

BOROUGH OF STONE HARBOR

COUNTY OF CAPE MAY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

BOROUGH OF STONE HARBOR

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BOROUGH OF STONE HARBOR

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2013



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Stone Harbor, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Stone Harbor, as of December 31, 2013 and 2012, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Stone Harbor on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Stone Harbor as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2013 and 2012, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Stone Harbor’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2014 on our consideration of the Borough of Stone Harbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Stone Harbor's internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

May 31, 2014

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EXHIBIT A - CURRENT FUND

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

	2013	2012
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 4,187,520.91	3,642,788.40
Change and Petty Cash Funds	680.05	450.00
Total Cash	4,188,200.96	3,643,238.40
Other Receivables:		
None	-	-
Total Other Receivables	-	-
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	210,881.07	268,332.82
Revenue Accounts Receivable		
Municipal Court	1,687.52	2,483.40
Interfund Receivable:		
Due from Animal Control Fund	0.02	118.50
Due from Water and Sewer Operating Fund	-	34,435.13
Due from Federal and State Grant Fund	41,875.21	-
Total Receivables and Other Assets	254,443.82	305,369.85
Deferred Charges:		
Special Emergency Authorization	-	10,000.00
Total Regular Fund	4,442,644.78	3,958,608.25
Federal and State Grant Fund:		
Cash	-	4,001.71
Federal and State Grants Receivable	338,126.25	341,455.50
Total Federal and State Grant Fund	338,126.25	345,457.21
Total Current Fund	\$ 4,780,771.03	4,304,065.46

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 537,112.27	456,689.52
Encumbrances Payable/Accounts Payable	317,682.76	279,027.90
Prepaid Taxes	536,892.49	472,504.35
Overpaid Taxes	26,512.31	18,611.46
Due to State of New Jersey		
Senior Citizens and Veterans	2,569.63	1,569.63
DCA Training Fees	5,281.00	7,116.00
Marriage Licenses	250.00	150.00
Local School Tax Payable	207,958.65	132,151.75
Payroll Taxes Payable	37,157.17	39,062.81
County Added Tax Payable	39,585.23	21,518.76
Prepaid Beach Fees	40,000.00	20,853.00
Prepaid Uniform Fire Code Fees	96,670.00	92,800.00
Prepaid Rent	-	3,450.00
Prepaid Marriage Ceremonies	200.00	-
Other		
Reserve for Tax Appeals	16,500.00	16,500.00
Reserve for Building Repairs	3,895.00	-
Reserve for Reassessment Program	7,902.88	7,902.88
	1,876,169.39	1,569,908.06
Reserve for Receivables and Other Assets	254,443.82	305,369.85
Fund Balance	2,312,031.57	2,083,330.34
Total Regular Fund	4,442,644.78	3,958,608.25
Federal and State Grant Fund:		
Due to Current Fund	41,875.21	-
Unappropriated Reserves	12,248.30	12,784.05
Appropriated Reserves	97,482.01	95,403.75
Encumbrances Payable	186,520.73	237,269.41
Total Federal and State Grant Fund	338,126.25	345,457.21
Total Current Fund	\$ 4,780,771.03	4,304,065.46

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2013	2012
Revenue and Other Income Realized		
Fund Balance	\$ 1,000,000.00	925,000.00
Miscellaneous Revenue Anticipated	2,741,143.47	2,936,779.50
Receipts from Delinquent Taxes	266,347.07	320,785.56
Receipts from Current Taxes	22,254,427.19	21,945,021.59
Non Budget Revenue	364,996.59	71,058.99
Proceeds from Sale of Municipal Property	-	
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	452,185.26	785,747.59
Interfund Returned	34,553.63	-
	<u>27,113,653.21</u>	<u>26,984,393.23</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,137,976.00	4,967,524.00
Other Expenses	3,671,949.00	3,642,945.00
Deferred Charges & Statutory Expenditures	986,876.00	1,006,381.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	26,545.99	30,493.73
Capital Improvements	30,000.00	215,000.00
Municipal Debt Service	3,351,011.56	3,219,581.87
Deferred Charges & Statutory Expenditures	10,000.00	14,950.00
Local District School Tax	2,380,306.90	2,369,406.00
County Tax	10,208,326.09	10,302,507.30
County Share of Added Tax	39,585.23	21,518.76
Interfund Created	41,875.21	34,435.13
Prior Year Senior Citizens Disallowed	500.00	750.00
Refund of Prior Revenue	-	6,862.50
	<u>25,884,951.98</u>	<u>25,832,355.29</u>
Excess in Revenue	<u>1,228,701.23</u>	<u>1,152,037.94</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2013	2012
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	1,228,701.23	1,152,037.94
Fund Balance January 1	2,083,330.34	1,856,292.40
	3,312,031.57	3,008,330.34
Decreased by:		
Utilization as Anticipated Revenue	1,000,000.00	925,000.00
Fund Balance December 31	\$ 2,312,031.57	2,083,330.34

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 1,000,000.00		1,000,000.00	
Total Fund Balance Anticipated	<u>1,000,000.00</u>	<u>-</u>	<u>1,000,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	10,000.00		10,688.00	688.00
Fees and Permits	244,000.00		285,583.30	41,583.30
Fines and Costs:				
Municipal Court	82,000.00		72,329.12	(9,670.88)
Interest and Costs on Taxes	70,000.00		66,971.31	(3,028.69)
Parking Meters	350,000.00		369,823.97	19,823.97
Interest on Investments and Deposits	7,000.00		3,601.10	(3,398.90)
Beach Fees	700,000.00		699,277.55	(722.45)
Tennis Courts	19,000.00		19,586.00	586.00
Cell Tower Rent	100,000.00		77,412.00	(22,588.00)
Uniform Fire Code Official	154,000.00		147,889.00	(6,111.00)
Arts and Crafts Show	79,000.00		76,850.00	(2,150.00)
Marina Fees	4,500.00		5,134.00	634.00
Cable TV Franchise Fee	26,000.00		27,851.68	1,851.68
Beach Concession	35,000.00		30,000.00	(5,000.00)
Special Events Revenue	20,000.00		32,439.80	12,439.80
Total Section A: Local Revenues	<u>1,900,500.00</u>	<u>-</u>	<u>1,925,436.83</u>	<u>24,936.83</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	214,317.00		214,317.00	-
Total Section B: State Aid Without Offsetting Appropriations	<u>214,317.00</u>	<u>-</u>	<u>214,317.00</u>	<u>-</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	\$ 300,000.00		504,180.80	204,180.80
Total Section C: Uniform Construction Code Fees	300,000.00	-	504,180.80	204,180.80
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	5,950.44		5,950.44	
Clean Communities Program		13,762.94	13,762.94	
Drunk Driving Enforcement Fund - 2012	4,550.21		4,550.21	
Police Body Armor Replacement Fund	1,901.05		1,901.05	
Feral Cat Management	85.00		85.00	
Donations - Hurricane Sandy	296.35		296.35	
Total Section F: Special Items - Public and Private Programs	12,783.05	13,762.94	26,545.99	-
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items;				
Uniform Fire Safety Act	7,000.00		7,285.85	285.85
Reserve for Payment of Bonds	63,377.00		63,377.00	-
Total Section G: Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services - Other Special Items	70,377.00	-	70,662.85	285.85
Total Miscellaneous Revenues:	2,497,977.05	13,762.94	2,741,143.47	229,403.48
Receipts from Delinquent Taxes	250,000.00		266,347.07	16,347.07

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	\$ 9,882,620.00		10,131,921.87	249,301.87
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>9,882,620.00</u>	<u>-</u>	<u>10,131,921.87</u>	<u>249,301.87</u>
Budget Totals	<u>13,630,597.05</u>	<u>13,762.94</u>	<u>14,139,412.41</u>	<u>495,052.42</u>
Non- Budget Revenues:				
Other Non- Budget Revenues:	<u>-</u>		<u>364,996.59</u>	<u>364,996.59</u>
	<u>\$ 13,630,597.05</u>	<u>13,762.94</u>	<u>14,504,409.00</u>	<u>860,049.01</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	22,254,427.19
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Allocated to:

School, County and Other Taxes	12,552,505.32
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Balance for Support of Municipal Budget Appropriations	9,701,921.87
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	430,000.00
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Amount for Support of Municipal Budget Appropriations	10,131,921.87
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	266,347.07
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Tax Title Lien Collections	-
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Total Receipts from Delinquent Taxes	266,347.07
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Tax Collector:

Duplicate Bill Fees	20.00
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Treasurer:

Police - MRNA	523.60
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NSF Fee	380.00
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Photocopies	333.43
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Zoning Board	6,350.00
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Planning Board	1,050.00
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Searches	10.00
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Property Lists	430.00
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Recycling Rebate - CMCMUA	10,757.44
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Sale of Assets	26,670.89
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JIF - Sandy Damages	26,088.00
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FEMA - Storm Storm Reimbursements	120,691.59
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Close Workers Compensaton/PATF Account	64,362.41
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Interlocal Agreement - Avalon	51,917.71
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Miscellaneous Other	55,411.52
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	364,976.59
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Total Miscellaneous Revenue Not Anticipated:	\$	364,996.59
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The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	91,800.00	91,800.00	91,800.00	-	-	
Other Expenses	28,000.00	25,000.00	13,265.92	8,931.92	2,802.16	
Mayor and Council						
Salaries and Wages	66,250.00	66,250.00	64,400.00	50.00	1,850.00	
Other Expenses	10,545.00	10,545.00	8,552.43		1,942.57	
Municipal Clerk						
Salaries and Wages	190,299.00	189,299.00	176,627.80		12,671.20	
Other Expenses	17,200.00	18,200.00	13,966.54	1,209.29	3,024.17	
Financial Administration						
Salaries and Wages	142,156.00	142,156.00	142,156.00		-	
Other Expenses	49,830.00	49,830.00	44,786.92	2,160.75	2,882.33	
Audit Services						
Other Expenses	29,000.00	29,000.00	19,000.00	10,000.00	-	
Collection of Taxes						
Salaries and Wages	58,262.00	58,262.00	58,262.00		-	
Other Expenses	11,500.00	11,500.00	8,556.07	203.11	2,740.82	
Assessment of Taxes						
Salaries and Wages	51,324.00	51,324.00	51,324.00		-	
Other Expenses	16,000.00	16,000.00	3,446.96	2,500.00	10,053.04	
Legal Services						
Other Expenses	145,000.00	145,000.00	89,836.58	28,931.66	26,231.76	
Engineering Services and Costs						
Other Expenses	20,000.00	23,000.00	19,926.50	1,399.25	1,674.25	
Insurance						
Employee Group Health	1,228,337.00	1,243,337.00	1,209,014.07	23,297.39	11,025.54	
Other Insurance Premiums	422,923.00	422,923.00	422,923.00		-	
Health Benefits Waiver						
Salaries and Wages	5,000.00	5,000.00	5,000.00		-	
LAND USE ADMINISTRATION:						
Planning Board						
Salaries and Wages	8,000.00	8,000.00	6,700.00	200.00	1,100.00	
Other Expenses	19,324.00	19,324.00	16,708.85	2,608.09	7.06	
Zoning Board of Adjustment						
Salaries and Wages	35,400.00	35,400.00	35,000.00		400.00	
Other Expenses	8,700.00	8,700.00	5,593.28	2,104.75	1,001.97	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY:						
Fire Department						
Other Expenses	204,300.00	204,300.00	177,152.26	13,216.62	13,931.12	
Police Department						
Salaries and Wages	1,742,562.00	1,742,562.00	1,637,890.36	8,318.52	96,353.12	
Other Expenses	82,900.00	82,900.00	52,274.73	29,055.92	1,569.35	
Office of Emergency Management						
Salaries and Wages	12,400.00	12,400.00	12,400.00		-	
Other Expenses	6,400.00	6,400.00	2,666.43	1,662.00	2,071.57	
Aid to Volunteer Rescue Squad	70,000.00	70,000.00	70,000.00		-	
Municipal Prosecutor						
Other Expenses	20,000.00	20,000.00	19,721.04		278.96	
Uniform Fire Code Official						
Salaries and Wages	90,627.00	90,627.00	90,627.00		-	
Other Expenses	8,000.00	8,000.00	4,796.90		3,203.10	
Fire Hydrant Service						
Other Expenses	2,800.00	2,800.00	2,800.00		-	
Municipal Court						
Salaries and Wages	141,652.00	141,652.00	128,241.25		13,410.75	
Other Expenses	15,100.00	15,100.00	9,813.92	698.99	4,587.09	
Public Defender						
Other Expenses	3,500.00	3,500.00	1,750.00		1,750.00	
PUBLIC WORKS:						
Public Works						
Salaries and Wages	884,536.00	872,536.00	736,798.70	23,660.23	112,077.07	
Other Expenses	120,700.00	125,700.00	111,228.46	11,717.16	2,754.38	
Solid Waste Collection						
Salaries and Wages	642,323.00	633,323.00	562,008.97	13,013.40	58,300.63	
Other Expenses	189,450.00	198,450.00	176,027.19	15,682.14	6,740.67	
Public Building and Grounds						
Other Expenses	140,850.00	145,850.00	130,712.49	13,466.87	1,670.64	
NATURAL RESOURCES						
Natural Resources Committee						
Other Expenses	45,575.00	45,575.00	20,452.70	10,234.70	14,887.60	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
NATURAL RESOURCES						
Animal Control	20,000.00	20,000.00	11,878.80	2,204.69	5,916.51	
Other Expenses						
HEALTH AND HUMAN SERVICES:						
Board of Health						
Salaries and Wages	445.00	445.00		178.00	267.00	
Other Expenses	2,000.00	2,000.00	1,292.50		707.50	
Safety Compliance						
Other Expenses	25,000.00	25,000.00	14,014.15	7,434.33	3,551.52	
RECREATION AND EDUCATION:						
Docks, Bulkheads and Seawall						
Salaries and Wages	6,000.00	6,000.00	6,000.00		-	
Beach Patrol						
Salaries and Wages	580,000.00	559,000.00	539,685.63		19,314.37	
Other Expenses	51,000.00	51,000.00	50,355.48		644.52	
Parks and Playgrounds						
Salaries and Wages	127,000.00	127,000.00	124,413.63	1,197.60	1,388.77	
Other Expenses	45,300.00	45,300.00	36,898.63	533.97	7,867.40	
Special Events						
Salaries and Wages	40,000.00	48,000.00	46,147.47	200.28	1,652.25	
Tourism						
Salaries and Wages	50,420.00	50,420.00	42,496.00		7,924.00	
Other Expenses	118,265.00	118,265.00	107,523.60	5,222.61	5,518.79	
Celebration of 100th Anniversary						
Other Expenses	10,000.00	10,000.00	10,000.00		-	
UNIFORM CONSTRUCTION CODE:						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	181,903.00	181,903.00	180,916.54	54.49	986.46	
Other Expenses	9,450.00	9,450.00	7,066.96		2,328.55	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNCLASSIFIED:						
Longevity Pay for Employees	24,617.00	24,617.00	22,500.87		2,116.13	
UTILITY EXPENSES AND BULK PURCHASES:						
Electric	105,000.00	105,000.00	83,685.56	21,047.39	267.05	
Telephone	60,000.00	60,000.00	56,400.03	905.00	2,694.97	
Street Lighting	110,000.00	110,000.00	81,753.40	27,406.34	840.26	
Gasoline	160,000.00	160,000.00	120,491.13	25,244.05	14,264.82	
TOTAL OPERATIONS WITHIN "CAPS"	8,804,925.00	8,804,925.00	7,997,729.70	315,951.51	491,243.79	-
Contingent	5,000.00	5,000.00	5,000.00		-	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	8,809,925.00	8,809,925.00	8,002,729.70	315,951.51	491,243.79	-
Detail:						
Salaries and Wages	5,172,976.00	5,137,976.00	4,761,396.22	46,768.03	329,811.75	-
Other Expenses	3,636,949.00	3,671,949.00	3,241,333.48	269,183.48	161,432.04	-
DEFERRED CHARGES/STATUTORY EXPENDITURES						
Deferred Charges:						
none						
Statutory Expenditures:						
Contributions to:						
Police and Fire Retirement System of N.J.	261,594.00	261,594.00	261,594.00		-	
Public Employees Retirement System	294,782.00	294,782.00	294,782.00		-	
Defined Contribution Retirement Plan	3,500.00	3,500.00	3,083.41		416.59	
Social Security System (O.A.S.I.)	400,000.00	400,000.00	359,520.97		40,479.03	
Unemployment Compensation Insurance	27,000.00	27,000.00	22,027.14		4,972.86	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	986,876.00	986,876.00	941,007.52	-	45,868.48	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	9,796,801.00	9,796,801.00	8,943,737.22	315,951.51	537,112.27	-

