

BOROUGH OF LAKEHURST

COUNTY OF OCEAN

DECEMBER 31, 2012

William E. Antonides and Company
Certified Public Accountants

2807 Hurley Pond Road
Wall, NJ 07719

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

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BOROUGH OF LAKEHURST

COUNTY OF OCEAN

PART I

AUDITOR'S REPORT OF THE BOROUGH'S FINANCIAL STATEMENTS

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YEAR ENDED DECEMBER 31, 2012

William E. Antonides and Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Lakehurst
County of Ocean
Lakehurst, New Jersey

Report on Financial Statements

We have audited the financial statements - regulatory basis of the various funds of the Borough of Lakehurst (the "Borough"), in the County of Ocean, State of New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to 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 accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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, audit requirements prescribed by 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 from 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.

Auditor's Responsibility (Continued)

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, these financial statements have been prepared in conformity with accounting principles prescribe the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with statutory and regulatory requirements of the State 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2012 and 2011, and the results of it operations for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements - regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Borough as of December 31, 2012 and 2011, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended in accordance with accounting principles on the basis of financial reporting provisions prescribed by the Division, 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's basic financial statements. The supplementary financial schedules listed in the table of contents are required by the Division and are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary financial schedules, referred to in the preceding paragraph, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting and compliance.

William E. Antonides and Company

Independent Auditors

A handwritten signature in cursive script, appearing to read "William E. Antonides, Jr.", is positioned above the printed name and title.

**William E. Antonides, Jr.
Registered Municipal Accountant
Certified Public Accountant**

Wall Township, New Jersey
September 30, 2013

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - CURRENT FUND

Exhibit A

REGULATORY BASIS

Sheet 1 of 2

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash - Treasurer	A-4	\$ 1,584,956.39	\$ 1,568,931.53
Cash - Change Fund		420.00	420.00
		<u>1,585,376.39</u>	<u>1,569,351.53</u>
Due From State of N.J. (P.L. 1971, C. 20)	A-8	<u>500.00</u>	
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	103,956.95	81,658.34
Tax Title Liens Receivable	A-7	35,850.27	30,150.76
Property Acquired for Taxes		50,000.00	50,000.00
Revenue Accounts Receivable	A-9	11,018.27	8,738.83
Interfunds:			
General Capital Fund	A-15	1.55	
Animal Control Trust Fund	A-15		4.51
Payroll Fund	A-15	11,183.09	11,144.86
Water-Sewer Utility Operating Fund	A-15		9,264.44
Grant Fund	A-16	7,418.34	
		<u>219,428.47</u>	<u>190,961.74</u>
Deferred Charges:			
Special Emergency Authorizations (N.J.S. 40A:4-55)	A-11	32,100.00	
		<u>1,837,404.86</u>	<u>1,760,313.27</u>
Grant Fund:			
Grants Receivable	A-17	99,509.90	361,300.96
Interfunds:			
Current Fund	A-16		6,609.85
General Capital Fund		15,913.48	15,913.48
		<u>115,423.38</u>	<u>383,824.29</u>
		<u>\$ 1,952,828.24</u>	<u>\$ 2,144,137.56</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - CURRENT FUND

Exhibit A

REGULATORY BASIS

Sheet 2 of 2

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Liabilities:			
Appropriation Reserves	A-3,12	\$ 221,207.56	\$ 261,181.25
Due To State of NJ (Ch. 20, P.L. 1971)	A-8		3,441.38
Due State - Marriage License Fees	A-4	50.00	75.00
Prepaid Taxes	A-5,6	25,161.08	44,409.55
Tax Overpayments	A-10	13,102.33	16,798.22
Reserve for:			
Master Plan Update		594.66	594.66
Revision and Codification of Ordinances		14,985.00	14,985.00
Land Sale Deposits		8,500.00	8,500.00
Revaluation		24,705.67	24,705.67
2012 Storm Damage Other Expenses			
Special Emergency	A-3	6,676.36	
Encumbrances	A-3,12	34,402.61	23,819.02
Accounts Payable		668.75	668.75
County Taxes Payable	A-13	2,243.54	2,754.87
Local District School Tax Payable	A-14	201,567.50	207,524.50
Interfunds:			
Other Trust Fund	A-15	33,175.60	18,747.01
General Capital Fund	A-15		54,768.42
Water-Sewer Utility Operating Fund	A-15	225.34	
Grant Fund	A-16		6,609.85
		<u>587,266.00</u>	<u>689,583.15</u>
Reserve for Receivables and Other Assets		219,428.47	190,961.74
Fund Balance	A-1	1,030,710.39	879,768.38
		<u>1,837,404.86</u>	<u>1,760,313.27</u>
Grant Fund:			
Interfund - Current Fund	A-16	7,418.34	
Reserve for Encumbrances	A-18	934.03	4,640.35
Appropriated Reserves	A-18	98,429.59	377,916.20
Unappropriated Reserves	A-19	8,641.42	1,267.74
		<u>115,423.38</u>	<u>383,824.29</u>
		<u>\$ 1,952,828.24</u>	<u>\$ 2,144,137.56</u>

There was deferred school taxes on December 31, 2012 and 2011 of \$500,749.00 (Schedule A-14).

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-1

STATEMENT OF OPERATIONS AND CHANGE IN

FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 650,000.00	\$ 545,500.00
Miscellaneous Revenue Anticipated	A-2	977,928.04	1,205,057.96
Receipts from Delinquent Taxes	A-2	81,629.79	97,082.55
Receipts from Current Taxes	A-2	3,703,432.41	3,683,873.78
Non-Budget Revenues	A-2	187,494.36	186,838.04
Other Credits to Income:			
Due to State Cancelled	A-8	3,441.38	
Unexpended Balance of Appropriation Reserves	A-12	231,188.24	172,351.42
Payroll Liability Cancelled			1,937.08
Grants Appropriated Reserves Cancelled	A-16	92,795.33	
Interfunds Returned		1,810.83	105,170.55
Total Income		<u>5,929,720.38</u>	<u>5,997,811.38</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		1,346,886.00	1,359,350.00
Other Expenses		1,233,359.00	1,118,707.00
Deferred Charges and Statutory Expenditures		298,642.36	334,021.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		17,000.00	35,000.00
Other Expenses		91,348.50	76,643.20
Capital Improvements		10,000.00	201,000.00
Municipal Debt Service		342,145.74	286,986.45
Transferred to Board of Education		8,838.00	9,077.00
	A-3	<u>3,348,219.60</u>	<u>3,420,784.65</u>
Prior Year Senior Citizen Deduction Disallowed	A-8	750.00	500.00
Prior Year Revenue Refund			3,404.00
County Taxes	A-13	655,920.80	656,377.70
Local District School Tax	A-14	1,131,396.00	1,137,714.00
Grant Receivable Cancelled	A-16	24,591.97	.47
Total Expenditures		<u>5,160,878.37</u>	<u>5,218,780.82</u>
Excess in Revenue		768,842.01	779,030.56
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		32,100.00	
Statutory Excess to Fund Balance		800,942.01	779,030.56
Fund Balance January 1	A	879,768.38	646,237.82
		<u>1,680,710.39</u>	<u>1,425,268.38</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>650,000.00</u>	<u>545,500.00</u>
Fund Balance December 31	A	<u>\$ 1,030,710.39</u>	<u>\$ 879,768.38</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
	A-1	\$ 650,000.00	\$ 650,000.00	\$
Fund Balance Anticipated				
<u>Miscellaneous Revenues</u>				
Licenses				
Alcoholic Beverages	A-10	10,000.00	15,300.00	5,300.00
Other	A-10	6,000.00	8,837.00	2,837.00
Fees and Permits				
Other	A-10	50,000.00	82,826.75	32,826.75
Fines and Costs				
Municipal Court	A-10	195,000.00	170,276.80	(24,723.20)
Interest and Costs on Taxes	A-10	12,000.00	17,625.77	5,625.77
Interest on Investments and Deposits	A-10	500.00	2,372.23	1,872.23
State Aid:				
Consolidated Municipal Property Tax Relief Act	A-10	64,985.00	64,985.00	
Energy Receipts Tax	A-10	230,454.00	230,454.00	
Uniform Construction Code Fees	A-10	1,000.00	4,112.70	3,112.70
Northeast Housing LLC - Borough of Lakehurst	A-10	160,000.00	277,059.79	117,059.79
Northeast Housing LLC - Borough of Lakehurst	A-10	85,000.00	85,000.00	
Grants Offset with Appropriations:				
Aggressive Driving	A-16	4,400.00	4,400.00	
Clean Communities Program	A-16	4,000.00	4,000.00	
Click It or Ticket Grant	A-16	4,000.00	4,000.00	
Cops In Shops	A-16	1,600.00	1,600.00	
Municipal Alliance on Alcoholism and Drug Abuse	A-16	5,078.00	5,078.00	
Total Miscellaneous Revenues	A-1	<u>834,017.00</u>	<u>977,928.04</u>	<u>143,911.04</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 3

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Receipts from Delinquent Taxes	A-1,2	\$ 82,000.00	\$ 81,629.79	\$ (370.21)
Subtotal General Revenues		1,566,017.00	1,709,557.83	143,540.83
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	A-2	2,031,961.93	2,075,781.30	43,819.37
Total General Revenues		<u>3,597,978.93</u>	<u>3,785,339.13</u>	<u>187,360.20</u>
Non-Budget Revenues	A-1,2		187,494.36	187,494.36
	A-3	<u>\$ 3,597,978.93</u>	<u>\$ 3,972,833.49</u>	<u>\$ 374,854.56</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 3 of 3

