$825,000.00
	2007	\$1,637,769.54	\$825,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>SURETY BOND</u>
Terry Warrelman	Mayor	*
Dennis Quinlan	Council President	*
Kathleen Conner	Councilperson	*
Michelle Duh	Councilperson	*
Peter Dykes	Councilperson	*
Tamas Omorsi	Councilperson	*
Caryl Shoffner	Councilperson	*
Donald E. Kazar	Borough Clerk, Assessment Search Officer, Registrar of Vital Statistics, Administrator	*
Randy Bahr	Chief Financial Officer, Tax Collector	*
Maria E. Caemmerer	Deputy Tax Collector and Tax Search Officer	*
Rachel Inzano	Assistant to Finance Officer & Building Department	*
Barbara Flaherty	Tax Assessor	*
William Cooper III	Borough Attorney to May 1, 2011	*
Frank Linnus	Borough Attorney from June 14, 2011	*
John Richardson	Magistrate	*
Genoveva Castaneda	Court Administrator	*
Marianne E. Manley	Deputy Court Administrator	*
Arleen Lih	Secretary Board of Health, Deputy Registrar	*
William D. Boyle	Construction Official, Building & Fire Sub-Code	*
William King	Chief of Police	*
Carol Rice	Planning Board Secretary	*

All of the bonds were examined and were properly executed.

* - Public Employee Faithful Performance Blanket Position Bond - \$1,000,000.00
Middlesex County Municipal Joint Insurance Fund

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COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971, c. 198 (C. 40A:11-3), except by contract or agreement."

Effective January 1, 2011, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 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.

In 2011, the minutes indicate that contracts were awarded through bids for the following items:

Restoration of Corn Crib and Smokehouse at Staat's House
Reconstruction of Sanders Avenue

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed. Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500.00 "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 or where a resolution and been previously adopted under the provisions of N.J.S.A. 40A:11-6."

Resolutions authorizing contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 were advertised during 2011 for the following professional services:

Borough Engineer
Borough Planner
Auditing Services
Borough Attorney
Borough Labor Attorney
Bond Attorney
Borough Prosecutor

COLLECTION OF INTEREST ON DELINQUENT TAXES
AND ASSESSMENTS

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

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

"WHEREAS, R.S. 54-67, as amended, allows a fixed rate of interest and stated time on prepayment of taxes and assessments, the Borough of South Bound Brook will not allow any discount for the prepayment of taxes or assessments, and

WHEREAS, R.S. 54-67, as amended, provides for interest charge rates and the days of grace in payment of the delinquent taxes, the Borough of South Bound Brook shall charge interest not to exceed 8% per annum on the first \$1,500.00 of the total delinquency, and 18% per annum on any amount in excess of \$1,500.00 to be calculated from the date the tax was payable until the date of actual payment on taxes and added assessments. Plus 6% flat penalty at close of year on delinquency over \$10,000.00 with interest included provided, however, that no interest will be charged on any payments if made available within a period of ten (10) calendar days from the due date of said delinquent taxes or added assessments.

WHEREAS, the surcharge on redemption of municipal tax sale certificates be as follows:

- 2% - \$200.00 to \$5,000.00
- 4% - \$5,000.01 to \$10,000.00
- 6% - Over \$10,000.00

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

The Borough held a tax sale on December 12, 2011.

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2011	2
2010	2
2009	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

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

<u>TYPE</u>	
Information Tax Positive Confirmation	50
Delinquent Tax Positive Confirmation	15

OTHER COMMENTS

Interfunds

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year.

It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

OTHER COMMENTS (CONTINUED)

Purchasing

We noted that a Certification of Availability of Funds was not obtained from the Chief Financial Officer prior to the awarding of contracts.

We noted that not all professional service contracts over the bid threshold were awarded with a not to exceed amount by resolution of the governing body

We noted that numerous purchase orders are processed as confirming orders. This is where goods have been received or services have been rendered prior to the issuance of a purchase order. In effect, the controls that minimize the possibility of over expenditures and unauthorized purchases are not in operation.

General Ledger

A Current Fund General Ledger was not completely maintained in accordance with the N.J.A.C. 5:3—5.7.

Grants

Expenditures were charged to Grant line items which were never appropriated in the 2011 Budget. Grants should be properly appropriated in the Budget prior to the commitment or expenditure of funds.

Departments

The audit of the condition of records maintained by the various departments of the Borough was designed to determine whether minimum levels of internal control and accountability were maintained, that cash receipts were deposited or turned over to the Treasurer within 48 hours per N.J.S.A. 40A:5-15. Receipts collected by all departments were not always deposited within 48 hours.

Fixed Assets

The Borough's fixed asset ledger was not updated since 2005.

Payroll

Timesheets were not always approved by a Supervisor.

The remittance of pension reports was not always performed on a timely basis resulting in penalties and interest being assessed.

We noted that all employees were not paid in accordance with the approved salary ordinance.

Cash Management

The Borough did not approve by resolution a cash management plan.

RECOMMENDATIONS

*That a Certification of Availability of Funds be on file prior to the award of all bid awards.

*That all professional service contracts over the bid threshold be awarded with a not to exceed amount by resolution of the governing body.

That the practice of issuing confirming orders be discontinued.

*That a Current Fund General Ledger be completely maintained in accordance with N.J.A.C. 5:30-5.7.

That all funds received by all departments be deposited within 48 hours of receipt as per N.J.S.A. 40A:5-15.

That all grants be appropriated in the budget prior to the commitment or expenditure of funds.

*That the Borough's fixed asset ledger be maintained on a current basis.

That all timesheets be approved by a Supervisor.

*That the remittance of quarterly pension reports be performed in a timely manner.

That all employees be paid in accordance with the approved salary ordinance.

That the Borough formally approved a cash management plan.

*Prior Year Recommendations