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	-	-	-	-	-
None					
TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"					
None					
TOTAL SHARED SERVICE AGREEMENTS					
(A) Public and Private Programs Off-Set by Revenues					
Drunk Driving Enforcement Fund - 2012	4,550.21	4,550.21	4,550.21	-	-
Police Body Armor Replacement Fund	1,901.05	1,901.05	1,901.05	-	-
Recycling Tonnage Grant	5,950.44	5,950.44	5,950.44	-	-
Clean Communities Program (40A:4-87, +13,762.94)	-	13,762.94	13,762.94	-	-
Feral Cat Management	85.00	85.00	85.00	-	-
Donations - Hurricane Sandy	296.35	296.35	296.35	-	-
Total Public and Private Programs Off-Set by Revenues	12,783.05	26,545.99	26,545.99	-	-
Total Operations - Excluded from "CAPS"	12,783.05	26,545.99	26,545.99	-	-
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	12,783.05	26,545.99	26,545.99	-	-
(C) Capital Improvements Capital Improvement Fund	30,000.00	30,000.00	30,000.00	-	-
Public and Private Programs Offset by Revenues:					
None					
Total Capital Improvements	30,000.00	30,000.00	30,000.00	-	-

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Payment of Bond Principal	2,405,000.00	2,405,000.00	2,405,000.00	-	-	
Interest on Bonds	720,017.00	720,017.00	720,017.00	-	-	
New Jersey Environmental Infrastructure Trust						
Principal	153,118.00	153,118.00	153,117.78	-	-	0.22
Interest	72,878.00	72,878.00	72,876.78	-	-	1.22
Total Debt Service	<u>3,351,013.00</u>	<u>3,351,013.00</u>	<u>3,351,011.56</u>	<u>-</u>	<u>-</u>	<u>1.44</u>
(E) Deferred Charges						
Special Emergency Authorization	10,000.00	10,000.00	10,000.00	-	-	
Total Deferred Charges	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>3,403,796.05</u>	<u>3,417,558.99</u>	<u>3,417,557.55</u>	<u>-</u>	<u>-</u>	<u>1.44</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>13,200,597.05</u>	<u>13,214,359.99</u>	<u>12,361,294.77</u>	<u>315,951.51</u>	<u>537,112.27</u>	<u>1.44</u>
(M) Reserve for Uncollected Taxes	430,000.00	430,000.00	430,000.00	-	-	
TOTAL GENERAL APPROPRIATIONS	<u>\$ 13,630,597.05</u>	<u>13,644,359.99</u>	<u>12,791,294.77</u>	<u>315,951.51</u>	<u>537,112.27</u>	<u>1.44</u>
Budget						
Appropriations by 40A:4-87	13,630,597.05	13,630,597.05				
Emergency Appropriations	-	-				
	<u>13,644,359.99</u>	<u>13,644,359.99</u>				
Reserve for Uncollected Taxes			430,000.00			
Federal and State Grants			26,545.99			
Deferred Charges - Special Emergency			10,000.00			
Payroll Deductions Payable			1,809,760.54			
Disbursements			10,514,988.24			
			<u>12,791,294.77</u>			

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

EXHIBIT B - TRUST FUND

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

	2013	2012
ASSETS		
Animal Control Fund:		
Cash	\$ 190.02	427.00
	190.02	427.00
Other Funds:		
Cash - Treasurer	1,003,743.19	811,902.83
	1,003,743.19	811,902.83
	\$ 1,003,933.21	812,329.83
 LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Due to State of New Jersey	\$ 4.20	3.00
Due to Current Fund	0.02	118.50
Reserve for Expenditures	185.80	305.50
	190.02	427.00
Other Funds:		
Reserves - Miscellaneous	1,003,743.19	811,902.83
	1,003,743.19	811,902.83
	\$ 1,003,933.21	812,329.83

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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EXHIBIT C - CAPITAL FUND

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Cash	\$	129,907.78	343,443.05
Deferred Charges to Future Taxation -			
Funded		22,212,525.02	25,000,874.49
Unfunded		2,964,650.05	2,226,148.37
Interfunds and Receivables			
Due from State of New Jersey - EIT		302,682.23	3,037,135.33
Due from Water and Sewer Capital Fund		2,431,852.85	1,033,362.30
		<u>28,041,617.93</u>	<u>31,640,963.54</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Contracts Payable		1,249,638.58	870,992.74
Serial Bonds Payable		19,214,000.00	21,619,000.00
NJEIT Loan Payable		2,998,525.02	3,381,874.49
Improvement Authorizations:			
Funded		2,514,657.65	2,775,227.89
Unfunded		1,338,980.22	1,692,944.96
Reserve for Payment of NJEIT Loan		62,116.00	552,846.00
Reserve for Payment of Bonds		556,834.43	620,211.43
Reserve for Arbitrage Liability		1,699.33	1,699.33
Capital Improvement Fund		105,046.94	126,046.94
Fund Balance		119.76	119.76
	\$	<u>28,041,617.93</u>	<u>31,640,963.54</u>

There were bonds and notes authorized but not issued at December 31

2012	2,226,148.37
2013	2,964,650.05

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

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

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$	119.76	48,119.76
Increased by:			
None		-	-
			48,119.76
Decreased by:			
Surplus budgeted in Current Fund		-	48,000.00
Ending Balance December 31	\$	<u>119.76</u>	<u>119.76</u>

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

EXHIBIT D - WATER AND SEWER FUND

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

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Operating Fund:			
Cash	\$	381,060.70	403,056.32
Change Fund		50.00	50.00
		<u>381,110.70</u>	<u>403,106.32</u>
Receivables and Other Assets with Full Reserves:			
Water Rents Receivable		30,710.52	33,553.07
Sewer Rents Receivable		28,316.53	33,681.09
Private Fire Protection Fees Receivable		316.00	277.06
Miscellaneous		820.00	-
		<u>60,163.05</u>	<u>67,511.22</u>
Deferred Charges:			
None		-	-
		<u>-</u>	<u>-</u>
Total Operating Fund		<u>441,273.75</u>	<u>470,617.54</u>
Capital Fund:			
Cash - Treasurer		960,468.83	248,670.44
Due from N.J. Environ. Infrastructure Trust			
2010 Series A		2,830.00	2,830.00
2012 Series A		224,742.87	1,387,937.52
2012 Series ABC		120,995.90	971,072.15
Fixed Capital		12,622,948.87	12,622,948.87
Fixed Capital - Authorized and Uncompleted		10,550,000.00	8,900,000.00
		<u>24,481,986.47</u>	<u>24,133,458.98</u>
Total Capital Fund		<u>24,481,986.47</u>	<u>24,133,458.98</u>
	\$	<u>24,923,260.22</u>	<u>24,604,076.52</u>

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

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

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$	22,879.82	21,429.38
Reserve for Encumbrances		87,511.23	55,937.86
Utility Overpayments		6,000.81	7,279.26
Accrued Interest on Bonds and Notes		79,633.35	85,619.85
Interfunds:			
Due to Current Fund		-	34,435.13
		<u>196,025.21</u>	<u>204,701.48</u>
Reserve for Receivables		60,163.05	67,511.22
Fund Balance		185,085.49	198,404.84
Total Operating Fund		<u>441,273.75</u>	<u>470,617.54</u>
Capital Fund:			
Encumbrances Payable		487,230.41	2,750,352.30
Interfunds:			
Due to General Capital Fund		2,431,852.85	1,033,362.30
Serial Bonds Payable		3,935,000.00	4,340,000.00
N.J. Environmental Infrastructure Trust Loans		6,123,835.38	6,513,050.45
Improvement Authorizations:			
Funded		16,383.96	21,618.96
Unfunded		1,461,022.17	245,571.02
Reserve for Amortization		9,846,769.54	9,114,611.79
Deferred Reserve for Amortization		141,700.00	62,700.00
Capital Improvement Fund		3,575.77	17,575.77
Fund Balance		34,616.39	34,616.39
Total Capital Fund		<u>24,481,986.47</u>	<u>24,133,458.98</u>
	\$	<u>24,923,260.22</u>	<u>24,604,076.52</u>

There were bonds and notes authorized but not issued at December 31

2012	1,492,586.63
2013	3,125,643.95

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

**WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Ref.	2013	2012
Revenue and Other Income Realized			
Fund Balance	\$	193,258.00	205,439.00
Water Rents		1,372,436.47	1,247,921.39
Sewer Rents		1,550,560.79	1,505,344.19
Fire Hydrant Service		2,800.00	2,800.00
Miscellaneous Revenue		116,069.76	90,586.22
Other Credits to Income:			
Unexpended Balance of Appropriation Res.		47,868.69	43,697.61
Total Income		<u>3,282,993.71</u>	<u>3,095,788.41</u>
Expenditures			
Operations			
Salaries and Wages		405,000.00	393,474.00
Other Expenses		478,830.00	471,465.00
Cape May County MUA		1,150,000.00	1,200,000.00
Capital Improvements		65,000.00	-
Debt Service		969,025.06	890,623.68
Deferred Charges		35,200.00	37,200.00
Refund of Prior Revenue		-	500.00
Total Expenditures		<u>3,103,055.06</u>	<u>2,993,262.68</u>
Excess/(Deficit) in Revenue		<u>179,938.65</u>	<u>102,525.73</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year - None		-	-
Total Adjustments		<u>-</u>	<u>-</u>
Excess in Operations		<u>179,938.65</u>	<u>102,525.73</u>
Fund Balance January 1		<u>198,404.84</u>	<u>301,318.11</u>
Decreased by:		378,343.49	403,843.84
Utilization as Anticipated Revenue		<u>193,258.00</u>	<u>205,439.00</u>
Fund Balance December 31	\$	<u><u>185,085.49</u></u>	<u><u>198,404.84</u></u>

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

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

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$	34,616.39	34,616.39
Increased by:			
No Activity		-	-
		34,616.39	34,616.39
Decreased by:			
No Activity		-	-
Ending Balance December 31	\$	<u>34,616.39</u>	<u>34,616.39</u>

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	\$	193,258.00	193,258.00	-
Rents - Water		1,312,000.00	1,372,436.47	60,436.47
Rents - Sewer		1,525,000.00	1,550,560.79	25,560.79
Fire Hydrant Service		2,800.00	2,800.00	-
Miscellaneous		90,000.00	116,069.76	26,069.76
	\$	<u>3,123,058.00</u>	<u>3,235,125.02</u>	<u>112,067.02</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Water Rents

Current Collections	1,353,020.59
Overpayments Applied	19,415.88

1,372,436.47

Sewer Rents

Current Collections	1,517,634.29
Overpayments Applied	32,926.50

1,550,560.79

Miscellaneous

Meter Boxes & Fittings	65,944.17
Penalties on Delinquent Accounts	5,605.37
Permanent Disconnect	1,350.00
NSF Fee	160.00
Sewer Vent Penalty	255.00
Sewer Service	3,148.00
Final Meter Reading	4,541.75
Meter Test	125.00
Miscellaneous Parts	1,431.38
Miscellaneous Water Use	74.25
Street Openings	12,705.00
Turn off/on	9,800.00
Private Fire Protection	10,437.06

Total Miscellaneous - Collector	115,576.98
Interest on Investments	492.78

116,069.76

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 405,000.00	405,000.00	392,267.61	8,658.31	4,074.08	
Other Expenses	478,830.00	478,830.00	393,220.70	78,852.92	6,756.38	
Cape May County MUA	1,150,000.00	1,150,000.00	1,140,723.00		9,277.00	
	<u>2,033,830.00</u>	<u>2,033,830.00</u>	<u>1,926,211.31</u>	<u>87,511.23</u>	<u>20,107.46</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	65,000.00	65,000.00	65,000.00		-	
	<u>65,000.00</u>	<u>65,000.00</u>	<u>65,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	732,158.00	732,158.00	732,157.76		0.24	
Interest on Bonds	236,870.00	236,870.00	236,867.30		2.70	
Interest on Notes	20,000.00	20,000.00			20,000.00	
	<u>989,028.00</u>	<u>989,028.00</u>	<u>969,025.06</u>	<u>-</u>	<u>-</u>	<u>20,002.94</u>
Deferred Charges and Statutory Expenditures:						
Social Security System	33,000.00	33,000.00	30,609.95		2,390.05	
Unemployment	2,200.00	2,200.00	1,817.69		382.31	
	<u>35,200.00</u>	<u>35,200.00</u>	<u>32,427.64</u>	<u>-</u>	<u>2,772.36</u>	<u>-</u>
	<u>3,123,058.00</u>	<u>3,123,058.00</u>	<u>2,992,664.01</u>	<u>87,511.23</u>	<u>22,879.82</u>	<u>20,002.94</u>

EXHIBIT E - PUBLIC ASSISTANCE FUND

**PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2013	2012
<u>Assets</u>		
Cash Trust I	\$ -	\$ 2,473.75
	\$ -	\$ 2,473.75
<u>Liabilities and Reserves</u>		
Reserve for Public Assistance	\$ -	\$ 2,473.75
	\$ -	\$ 2,473.75

The Accompanying Notes To The Financial Statements Are An Integral Part Of This Statement

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EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31,
REGULATORY BASIS

	<u>2013</u>	<u>2012</u>
General Fixed Assets:		
Land	\$ 78,321,333.00	78,321,333.00
Land Improvements	68,634.52	66,634.52
Buildings and Improvements	4,413,889.56	4,413,889.56
Machinery and Equipment	8,333,966.15	8,284,125.75
	<u>91,137,823.23</u>	<u>91,085,982.83</u>
Investment in General Fixed Assets	\$ <u>91,137,823.23</u>	<u>91,085,982.83</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Stone Harbor include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Stone Harbor, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The entity has no component units.