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
<u>Allocation of Current Tax Collections</u>		
Revenue from Collections	A-1,6	\$ 3,703,432.41
Allocated to School and County Taxes	A-13,14	1,787,316.80
Balance or Support of Municipal Budget Appropriations		<u>1,916,115.61</u>
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>159,665.69</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 2,075,781.30</u>
<u>Receipts from Delinquent Taxes</u>		
Delinquent Tax Collections	A-2,6	<u>\$ 81,629.79</u>
<u>Analysis of Non-Budget Revenues</u>		
Clerk		\$ 3,443.06
Recycling		7,243.74
Police Fees		47,359.52
Water Tower Lease		106,050.82
Refunds		2,313.55
Other Miscellaneous		<u>21,083.67</u>
	A-2,4	<u>\$ 187,494.36</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<u>OPERATIONS WITHIN CAPS</u>					
<u>General Government</u>					
Administrative and Executive					
Salaries and Wages	\$ 500.00	\$ 500.00	\$	\$ 500.00	\$
Other Expenses	450.00	450.00	65.00	385.00	
Mayor and Council					
Salaries and Wages	32,000.00	32,000.00	30,986.85	1,013.15	
Other Expenses	2,500.00	3,000.00	301.50	1,698.50	1,000.00
Municipal Clerk					
Salaries and Wages	104,671.00	104,671.00	103,186.11	1,484.89	
Other Expenses	25,000.00	23,000.00	21,656.47	1,343.53	
Financial Administration					
Salaries and Wages	78,500.00	78,500.00	78,447.04	52.96	
Other Expenses	22,000.00	20,000.00	16,136.68	3,863.32	
Audit Services					
Other Expenses	35,000.00	35,000.00	14,075.00	20,925.00	
Collection of Taxes					
Salaries and Wages	80,055.00	80,055.00	67,380.22	2,674.78	10,000.00
Other Expenses	8,500.00	8,500.00	8,298.46	201.54	
Assessment of Taxes					
Salaries and Wages	16,610.00	16,610.00	16,451.24	158.76	
Other Expenses	6,800.00	4,800.00	1,490.29	3,309.71	
Legal Services and Costs					
Salaries and Wages	30,600.00	30,600.00	29,611.66	988.34	
Other Expenses	6,000.00	6,000.00	3,584.35	2,415.65	
Engineering Services and Costs					
Other Expenses	8,000.00	14,500.00	12,942.50	1,557.50	
Historical Preservation					
Other Expenses	450.00	450.00		450.00	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Land Use Administration</u>					
Municipal Land Use Law (N.J.S. 40:55D-1)					
Land Use Board					
Salaries and Wages	\$ 4,600.00	\$ 4,600.00	\$ 4,600.00	\$	
Other Expenses	450.00	450.00	402.53	47.47	
<u>Code Enforcement and Administration</u>					
Code Enforcement					
Salaries and Wages	4,650.00	4,650.00	4,582.80	67.20	
Other Expenses	1,000.00	250.00		250.00	
County Rebate					
Salaries and Wages	2,900.00	2,900.00	2,173.08	726.92	
<u>Insurance</u>					
General Liability	45,000.00	45,000.00	45,000.00		
Workers Compensation	82,000.00	82,000.00	64,992.84	2,007.16	15,000.00
Employee Group Health	377,949.00	377,949.00	360,091.94	17,857.06	
Health Benefits Waiver	12,000.00	12,000.00	11,873.28	126.72	
<u>Public Safety Functions</u>					
Police					
Salaries and Wages	689,300.00	687,300.00	648,749.64	18,550.36	20,000.00
Other Expenses	50,900.00	52,900.00	50,307.75	2,592.25	
Purchase of Police Vehicles					
Other Expenses	16,000.00	16,000.00	15,946.48	53.52	
Emergency Management					
Salaries and Wages	4,300.00	4,300.00			4,300.00
Other Expenses	1,500.00	1,500.00	811.07		688.93
Emergency Medical Services					
Other Expenses	18,000.00	18,000.00	17,910.80	89.20	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Uniform Safety Act	\$ 7,900.00	\$ 7,900.00	\$ 7,530.90	\$ 369.10	\$
Salaries and Wages	450.00	450.00	51.80	398.20	
Other Expenses					
Municipal Court					
Salaries and Wages	97,500.00	97,500.00	93,223.62	4,276.38	
Other Expenses	12,000.00	12,000.00	6,510.22	5,489.78	
Fire					
Other Expenses	31,000.00	41,750.00	41,749.27	.73	
Municipal Prosecutor					
Salaries and Wages	12,000.00	12,000.00	11,991.07	8.93	
Other Expenses	100.00	100.00		100.00	
Public Defender (P.L. 1997, C. 256)					
Salaries and Wages	100.00	100.00		100.00	
Other Expenses	100.00	100.00		100.00	
Public Works Functions					
Road Repairs and Maintenance					
Salaries and Wages	47,000.00	45,000.00	29,470.75	7,529.25	8,000.00
Other Expenses	14,310.00	22,810.00	4,264.05	18,545.95	
Garbage and Trash Removal					
Salaries and Wages	106,500.00	104,500.00	86,316.48	3,183.52	15,000.00
Other Expenses	8,100.00	8,100.00	4,400.50	3,699.50	
Recycling					
Salaries and Wages	4,000.00	2,000.00		2,000.00	
Other Expenses	5,500.00	2,000.00	1,573.72	426.28	
Public Buildings, Grounds and Lakes					
Salaries and Wages	69,100.00	69,100.00	55,875.49	3,224.51	10,000.00
Other Expenses	35,000.00	35,000.00	29,998.68	5,001.32	
2012 Storm Damage Emergency					
Other Expenses		32,100.00	32,100.00		

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Vehicle Maintenance	\$ 100.00	\$ 100.00	\$	\$ 100.00	\$
Salaries and Wages	73,000.00	84,000.00	75,551.70	8,448.30	
Other Expenses					
<u>Health and Human Services</u>					
Animal Control					
Other Expenses	8,000.00	6,000.00	2,466.90	3,533.10	
<u>Park and Recreation Functions</u>					
Youth and Recreation					
Salaries and Wages	6,000.00	5,000.00	4,224.15	775.85	
Other Expenses	2,000.00	2,000.00	1,434.15	565.85	
<u>Other Common Operating Functions</u>					
Celebration of Public Events					
Other Expenses	7,200.00	7,200.00	5,460.89	1,739.11	
<u>Utility Expenses and Bulk Purchases</u>					
Gasoline	69,000.00	58,500.00	49,808.20	7,691.80	1,000.00
Electricity	39,000.00	39,000.00	34,387.09	4,612.91	
Telephone	33,000.00	33,000.00	30,815.38	2,184.62	
Natural Gas	15,000.00	15,000.00	14,308.70	691.30	
Street Lighting	30,000.00	28,000.00	23,568.18	4,431.82	
Fuel Oil	9,000.00	6,500.00	5,118.97	1,381.03	
Telecommunications	5,000.00	5,000.00	3,786.70	1,213.30	
Landfill Disposal Cost - Other Expenses	100,000.00	100,000.00	80,000.00	10,000.00	10,000.00
Deferred Sick Time	20,000.00	20,000.00	20,000.00		
Total Operations within Caps	<u>2,635,145.00</u>	<u>2,670,245.00</u>	<u>2,388,043.14</u>	<u>192,201.86</u>	<u>90,000.00</u>
Detail:					
Salaries and Wages	1,418,886.00	1,409,886.00	1,294,801.10	52,084.90	63,000.00
Other Expenses	<u>1,216,259.00</u>	<u>1,260,359.00</u>	<u>1,093,242.04</u>	<u>140,116.96</u>	<u>27,000.00</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 5 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Contribution to:					
Public Employees' Retirement System of New Jersey	\$ 91,113.36	\$ 91,113.36	\$ 91,113.36		\$
Police and Firemen's Retirement System of New Jersey	80,029.00	80,029.00	80,029.00		
Contribution to:					
Social Security System (O.A.S.I.)	120,000.00	120,000.00	103,354.39	11,645.61	5,000.00
Unemployment Compensation Insurance	20,000.00	17,000.00	5,644.58	6,355.42	5,000.00
Defined Contribution Retirement Program	500.00	500.00		500.00	
Total Statutory Expenditures within Caps	<u>311,642.36</u>	<u>308,642.36</u>	<u>280,141.33</u>	<u>18,501.03</u>	<u>10,000.00</u>
Total Appropriations within Caps	<u>2,946,787.36</u>	<u>2,978,887.36</u>	<u>2,668,184.47</u>	<u>210,702.89</u>	<u>100,000.00</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
Employee Group Health (P.L. 2007, Chap. 62)	59,801.00	59,801.00	59,801.00		
Recycling Fees	5,000.00	5,000.00	674.77	4,325.23	
Northeast Housing LLC - Borough of Lakehurst					
Police					
Salaries and Wages	10,000.00	10,000.00			10,000.00
Other Expenses	1,000.00	1,000.00	240.00	760.00	
Administration					
Salaries and Wages	27,000.00	27,000.00	12,970.56	4,029.44	10,000.00
Other Expenses	5,000.00	5,000.00	3,610.00	1,390.00	
<u>Public and Private Programs Offset by Revenues</u>					
Aggressive Driving	4,400.00	4,400.00	4,400.00		
Clean Communities Program	4,000.00	4,000.00	4,000.00		
Click It or Ticket Grant	4,000.00	4,000.00	4,000.00		
Cops in Shops	1,600.00	1,600.00	1,600.00		