B. Description of Funds

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

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

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

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

Water and Sewer Operating and Capital Funds -- account for the operations of the sewer utility and acquisition of sewer capital facilities other than those acquired in the Current and General Capital Funds.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the entity budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the entity's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the entity which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(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 issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered 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 bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

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

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized.

The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

The utility does not record depreciation on fixed assets.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Borough of Stone Harbor to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Utility Charges – The entity operates a water and sewer utility fund. Rates are determined by ordinance and changed as necessary. Water and sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in quarterly installments on December 1, March 1, June 1 and September 1.

Interest on Delinquent Utility Charges -- It is the policy of the entity to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

Capitalization of Interest -- It is the policy of the Borough of Stone Harbor to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets with the exception of certain projects financed by the New Jersey Environmental Trust.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the entity's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

F. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the entity's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the entity's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the entity's financial statements.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The impact of this statement on the net position of the entity is not presently determinable.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$430,000 and \$430,000. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$1,000,000 and \$925,000. In addition, the entity operates a self liquidating water and sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the entity. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$193,258 and \$205,439.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Council.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

The following significant budget transfers were approved in the 2013 and 2012 calendar years:

<u>Budget Category</u>	<u>2013</u>	<u>2012</u>
<u>Current Fund:</u>		
General and Administrative		
Other Expenses	(3,000)	
Municipal Clerk		
Salaries and Wages	(1,000)	
Other Expenses	1,000	
Engineering Services and Costs		
Other Expenses	3,000	
Insurance		
Employee Group Health	15,000	5,000
Fire Department		
Other Expenses		7,000
Police Department		
Salaries and Wages		16,000
Public Works		
Salaries and Wages	(12,000)	
Other Expenses	5,000	
Solid Waste Collection		
Salaries and Wages	(9,000)	
Other Expenses	9,000	
Public Buildings and Grounds		
Other Expenses	5,000	
Beach Patrol		
Salaries and Wages	(21,000)	(23,600)
Special Events		
Salaries and Wages	8,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2013 and 2012, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2013</u>	<u>2012</u>
Municipal Court Alcohol Program		1,295
Clean Communities Program	13,763	11,722
NJ Tourism Grant		4,439
NJ Transportation Trust Fund - Site 103		165,000

The Borough may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The entity approved a special emergency appropriation in 2008 for \$50,000. The emergency was for a revaluation in the Borough. The unfunded balance as of December 31, 2013 was \$0.

NOTE 3: INVESTMENTS

As of December 31, 2013 and 2012, the municipality had no investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the entity can invest in any one issuer.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013 and 2012, \$0 of the municipality's bank balance of \$6,682,992 and \$5,498,705 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2013 and 2012:

	Balance 12/31/2011	Additions	Retirements/ Adjustments	Balance 12/31/2012
Land	\$ 78,321,333			78,321,333
Building	66,635			66,635
Building Improvements	4,381,854	32,036		4,413,890
Equipment and Machinery	7,915,840	491,071	(122,786)	8,284,125
	<u>\$ 90,685,662</u>	<u>523,107</u>	<u>(122,786)</u>	<u>91,085,983</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

	Balance 12/31/2012	Additions	Retirements	Balance 12/31/2013
Land	\$ 78,321,333			78,321,333
Building	66,635			66,635
Building Improvements	4,413,890			4,413,890
Equipment and Machinery	8,284,125	148,696	(98,856)	8,333,965
	<u>\$ 91,085,983</u>	<u>148,696</u>	<u>(98,856)</u>	<u>91,135,823</u>

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amounts Due Within One Year
Bonds payable:					
General	\$ 23,894,000		2,275,000	21,619,000	2,405,000
Utility	4,730,000		390,000	4,340,000	405,000
Total	<u>\$ 28,624,000</u>	-	2,665,000	25,959,000	2,810,000
Other liabilities:					
Loans Payable					
General	\$ 1,646,362	1,841,852	106,339	3,381,875	153,119
Utility	4,917,087	2,286,576	690,613	6,513,050	327,157
Total long-term liabilities	<u>\$ 35,187,449</u>	<u>4,128,428</u>	<u>3,461,952</u>	<u>35,853,925</u>	<u>3,290,276</u>

	Balance 12/31/12	Issued	Retired	Balance 12/31/13	Amounts Due Within One Year
Bonds payable:					
General	\$ 21,619,000		2,405,000	19,214,000	2,495,000
Utility	4,340,000		405,000	3,935,000	420,000
Total	<u>\$ 25,959,000</u>	-	2,810,000	23,149,000	2,915,000
Other liabilities:					
Loans Payable:					
General	3,381,875		405,000	2,976,875	125,549
Utility	6,513,050		389,215	6,123,835	329,540
Total long-term liabilities	<u>\$ 35,853,925</u>	-	<u>3,604,215</u>	<u>32,249,710</u>	<u>3,370,089</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

Outstanding Bonds Whose Principal and Interest are Paid From the Current Fund Budget of the Entity:

\$13,994,000 General Improvement Bonds dated August 15, 2006, due in annual installments through August 15, 2018, bearing interest at a varying rate ranging from 3.875% to 4.00%. The balance remaining as of December 31, 2013 is \$8,154,000.

\$12,750,000 General Improvement Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a varying rate ranging from 2.0% to 3.125%. The balance remaining as of December 31, 2013 is \$11,060,000.

\$807,377.20 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2013 is \$673,308.

\$868,422.80 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2013 is \$589,370.

\$58,641.98 N.J. Environmental Trust Loan Bond Series ABC dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2013 is \$56,584.

\$188,679.87 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2013 is \$172,690.

\$762,125.69 N.J. Environmental Trust Loan Bond Series A dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2013 is \$734,711.

\$832,404.09 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2013 is \$761,861. Principal forgiveness of \$416,202.32 has already been applied to the loan amount.

Outstanding Bonds Whose Principal and Interest are Paid From the Utility Operating Fund of the Entity:

\$3,450,000 Water and Sewer Utility Bond dated August 15, 2006, due in annual installments through August 15, 2020, bearing interest at a varying rate ranging from 3.875% to 4.00% per annum. The balance remaining as of December 31, 2013 is \$2,500,000.

\$1,620,000 General Improvement Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a varying rate ranging from 2.0% to 3.125%. The balance remaining as of December 31, 2013 is \$1,435,000.

\$920,000 N.J. Environmental Trust Loan Bond Series A dated November 8, 2007, due in annual installments beginning August 1, 2009 through August 1, 2027, bearing interest at varying rates. The balance remaining as of December 31, 2013 is \$755,000.

\$901,733 N.J. Environmental Fund Loan Bond Series A dated November 8, 2007, due in semi-annual installments through August 1, 2027, bearing no interest. The balance remaining at December 31, 2013 is \$654,008.

\$775,000 N.J. Environmental Trust Loan Bond Series A dated March 10, 2010, due in annual installments beginning August 1, 2011 through August 1, 2029, bearing interest at varying rates. The balance remaining as of December 31, 2013 is \$672,506.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

\$2,373,566 N.J. Environmental Fund Loan Bond Series A dated March 10, 2010, due in semi-annual installments through August 1, 2029, bearing no interest. The balance remaining at December 31, 2013 is \$1,581,336.

\$217,622.80 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2013 is \$181,485.

\$234,077.20 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2013 is \$161,556.

\$226,358.02 N.J. Environmental Trust Loan Bond Series ABC dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2013 is \$218,416.

\$728,304.13 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2013 is \$666,583.

\$627,874.31 N.J. Environmental Trust Loan Bond Series A dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2013 is \$605,289.

\$685,772.91 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2013 is \$627,657. Principal forgiveness of \$342,886.68 has already been applied to the loan amount.

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

<u>Year</u>	<u>General Fund</u>		<u>Utility Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	2,620,549	693,220	749,541	925,925
2015	2,710,549	591,830	799,313	812,485
2016	2,764,942	423,480	828,287	728,435
2017	2,828,736	442,473	863,276	628,885
2018	2,886,506	342,740	906,270	504,735
2019-2023	7,012,033	814,178	3,617,582	457,697
2024-2028	932,468	129,115	1,776,053	149,779
2029-2032	456,741	20,964	518,513	17,254
	<u>\$ 22,212,524</u>	<u>3,458,000</u>	<u>10,058,835</u>	<u>4,225,195</u>

As of December 31, 2013 the carrying value of the above bonds and notes approximates the fair value of the bonds. Interest was charged to capital projects during the year in the amount of \$91,875 and the total interest charged to the current budget was \$792,894 and to the utility budget was \$236,867.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

<u>Summary of Municipal Debt</u>	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 22,212,525	25,000,874	25,540,362
Water/Sewer Utility - Bonds and Notes	10,058,835	10,853,050	9,647,087
Total Issued	<u>32,271,360</u>	<u>35,853,924</u>	<u>35,187,449</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	2,964,650	2,226,148	2,604,950
Water/Sewer Utility - Bonds and Notes	3,125,644	1,492,587	3,029,164
Total Authorized But Not Issued	<u>6,090,294</u>	<u>3,718,735</u>	<u>5,634,114</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 38,361,654</u>	<u>39,572,659</u>	<u>40,821,563</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .581%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	-	-
Water/Sewer Utility Debt	13,184,479	13,184,479	-
General Debt	25,177,175	618,950	24,558,225
	<u>\$ 38,361,654</u>	<u>13,803,429</u>	<u>24,558,225</u>

Net Debt \$24,558,225 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,228,903,251 = .581%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 148,011,614
Net Debt	24,558,225
Remaining Borrowing Power	<u>\$ 123,453,389</u>

The Borough of Stone Harbor School District, as a K-5 school district, is permitted to borrow up to 2.5% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)**

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2013 and 2012, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

		<u>2014</u>	<u>2013</u>
Current Fund	\$	1,040,000	1,000,000
Water/Sewer Utility		56,526	193,258

NOTE 8: SCHOOL TAXES

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

		<u>12/31/2013</u>	<u>12/31/2012</u>
Balance of Tax	\$	1,129,796	1,129,702
Deferred		921,838	997,550
Tax Payable	\$	<u>207,958</u>	<u>132,152</u>

NOTE 9: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance 12/31/13</u>	<u>Balance 12/31/12</u>
Prepaid Taxes	\$ 536,892	472,504
Cash Liability for Taxes Collected in Advance	<u>\$ 536,892</u>	<u>472,504</u>

NOTE 10: PENSION FUNDS

Description of Plans

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension plans which have been established by State Statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 6.64% through June 30, 2013 and 6.78% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 11.3% of covered payroll. The entity's contributions to PERS for the years ended December 31, 2013, 2012, and 2011 were \$294,782, \$284,338 and \$284,202.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The entity's contributions to PFRS for the years ended December 31, 2013, 2012, and 2011 were \$261,594, \$294,179, and \$286,762.

The total payroll for the year ended December 31, 2013, 2012 and 2011 was \$5,143,741, \$5,164,199 and \$5,133,128. Payroll covered by PFRS was \$1,126,916, \$1,094,708 and \$1,080,994. Payroll covered by PERS was \$2,614,239, \$2,633,759 and \$2,613,735.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

- For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 11: POST-RETIREMENT BENEFITS

Plan Description The Borough of Stone Harbor contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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

Plan Coverage The entity currently has 2 collective bargaining units as well as non-union employees. The employee's post employment benefits are not dependent upon the collective bargaining unit to which they are a member. The benefits by collective bargaining unit are:

All Employees - Individuals who retired with at least 25 years of service to the Borough receive hospitalization, major medical, prescription for the employee and spouse in effect at the time of retirement.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Stone Harbor on a monthly basis. The rates charged by the system for the year ended December 31, 2013 vary according to the type of coverage selected by the retiree and range from \$770 to \$2,381 monthly per retiree.

The Borough of Stone Harbor contributions to SHBP for post-retirement benefits for the year ended December 31, 2013 and 2012 were \$69,165 and \$47,381 respectively, which equaled the required contribution for the year.

NOTE 12: ACCRUED SICK AND VACATION BENEFITS

The Borough does not permit employees to accrue sick and vacation time. Hence, employees are not compensated upon retirement for accrued time.

NOTE 13: ECONOMIC DEPENDENCY

The Borough of Stone Harbor is not economically dependent on any one business. The tourism industry is a major source of tax revenue for the entity.

NOTE 14: RISK MANAGEMENT

The entity is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2013 and 2012 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

NOTE 15: DEFERRED COMPENSATION

Employees of the Borough of Stone Harbor may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the entity. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the entity has an obligation of due care in selecting the third party administrator.