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 6 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Alliance					
State Share	\$ 5,078.00	\$ 5,078.00	\$ 5,078.00	\$	
Local Share	1,469.50	1,469.50	1,469.50		
Total Operations excluded from Caps	<u>128,348.50</u>	<u>128,348.50</u>	<u>97,843.83</u>	<u>10,504.67</u>	<u>20,000.00</u>
Detail:					
Salaries and Wages	37,000.00	37,000.00	12,970.56	4,029.44	20,000.00
Other Expenses	<u>91,348.50</u>	<u>91,348.50</u>	<u>84,873.27</u>	<u>6,475.23</u>	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>					
Capital Improvement Fund	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>		
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>					
Payment of Bond Anticipation Notes	86,515.00	86,515.00	86,515.00		2,181.64
Interest on Notes	43,508.38	43,508.38	41,326.74		
USDA Rural Development Loan - Emergency Management Principal and Interest	131,055.00	131,055.00	131,054.00		1.00
USDA Rural Development Loan - Police Department Principal and Interest	83,261.00	83,261.00	83,250.00		11.00
Total Municipal Debt Service excluded from Caps	<u>344,339.38</u>	<u>344,339.38</u>	<u>342,145.74</u>		<u>2,193.64</u>
Transferred to Board of Education for Use of Local Schools	8,838.00	8,838.00	8,838.00		
Total General Appropriations excluded from Caps	<u>491,525.88</u>	<u>491,525.88</u>	<u>458,827.57</u>	<u>10,504.67</u>	<u>22,193.64</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 7 of 7

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Subtotal General Appropriations		\$ 3,438,313.24	\$ 3,470,413.24	\$ 3,127,012.04	\$ 221,207.56	\$ 122,193.64
Reserve for Uncollected Taxes		159,665.69	159,665.69	159,665.69		
Total General Appropriations		\$ 3,597,978.93	\$ 3,630,078.93	\$ 3,286,677.73	\$ 221,207.56	\$ 122,193.64
	A-2		A-1		A	A-1
Budget	A-2		\$ 3,597,978.93			
Special Emergency Appropriation	A-11		32,100.00			
			\$ 3,630,078.93			
Reserve for Uncollected Taxes	A-2			\$ 159,665.69		
Disbursements	A-4			3,055,175.49		
Reserve for Encumbrances	A			34,402.61		
Transferred to Board of Education for Use of Local Schools	A-14			8,838.00		
Deferred Charges:						
Special Emergency Authorizations	A			6,676.36		
Interfunds:						
Trust Fund	A-15			1,372.08		
Grant Fund	A-16			20,547.50		
				\$ 3,286,677.73		

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - TRUST FUND

Exhibit B

REGULATORY BASIS

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
<u>Animal Control Trust Fund</u>			
Cash	B-1	\$ <u>1,784.60</u>	\$ <u>1,757.71</u>
<u>Trust Other Fund</u>			
Cash	B-1	270,719.98	255,872.86
Interfund - Current Fund	B-5	33,175.60	18,747.01
Community Development Block Grant Receivable		<u>11,233.41</u>	<u>11,233.41</u>
		<u>315,128.99</u>	<u>285,853.28</u>
		\$ <u>316,913.59</u>	\$ <u>287,610.99</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Due to State of New Jersey	B-2	\$ 9.60	\$ 1.20
Reserve for Animal Control Trust Fund Expenditures	B-3	1,463.00	1,688.60
Reserve for Encumbrances	B-3	312.00	63.40
Interfund - Current Fund	B-4		4.51
		<u>1,784.60</u>	<u>1,757.71</u>
<u>Trust Other Fund</u>			
Reserve for:			
Encumbrances	B-6	660.00	
Miscellaneous Trust Accounts	B-6	313,135.58	274,619.87
Community Development Block Grant	B-7	<u>1,333.41</u>	<u>11,233.41</u>
		<u>315,128.99</u>	<u>285,853.28</u>
		\$ <u>316,913.59</u>	\$ <u>287,610.99</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - GENERAL CAPITAL FUND

Exhibit C

REGULATORY BASIS

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash	C-2	\$ 868,491.66	\$ 526,200.66
Grants Receivable		1,821.50	1,821.50
Deferred Charges to Future Taxation:			
Funded	C-4	3,367,147.31	3,437,804.99
Unfunded	C-5	1,374,671.00	1,081,186.00
Interfunds:			
Current Fund	C-6		54,768.42
Water-Sewer Utility Operating Fund	C-6		22,125.03
		<u>\$ 5,612,131.47</u>	<u>\$ 5,123,906.60</u>
<u>Liabilities and Reserves</u>			
Reserve for Payment of Bonds		\$ 500.00	\$ 500.00
Interfunds:			
Current Fund	C-6	1.55	
Grant Fund	C-6	15,913.48	15,913.48
Water-Sewer Utility Capital Fund	C-6		100,000.00
Capital Improvement Fund	C-7	76,704.66	86,704.66
Improvement Authorizations:			
Funded	C-8	85,307.44	32,228.51
Unfunded	C-8	830,784.69	499,026.62
Reserve for Encumbrances	C-8	9,000.00	18,947.00
Bond Anticipation Notes	C-9	1,225,890.00	932,405.00
USDA Rural Development Loan Payable	C-11	1,361,334.77	1,387,616.19
USDA Rural Development Loan Payable	C-10	2,005,812.54	2,050,188.80
Fund Balance	C-1	<u>882.34</u>	<u>376.34</u>
		<u>\$ 5,612,131.47</u>	<u>\$ 5,123,906.60</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$148,781 (Schedule C-12).

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2011	<u>C</u>		\$ 376.34
Increased by:			
Receipts	C-2	\$ 488.00	
Interfund - Current Fund	C-6	<u>18.00</u>	
			<u>506.00</u>
Balance December 31, 2012	C		\$ <u>882.34</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - WATER-SEWER UTILITY FUND

Exhibit D

REGULATORY BASIS

Sheet 1 of 2

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
<u>Operating Fund</u>			
Cash	D-4	\$ 613,722.84	\$ 775,186.14
Change Fund		100.00	100.00
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-6	81,178.40	100,036.06
Utility Liens		4,297.87	4,297.87
Interfund - Current Fund	D-10	225.34	
Total Operating Fund		<u>699,524.45</u>	<u>879,620.07</u>
<u>Capital Fund</u>			
Fixed Capital	D-7	3,474,041.08	3,474,041.08
Fixed Capital Authorized and Uncompleted	D-8	980,611.34	980,611.34
Interfunds:			
Water-Sewer Utility Operating Fund		298,866.35	464,282.41
General Capital Fund			100,000.00
Total Water-Sewer Utility Capital Fund		<u>4,753,518.77</u>	<u>5,018,934.83</u>
Total Assets		<u>\$ 5,453,043.22</u>	<u>\$ 5,898,554.90</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Operating Fund</u>			
Liabilities:			
Reserve for Encumbrances	D-3,9	\$ 5,592.00	\$ 27,195.86
Appropriation Reserves	D-3,9	26,320.18	67,375.62
Prepaid Consumer Accounts	D-4,6	4,331.85	1,702.25
Accounts Payable		1,093.00	1,253.56
Interfunds:			
Current Fund	D-10		9,264.44
General Capital Fund	D-10		22,125.03
Water-Sewer Utility Capital Fund	D-10	298,866.35	464,282.41
Accrued Interest on Bonds, Notes and Loans	D-11	5,387.44	5,912.18
		<u>341,590.82</u>	<u>599,111.35</u>
Reserve for Receivables		85,476.27	104,333.93
Fund Balance	D-1	272,457.36	176,174.79
Total Operating Fund		<u>699,524.45</u>	<u>879,620.07</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - WATER-SEWER UTILITY FUND

Exhibit D

REGULATORY BASIS

Sheet 2 of 2

DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Capital Fund</u>			
Liabilities:			
Improvement Authorizations:			
Funded	D-12	\$ 1,401.50	\$ 32,584.93
Unfunded	D-12	299,683.89	872,599.95
Capital Improvement Fund		20,588.54	20,588.54
Reserve for Encumbrances	D-12	31,931.50	748.07
Reserve for Amortization	D-13	2,356,313.81	2,303,867.81
Deferred Reserve for Amortization	D-14	61,750.00	49,250.00
USDA Loan Payable	D-15	962,421.61	984,436.61
Farmers Home Administration Loan	D-16	124,357.00	136,788.00
Bond Anticipation Notes Payable	D-17	895,000.00	618,000.00
Fund Balance		70.92	70.92
Total Water-Sewer Utility Capital Fund		<u>4,753,518.77</u>	<u>5,018,934.83</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,453,043.22</u>	<u>\$ 5,898,554.90</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$54,810 and \$362,310, respectively. (Schedule D-18).

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-1

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

REGULATORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated	D-2	\$ 154,150.00	\$ 178,150.00
Rents	D-2	955,583.07	889,137.23
Miscellaneous	D-2	5,534.20	5,030.16
Other Credits to Income:			
Cancel Accounts Payable		310.56	
Unexpended Balance of Appropriation Reserves	D-9	66,915.78	39,821.53
Total Income		<u>1,182,493.61</u>	<u>1,112,138.92</u>
<u>Expenditures</u>			
Operating		754,798.00	802,088.00
Capital Improvements		2,000.00	26,000.00
Debt Service		129,563.04	96,380.68
Deferred Charges and Statutory Expenditures		45,700.00	37,000.00
Total Expenditures	D-3	<u>932,061.04</u>	<u>961,468.68</u>
Excess in Revenue		250,432.57	150,670.24
Fund Balance January 1	D	176,174.79	203,654.55
		<u>426,607.36</u>	<u>354,324.79</u>
Decreased by:			
Utilized as Anticipated Revenue	D-1	<u>154,150.00</u>	<u>178,150.00</u>
Fund Balance December 31	D	<u>\$ 272,457.36</u>	<u>\$ 176,174.79</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-2

STATEMENT OF REVENUES - REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Surplus Anticipated	D-1	\$ 154,150.00	\$ 154,150.00	\$
Rents	D-1,2	820,000.00	955,583.07	135,583.07
Miscellaneous	D-1,2	5,000.00	5,534.20	534.20
		<u>\$ 979,150.00</u>	<u>\$ 1,115,267.27</u>	<u>\$ 136,117.27</u>
	<u>Ref.</u>	D-3		
<u>Analysis of Realized Revenues</u>				
Rents:				
Consumer Accounts Receivable:				
Collected	D-6		\$ 953,880.82	
Overpayments Applied	D-6		<u>1,702.25</u>	
	D-2		<u>\$ 955,583.07</u>	
<u>Analysis of Miscellaneous Revenue</u>				
Interest Earned on Deposits			\$ 629.84	
Interest Earned on Delinquent Accounts			4,194.02	
Connection Fees and On/Off Charge			25.00	
Other			<u>685.34</u>	
	D-2		<u>\$ 5,534.20</u>	
Receipts	D-4		\$ 5,308.86	
Interfund - Current Fund	D-10		<u>225.34</u>	
	D-2		<u>\$ 5,534.20</u>	

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - PAYROLL FUND

Exhibit G

REGULATORY BASIS

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash	\$ <u>13,485.50</u>	\$ <u>20,162.20</u>
<u>Liabilities</u>		
Payroll Liabilities	\$ 2,302.41	\$ 9,017.34
Interfund - Current Fund	<u>11,183.09</u>	<u>11,144.86</u>
	<u>\$ 13,485.50</u>	<u>\$ 20,162.20</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

BALANCE SHEET - GENERAL FIXED ASSETS ACCOUNT GROUP

Exhibit H

REGULATORY BASIS

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Land and Improvements	\$ 1,714,100.00	\$ 1,714,100.00
Buildings	5,058,337.68	5,058,337.68
Vehicles and Equipment	<u>1,499,156.00</u>	<u>1,764,158.03</u>
	<u>\$ 8,271,593.68</u>	<u>\$ 8,536,595.71</u>
 <u>Reserve</u>		
Investment in Fixed Assets	<u>\$ 8,271,593.68</u>	<u>\$ 8,536,595.71</u>

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

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Descriptions of Funds

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

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles ("GAAP"):

Current Fund - revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Animal Control Trust Fund - dog and cat license revenues and expenditures.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Descriptions of Funds (Continued)

Water-Sewer Utility Operating Fund - revenues and expenditures necessary to operate a municipally-owned water-sewer supply system from user fees.

Water-Sewer Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of water-sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

Payroll Fund - receipt and disbursement for payroll costs and payroll taxes.

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

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

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

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2012 is set forth in Note 4.

Property Acquired for Taxes - Recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded at its market value.

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

Interfunds - Advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. The status of interfunds is set forth in Note 14.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

General Fixed Assets - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system. Fixed assets acquired prior 1992 are based on an inspection and appraisal prepared by an independent firm. All general fixed assets acquired after 1992 are recorded at cost.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

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

GAAP does not require utilization of a general fixed asset account group.

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

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

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

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

Utility Fixed Assets - Accounting for utility fund “fixed capital” remains unchanged.

Property and equipment purchased by the Water-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 represent charges to operations for the costs of acquisitions of property, equipment and improvements.

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

The fixed asset records of the Borough were properly maintained during 2012 and the following changes represent the values based upon the information available:

	Balance Jan. 1, 2012	Additions	Disposals	Balance Dec. 31, 2012
General Fixed Assets Account Group:				
Land and Buildings	\$ 6,772,438	\$	\$	\$ 6,772,438
Machinery and Equipment	1,764,158	12,750	277,752	1,499,156
Water-Sewer Utility Fund:				
Fixed Capital	3,474,041			3,474,041
Fixed Capital Authorized and Uncompleted	980,611			980,611
	<u>\$ 12,991,248</u>	<u>\$ 12,750</u>	<u>\$ 277,752</u>	<u>\$ 12,726,246</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Utility Fixed Assets (Continued)

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Fixed Assets Account Group:					
Land and Buildings	\$ 6,772,438	\$ 1,486	\$ 23,694	\$	\$ 6,772,438
Machinery and Equipment	1,786,366	1,486	23,694		1,764,158
Water-Sewer Utility Fund:					
Fixed Capital	3,417,430			56,611	3,474,041
Fixed Capital Authorized and Uncompleted	<u>191,526</u>	<u>850,000</u>	<u>4,304</u>	<u>(56,611)</u>	<u>980,611</u>
	<u>\$ 12,167,760</u>	<u>\$ 851,486</u>	<u>\$ 27,998</u>	<u>\$ -0-</u>	<u>\$ 12,991,248</u>

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgets and Budgetary Accounting

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

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At year-end the carrying amount of the Borough's deposits was \$3,379,324 and the bank balance amount was \$3,415,577. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the remaining \$3,165,577.

B. Investments

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

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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

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

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At year end, carrying value of the Borough's investments and the investment balance amount was \$35,579.

C. Cash Management Plan

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

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

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

D. Credit Risk Categories

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
GUDPA	<u>3,165,577</u>	<u>2,082,491</u>
	\$ <u>3,415,577</u>	\$ <u>2,332,491</u>

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

E. Credit Risk Categories (Continued)

Custodial Credit Risk - Deposits

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

State law limits investments as noted above.

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

NOTE 3. DEBT

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

A. Long-Term Debt

On December 31, 2012, the Borough had long-term debt as follows:

General Capital Fund

4.25% U.S.D.A. General Capital Loan Issued	
July 26, 2007, installment maturities to	
July 26, 2037	\$ 2,005,812
4.125% U.S.D.A. General Capital Loan Issued	
April 23, 2010, installment maturities to	
April 23, 2040	<u>1,361,335</u>
	\$ <u>3,367,147</u>

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

Water-Sewer Utility Capital Fund

5.00% Improvements, Farmers Home Administration, Issued September 1, 1980, installment maturities to August 1, 2020	\$ 124,357
3.25% U.S.D.A. Water-Sewer Loan Issued December 23, 1999, installment maturities December 23, 2039	<u>962,422</u>
	<u>\$ 1,086,779</u>

The General Capital Fund loans mature semi-annually in variable amounts to the year 2040. The Water-Sewer Utility Capital Fund loans mature serially in variable amounts to the year 2039. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

<u>Year</u>	<u>General Capital Fund</u>		<u>Water-Sewer Utility Capital Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 73,682	\$ 140,622	\$ 35,789	\$ 37,313	\$ 287,406
2014	76,812	137,492	37,187	35,915	287,406
2015	80,075	134,229	38,641	34,461	287,406
2016	83,476	130,828	40,155	32,947	287,406
2017	87,022	127,282	41,731	31,371	287,406
2018-22	493,804	577,716	194,885	131,806	1,398,211
2023-27	607,987	463,533	167,757	101,403	1,340,680
2028-32	748,580	322,940	196,865	72,295	1,340,680
2033-37	920,617	149,573	231,300	37,860	1,339,350
2038-40	<u>195,092</u>	<u>11,291</u>	<u>102,469</u>	<u>4,426</u>	<u>313,278</u>
	<u>\$ 3,367,147</u>	<u>\$ 2,195,506</u>	<u>\$ 1,086,779</u>	<u>\$ 519,797</u>	<u>\$ 7,169,229</u>

B. Short-term Debt

On December 31, 2012, the Borough had outstanding bond anticipation notes as follows:

General Capital Fund

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
05-22	Emergency Management Services Building	\$ 25,250	3.00%
06-08	Construction of Emergency Services Complex	313,840	3.00%
08-09	Improvements to Lake Horicon Drive	270,000	3.00%
09-02	Acquisition of New Garbage Truck	236,800	3.00%
12-08	Various Improvements	<u>380,000</u>	3.00%
		<u>\$ 1,225,890</u>	

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt (Continued)

Water-Sewer Capital Fund

<u>Ordinance Number</u>	<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>
09-14	Improvements to Well No. 16	\$ 87,500	3.00%
11-03	Water Tower Improvements	<u>807,500</u>	3.00%
		<u>\$ 895,000</u>	

C. Bonds and Notes Authorized but not Issued

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

	<u>2012</u>	<u>2011</u>
General Capital Fund	\$ 148,781	\$ 148,781
Water-Sewer Utility Capital Fund	54,810	362,310