NOTE 16: CONTINGENT LIABILITIES

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 17: INTERFUND BALANCES

As of December 31, 2013, the following interfunds were included on the balance sheets of the various funds of the Borough of Stone Harbor:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 0.02	
Grant Fund	41,875.21	
Grant Fund:		
Current Fund		41,875.21
Trust Fund:		
Current - Animal Control Fund		0.02
General Capital Fund:		
Water and Sewer Capital Fund	2,431,852.85	
Water and Sewer Capital Fund:		
General Capital Fund		2,431,852.85
	\$ 2,473,728.08	2,473,728.08

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(CONTINUED)

The amount due to the Current fund from the Grant fund is due to the fact that there is only one bank account. The amount due to the Current fund from the Animal Control fund is due to interest not transferred by year end. The amount due to the General Capital fund from the Water and Sewer Capital fund represents New Jersey Environmental Infrastructure Trust Loan draws deposited into the Water and Sewer Capital fund for projects funded in the General Capital fund.

NOTE 18: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through May 31, 2014, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY DATA



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Stone Harbor, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated May 31, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman
Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

May 31, 2014

**BOROUGH OF STONE HARBOR
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor / Pass-through Grantor Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity ID#</u>	<u>Grant Period From To</u>	<u>Program or Award Amount</u>	<u>Unexpended Balance 12/31/12</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Adjustments</u>	<u>Unexpended Balance 12/31/13</u>	<u>Accumulated Expenditures</u>
Department of Environmental Protection Shore Bird Stewardship	Unknown		Prior	132,499.00	24,769.00				24,769.00	107,730.00
Clean Water State Revolving Fund 2012 NJEIT Sanitary Sewer Project	66.458	S340722-04	Open	3,795,443.00		250,546.31	250,546.31		-	1,966,806.62
Drinking Water State Revolving Fund 2012 NJEIT Sanitary Sewer Project	66.468	0510001-05	Open	458,830.00		250,546.31	250,546.31		24,769.00	156,159.00
Total Department of Environmental Protection					24,769.00	250,546.31	250,546.31		24,769.00	107,730.00
Total Federal Assistance					24,769.00	250,546.31	250,546.31		24,769.00	1,966,806.62

**BOROUGH OF STONE HARBOR
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013**

State Grantor / Pass-Through Grantor / Program	State Account Number	Grant Period		Grant Award	Unexpended Balance 12/31/12	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Unexpended Balance 12/31/13	Accumulated Expenditures
		From	To							
Department of Transportation: Trust Fund Authority Act of 1984: By Formula Relocation of Site 103	6320-480-601385-61	1/1/2012	12/31/2012	165,000.00	3,000.00	-	-	-	3,000.00	162,000.00
Trust Fund Authority Act of 1984: By Formula Relocation of Site 103	6320-480-601385-61	1/1/2009	12/31/2009	318,870.00	3,166.00	-	-	-	3,166.00	315,704.00
Total Department of Transportation					6,166.00	-	-	-	6,166.00	
Department of Law and Public Safety: Supplemental Fire Service Program	100-066-1020-107	Prior			1.00				1.00	0.00
Municipal Court Alcohol Educ. & Rehab Program	9735-760-098-Y900	1/1/2012	12/31/2012	1,295.11	125.96				125.96	1,169.15
Municipal Court Alcohol Educ. & Rehab Program	9735-760-098-Y900	1/1/2013	12/31/2013	633.30		633.30			633.30	0.00
Body Armor Grant	1020-718-066-1020	1/1/2013	12/31/2013	2,326.64					0.00	2,326.64
Body Armor Grant	1020-718-066-1020	1/1/2012	12/31/2012	1,901.05	1,901.05		1,298.00		603.05	1,298.00
Body Armor Grant	1020-718-066-1020	1/1/2011	12/31/2011	3,788.93	241.70				241.70	3,547.23
Drunk Driving Enforcement	6400-100-078-6400	1/1/2012	12/31/2012	4,550.21	4,550.21		2,215.09		2,335.12	2,215.09
Drunk Driving Enforcement	6400-100-078-6400	1/1/2011	12/31/2011	1,770.86	1,770.86		1,770.86		-	1,770.86
Total Department of Law and Public Safety					8,590.78	633.30	5,283.95	-	3,940.13	
Department of Environmental Protection Clean Water State Revolving Fund 2010 NJEIT Sanitary Sewer Project	S340722-03	Open		2,205,000.00		6,555.11	6,555.11			1,806,041.99
Drinking Water State Revolving Fund 2010 NJEIT Sanitary Sewer Project	0510001-04	Open		743,154.00			180.31		5,176.33	555,023.83
Clean Communities Program	4900-765-042-4900	1/1/2012	12/31/2012	11,722.31	5,356.64				13,762.94	6,545.98
Clean Communities Program	4900-765-042-4900	1/1/2013	12/31/2013	13,762.94					8,187.36	-
Recycling Tonnage Grant	4855-100-042-4855	1/1/2013	12/31/2013	8,187.36		8,187.36			5,950.44	-
Recycling Tonnage Grant	4855-100-042-4855	1/1/2012	12/31/2012	5,950.44	5,950.44				6,066.45	-
Recycling Tonnage Grant	4855-100-042-4855	1/1/2011	12/31/2011	6,066.45	6,066.45				2,309.22	3,972.63
Recycling Tonnage Grant	4855-100-042-4855	1/1/2010	12/31/2010	6,281.85	5,601.22		3,292.00		6,822.00	-
Municipal Stormwater Regulation Grant	4855-100-042-4855	1/1/2005	12/31/2005	6,822.00	6,822.00				1,707.02	5,114.98
Municipal Stormwater Regulation Grant	4855-100-042-4855	1/1/2004	12/31/2004	6,822.00	3,877.02		2,170.00		-	-
Total Department of Environmental Protection					33,673.77	28,505.41	12,197.42	-	49,981.76	
Department of Tourism Cooperative Marketing Grant		1/1/2012	12/31/2012	4,439.00	4,439.00		4,439.00		0.00	4,439.00
Total State Assistance					52,869.55	29,138.71	21,920.37	-	60,087.89	

The Accompanying Notes To Schedules of Expenditures of Federal and State Assistance Are An Integral Part Of This Schedule

**BOROUGH OF STONE HARBOR
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013**

State Grantor / Pass-Through Grantor / Program	State Account Number	Grant Period		Grant Award	Unexpended Balance 12/31/12	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Unexpended Balance 12/31/13	Accumulated Expenditures
		From	To							
Local Assistance										
County of Cape May										
Streetscape 2008		1/1/2008	12/31/2008	145,948.00	8,904.53		6,702.47		2,202.06	143,745.94
MUA - Mini-Grant		1/1/2012	12/31/2012	3,000.00	1,737.71				1,737.71	1,262.29
Comcast Technology Grant		1/1/2009	12/31/2009	25,000.00	17,955.00		2,400.00		15,555.00	9,445.00
Private Donations - Hurricane Sandy		1/1/2012	12/31/2012	296.35	296.35				296.35	0.00
Private Donations - Speed Sentry		Prior		3,700.00	45.00				45.00	3,655.00
Private Donations - Archival Museum		Prior		1,723.75	1,257.10				1,257.10	466.65
Private Donations - Feral Cat Management		Prior		3,085.00	233.27				233.27	2,851.73
Private Donations - Parks		Prior		3,411.29	120.29				120.29	3,291.00
Total Local Assistance					30,549.25	0.00	9,102.47	0.00	21,446.78	
Total State and Local Assistance					78,979.80	29,138.71	26,583.84	0.00	81,534.67	
Total Federal and State and Local Assistance					103,748.80	279,685.02	277,130.15	0.00	106,303.67	

The Accompanying Notes To Schedules of Expenditures of Federal and State Assistance Are An Integral Part Of This Schedule

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013

Note 1: General

The accompanying schedule of expenditures of federal and state financial assistance present the activity of all federal and state financial assistance programs of the Borough of Stone Harbor. The Borough is defined in Note 1 to the Borough's financial statements – regulatory basis.

Note 2: Basis of Presentation

The accompanying schedules of expenditure of federal awards and state financial assistance includes the federal and state grant activity of the Borough of Stone Harbor, New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Encumbrances are considered in determining single audit threshold on major programs.

Note 3: Relationship to Financial Statements

Amounts reported in the accompanying schedule agree with amounts reported in the Borough's financial statements – regulatory basis. The financial statements – regulatory basis present the Grant Fund and Capital Funds on a budgetary basis. The Grant Fund and the Capital Funds are presented in the accompanying schedule on the grant accounting basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

	<u>Federal</u>		<u>State</u>		<u>Other</u>		<u>Total</u>
Grant Fund	\$ -	\$	66,113.94	\$	9,102.47	\$	75,216.41
General Capital Fund	250,546.31				-		250,546.31
Water and Sewer Capital Fund			6,555.11		-		6,555.11
Total Financial Assistance	\$ <u>250,546.31</u>	\$	<u>72,669.05</u>	\$	<u>9,102.47</u>	\$	<u>332,317.83</u>

Note 4: Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports excluding the recognition of encumbrances as expenditures.

AUDIT FINDINGS AND RESPONSES

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2012	\$	3,646,790.11
Increased by Receipts:		
Tax Collector		22,578,102.28
Revenue Accounts Receivable		2,530,523.17
Miscellaneous Revenue		364,976.59
State of New Jersey:		
Senior Citizen and Veterans Deductions		21,500.00
Homestead Benefit Credit		66,717.52
Marriage Licenses		1,050.00
DCA Training Fees		20,599.00
Prepaid Beach Fees		40,000.00
Prepaid Uniform Fire Code Fees		96,670.00
Prepaid Marriage Ceremonies		200.00
Comfort Station Repairs - JIF		3,895.00
Due from Water and Sewer Operating Fund		34,435.13
Due from Animal Control Fund		118.50
Federal and State Unappropriated Reserves		12,247.30
Federal and State Receivables		17,092.19
		25,788,126.68
		29,434,916.79
Decreased by Disbursements:		
Current Year Appropriation		10,514,988.24
Prior Year Appropriations		281,800.91
County Taxes		10,229,844.85
Local District School Taxes		2,304,500.00
Tax Overpayments		5,765.24
Payroll Deductions Payable		1,811,666.18
State of New Jersey:		
Marriage Licenses		950.00
DCA Training Fees		22,434.00
Petty Cash		230.05
Federal and State Disbursements		75,216.41
		25,247,395.88
Balance December 31, 2013	\$	4,187,520.91

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2012		\$	-
Increased by Receipts:			
Prepaid Taxes	536,892.49		
Tax Overpayments	32,284.30		
Taxes Receivable	21,941,934.18		
Revenue Accounts Receivable	66,971.31		
Miscellaneous Revenue	20.00		
	<hr/>		<u>22,578,102.28</u>
			22,578,102.28
Payments to Treasurer			<u>22,578,102.28</u>
Balance December 31, 2013		\$	<u><u>-</u></u>

See Accompanying Auditor's Report

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

Year	Balance Dec. 31, 2012	Current Year Levy	Added Taxes	Overpayments Created	Collections by Cash 2012	2013	Overpayments Applied	Transferred To Tax Title Lien	Cancelled	Balance Dec. 31, 2013
2008	\$ 250.00								250.00	-
2009	250.00								250.00	-
2010	250.00								250.00	-
2011	5.15								5.15	-
2012	267,577.67		500.00			266,347.07			1,730.60	(0.00)
	268,332.82		500.00			266,347.07			2,485.75	(0.00)
2013	-	22,514,498.80	86,797.15		472,504.35	21,763,304.63	18,618.21		135,987.69	210,881.07
	\$ 268,332.82	22,514,498.80	87,297.15		472,504.35	22,029,651.70	18,618.21		138,473.44	210,881.07

Cash Receipts 21,941,934.18
 Homestead Benefit Credit 66,717.52
 Senior Citizens and Veterans 21,000.00
22,029,651.70

Analysis of Current Year Tax Levy

Tax Yield:
 General Property Tax 22,514,498.80
 Added Taxes (54:4-63.1 et. Seq.) 86,797.15
22,601,295.95

Tax Levy:
 General County Taxes 8,572,899.62
 County Library Taxes 1,216,188.69
 County Open Space Taxes 419,237.78
 County Added and Omitted Taxes 39,585.23
Total County Taxes 10,247,911.32

Local School District Tax 2,304,594.00

Local Tax for Municipal Purposes 9,882,620.00
 Add: Additional Tax Levied 166,170.63
10,048,790.63

22,601,295.95

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collected by		Balance Dec. 31, 2013
			Collector	Treasurer	
Licenses:	\$				
Alcoholic Beverages		10,688.00		10,688.00	
Fees and Permits		285,583.30		285,583.30	
Construction Code Official:					
Fees and Permits		504,180.80		504,180.80	
Municipal Court:					
Fines and Costs	2,483.40	71,533.24		72,329.12	1,687.52
Parking Meters		369,823.97		369,823.97	
Interest and Costs on Taxes		66,971.31	66,971.31	-	
Interest Earned on Investments and Deposits		3,601.10		3,601.10	
Beach Fees		699,277.55		699,277.55	
Tennis Courts		19,586.00		19,586.00	
Cell Tower Rent		77,412.00		77,412.00	
Television Cable Fees		27,851.68		27,851.68	
Uniform Fire Code Official		147,889.00		147,889.00	
Uniform Fire Safety Act		7,285.85		7,285.85	
Arts and Crafts Show		76,850.00		76,850.00	
Marina Fees		5,134.00		5,134.00	
Beach Concessions		30,000.00		30,000.00	
Special Events Revenue		32,439.80		32,439.80	
Energy Receipts Tax		214,317.00		214,317.00	
Reserve for Payment of Bonds		63,377.00		63,377.00	
	<u>2,483.40</u>	<u>2,713,801.60</u>	<u>66,971.31</u>	<u>2,647,626.17</u>	<u>1,687.52</u>
	A	Res.	A-5		A