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2012 was 2.49%. The Borough's remaining borrower power is 1.01%

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

E. Summary of Debt Activity

During 2012 and 2011 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance Jan. 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec. 31, 2012</u>
General Debt:				
U.S.D.A. Rural Development Loan	\$ 2,050,189	\$	\$ 44,376	\$ 2,005,813
U.S.D.A. Rural Development Loan	1,387,616		26,281	1,361,335
Bond Anticipation Notes	932,405	380,000	86,515	1,225,890
Water-Sewer Utility Fund Debt:				
Farmers' Home Loan	136,788		12,431	124,357
U.S.D.A. Loan Payable	984,437		22,015	962,422
Bond Anticipation Notes	<u>618,000</u>	<u>307,500</u>	<u>30,500</u>	<u>895,000</u>
	<u>\$ 6,109,435</u>	<u>\$ 687,500</u>	<u>\$ 222,118</u>	<u>\$ 6,574,817</u>

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Activity (Continued)

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Debt:				
U.S.D.A. Rural Development Loan	\$ 2,092,738	\$	\$ 42,549	\$ 2,050,189
U.S.D.A. Rural Development Loan	1,412,846		25,230	1,387,616
Bond Anticipation Notes	995,655		63,250	932,405
Water-Sewer Utility Fund Debt:				
Farmers' Home Loan	148,627		11,839	136,788
U.S.D.A. Loan Payable	1,005,754		21,317	984,437
Bond Anticipation Notes	138,810	500,000	20,810	618,000
	<u>\$ 5,794,430</u>	<u>\$ 500,000</u>	<u>\$ 184,995</u>	<u>\$ 6,109,435</u>

NOTE 4. ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$96,311 and \$292,794 at December 31, 2012 and 2011, respectively. In accordance with New Jersey accounting principles this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the municipal budget for the year ending December 31 of the succeeding years are as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	\$ 700,000	\$ 650,000
Water-Sewer Utility Operating Fund	150,000	154,150

NOTE 6. TAXES AND WATER-SEWER CHARGES COLLECTED IN ADVANCE

Taxes and water-sewer charges collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance December 31</u>	
	<u>2012</u>	<u>2011</u>
Prepaid Taxes	\$ 25,161	\$ 44,410
Prepaid Water-Sewer Charges	4,332	1,702

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

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

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

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

NOTE 9. PENSION PLANS

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits ("the Division"): the Police and Firemen's Retirement System ("the PFRS"), the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Police and Firemen's Retirement System (PFRS)

The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 10% in October 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Defined Contribution Retirement Program (DCRP)

The DCRP was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. Plan members are required to contribute 5.5% of their annual covered salary and the Borough is required to contribute 3% of the annual salary. The employee contributions along with the Borough's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no Borough employees enrolled in the DCRP for the years ended December 31, 2012, 2011 and 2010.

NOTE 9. PENSION PLANS (CONTINUED)

Other Information

The Borough's contributions, equal to the required contribution for each fiscal year, were as follows:

	2012		2011		2010	
	<u>PERS</u>	<u>PFRS</u>	<u>PERS</u>	<u>PFRS</u>	<u>PERS</u>	<u>PFRS</u>
Normal Contribution	\$ 36,605	\$ 36,323	\$ 39,073	\$ 52,702	\$ 31,473	\$ 39,719
Accrued Liability	73,210	40,878	62,260	42,259	40,440	28,297
Total Regular Pension Contribution	109,815	77,201	101,333	94,961	71,913	68,016
Non-Contributory Group Life Insurance	6,997	2,828	7,696	4,131	9,973	3,458
Total Due	<u>\$ 116,812</u>	<u>\$ 80,029</u>	<u>\$ 109,029</u>	<u>\$ 99,092</u>	<u>\$ 100,020</u>	<u>\$ 71,474</u>

The Division does not invest in securities issued by the Borough.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On February 6, 2003, the Borough authorized participation in the SHBP's post-retirement benefit program through Resolution Number 03-054. The Borough adopted the provisions of Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

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 www.state.nj.us/treasury/pensions.

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.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis.

The Borough contributions to SHBP for the years ended December 31, 2012, 2011 and 2010 were \$120,563, \$112,416, and \$42,367, respectively, which equaled the required contributions for each year. There were approximately 7, 6, and 3 retired participants eligible at December 31, 2012, 2011 and 2010, respectively.

NOTE 11. SCHOOL TAXES

Local District School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 required that any municipality that levied school taxes on a school year basis shall defer from the 1991 municipal purposes tax levy at least 25% of the amount allowable to be deferred (which is 50% (fifty percent) of the levy). The remainder of the allowable amount shall be deferred from the levy in each of the next three years (1992-1994). The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy.

In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

	<u>Local District School Tax</u>	
	<u>Balance</u>	<u>Balance</u>
	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Balance of Tax	\$ 702,316	\$ 708,274
Deferred	<u>500,749</u>	<u>500,749</u>
Tax Payable	\$ <u>201,567</u>	\$ <u>207,525</u>

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance programs for municipalities within the state. The Borough pays an actuarially determined annual assessment to Ocean County Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Borough has not been notified on any supplemental assessments.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 13. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2012, the Borough estimates that no material liabilities will result from such audits.

Major Tax Assessments

Taxpayers in 2012 with assessments in excess of 1% of the total assessed valuation were as follows:

<u>Owner</u>	<u>Assessed Value</u>	<u>% of Assessed Value</u>
Lakehurst Circle Association	\$ 2,306,300	1.21%

Pending Litigation

There are actions which have been instituted against the Borough which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

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

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

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 18,603	\$ 33,401
Grant Fund	15,913	7,418
Trust Other Fund	33,176	
General Capital Fund		15,915
Water-Sewer Utility Operating Fund	225	
Water-Sewer Utility Capital Fund	298,866	298,866
Payroll Fund	_____	<u>11,183</u>
	\$ <u>366,783</u>	\$ <u>366,783</u>

NOTE 15. SUBSEQUENT EVENT

During 2013 the Northeast Housing ceased disbursing funds to the Borough. The Borough received a significant amount of funds from Northeast Housing in 2012.

BOROUGH OF LAKEHURST

COUNTY OF OCEAN

PART II

SUPPLEMENTARY DATA

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$ <u>2.010</u>	\$ <u>1.98</u>	\$ <u>1.93</u>
Apportionment of Tax Rate			
Municipal	1.069	1.04	.98
County	.346	.34	.35
Local School	.595	.60	.60
Assessed Valuation			
2012	\$ 189,965,889		
2011		\$ 190,477,370	
2010			\$ 190,755,237

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2012	\$ 3,831,308	\$ 3,703,432	96.66%
2011	3,783,298	3,683,874	97.37%
2010	3,672,705	3,566,640	97.11%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year Ended December 31</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 35,850	\$ 103,957	\$ 139,807	3.65%
2011	30,151	81,658	111,809	2.96%
2010	32,796	94,515	127,311	3.47%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2012	\$ 50,000
2011	50,000
2010	50,000

COMPARISON OF WATER-SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Prior Year Delinquent</u>	<u>Cash Collection</u>
2012	\$ 936,725	\$ 100,036	\$ 955,583
2011	911,718	77,455	889,137
2010	912,254	31,059	865,858

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2012	\$ 1,030,710	\$ 700,000
2011	879,768	650,000
2010	646,238	545,500
2009	770,775	660,000
2008	1,036,254	830,000
<u>Water-Sewer Fund</u>		
2012	\$ 272,457	\$ 150,000
2011	176,175	154,150
2010	203,655	178,150
2009	190,482	150,000
2008	133,102	85,000

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued</u>			
General Bonds and Notes	\$ 4,593,037	\$ 4,370,210	\$ 4,501,239
Water-Sewer Utility Bonds, Loans and Notes	<u>1,981,779</u>	<u>1,739,225</u>	<u>1,293,191</u>
Total Issued	6,574,816	6,109,435	5,794,430
Less:			
Funds on Hand to Pay Bonds	<u>500</u>	<u>500</u>	<u>500</u>
Net Debt Issued	<u>6,574,316</u>	<u>6,108,935</u>	<u>5,793,930</u>
 <u>Authorized but not Issued</u>			
General Bonds and Notes	148,781	148,781	148,781
Water-Sewer Utility Bonds and Notes	<u>54,810</u>	<u>362,310</u>	<u>54,810</u>
Total Authorized but not Issued	<u>203,591</u>	<u>511,091</u>	<u>203,591</u>
 Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>6,777,907</u>	\$ <u>6,620,026</u>	\$ <u>5,997,521</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 2.49%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ -0-	\$ -0-	\$ -0-
General Debt	4,741,818	500	4,741,318
Water-Sewer Utility Debt	<u>2,036,589</u>	<u>2,036,589</u>	<u>-0-</u>
	\$ <u>6,778,407</u>	\$ <u>2,037,089</u>	\$ <u>4,741,318</u>

Net Debt \$4,741,318 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$189,720,508 = 2.49%.

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

3.5% of Equalized Valuation Basis	\$ 6,640,218
Net Debt	<u>4,741,318</u>
Remaining Borrowing Power	\$ <u>1,898,900</u>

**CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER-SEWER UTILITY PER
N.J.S. 40A:2-45**

Cash Receipts from Fees, Rents or Other		
Charges for the Year		\$ 1,115,267
Deductions:		
Operating and Maintenance Cost	\$ 800,498	
Debt Service	<u>129,563</u>	
		<u>930,061</u>
Excess in Revenues		\$ <u>185,206</u>

A revised Annual Debt Statement should be filed by the chief Financial Officer.

* * * * *

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2012:

<u>Name</u>	<u>Position</u>
Harry Robbins	Mayor
James Davis	Council President
Robin Busch	Councilwoman
Gary Lowe	Councilman
Glenn McComas	Councilman
Steven Oglesby	Councilman
Edward Seaman, Jr.	Councilman
Sean Gertner	Attorney
Bernadette Dugan	Municipal Clerk
Alan Murray	Chief Financial Officer
Marie C. Bell	Tax Collector, Tax Search Official and Utility Collector
Matcene D. Hopkins	Tax Assessor
Damian G. Murray	Magistrate
Lisa A. Fischer	Court Administrator
Patricia Borsetti	Deputy Court Administrator

Forgery, Theft and Public Employee Dishonesty coverage in the amount of \$50,000 was provided by the Ocean County Municipal Joint Insurance Fund. Additional coverage in the amount of \$950,000 was provided by the Municipal Excess Liability Joint Insurance Fund.

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-4

SCHEDULE OF CASH - TREASURER

Balance December 31, 2011		\$ 1,568,931.53
Increased by Receipts:		
Due State of New Jersey:		
Marriage License Fees	\$ 350.00	
Miscellaneous Revenue not Anticipated	187,494.36	
Collector	3,757,993.61	
State of New Jersey (Ch. 20, P.L. 1971)	20,500.00	
Revenue Accounts Receivable	940,891.00	
Interfunds:		
Other Funds	36,126.57	
Grant Fund	263,650.77	
		<u>5,207,006.31</u>
		6,775,937.84
Decreased by Disbursements:		
Due State of New Jersey:		
Marriage License Fees	375.00	
2012 Budget Appropriations	3,055,175.49	
2011 Appropriation Reserves	53,812.03	
County Taxes Payable	656,432.13	
Local District School Tax	1,146,191.00	
Interfunds:		
Other Funds	68,050.70	
Grant Fund	210,945.10	
		<u>5,190,981.45</u>
Balance December 31, 2012		\$ <u><u>1,584,956.39</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-6

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2011	2012 Levy	Collections		Overpayments Applied	Due from State	Transferred to Tax Title Liens	Cancelled	Balance Dec. 31, 2012
			2012	2011					
2011	\$ 81,658.34	\$	\$ 69,758.31	\$	\$ 11,871.48	\$ (750.00)	\$ 541.64	\$ 236.91	\$
2012		3,831,308.30	3,637,272.86	44,409.55		21,750.00	5,083.23	18,835.71	103,956.95
	\$ 81,658.34	\$ 3,831,308.30	\$ 3,707,031.17	\$ 44,409.55	\$ 11,871.48	\$ 21,000.00	\$ 5,624.87	\$ 19,072.62	\$ 103,956.95

Analysis of 2012 Property Tax Yield and Tax Levy

Tax Yield:	
General Purpose Tax	\$ 3,818,314.37
Added and Omitted Taxes	12,993.93
	<u>\$ 3,831,308.30</u>

Tax Levy:	
Local District School Tax	\$ 1,131,396.00
County Taxes:	
County Tax	\$ 547,234.97
County Library Tax	62,049.84
County Health Tax	22,454.04
County Open Space Preservation	21,938.41
Due County for Added and Omitted Taxes	<u>2,243.54</u>
Total County Taxes	655,920.80
Local Tax for Municipal Purposes Levied	2,031,961.93
Add: Additional Tax Levied	<u>12,029.57</u>
	<u>\$ 3,831,308.30</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-7

SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2011		\$ 30,150.76
Increased by:		
Transfers from Taxes Receivable	\$ 5,624.87	
Interest and Cost Accrued by Sale	<u>74.64</u>	
		<u>5,699.51</u>
Balance December 31, 2012		\$ <u><u>35,850.27</u></u>

SCHEDULE OF DUE FROM/TO STATE OF NEW JERSEY

PER CHAPTER 20, P.L. 1971

Exhibit A-8

Balance December 31, 2011 - Due From/(Due To)		\$ (3,441.38)
Increased by:		
2012 Senior Citizens and Veterans Exemptions per Tax Duplicate	\$ 21,500.00	
2012 Deductions Disallowed by Tax Collector	(250.00)	
2012 Deductions Allowed by Tax Collector	500.00	
2011 Deductions Disallowed by Tax Collector	(750.00)	
Balance Cancelled	<u>3,441.38</u>	
		<u>24,441.38</u>
		<u>21,000.00</u>
Decreased by:		
Receipts		<u>20,500.00</u>
Balance December 31, 2012 - Due From/(Due To)		\$ <u><u>500.00</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-9

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2011</u>	<u>Accrued in 2012</u>	<u>Collected by Treasurer</u>	<u>Collector</u>	<u>Balance Dec. 31, 2012</u>
Clerk					
Licenses					
Alcoholic Beverages	\$	\$ 15,300.00	\$	\$	\$
Other		8,837.00	8,837.00		
Fees and Permits					
Other		82,826.75	82,826.75		
Municipal Court					
Fines and Costs	8,738.83	172,556.24	170,276.80		11,018.27
Other Revenue					
Interest on Investments and Deposits					
State Aid:		2,372.23	2,372.23		
Consolidated Municipal Property Tax					
Energy Receipts Taxes		64,985.00	64,985.00		
Uniform Construction Code Fees		230,454.00	230,454.00		
Interest and Costs on Taxes		4,112.70	4,112.70	17,625.77	
Northeast Housing LLC - Borough of Lakehurst		277,059.79	277,059.79		
Northeast Housing LLC - Borough of Lakehurst		85,000.00	85,000.00		
	<u>\$</u>	<u>\$ 961,129.48</u>	<u>\$ 941,224.27</u>	<u>\$ 17,625.77</u>	<u>\$ 11,018.27</u>
Receipts					
Interfunds		\$ 940,891.00	333.27		
		<u>\$ 941,224.27</u>			

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-10

SCHEDULE OF TAX OVERPAYMENTS

Balance December 31, 2011	\$ 16,798.22
Increased by:	
Receipts	<u>8,175.59</u>
	24,973.81
Decreased by:	
Applied	<u>11,871.48</u>
Balance December 31, 2012	<u><u>\$ 13,102.33</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-11

SCHEDULE OF DEFERRED CHARGES

SPECIAL EMERGENCY AUTHORIZATIONS (N.J.S. 40A:4-55)

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Increased in 2012</u>	<u>Balance Dec. 31, 2012</u>
<u>12/06/12</u>	2012 Storm Damage Other Expenses	\$ <u>32,100.00</u>	\$ <u>6,420.00</u>	\$ <u>32,100.00</u>	\$ <u>32,100.00</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF APPROPRIATION RESERVES

Sheet 1 of 4

OPERATIONS WITHIN CAPS

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Administrative and Executive				
Salaries and Wages	\$ 1,814.94	\$ 1,814.94		\$ 1,814.94
Other Expenses	7.60	7.60		7.60
Mayor and Council				
Salaries and Wages	457.80	457.80		457.80
Other Expenses	42.00	42.00		42.00
Municipal Clerk				
Salaries and Wages	3,227.78	3,227.78		3,227.78
Other Expenses	3,284.46	3,284.46	1,101.18	2,183.28
Financial Administration				
Salaries and Wages	1,010.91	1,010.91		1,010.91
Other Expenses	3,608.68	3,608.68	1,121.66	2,487.02
Audit Services				
Other Expenses	26,200.00	26,200.00	19,650.00	6,550.00
Collection of Taxes				
Salaries and Wages	1,037.70	1,037.70		1,037.70
Other Expenses	1,179.53	1,179.53	539.00	640.53
Assessment of Taxes				
Salaries and Wages	58.75	58.75		58.75
Other Expenses	1,118.88	1,118.88		1,118.88
Legal Services and Costs				
Salaries and Wages	284.84	284.84		284.84
Other Expenses	2,590.00	2,590.00		2,590.00
Engineering Services and Costs				
Other Expenses	3,365.00	3,365.00	2,446.75	918.25
Historical Preservation				
Other Expenses	450.00	450.00		450.00
Municipal Land Use Law (N.J.S. 40:55D-1)				
Other Expenses	65.00	65.00		65.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF APPROPRIATION RESERVES

Sheet 2 of 4

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Police				
Salaries and Wages	\$ 6,354.63	\$ 6,354.63		\$ 6,354.63
Other Expenses	10,785.29	10,785.29	10,362.12	423.17
Purchase of Police Vehicle				
Other Expenses	51.09	51.09		51.09
Code Enforcement Officer				
Salaries and Wages	1,442.35	1,442.35		1,442.35
Other Expenses	800.00	800.00		800.00
Insurance				
General Liability	2,756.60	2,756.60		2,756.60
Workers' Compensation	117.17	117.17		117.17
Health Benefits Waiver	8,165.00	8,165.00		8,165.00
Emergency Management Services				
Salaries and Wages	4,600.00	4,600.00		4,600.00
Other Expenses	2,058.93	2,058.93	819.33	1,239.60
Emergency Medical Services				
Other Expenses	758.68	758.68	753.33	5.35
Uniform Safety Act				
Salaries and Wages	424.66	424.66		424.66
Other Expenses	450.00	450.00		450.00
Municipal Court				
Salaries and Wages	2,011.10	2,011.10		2,011.10
Other Expenses	3,716.70	3,716.70	500.89	3,215.81
Fire				
Other Expenses	1,767.34	1,767.34	1,767.34	
Municipal Prosecutor				
Salaries and Wages	3,944.28	3,944.28		3,944.28
Other Expenses	100.00	100.00		100.00
Public Defender				
Salaries and Wages	100.00	100.00		100.00
Other Expenses	100.00	100.00		100.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF APPROPRIATION RESERVES