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CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Other Expenses	\$ 14,360.18	14,360.18	3,036.26	11,323.92	
Municipal Clerk					
Other Expenses	1,104.52	1,104.52	513.89	590.63	
Financial Administration					
Other Expenses	3,112.55	3,112.55	1,799.60	1,312.95	
Audit Services					
Other Expenses	10,750.00	10,750.00	10,750.00	-	
Collection of Taxes					
Other Expenses	3,214.44	3,214.44	209.08	3,005.36	
Assessment of Taxes					
Other Expenses	10,545.91	10,545.91	2,201.82	8,344.09	
Legal Services and Costs					
Other Expenses	83,491.35	83,491.35	2,399.75	81,091.60	
Engineering Services and Costs					
Other Expenses	6,354.00	6,354.00	892.50	5,461.50	
Insurance					
Employee Group Insurance	59,283.05	59,283.05	11,564.97	47,718.08	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	11,862.90	11,862.90	10,874.43	988.47	
Zoning Board					
Other Expenses	3,826.41	3,826.41	1,030.60	2,795.81	
PUBLIC SAFETY					
Fire Department					
Other Expenses	29,796.60	29,796.60	29,725.40	71.20	
Police Department					
Other Expenses	21,785.81	21,785.81	20,783.98	1,001.83	
Office of Emergency Management					
Other Expenses	850.88	850.88	496.97	353.91	
Municipal Court					
Other Expenses	6,010.63	6,010.63	335.03	5,675.60	
PUBLIC WORKS					
Public Works					
Salaries and Wages	52,436.23	52,436.23	24,882.46	27,553.77	
Other Expenses	9,118.78	9,118.78	6,507.67	2,611.11	
Solid Waste Collection					
Salaries and Wages	70,504.21	70,504.21	16,242.74	54,261.47	
Other Expenses	79,727.41	79,727.41	62,406.98	17,320.43	
Public Building and Grounds					
Other Expenses	23,836.22	23,836.22	12,682.95	11,153.27	
NATURAL RESOURCES					
Natural Resources Committee					
Other Expenses	25,030.29	25,030.29	7,547.20	17,483.09	
Animal Control					
Other Expenses	14,563.20	14,563.20	2,188.40	12,374.80	
HEALTH AND HUMAN SERVICES					
Safety Compliance					
Other Expenses	8,102.38	8,102.38	3,961.99	4,140.39	
RECREATION AND EDUCATION					
Beach Patrol					
Other Expenses	1,539.63	1,539.63	129.08	1,410.55	
Parks and Playgrounds					
Salaries and Wages	13,672.71	13,672.71	826.96	12,845.75	
Other Expenses	9,103.42	9,103.42	7,288.46	1,814.96	
Tourism					
Salaries and Wages	10,198.77	9,798.77		9,798.77	
Other Expenses	12,786.56	13,186.56	13,159.20	27.36	
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Other Expenses	2,405.93	2,405.93	231.82	2,174.11	

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**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	<u>Balance Dec. 31, 2012</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>	<u>Over- Expended</u>
UTILITIES					
Electricity	22,878.29	22,878.29	7,322.99	15,555.30	
Telephone	7,124.20	7,124.20	3,511.57	3,612.63	
Street Lighting	24,098.85	24,098.85	7,827.71	16,271.14	
Gasoline	9,821.70	9,821.70	9,821.70	-	
STATUTORY EXPENDITURES					
Contribution to Social Security	34,982.54	34,982.54	378.00	34,604.54	
All Other Accounts - No Change	<u>37,436.87</u>	<u>37,436.87</u>		<u>37,436.87</u>	
	<u>\$ 735,717.42</u>	<u>735,717.42</u>	<u>283,532.16</u>	<u>452,185.26</u>	<u>-</u>
			Transfer to Accounts Payable 1,731.25		
			Cash Disbursements <u>281,800.91</u>		
			<u>283,532.16</u>		

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

Balance December 31, 2012			
School Tax Payable	\$	132,151.75	
School Tax Deferred		<u>997,550.50</u>	
			1,129,702.25
Increased by:			
Levy - School Year July 1, 2013 to June 30, 2014			<u>2,304,594.00</u>
			3,434,296.25
Decreased by:			
Payments			<u>2,304,500.00</u>
Balance December 31, 2013			
School Tax Payable		207,958.65	
School Tax Deferred		<u>921,837.60</u>	
			<u>1,129,796.25</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			2,304,500.00
Tax Payable Ending			<u>207,958.65</u>
			2,512,458.65
Less: Tax Payable Beginning			<u>132,151.75</u>
Amount Charged to Current Year Operations	\$		<u><u>2,380,306.90</u></u>

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**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

Purpose	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Cancelled	Balance Dec. 31, 2013
FEDERAL GRANTS:					
NONE	\$ -				-
Total Federal					
STATE GRANTS:					
Drunk Driving Enforcement Fund - 2012		4,550.21	4,550.21		-
Clean Communities Program - 2013		13,762.94	13,762.94		-
Police Body Armor Grant - 2012		1,901.05	1,901.05		-
Recycling Tonnage Grant - Revolving		5,950.44	5,950.44		-
NJ Cooperative Marketing Grant - 2012	4,439.00		3,329.25		1,109.75
NJDOT - Relocation of Site 103	328,876.50				328,876.50
Total State	333,315.50	26,164.64	29,493.89	-	329,986.25
LOCAL GRANTS:					
Feral Cat Management - Revolving		85.00	85.00		-
Donations - Hurricane Sandy		296.35	296.35		-
County of Cape May - Streetscape	8,140.00				8,140.00
Total Local	8,140.00	381.35	381.35		8,140.00
	\$ 341,455.50	26,545.99	29,875.24		338,126.25
		Cash	17,092.19		
		Unappropriated Reserves	12,783.05		
			<u>29,875.24</u>		

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**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2012	2013	Disbursed	Encumbrances	Cancelled	Balance Dec. 31, 2013
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	Encumbrances	Cancelled
FEDERAL GRANTS:	-	-	-	-	-	-
NONE	-	-	-	-	-	-
STATE GRANTS:						
Drunk Driving Enforcement Fund - 2011	1,770.86		1,770.86			0.00
Drunk Driving Enforcement Fund - 2012	125.96		2,215.09			2,335.12
Municipal Court Alcohol Grant - Revolving	5,356.64		180.31			125.96
Clean Communities Program - 2012						5,176.33
Clean Communities Program - 2013	241.70					13,762.94
Police Body Armor Grant - 2011						241.70
Police Body Armor Grant - 2012					1,298.00	603.05
Municipal Stormwater Grant - 2004	3,877.02	10.00	1,716.00		464.00	1,707.02
Municipal Stormwater Grant - 2005	6,822.00					6,822.00
Recycling Tonnage Grant - Revolving	11,667.67	9,186.06	10,819.06		1,659.00	14,326.11
NJDOT - Relocation of Site 103	6,166.00	228,073.35	44,973.62		183,099.73	6,166.00
NJ Cooperative Marketing Grant - 2012	4,439.00		4,439.00			-
Total State	40,466.85	237,269.41	66,113.94	186,520.73	-	51,266.23
LOCAL GRANTS:						
Archival Museum - Revolving	1,257.10					1,257.10
Private Donation - Speed Sentry - Revolving	45.00					45.00
Feral Cat Management - Revolving	148.27		85.00			233.27
Cape May County MUA - Mini-Grant - Revolving	1,737.71					1,737.71
Shore Bird Stewardship - Revolving	24,769.00					24,769.00
County of Cape May - Streetscape - Revolving	8,904.53		6,702.47			2,202.06
Comcast Technology Grant - Revolving	17,955.00		2,400.00			15,555.00
Donations - Parks	120.29					120.29
Donations - Hurricane Sandy	54,936.90	-	9,102.47			296.35
Total Local	95,403.75	237,269.41	75,216.41	186,520.73	-	97,482.01

FEDERAL GRANTS:
NONE

Total Federal

STATE GRANTS:

LOCAL GRANTS:

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

Purpose	Balance	Transferred	Received	Balance
	Dec. 31, 2012	To 2013 Appropriations		Dec. 31, 2013
STATE GRANTS:				
Recycling Tonnage Grant - 2012	\$ 5,950.44	5,950.44		-
Recycling Tonnage Grant - 2013			8,187.36	8,187.36
Police Body Armor Grant - 2012	1,901.05	1,901.05		-
Police Body Armor Grant - 2013			2,326.64	2,326.64
Drunk Driving Enforcement Fund - 2012	4,550.21	4,550.21		-
Supplemental Fire Services Grant	1.00			1.00
Cooperative Marketing Grant - 2013			1,100.00	1,100.00
Municipal Court Alcohol Grant - 2013			633.30	633.30
Total State	12,402.70	12,401.70	12,247.30	12,248.30
OTHER GRANTS:				
Feral Cat Program	85.00	85.00		-
Bequests - Hurricane Sandy	296.35	296.35		-
Total Other	381.35	381.35	-	-
Grand Total	\$ 12,784.05	12,783.05	12,247.30	12,248.30

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TRUST FUND
SCHEDULE OF CASH - TREASURER

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2012	\$ 427.00	811,902.83
Increased By:		
State Dog License Fees	53.40	
Municipal Dog License Fees	111.00	
Cat License Fees	31.70	
Due to Current Fund	0.02	
Other Reserves		<u>440,449.57</u>
	<u>196.12</u>	<u>440,449.57</u>
	623.12	1,252,352.40
Decreased By:		
Paid to State of NJ	50.40	
Dog Fund Expenditures	264.20	
Current Fund	118.50	
Other Reserves		<u>248,609.21</u>
	<u>433.10</u>	<u>248,609.21</u>
Balance December 31, 2013	\$ <u><u>190.02</u></u>	<u><u>1,003,743.19</u></u>
Analysis of December 31, 2013 Balance		
Trust - Other	\$	178,555.62
COAH		657,757.93
100th Anniversary		49,968.68
Public Defender		1,615.05
Health Flex Account		508.23
Preservation Trust Account		114,053.28
Parking Offense Adjudication Account		<u>1,284.40</u>
	\$	<u><u>1,003,743.19</u></u>

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

Balance December 31, 2012	\$		305.50
Increased by:			
Dog License Fees Collected		111.00	
Due to State - Adjustment		1.80	
Cat License Fees Collected		31.70	
		144.50	144.50
			450.00
Decreased by:			
Expenditures under N.J.S.A. 4:19-15.11:			
Cash		264.20	
		264.20	264.20
Balance December 31, 2013	\$		185.80

License Fees Collected

<u>Year</u>	<u>Amount</u>
2012	139.20
2011	123.50
	262.70
	262.70

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TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY
ANIMAL CONTROL FUND

Balance December 31, 2012	\$		3.00
Increased By:			
Collected in 2013			
State License Fees		37.00	
Pilot Clinic Fund Fees		7.40	
Animal Population Control Fees		9.00	
		53.40	53.40
			56.40
Decreased By:			
Payments			
To Reserve		50.40	
Payments		1.80	
		52.20	52.20
Balance December 31, 2013	\$		4.20

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**TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Reserve	Increased by			Decreased by		Balance Dec. 31, 2013
	Balance Dec. 31, 2012	Receipts	Other	Disbursements	Payments made by Current Fund	
Preservation Trust	\$ 114,002.01	51.27				114,053.28
Parking Offenses Adjudication Act	15,565.50	521.99		14,803.09		1,284.40
Self Insurance - Workers Compensation	61,871.31	17.03		61,888.34		-
Developer's Escrow	19,294.52	29,565.00		22,722.00		26,137.52
Street Opening Deposits	51,700.70	151,611.25		112,721.20		90,590.75
Premiums Received at Tax Sale	20.00					20.00
Off-Duty Police	2,098.17					2,098.17
Health Flex Account	600.21	788.06		880.04		508.23
Forefeited Property	425.00					425.00
Public Defender Fees	3,063.67	301.38		1,750.00		1,615.05
Contributions - Bird Sanctuary	29,744.55	1,055.00		11,302.81		19,496.74
Council on Affordable Housing	461,523.22	196,234.71				657,757.93
Uniform Fire Code - Penalties	1,400.00					1,400.00
Bequests - Memorial Benches	405.00					405.00
Bequests - Police Equipment	360.00					360.00
Bequests - 911 Memorial	5,000.00	37,679.07		5,056.63		37,622.44
100th Anniversary	44,828.97	22,624.81		17,485.10		49,968.68
	\$ 811,902.83	440,449.57	-	248,609.21	-	1,003,743.19

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

	<u>Ref.</u>	
Balance December 31, 2012		\$ 343,443.05
Increased by:		
Budget Appropriations:		
Capital Improvement Fund	30,000.00	
Due from Water and Sewer Capital Fund	1,033,362.30	
	1,063,362.30	1,406,805.35
Decreased by:		
Improvement Authorizations	1,213,520.57	
Anticipated as a Revenue in 2012 Budget; Reserve for Payment of Bonds	63,377.00	
	1,276,897.57	1,276,897.57
Balance December 31, 2013		\$ <u><u>129,907.78</u></u>

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GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance		Receipts		Disbursements		Transfers		Balance	
	Dec. 31, 2012		Dec. 31, 2013		Improvement		Miscellaneous		Dec. 31, 2013	
	Miscellaneous	Debt Issued	Miscellaneous	Debt Issued	Authorizations	Miscellaneous	From	To	From	To
\$	119.76									119.76
Fund Balance	126,046.94		30,000.00				51,000.00			105,046.94
Capital Improvement Fund	870,992.74						870,992.74	1,249,638.58		1,249,638.58
Contracts Payable	620,211.43									556,834.43
Reserve for Payment of Bonds	552,846.00						490,730.00			62,116.00
Reserve for Payment of NJEIT Loan	1,699.33									1,699.33
Reserve for Arbitrage Liability	(3,037,135.33)									(302,682.23)
Due from NJ Environmental Infrastructure Trust	(1,033,362.30)		1,033,362.30				2,431,852.85	2,734,453.10		(2,431,852.85)
Due from Water and Sewer Capital Fund										-
<u>Improvement Authorizations:</u>										
1208 Improve Lagoons and Basins	150.00									150.00
1228 Various Improvements:										
h. Improvement of Sedge Island	59,555.58				6,320.00					59,555.58
i. Improvement of Site 103	137,210.00					90,000.00				40,890.00
1249 Various Improvements:										
f. Funding Borough's Obligation for Affordable Housing	30,803.00				200.00		22,791.25	22,791.25		30,603.00
1293 Various Improvements										
b. Improve Borough Buildings and Property	3,210.10				2,526.85		683.25			
c. Improve Beach Property	40,224.76				30,422.49		522.99			9,279.28
d. Improve Streets & Parking Lots	454.19				454.19					
e. Improve 98th Street	33,336.17				225.00					33,113.17
1308 Various Improvements										
a. Vehicular Equipment for Borough Departments	855.00				855.00					
b. Improve Borough Buildings and Property	354,506.27				103,576.51		131,841.22	100,252.90		219,341.44
d. Purchase Equipment - Various Borough Departments										
1332 Various Improvements:										
a. Vehicular Equipment for Borough Departments	1,096.25						1,096.25			
b. Improve Borough Buildings and Property	39,919.18				1,350.88		53,150.05	14,581.75		7.25
c. Purchase of Fire Truck	7.25									
d. Purchase Equipment - Various Borough Departments	2,880.05				6,417.85			3,537.80		
e. Improve Streets & Parking Lots	660.00				660.00		36,632.37	37,292.37		
f. Purchase Computer Equipment	2,237.98				1,649.96		588.02			
g. Funding Borough's Obligation for Affordable Housing	178,000.00				3,500.00					174,500.00
1356 Various Improvements:										
a. Vehicular Equipment for Borough Departments	39,916.80				33,145.00		7,222.55	450.75		0.00
b. Improve Borough Buildings and Property	85,552.43				47,889.64		16,905.38	16,550.34		37,307.75
c. Purchase Equipment - Various Borough Departments							419.80	419.80		
d. Improve Streets and Locations					97,474.18		230,231.68	97,474.18		(230,231.68)
e. Purchase Computer Equipment	4,269.77						2,695.30			1,574.47
1369 Various Improvements:										
a. Vehicular Equipment for Borough										