Sheet 3 of 4

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Road Repairs and Maintenance	\$ 8,617.03	\$ 8,617.03		\$ 8,617.03
Salaries and Wages	28,843.12	28,843.12	922.27	27,920.85
Other Expenses				
Garbage and Trash Removal	6,434.10	6,434.10		6,434.10
Salaries and Wages	1,878.43	1,878.43	980.00	898.43
Other Expenses				
Recycling				
Salaries and Wages	4,000.00	4,000.00		4,000.00
Other Expenses	1,072.38	1,072.38	269.50	802.88
Public Buildings, Grounds and Lakes				
Salaries and Wages	2,802.99	2,802.99		2,802.99
Other Expenses	5,766.54	5,766.54	3,245.21	2,521.33
Vehicle Maintenance				
Salaries and Wages	100.00	100.00		100.00
Other Expenses	11,932.91	11,932.91	2,843.15	9,089.76
Animal Control				
Other Expenses	7,255.00	7,255.00		7,255.00
Youth and Recreation				
Salaries and Wages	2,170.53	2,170.53		2,170.53
Other Expenses	1,084.14	1,084.14		1,084.14
Celebration of Public Events				
Other Expenses	2,272.61	2,272.61	133.20	2,139.41
Utilities:				
Gasoline	3,892.92	3,892.92	3,866.81	26.11
Electricity	7,555.68	7,555.68	1,171.80	6,383.88
Telephone	20.35	20.35		20.35
Natural Gas	2,210.45	2,210.45		2,210.45
Street Lighting	1,306.61	1,306.61		1,306.61
Fuel	3,581.82	3,581.82		3,581.82
Telecommunications	1,518.65	1,518.65	700.00	818.65
Landfill Disposal Cost - Other Expenses	11,455.13	11,455.13		11,455.13

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-12

SCHEDULE OF APPROPRIATION RESERVES

Sheet 4 of 4

	<u>Balance Dec. 31, 2011</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Deferred Sick Time	\$ 21,000.00	\$ 21,000.00		\$ 21,000.00
Social Security System	17,761.05	17,761.05		17,761.05
Unemployment Compensation Insurance	1,890.76	1,890.76	618.49	1,272.27
Defined Contribution Retirement Program	500.00	500.00		500.00
Total Appropriations within Caps	<u>257,230.89</u>	<u>257,230.89</u>	<u>53,812.03</u>	<u>203,418.86</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>				
Employee Group Health	5,466.53	5,466.53		5,466.53
Recycling Fees	5,000.00	5,000.00		5,000.00
Northeast Housing LLC - Borough of Lakehurst Administration				
Salaries and Wages	15,927.80	15,927.80		15,927.80
Other Expenses	375.05	375.05		375.05
Capital Improvement Fund	1,000.00	1,000.00		1,000.00
Total Appropriations excluded from Caps	<u>27,769.38</u>	<u>27,769.38</u>		<u>27,769.38</u>
	\$ 285,000.27	\$ 285,000.27	\$ 53,812.03	\$ 231,188.24
Appropriation Reserves - December 31, 2011	\$ 261,181.25			
Reserve for Encumbrances	<u>23,819.02</u>			
	\$ 285,000.27			

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-13

SCHEDULE OF COUNTY TAXES PAYABLE

Balance December 31, 2011		\$ 2,754.87
Increased by:		
County Tax	\$ 547,234.97	
County Library Tax	62,049.84	
County Health Tax	22,454.04	
County Open Space Tax	21,938.41	
Added and Omitted Taxes	<u>2,243.54</u>	
		<u>655,920.80</u>
		<u>658,675.67</u>
Decreased by:		
Payments		<u>656,432.13</u>
Balance December 31, 2012		\$ <u><u>2,243.54</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-14

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2011:		
School Tax Payable	\$ 207,524.50	
School Tax Deferred	<u>500,749.00</u>	\$ 708,273.50
Increased by:		
Levy - School Year July 1, 2012 to June 30, 2013	1,131,396.00	
Transferred to Board of Education for Use of Local Schools	<u>8,838.00</u>	1,140,234.00
		<u>1,848,507.50</u>
Decreased by:		
Payments		<u>1,146,191.00</u>
Balance December 31, 2012:		
School Tax Payable	201,567.50	
School Tax Deferred	<u>500,749.00</u>	\$ <u>702,316.50</u>
<u>2012 Liability for Local District School Tax</u>		
Tax Paid		\$ 1,146,191.00
Tax Payable December 31, 2012		<u>201,567.50</u>
		<u>1,347,758.50</u>
Less:		
Taxes Payable December 31, 2011	\$ 207,524.50	
Transferred to Board of Education for Use of Local Schools	<u>8,838.00</u>	216,362.50
		<u>216,362.50</u>
Amount Charged to 2012 Operations		\$ <u>1,131,396.00</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-15

SCHEDULE OF INTERFUNDS - OTHER FUNDS

	Total (Memo Only)	Animal Control Trust Fund	Other Trust Fund	Payroll Fund	Water-Sewer Operating Fund	General Capital Fund
Balance December 31, 2011 - Due From/(Due To)	\$ (53,101.62)	\$ 4.51	\$ (18,747.01)	\$ 11,144.86	\$ 9,264.44	\$ (54,768.42)
Increased/Decreased by:						
Anticipated Revenue	333.27		293.49	38.23		1.55
Disbursements	68,050.70			10,050.00	3,232.28	54,768.42
Total Increases/Decreases	68,383.97		293.49	10,088.23	3,232.28	54,769.97
Total Increases/Decreases and Balances	15,282.35	4.51	(18,453.52)	21,233.09	12,496.72	1.55
Increased/Decreased by:						
Receipts	36,126.57	4.51	23,400.00		12,722.06	
Budget Appropriations Disbursed from Trust Fund	1,372.08		1,372.08			
Total Increases/Decreases	37,498.65	4.51	24,772.08		12,722.06	
Balance December 31, 2012 - Due From/(Due To)	\$ (22,216.30)	\$	\$ (43,225.60)	\$ 21,233.09	\$ (225.34)	\$ 1.55

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-16

SCHEDULE OF INTERFUND - CURRENT FUND

GRANT FUND

Balance December 31, 2011 - Due From/(Due To)		\$ (6,609.85)
Increased by:		
Grants Receivable Deposits in Current Fund	\$ 256,277.09	
Unappropriated Reserves Deposited in Current Fund	7,373.68	
2012 Budget Appropriations	20,547.50	
Grants Receivable Cancelled	24,591.97	
		<u>308,790.24</u>
		(315,400.09)
Decreased by:		
Grant Fund Expenditures Paid in Current Fund	210,945.10	
Appropriated Reserves Cancelled	92,795.33	
2012 Anticipated Revenues	19,078.00	
		<u>322,818.43</u>
Balance December 31, 2012 - Due From/(Due To)		\$ <u>7,418.34</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-17

SCHEDULE OF GRANTS RECEIVABLE

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Budget Revenue Realized</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2012</u>
2012 Grant Awards:					
Aggressive Driving	\$ 4,400.00	\$ 4,400.00	4,400.00		\$
Clean Communities Program	4,000.00	4,000.00	4,000.00		
Click It or Ticket	4,000.00	4,000.00	4,000.00		
Cops in Shops	1,600.00	1,600.00	1,600.00		5,078.00
Municipal Alliance					
2011 Grant Awards:					
Cops in Shops	1,600.00		1,600.00		
Emergency Management FY 12 966 Reimbursement Program	3,390.35		3,388.35		2.00
Municipal Alliance Grant	2,267.64				2,267.64
NJ Transportation Trust Fund:					
Lilac Street	85,949.82		66,779.64		19,170.18
2010 Grant Awards:					
Click it or Ticket Grant	250.00		250.00		
Emergency Management FY 11 966 Reimbursement Program	1.00		1.00		
Municipal Alliance Grant	5,078.00				5,078.00
NJ Transportation Trust Fund:					
Rose Street	101,265.15		69,083.44		32,181.71
2009 Grant Awards:					
Municipal Alliance Grant	3,048.78		2,860.91		187.87
NJ Transportation Trust Fund:					
Maple and Cedar	127,486.75		98,564.75		28,922.00
2008 and Prior Years Grant Awards:					
Body Armor Grant	872.06		872.06		
Click it or Ticket Grant	650.00		650.00		
Emergency Management FY 10 966 Reimbursement Program	114.28		114.28		
Federal Vest Program	6,622.50				
NJ Transportation Trust Fund:					
Cedar Phase II	73.61		73.61		
Chestnut Street	736.18		736.18		
Pine Street	1,557.89		1,557.89		
Route 70 Sidewalks	3,382.34		3,382.34		
Union Avenue	5,872.14		5,872.14		
Willow, Poplar and Cedar Streets	385.47		385.47		
NJ DEP Division of Water Quality	10,234.00		10,234.00		
Ocean County Recycling Mini Grant	463.00		463.00		
	<u>\$ 361,300.96</u>	<u>\$ 19,078.00</u>	<u>\$ 256,277.09</u>	<u>\$ 24,591.97</u>	<u>\$ 99,509.90</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-18