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GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2012	Receipts		Disbursements		Transfers		Balance Dec. 31, 2013
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Departments								
b. Improve Borough Buildings and Property	13,032.03			75,722.06		408.00	408.00	-
c. Purchase Equipment - Various Borough Departments	111,361.78			91,357.06		6.79	62,696.82	-
d. Purchase Computer Equipment Improvement to Water and Sewerage System - General Capital Portion	10,966.74			312,384.37				20,004.72
1390	1,625,680.56							10,966.74
1398	(172,104.11)			42,702.31				-
Various Improvements:	(206,775.85)			178,739.72				(207,200.00)
a. Vehic. Equip. for Borough Improve Borough Bldgs & Property	(135,823.13)			60,140.50				(484,791.29)
b. Purchase Equipment - Various Borough Departments	(18,500.32)					68,873.10	35,036.77	-
d. Purchase Computer Equipment Various Improvements:								(229,799.96)
1417				4,585.84		365,285.75	20,000.00	(18,500.32)
a. Vehicular Equip. for Borough Dept's and Property				10,829.20		17.63	4,500.00	(349,871.59)
b. Improve Borough Buildings and Property				100,391.96				(6,346.83)
c. Purchase Equipment - Various Borough Departments						13,536.20	15,000.00	(98,928.16)
d. Purchase Computer Equipment							11,500.00	11,500.00
	\$ 343,443.05	1,063,362.30	-	1,213,520.57	63,377.00	5,396,814.42	5,396,814.42	129,907.78
	343,443.05							129,907.78

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

	<u>Ref.</u>	
Balance December 31, 2012		\$ 126,046.94
Increased by:		
Current Fund Budget Appropriation	30,000.00	
	30,000.00	156,046.94
Decreased by:		
Appropriation to Finance Improvement Authorization	51,000.00	
	51,000.00	105,046.94
Balance December 31, 2013		\$ <u><u>105,046.94</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2012		\$ 25,000,874.49
Increased by:		
None		
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		-
		25,000,874.49
Decreased by:		
Serial Bonds Paid by Operating Budget	2,405,000.00	
NJEIT Loans Paid by Operating Budget	153,117.79	
NJEIT Loans de-Obligated	230,231.68	
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		2,788,349.47
Balance December 31, 2013		\$ <u><u>22,212,525.02</u></u>

See Accompanying Auditor's Report

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

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	NJEIT Loan Canceled	Reserve for NJEIT Loans Applied	Balance Dec. 31, 2013	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
1356	Various Improvements: d. Improve Streets and Locations	\$ -		(230,231.68)		230,231.68		230,231.68	-
1390	Improvement to Water and Sewerage System - General Capital Portion	608,148.37			490,730.00	117,418.37			117,418.37
1398	Various Improvements: a. Vehicular Equip. for Borough Dept's b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment	207,200.00 1,111,300.00 278,000.00 21,500.00				207,200.00 1,111,300.00 278,000.00 21,500.00		207,200.00 484,791.29 229,799.96 18,500.32	- 626,508.71 48,200.04 2,999.68
1417	Various Improvements a. Vehicular Equipment b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment		391,000.00 88,500.00 293,000.00 226,500.00			391,000.00 88,500.00 293,000.00 226,500.00		349,871.59 6,346.83 98,928.16	41,128.41 82,153.17 194,071.84 226,500.00
		\$ 2,226,148.37	999,000.00	(230,231.68)	490,730.00	2,964,650.05	-	1,625,669.83	1,338,980.22

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2012		Authorizations		Balance December 31, 2013		
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation	Paid or Charged	Funded	Unfunded
1208	Improve Lagoons and Basins	4/6/2004	300,000.00	\$ 150.00				150.00		
1228	Various Improvements: h. Improvement of Sedge Island i. Improvement of Site 103	3/1/2005	4,059,000.00	59,555.58 137,210.00				59,555.58 40,890.00	96,320.00	
1249	Various Improvements: f. Funding Borough's Obligation for Affordable Housing	3/7/2006	2,450,000.00	30,803.00				30,603.00	200.00	
1293	Various Improvements b. Improve Borough Buildings and Property c. Improve Beach Property d. Improve Streets and Parking Lots e. Improve 96th Street	8/3/2007	3,300,000.00	3,210.10 40,224.76 454.19 33,338.17				- 9,279.28 - 33,113.17	3,210.10 30,945.48 454.19 225.00	
1308	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property	4/1/2008	3,950,000	855.00 354,506.27				- 219,341.44	855.00 135,164.83	
1332	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase of Fire Truck d. Purchase Equipment - Various Borough Departments e. Improve Streets and Parking Lots f. Purchase Computer Equipment g. Funding Borough's Obligation for Affordable Housing	3/17/2009	2,900,000	1,096.25 39,919.18 7.25 2,880.05 2,237.98 178,000.00				- - 7.25 - - 174,500.00	1,096.25 39,919.18 - 2,880.05 2,237.98 3,500.00	
1356	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Improve Streets and Locations e. Purchase Computer Equipment	3/16/2010	2,400,000	39,916.80 85,552.43 - - 4,269.77				- 37,307.75 - - 1,574.47	39,916.80 48,244.68 - - 2,695.30	

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2012		Authorizations			Balance December 31, 2013	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation	Paid or Charged	Funded	Unfunded
1369	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment	3/1/2011	2,250,000	\$ -	13,032.03	13,032.03	-	13,032.03	20,004.72	10,966.74
1390	Improvement to Water and Sewer System - General Capital Portion	10/18/2011	2,600,000	1,625,680.56	608,148.37	250,546.31	1,865,864.25	117,418.37		
1398	Various Improvements a. Vehicular Equipment b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment	3/6/2012	1,700,000	35,095.89	904,524.15	278,015.44	35,095.89	626,508.71	48,200.04	2,999.68
1417	Various Improvements a. Vehicular Equipment b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment	3/19/2013	1,050,000	20,000.00	4,500.00	113,928.16	369,871.59	41,128.41	82,153.17	194,071.84
				\$ 2,775,227.89	1,692,944.96	1,664,534.98	999,000.00	2,514,657.65	1,338,980.22	

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013			Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount	Amount					
General Bonds of 2006	8/15/2006	13,994,000	8/15/14	1,590,000.00	4.00%	\$ 9,694,000.00		1,540,000.00	8,154,000.00	
			8/15/15-17	1,640,000.00	4.00%					
			8/15/18	1,644,000.00	4.00%					
General Bonds of 2011	11/1/2011	12,750,000	11/01/14	905,000.00	2.00%	11,925,000.00		865,000.00	11,060,000.00	
			11/01/15	945,000.00	2.00%					
			11/01/16	985,000.00	3.00%					
			11/01/17	1,025,000.00	3.00%					
			11/01/18	1,075,000.00	3.00%					
			11/01/19	1,125,000.00	3.00%					
			11/01/20	1,175,000.00	3.00%					
			11/01/21	1,225,000.00	3.00%					
			11/01/22	1,275,000.00	3.00%					
11/01/23	1,325,000.00	3.125%								
						\$ 21,619,000.00	-	2,405,000.00	19,214,000.00	

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Balance Date	Outstanding December 31, 2013	Amount	Rate					
NJIEIT 2010B Trust Loan CW - General Capital Portion 78.7685076%	12/2/2010	728,445.65					779,808.22		106,500.53	673,307.69	
				8/1/2014 *	-	5.00%					
				8/1/2015 *	-	5.00%					
				8/1/2016 *	11,652.23	5.00%					
				8/1/2017	35,445.83	5.00%					
				8/1/2018	35,445.83	5.00%					
				8/1/2019	39,384.25	5.00%					
				8/1/2020	39,384.25	5.00%					
				8/1/2021	39,384.25	5.00%					
				8/1/2022	43,322.68	5.00%					
				8/1/2023	43,322.68	5.00%					
				8/1/2024	47,261.10	5.00%					
				8/1/2025	51,199.53	5.00%					
				8/1/2026	51,199.53	5.00%					
				8/1/2027	55,137.96	5.00%					
				8/1/2028	59,076.38	5.00%					
				8/1/2029	59,076.38	5.00%					
				8/1/2030	63,014.81	5.00%					
	NJIEIT 2010B Fund Loan CW - General Capital Portion 78.7685076%	12/2/2010	643,527.55					794,827.65		195,457.22	599,370.43
					2/1/2014	14,719.03	0.00%				
				8/1/2014	29,438.06						
				2/1/2015	14,719.03						
				8/1/2015	29,438.06						
				2/1/2016	14,719.03						
				8/1/2016	29,438.06						
				2/1/2017	14,719.03						
				8/1/2017	29,438.06						
				2/1/2018	14,719.03						
				8/1/2018	29,438.06						
				2/1/2019	14,719.03						
				8/1/2019	29,438.06						
				2/1/2020	14,719.03						
				8/1/2020	29,438.06						
				2/1/2021	14,719.03						
				8/1/2021	29,438.06						
			2/1/2022	14,719.03							
			8/1/2022	29,438.06							
			2/1/2023	14,719.03							
			8/1/2023	29,438.06							
			2/1/2024	14,719.03							
			8/1/2024	29,438.06							
			2/1/2025	14,719.03							
			8/1/2025	29,438.06							
			2/1/2026	14,719.03							
			8/1/2026	29,438.06							
			2/1/2027	14,719.03							

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Balance Date	Amount					
NJEIT 2010B Fund Loan CW - General Capital Portion 78.7685076%	12/2/2010	643,527.55	8/1/2027	10,609.23					
			2/1/2028 *	-					
			8/1/2028 *	-					
			2/1/2029 *	-					
			8/1/2029 *	-					
			2/1/2030 *	-					
			8/1/2030 *	-					
NJEIT Spring 2012ABC Trust Loan DW-General Capital 20.5761350%	5/3/2012	58,641.98	8/1/2014	2,057.61	3.000%	58,641.98		2,057.61	56,584.37
			8/1/2015	2,057.61	4.000%				
			8/1/2016	2,057.61	5.000%				
			8/1/2017	2,057.61	5.000%				
			8/1/2018	3,086.42	5.000%				
			8/1/2019	3,086.42	5.000%				
			8/1/2020	3,086.42	5.000%				
			8/1/2021	3,086.42	5.000%				
			8/1/2022	3,086.42	5.000%				
			8/1/2023	3,086.42	5.000%				
			8/1/2024	3,086.42	5.000%				
			8/1/2025	3,086.42	5.000%				
			8/1/2026	3,086.42	5.000%				
			8/1/2027	3,086.42	3.000%				
		8/1/2028	3,086.42	3.000%					
		8/1/2029	4,115.23	3.125%					
		8/1/2030	5,144.03	3.200%					
		8/1/2031	5,144.03	3.250%					
NJEIT Spring 2012ABC Trust Loan DW-General Capital 20.5761350%	5/3/2012	188,679.87	2/1/2014	3,197.96	0.000%	182,283.94		9,593.89	172,690.05
			8/1/2014	6,395.93					
			2/1/2015	3,197.96					
			8/1/2015	6,395.93					
			2/1/2016	3,197.96					
			8/1/2016	6,395.93					
			2/1/2017	3,197.96					
			8/1/2017	6,395.93					
			2/1/2018	3,197.96					
			8/1/2018	6,395.93					
			2/1/2019	3,197.96					
			8/1/2019	6,395.93					
			2/1/2020	3,197.96					
			8/1/2020	6,395.93					
		2/1/2021	3,197.96						
		8/1/2021	6,395.93						
		2/1/2022	3,197.96						
		8/1/2022	6,395.93						

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013				Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Balance Date	Amount	Amount	Amount					
NJEIT Spring 2012ABC Trust Loan DW-General Capital 20.5761350%	5/3/2012	188,679.87	2/1/2023	3,197.96							
	8/1/2023		6,395.93								
	2/1/2024		3,197.96								
	8/1/2024		6,395.93								
	2/1/2025		3,197.96								
	8/1/2025		6,395.93								
	2/1/2026		3,197.96								
	8/1/2026		6,395.93								
	2/1/2027		3,197.96								
	8/1/2027		6,395.93								
	2/1/2028		3,197.96								
	8/1/2028		6,395.93								
	2/1/2029		3,197.96								
	8/1/2029		6,395.93								
	2/1/2030		3,197.96								
	8/1/2030		6,395.93								
	2/1/2031		3,197.96								
8/1/2031		6,395.93									
							762,125.69		27,414.60	734,711.09	
NJEIT 2012A Trust Loan CW-General Capital 54.8291860%	5/3/2012	762,125.69	8/1/2014	27,414.59							
	8/1/2015		27,414.59								
	8/1/2016		30,156.05								
	8/1/2017		30,156.05								
	8/1/2018		32,897.51								
	8/1/2019		32,897.51								
	8/1/2020		35,638.97								
	8/1/2021		38,380.43								
	8/1/2022		38,380.43								
	8/1/2023		41,121.89								
	8/1/2024		43,863.35								
	8/1/2025		43,863.35								
	8/1/2026		46,604.81								
	8/1/2027		49,346.27								
	8/1/2028		52,087.73								
	8/1/2029		52,087.73								
	8/1/2030		54,829.19								
8/1/2031		57,570.65									
							804,187.01		42,325.62	761,861.39	
NJEIT 2012A Fund Loan CW-General Capital 54.8291860%	5/3/2012	832,404.09	2/1/2014	14,108.54							
	8/1/2014		28,217.08								
	2/1/2015		14,108.54								
	8/1/2015		28,217.08								
	2/1/2016		14,108.54								
	8/1/2016		28,217.08								

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Reserve for NJEIT Loans Applied	NJEIT Loans Canceled	Balance Dec. 31, 2013
		\$				
1356	Various Improvements:					
	d. Improve Streets and Locations					
1390	Improvement of Water and Sewerage System - General Capital Portion	608,148.37		490,730.00	(230,231.68)	230,231.68
1398	Various Improvements:					
	a. Vehicular Equip. for Borough Dept's	207,200.00				207,200.00
	b. Improve Borough Buildings and Property	1,111,300.00				1,111,300.00
	c. Purchase Equipment - Various Borough Departments	278,000.00				278,000.00
	d. Purchase Computer Equipment	21,500.00				21,500.00
1417	Various Improvements:					
	a. Vehicular Equip. for Borough Dept's		391,000.00			391,000.00
	b. Improve Borough Buildings and Property		88,500.00			88,500.00
	c. Purchase Equipment - Various Borough Departments		293,000.00			293,000.00
	d. Purchase Computer Equipment		226,500.00			226,500.00
		<u>\$ 2,226,148.37</u>	<u>999,000.00</u>	<u>490,730.00</u>	<u>(230,231.68)</u>	<u>2,964,650.05</u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2012	\$	403,056.32	248,670.44
Increased by Receipts:			
Collector		3,037,295.79	
Fire Hydrant Service		2,800.00	
Interest Earned on Investments		492.78	
Budget Appropriation			65,000.00
NJEIT Drawdowns - Series 2010B			719,440.00
NJEIT Drawdowns - Series 2012A			2,584,877.00
NJEIT Drawdowns - Series 2012ABC			1,059,243.00
		<u>3,040,588.57</u>	<u>4,428,560.00</u>
		3,443,644.89	4,677,230.44
Decreased by Disbursements:			
Current Year Appropriation		2,755,796.71	
Prior Year Appropriations		29,498.55	
Accrued Interest on Bonds and Notes		242,853.80	
Due to Current Fund		34,435.13	
Due to General Capital Fund			1,033,362.30
Improvement Authorizations			2,683,399.31
		<u>3,062,584.19</u>	<u>3,716,761.61</u>
Balance December 31, 2013	\$	<u><u>381,060.70</u></u>	<u><u>960,468.83</u></u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2012	Receipts		Debt Issued	Improvement Authorizations	Disbursements		Transfers From	To	Balance Dec. 31, 2013
		Miscellaneous				Miscellaneous				
\$	34,616.39									34,616.39
Capital Improvement Fund	17,575.77	65,000.00								82,575.77
Encumbrances Payable	2,750,368.30					2,750,368.30			487,230.41	487,230.41
Due to General Capital Fund	1,033,362.30						1,033,362.30		2,431,852.85	2,431,852.85
Due from N.J. Environ. Infrastructure Trust	(2,361,839.67)		4,363,560.00			2,431,852.85			81,563.75	(348,568.77)
Improvement Authorizations:										
1134 amended by 1197	1,735.00				25,490.05	9,681.95			33,437.00	-
1280								16.00	16.00	-
1309					1,317.50	546.60			546.60	-
1333	19,883.96				3,500.00	7,793.00			7,793.00	16,383.96
1342	(525,062.89)				23,510.00	103,754.72			75,062.29	(577,265.32)
1370						6,996.00				35,791.91
1391	(210,401.63)				2,077,048.63	98,211.26			2,145,000.00	(240,661.52)
1399	(539,000.00)				489,107.11	17,760.19			506,867.30	(539,000.00)
1418	(16,000.00)				34,299.52	62,700.48			11,906.00	(97,000.00)
					4,200.71	105,705.29				(114,000.00)
					17,929.79	192,239.56				(210,169.35)
\$	<u>248,670.44</u>	<u>65,000.00</u>	<u>4,363,560.00</u>		<u>2,683,399.31</u>	<u>5,781,275.20</u>	<u>1,033,362.30</u>		<u>5,781,275.20</u>	<u>960,468.83</u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2012		\$ -
Increased by Receipts:		
Consumer Accounts Receivable:		
Water Rents	1,353,020.59	
Sewer Rents	1,517,634.29	
Private Fire Protection	10,161.06	
Overpayments	41,993.10	
Penalties	5,605.37	
Miscellaneous	<u>108,881.38</u>	
		<u>3,037,295.79</u>
		3,037,295.79
Payments to Treasurer		<u>3,037,295.79</u>
Balance December 31, 2013		\$ <u><u>-</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2012		\$ 67,511.22
Increased by Receipts:		
Water Rents Levied	1,369,593.92	
Sewer Rents Levied	1,545,196.23	
Private Fire Protection Fees Levied	<u>10,476.00</u>	
		<u>2,925,266.15</u>
		2,992,777.37
Decreased by Disbursements:		
Collections - Water	1,353,020.59	
Collections - Sewer	1,517,634.29	
Collections - Private Fire Protection	10,161.06	
Overpayments Applied - Water	19,415.88	
Overpayments Applied - Sewer	32,926.50	
Overpayments Applied - Private Fire Protection	<u>276.00</u>	
		<u>2,933,434.32</u>
Balance December 31, 2013		\$ <u><u>59,343.05</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2012		\$
Increased by Receipts:		
No Activity in 2013		
		<u>-</u>
Decreased by Disbursements:		
No Activity in 2013		
		<u>-</u>
Balance December 31, 2013		\$ <u><u>-</u></u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	10,048.94	10,048.94	9,298.54	750.40	-
Other Expenses	57,894.47	57,894.47	20,200.01	37,694.46	-
Cape May County MUA	3,705.00	3,705.00		3,705.00	
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	5,249.55	5,249.55		5,249.55	-
Unemployment	469.28	469.28		469.28	-
	<u>\$ 77,367.24</u>	<u>77,367.24</u>	<u>29,498.55</u>	<u>47,868.69</u>	<u>-</u>

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
AND ANALYSIS OF BALANCE**

	<u>Ref.</u>	
Balance December 31, 2012		\$ 85,619.85
Increased by:		
Budget Appropriations:		
Interest on Bonds		150,510.05
Interest on NJEIT Loans		86,357.25
		236,867.30
		322,487.15
Decreased By:		
Payments of Debt Service Interest		242,853.80
		79,633.35
Balance December 31, 2013		\$ 79,633.35

Analysis of Accrued Interest December 31, 2013

	Principal Outstanding December 31, 2013	Interest Rate	From	To	Days	Amount
<u>Serial Bonds and Loans</u>						
	2,500,000.00	Var.	8/16/2013	12/31/2013	138	37,500.00
	1,435,000.00	Var.	11/10/2013	12/31/2013	61	6,825.20
	150,000.00	Var.	8/1/2013	12/31/2013	153	2,826.13
	605,000.00	Var.	8/1/2013	12/31/2013	153	11,419.91
	672,506.00	Var.	8/1/2013	12/31/2013	153	2,432.20
	405,098.68	Var.	8/1/2013	12/31/2013	153	4,215.00
	1,232,945.36	Var.	8/1/2013	12/31/2013	153	10,588.55
	884,999.08	Var.	8/1/2013	12/31/2013	153	3,826.36
						79,633.35
						79,633.35

See Accompanying Auditor's Report

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

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2012		Authorizations		Deferred Charges to Future Taxation	Paid or Charged	Canceled	Balance December 31, 2013	
				Funded	Unfunded	Other Funding	Funded				Unfunded	Funded
1134 amended by 1197	Improvement to Water Supply and Distribution System	3/6/2001	750,000 \$	1,735.00					1,735.00			
1280	Various Improvements a. Vehicular Equipment	3/12/2007	640,000		16.00				16.00			
1309	Various Improvements b. Purchase of Equipment	4/1/2008	1,250,000						-			
1333	Various Improvements a. Reconstruction/Renovation of Roof of Water Plant	3/17/2009	300,000	19,883.96					3,500.00		16,383.96	
1342	Improvement of the Water and Sewerage System	9/15/2009	3,000,000		6,555.11				6,555.11			
1370	Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants	3/1/2011	65,000		43,999.91				7,641.00			36,358.91
1391	Improvement of the Water and Sewerage System	10/18/2011	2,145,000						-			
1399	Various Improvements a. Water Tower Rehabilitation b. Water/Sewer Equipment c. 95th Street Well Reconstruction	3/6/2012	750,000		97,000.00				97,000.00			
1418	Various Improvements that include a new South End well, the upgrade of the dewatering system, the removal of outfall pipes and the installation of new water and sewer mains	3/19/2013	1,650,000			79,000.00		1,571,000.00	210,169.35	15,167.39		1,424,663.26
				\$ 21,618.96	245,571.02	79,000.00		1,571,000.00	424,616.46	15,167.39	16,383.96	1,461,022.17

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013			Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount						
Water & Sewer Utility Bonds of 2006	08/15/06	3,450,000	08/15/14	320,000.00	4.00%	\$ 2,810,000.00		310,000.00	2,500,000.00	
			08/15/15	330,000.00	4.00%					
			08/15/16	345,000.00	4.00%					
			08/15/17	360,000.00	4.00%					
			08/15/18	375,000.00	4.00%					
			08/15/19	390,000.00	4.00%					
Water & Sewer Utility Bonds of 2011	11/1/2011	1,620,000	11/01/14	100,000.00	2.00%	1,530,000.00		95,000.00	1,435,000.00	
			11/01/15	110,000.00	2.00%					
			11/01/16	120,000.00	3.00%					
			11/01/17	130,000.00	3.00%					
			11/01/18	140,000.00	3.00%					
			11/01/19	150,000.00	3.00%					
			11/01/20	160,000.00	3.00%					
			11/01/21	170,000.00	3.00%					
		11/01/22	175,000.00	3.00%						
			11/01/23	180,000.00	3.125%					
						\$ 4,340,000.00	-	405,000.00	3,935,000.00	

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013	
			Date	Amount						
NJEIT 2007A Trust Loan	11/8/2007	920,000.00	8/1/2014	40,000.00	5.00% \$	790,000.00		35,000.00	755,000.00	
			8/1/2015	45,000.00	5.00%					
			8/1/2016	45,000.00	5.00%					
			8/1/2017	45,000.00	5.00%					
			8/1/2018	50,000.00	5.00%					
			8/1/2019	50,000.00	4.00%					
			8/1/2020	50,000.00	4.00%					
			8/1/2021	55,000.00	5.00%					
			8/1/2022	55,000.00	5.00%					
			8/1/2023	60,000.00	4.25%					
			8/1/2024	60,000.00	4.50%					
			8/1/2025	60,000.00	4.50%					
			8/1/2026	70,000.00	4.50%					
			8/1/2027	70,000.00	4.25%					
							698,712.40	44,704.70		654,007.70
	NJEIT 2007A Fund Loan	11/8/2007	901,733.00	2/1/2014	10,855.39	0.00%				
				8/1/2014	36,157.64					
			2/1/2015	10,399.95						
			8/1/2015	38,890.61						
			2/1/2016	9,687.68						
			8/1/2016	38,178.35						
			2/1/2017	8,975.42						
			8/1/2017	37,466.08						
			2/1/2018	8,263.15						
			8/1/2018	39,942.22						
			2/1/2019	7,471.18						
			8/1/2019	39,150.24						
			2/1/2020	6,837.59						
			8/1/2020	38,516.66						
			2/1/2021	6,204.01						
			8/1/2021	41,071.49						
			2/1/2022	5,332.33						
			8/1/2022	40,199.80						
			2/1/2023	4,460.64						
			8/1/2023	42,516.52						
			2/1/2024	3,651.95						
			8/1/2024	41,707.83						
			2/1/2025	2,795.70						
			8/1/2025	40,851.58						
			2/1/2026	1,939.44						
			8/1/2026	46,269.63						
			2/1/2027	942.01						
			8/1/2027	45,272.61						

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013				Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013								
			Date	Amount	Amount	Amount													
NJEIT 2010A Trust Loan DW & CW	3/10/2010	707,506.00	8/1/2014 *	7,506.00			0.000%	677,506.00		5,000.00	672,506.00								
			8/1/2015	30,000.00															
			8/1/2016	30,000.00															
			8/1/2017	35,000.00															
			8/1/2018	40,000.00															
			8/1/2019	40,000.00															
			8/1/2020	45,000.00															
			8/1/2021	45,000.00															
			8/1/2022	45,000.00															
			8/1/2023	45,000.00															
			8/1/2024	50,000.00															
			8/1/2025	50,000.00															
			8/1/2026	50,000.00															
			8/1/2027	50,000.00															
			8/1/2028	55,000.00															
			8/1/2029	55,000.00															
			NJEIT 2010A Fund Loan DW & CW	3/10/2010	2,023,865.00	2/1/2014						40,229.93			0.000%	1,702,025.56		120,689.79	1,581,335.77
						8/1/2014						80,459.86							
						2/1/2015						40,229.93							
						8/1/2015						80,459.86							
2/1/2016	40,229.93																		
8/1/2016	80,459.86																		
2/1/2017	40,229.93																		
8/1/2017	80,459.86																		
2/1/2018	40,229.93																		
8/1/2018	80,459.86																		
2/1/2019	40,229.93																		
8/1/2019	80,459.86																		
2/1/2020	40,229.93																		
8/1/2020	80,459.86																		
2/1/2021	40,229.93																		
8/1/2021	80,459.86																		
2/1/2022	40,229.93																		
8/1/2022	80,459.86																		
2/1/2023	40,229.93																		
8/1/2023	80,459.86																		
2/1/2024	40,229.93																		
8/1/2024	80,459.86																		
2/1/2025	40,229.93																		
8/1/2025	80,459.86																		
2/1/2026	40,229.93																		
8/1/2026 **	21,464.36																		
2/1/2027 **	7,929.32																		

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
NJEIT 2010A Fund Loan DW & CW	3/10/2010	2,023,865.00	8/1/2027 **	15,858.64	5.00%	210,191.78			181,485.32
			2/1/2028 **	7,929.32					
			8/1/2028 **	15,858.64					
			2/1/2029 **	7,929.32					
NJEIT 2010B Trust Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	196,347.36	8/1/2014 **	-	5.00%	214,240.15		52,684.11	161,556.04
			8/1/2015 **	-	5.00%				
			8/1/2016 **	3,140.77	5.00%				
			8/1/2017	9,554.17	5.00%				
			8/1/2018	9,554.17	5.00%				
			8/1/2019	10,615.75	5.00%				
			8/1/2020	10,615.75	5.00%				
			8/1/2021	10,615.75	5.00%				
			8/1/2022	11,677.32	5.00%				
			8/1/2023	11,677.32	5.00%				
			8/1/2024	12,738.90	5.00%				
			8/1/2025	13,800.47	5.00%				
			8/1/2026	13,800.47	5.00%				
			8/1/2027	14,862.04	5.00%				
			8/1/2028	15,923.62	5.00%				
			8/1/2029	15,923.63	5.00%				
8/1/2030	16,985.20	5.00%							
NJEIT 2010B Fund Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	193,295.32	2/1/2014	3,967.41	0.00%	214,240.15		52,684.11	161,556.04
			8/1/2014	7,934.82					
			2/1/2015	3,967.41					
			8/1/2015	7,934.82					
			2/1/2016	3,967.41					
			8/1/2016	7,934.82					
			2/1/2017	3,967.41					
			8/1/2017	7,934.82					
			2/1/2018	3,967.41					
			8/1/2018	7,934.82					
			2/1/2019	3,967.41					
			8/1/2019	7,934.82					
			2/1/2020	3,967.41					
			8/1/2020	7,934.82					
			2/1/2021	3,967.41					
			8/1/2021	7,934.82					
2/1/2022	3,967.41								
8/1/2022	7,934.82								
2/1/2023	3,967.41								
8/1/2023	7,934.82								
2/1/2024	3,967.41								

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2013		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
NJEIT 2010B Fund Loan CW - Water/Sewer Portion 21,231,492.4%	12/2/2010	193,295.32	8/1/2024	7,934.82					
			2/1/2025	3,967.41					
			8/1/2025	7,934.82					
			2/1/2026	3,967.41					
			8/1/2026	7,934.82					
			2/1/2027	3,967.41					
	8/1/2027 **	2,859.64							
NJEIT Spring 2012ABC Trust Loan DW-Water/Sewer 79,423,865.0%	5/3/2012	226,358.02	8/1/2014	7,942.39	3.000%	226,358.02		7,942.39	218,415.63
			8/1/2015	7,942.39	4.000%				
			8/1/2016	7,942.39	5.000%				
			8/1/2017	7,942.39	5.000%				
			8/1/2018	11,913.58	5.000%				
			8/1/2019	11,913.58	5.000%				
			8/1/2020	11,913.58	5.000%				
			8/1/2021	11,913.58	5.000%				
			8/1/2022	11,913.58	5.000%				
			8/1/2023	11,913.58	5.000%				
			8/1/2024	11,913.58	5.000%				
			8/1/2025	11,913.58	5.000%				
			8/1/2026	11,913.58	5.000%				
			8/1/2027	11,913.58	3.000%				
		8/1/2028	11,913.58	3.000%					
		8/1/2029	15,884.77	3.125%					
		8/1/2030	19,855.97	3.200%					
		8/1/2031	19,855.97	3.250%					
NJEIT Spring 2012ABC Trust Loan DW-Water/Sewer 79,423,865.0%	5/3/2012	728,304.13	2/1/2014	12,344.21	0.000%	703,615.86		37,032.40	666,583.46
			8/1/2014	24,688.27					
			2/1/2015	12,344.14					
			8/1/2015	24,688.27					
			2/1/2016	12,344.14					
			8/1/2016	24,688.27					
			2/1/2017	12,344.14					
			8/1/2017	24,688.27					
			2/1/2018	12,344.14					
			8/1/2018	24,688.27					
			2/1/2019	12,344.14					
			8/1/2019	24,688.27					
			2/1/2020	12,344.14					
			8/1/2020	24,688.27					
		2/1/2021	12,344.14						
		8/1/2021	24,688.27						
		2/1/2022	12,344.14						
		8/1/2022	24,688.27						

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Amount					
NJ/EIT Spring 2012ABC Trust Loan DW-Water/Sewer 79.4238650%	5/3/2012	728,304.13	2/1/2023	12,344.14	3.000%	627,874.31			605,288.90
			8/1/2023	24,688.27					
			2/1/2024	12,344.14					
			8/1/2024	24,688.27					
			2/1/2025	12,344.14					
			8/1/2025	24,688.27					
			2/1/2026	12,344.14					
			8/1/2026	24,688.27					
			2/1/2027	12,344.14					
			8/1/2027	24,688.27					
			2/1/2028	12,344.14					
			8/1/2028	24,688.27					
			2/1/2029	12,344.14					
			8/1/2029	24,688.27					
			2/1/2030	12,344.14					
			8/1/2030	24,688.27					
			2/1/2031	12,344.14					
8/1/2031	24,688.27								
NJ/EIT 2012A Trust Loan CW-Water/Sewer 45.1708140%	5/3/2012	627,874.31	8/1/2014	22,585.41	3.000%	627,874.31		22,585.41	605,288.90
			8/1/2015	22,585.41					
			8/1/2016	24,843.95					
			8/1/2017	24,843.95					
			8/1/2018	27,102.49					
			8/1/2019	27,102.49					
			8/1/2020	29,361.03					
			8/1/2021	31,619.57					
			8/1/2022	31,619.57					
			8/1/2023	33,878.11					
			8/1/2024	36,136.65					
			8/1/2025	36,136.65					
			8/1/2026	38,395.19					
			8/1/2027	40,653.73					
			8/1/2028	42,912.27					
			8/1/2029	42,912.27					
			8/1/2030	45,170.81					
8/1/2031	47,429.35								
NJ/EIT 2012A Fund Loan CW-Water/Sewer 45.1708140%	5/3/2012	685,772.91	2/1/2013	11,623.27	0.000%	662,526.37		34,869.81	627,656.56
			8/1/2013	23,246.54					
			2/1/2014	11,623.27					
			8/1/2014	23,246.54					
			2/1/2015	11,623.27					
			8/1/2015	23,246.54					
2/1/2016	11,623.27								

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**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
			Date	Outstanding December 31, 2013	Amount					
NJEIT 2012A Fund Loan CW-Water/Sewer 45.1708140%	5/3/2012	685,772.91	8/1/2016	23,246.54						
			2/1/2017	11,623.27						
			8/1/2017	23,246.54						
			2/1/2018	11,623.27						
			8/1/2018	23,246.54						
			2/1/2019	11,623.27						
			8/1/2019	23,246.54						
			2/1/2020	11,623.27						
			8/1/2020	23,246.54						
			2/1/2021	11,623.27						
			8/1/2021	23,246.54						
			2/1/2022	11,623.27						
			8/1/2022	23,246.54						
			2/1/2023	11,623.27						
			8/1/2023	23,246.54						
			2/1/2024	11,623.27						
			8/1/2024	23,246.54						
			2/1/2025	11,623.27						
			8/1/2025	23,246.54						
			2/1/2026	11,623.27						
			8/1/2026	23,246.54						
		2/1/2027	11,623.27							
		8/1/2027	23,246.54							
		2/1/2028	11,623.27							
		8/1/2028	23,246.54							
		2/1/2029	11,623.27							
		8/1/2029	23,246.54							
		2/1/2030	11,623.27							
		8/1/2030	23,246.54							
		2/1/2031	11,623.27							
		8/1/2031	23,246.54							
						\$ 6,513,050.45	-	389,215.07	6,123,835.38	
								327,157.76		
								62,057.31		
								<u>389,215.07</u>		
									Paid by Budget Appropriation	
									Loans Canceled	

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	NJ/EIT Loan Canceled	Balance Dec. 31, 2013
1342	Improvement of the Water and Sewerage System	\$ 515,208.00			(62,057.32)	577,265.32
1370	Various Improvements that include the Purchase and Installation of a. New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants	567.00				567.00
1391	Improvement of the Water and Sewerage System	226,811.63				226,811.63
1399	Various Improvements a. Water Tower Rehabilitation b. Water/Sewer Equipment c. Wells Reconstruction	539,000.00 97,000.00 114,000.00				539,000.00 97,000.00 114,000.00
1418	Various Improvements that include a new South End well, the upgrade of the dewatering system, the removal of outfall pipes and the installation of new water and sewer mains		1,571,000.00			1,571,000.00
		<u>\$ 1,492,586.63</u>	<u>1,571,000.00</u>	<u>-</u>	<u>(62,057.32)</u>	<u>3,125,643.95</u>

**PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER**

	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Balance December 31, 2012	\$ 2,473.75	\$ -
Increased By Receipts:		
State Aid	\$ -	-
Interest	<u>0.32</u>	<u>-</u>
	<u>2,474.07</u>	<u>-</u>
Decreased By Disbursements:		
Current Fund	<u>2,474.07</u>	<u>-</u>
Balance December 31, 2013	<u>\$ -</u>	<u>\$ -</u>

**PUBLIC ASSISTANCE FUND
SCHEDULE OF PUBLIC ASSISTANCE CASH AND RECONCILIATION
PER N.J.S. 40A:5-5**

	Trust Fund I	Trust Fund II
Balance December 31, 2012	\$ -	\$ -
Increased By Receipts:		
State Aid	\$ -	-
Due to Current Fund	-	-
Interest	-	-
	-	-
Decreased By Disbursements:		
Current Fund - Miscellaneous	-	-
	-	-
Balance April 30, 2014	\$ -	\$ -
Reconciliation April 30, 2014		
Balance on Deposit per Statement:		
Sturdy Savings Bank	\$ -	-
Less: Outstanding Checks	-	-
Plus: Deposits in Transit	-	-
Book Balance	\$ -	\$ -

**PUBLIC ASSISTANCE FUND
SCHEDULE OF REVENUES**

	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Interest	\$ 0.32	\$ -
State Aid		-
Total Revenues (PATF)	<u>0.32</u>	<u>-</u>
Due to Current Fund	-	-
Total Receipts (PATF)	<u>\$ 0.32</u>	<u>\$ -</u>

SCHEDULE OF EXPENDITURES

	<u>Trust Fund I</u>	<u>Trust Fund II</u>
Current Year Assistance (State Matching):		
Client Assistance	\$ -	\$ -
Current Fund:		
Miscellaneous	<u>2,474.07</u>	<u>-</u>
Total Reported	<u>2,474.07</u>	<u>-</u>
Total Disbursements (PATF)	<u>\$ 2,474.07</u>	<u>\$ -</u>

See Accompanying Auditor's Report

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BOROUGH OF STONE HARBOR

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

GENERAL COMMENTS

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$29,000, except by contract or agreement". Effective July 1, 2010, the bid threshold was increased to \$36,000 for municipalities with a Qualified Purchasing Agent.

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$36,000 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.

The minutes indicated the following contracts were bid in 2013: the Redevelopment of 95th Street Well, Beach Concession Stands, Purchase of a Dump Truck, Purchase of a Refuse Truck, Replacement of 93rd and 107th Streets Bulkhead, Centennial Reception.

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

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

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$36,000 "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the Mayor and Council of the Borough of Stone Harbor, County of Cape May and State of New Jersey, that the interest penalty for delinquent taxes shall be 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500, on each parcel of land by block and lot, and

BE IT FURTHER RESOLVED that no interest be charged if payment of any installment is made within ten (10) calendar days after the date on which same is payable, said ten (10) calendar days to be straight calendar days, and if the tenth day falls on a Saturday, Sunday or legal holiday, then the grace period shall extend to the next business day; and

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 10, 2013 and was complete. There were no properties in bankruptcy as of December 31, 2013.

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

<u>Year</u>	<u>Number of Liens</u>
2013	-
2012	-
2011	-

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2013 and 2014 Taxes	5
Delinquent Taxes	5
Payment of Utility Charges	5
Delinquent Utility Charges	5

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2013	\$ 22,601,796	22,254,427	98.46%
2012	22,312,347	21,945,022	98.35%
2011	21,257,653	20,905,180	98.34%
2010	20,908,844	20,564,855	98.35%
2009	20,472,352	20,128,100	98.32%

Comparative Schedule of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	0.509	0.502	0.479	0.472	0.463
Apportionment of Tax Rate:					
Municipal	0.224	0.216	0.202	0.198	0.190
County	0.232	0.235	0.226	0.223	0.224
Local School	0.053	0.051	0.051	0.051	0.049
Assessed Valuation	4,423,378,939	4,435,159,991	4,428,270,227	4,422,259,103	4,413,930,,459

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Delinquent Taxes and Tax Title Liens

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

<u>Year</u>		Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2013	\$	-	210,881	210,881	0.93%
2012		-	268,333	268,333	1.20%
2011		-	337,824	337,824	1.59%
2010		-	332,103	332,103	1.59%
2009		-	338,202	338,202	1.76%

Uniform Construction Code

The Borough of Stone Harbor construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b)2 and NJAC 5:23.4.17(b)3.

RECOMMENDATIONS

Finding 13-1

Criteria

The Borough is responsible for implementing internal controls over cash receipts, revenue and collections.

Condition

Not all revenue collected in the Borough Clerk's Office for Sailcraft Permits in 2013 was recorded in the Clerk's cash book and deposited.

Cause

There were four permits issued for which no deposit could be found.

Effect

The four permits were issued for \$225 each or a shortage of \$900 in 2013.

Recommendation

Internal controls should be improved in the Borough Clerk's Office to ensure that all permit and fee revenue collected is deposited to the credit of the Borough.

Management Response

A Borough employee outside of the Clerk's Office will perform periodic reconciliation procedures of the permits fee log and unissued permits to the cash book collections.

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

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

Very truly yours,

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Glen J. Ortman

Glen J. Ortman
Certified Public Accountant
Registered Municipal Accountant
No. 427

May 31, 2014