SCHEDULE OF APPROPRIATED RESERVES

Sheet 1 of 2

GRANT FUND

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Transfer from 2012 Budget Appropriation</u>	<u>Reserve for Encumbrances</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2012</u>
2012 Grant Awards:	\$	\$	\$	\$	\$	\$
Aggressive Driving		4,400.00		3,800.00		600.00
Clean Communities		4,000.00		3,346.98		653.02
Click It or Ticket		4,000.00		4,000.00		
Cops In Shops		1,600.00		1,600.00		
Municipal Alliance Grant						
Grant Portion		5,078.00		5,078.00		45.84
Match Portion		1,469.50		1,423.66		
2011 Grant Awards:						
Body Armor Grant	1,288.47					1,288.47
Clean Communities Program	4,469.81				813.94	3,655.87
Click It or Ticket Grant	1,175.00				1,175.00	
Drunk Driver Prevention	100.00				100.00	
Emergency Management FY 12 966 Reimbursement Program	2,210.00		1,180.35	1,180.35		2,210.00
Municipal Alliance Grant						
Match Portion	415.24				415.24	
NJ DOT:						
Lilac Street						
Recycling Tonnage Grant	200,000.00			187,138.14		12,861.86
2010 Grant Awards:	4,153.80					4,153.80
Body Armor Grant	744.18					744.18
Clean Communities Program	1,389.20					1,389.20
Community Development Block Grant	250.00				250.00	
Emergency Management FY 12 966 Reimbursement Program	.70				.70	
Municipal Alliance Grant						
Grant Portion	5,078.00		48.00		5,126.00	
NJ DOT:						
Rose Street						
Recycling Mini Grant	23,017.82					23,017.82
2009 Grant Awards:	138.25				138.25	
Body Armor Grant	869.46					869.46
Municipal Alliance Grant						
Grant Portion	4,211.17					4,211.17
Match Portion	1,101.25					1,101.25
NJ DOT:						
Maple Street	42,434.41					42,434.41
Maple and Cedar Streets	19,562.84					19,562.84
Recycling Tonnage Grant - Prior Years	2,045.31					2,045.31

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-18

SCHEDULE OF APPROPRIATED RESERVES

Sheet 2 of 2

GRANT FUND

<u>Grant</u>	<u>Balance</u> Dec. 31, 2011	<u>Transfer from</u> 2012 Budget Appropriation	<u>Reserve for</u> Encumbrances	<u>Expended</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2012
2008 and Prior Years Grant Awards:						
Alcohol Education and Rehabilitation Grant	\$ 545.13	\$	\$			\$ 545.13
Aggressive Driving Enforcement	350.00				350.00	
Community Development Block Grant	615.50				615.50	
Cops in Shops	3,720.00				3,720.00	
Drunk Driving Enforcement Fund	1,201.53			900.00		301.53
Emergency Management FY 10 966 Reimbursement Program	114.28				114.28	
Federal Vest Program	5,790.03					5,790.03
NJ DEP Division of Water Quality	27,288.00				27,288.00	
Recycling Mini Grant	324.75				324.75	
Recycling Tonnage Grant - Prior Years	3,454.91		3,412.00	3,412.00	3,454.91	
SLA HEOP Grant						
NJ DOT:						
Birch Street	4,668.55					4,668.55
Cedar Phase II	3,399.30					3,399.30
Orange and Laurel Streets	217.87				217.87	
Pine Street	11,571.44					11,571.44
	<u>\$ 377,916.20</u>	<u>\$ 20,547.50</u>	<u>\$ 4,640.35</u>	<u>\$ 211,879.13</u>	<u>\$ 92,795.33</u>	<u>\$ 98,429.59</u>
Reserve for Encumbrances			\$ 934.03			
Interfund - Current Fund			<u>210,945.10</u>			
			<u>\$ 211,879.13</u>			

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

CURRENT FUND

Exhibit A-19

FEDERAL AND STATE GRANT FUND

SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Balance Dec. 31, 2012</u>
Alcohol Education Rehabilitation	\$.87	\$	\$.87
Body Armor Grant	1,266.87	1,288.09	2,554.96
Recycling Tonnage Grant		6,085.59	6,085.59
	<u>\$ 1,267.74</u>	<u>\$ 7,373.68</u>	<u>\$ 8,641.42</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

TRUST FUND

Exhibit B-1

SCHEDULE OF CASH - TREASURER

Balance December 31, 2011	<u>\$ 1,757.71</u>	<u>\$ 255,872.86</u>
Increased by Receipts:		
Due State of New Jersey	\$ 488.40	
Dog Licenses and Other Fees	2,113.00	
Interest Earned	1.98	293.49
Miscellaneous Reserves	<u>2,603.38</u>	<u>182,709.43</u>
	<u>4,361.09</u>	<u>183,002.92</u>
Decreased by Disbursements:		
Due State of New Jersey	480.00	
Animal Control Trust Fund Expenditures	2,090.00	
Interfunds	6.49	
Miscellaneous Reserves		158,255.80
Reserve for Community Development Block Grant		<u>9,900.00</u>
	<u>2,576.49</u>	<u>168,155.80</u>
Balance December 31, 2012	<u>\$ 1,784.60</u>	<u>\$ 270,719.98</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

ANIMAL CONTROL TRUST FUND

Exhibit B-2

SCHEDULE OF DUE STATE OF NEW JERSEY

Balance December 31, 2011		\$	1.20
Increased by:			
Fees Collected			<u>488.40</u>
			489.60
Decreased by:			
Payments to State of New Jersey			<u>480.00</u>
Balance December 31, 2012		\$	<u><u>9.60</u></u>

SCHEDULE OF RESERVE FOR ANIMAL CONTROL

TRUST FUND EXPENDITURES

Exhibit B-3

Balance December 31, 2011		\$	1,688.60
Increased by:			
Animal Control License Fees Collected	\$	1,694.00	
Late Fees		419.00	
Encumbrances		<u>63.40</u>	
			<u>2,176.40</u>
			3,865.00
Decreased by:			
Expenditures Under R.S. 4:19-15.11		2,090.00	
Reserve for Encumbrances		<u>312.00</u>	
			<u>2,402.00</u>
Balance December 31, 2012		\$	<u><u>1,463.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ <u>1,596.00</u>
2010	<u>1,771.00</u>
	\$ <u><u>3,367.00</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

ANIMAL CONTROL TRUST FUND

Exhibit B-4

SCHEDULE OF INTERFUND - CURRENT FUND

Balance December 31, 2011 - Due To	\$	(4.51)
Increased by:		
Interest Earned		<u>1.98</u>
		(6.49)
Decreased by:		
Disbursements	\$	<u>6.49</u>

OTHER TRUST FUND

SCHEDULE OF INTERFUND - CURRENT FUND

Exhibit B-5

Balance December 31, 2011 - Due From	\$	18,747.01
Increased by:		
Miscellaneous Reserves		<u>24,772.08</u>
		43,519.09
Decreased by:		
Miscellaneous Reserves	\$	10,050.00
Interest Earned		<u>293.49</u>
		10,343.49
Balance December 31, 2012 - Due From	\$	<u>33,175.60</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-6

SCHEDULE OF MISCELLANEOUS RESERVES

	Balance Dec. 31, 2011	Increases	Decreases	Balance Dec. 31, 2012
Accumulated Sick Leave	\$ 33,590.51	\$ 40,000.00	\$ 50,104.15	\$ 23,486.36
Board of Recreation Commissioners	20,671.57	11,901.50	15,783.45	16,789.62
Escrow Accounts	35,786.16	26,766.05	11,237.35	51,314.86
Municipal Alliance Program	280.55			280.55
Parking Offense Adjudication Act	648.73	10.00		658.73
Performance Bonds	99,097.03	48,938.50		148,035.53
Police Forfeiture Funds	12,337.00	10.69	970.00	11,377.69
Police Off Duty	24,136.74	1,372.08	25,508.82	17,150.00
Premium on Tax Sale	3,800.00	23,400.00	10,050.00	20,757.42
Public Defender	20,986.76	4,502.50	4,731.84	15,929.81
Snow Removal	15,929.81		50,580.19	
Third Party Tax Title Lien Redemption	5,643.95			5,643.95
Unemployment	1,162.06			1,162.06
Uniform Fire Safety Act - Penalty Monies	549.00			549.00
World Trade Center Fund	\$ 274,619.87	\$ 207,481.51	\$ 168,965.80	\$ 313,135.58
Receipts		\$ 182,709.43		
Disbursements			\$ 158,255.80	
Reserve for Encumbrances			660.00	
Interfunds		24,772.08	10,050.00	
		\$ 207,481.51	\$ 168,965.80	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

OTHER TRUST FUND

Exhibit B-7

SCHEDULE OF RESERVE FOR COMMUNITY

DEVELOPMENT BLOCK GRANT FUNDS

Balance December 31, 2011	\$ 11,233.41
Decreased by:	
Disbursements	<u>9,900.00</u>
Balance December 31, 2012	<u>\$ 1,333.41</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-2

SCHEDULE OF CASH

Balance December 31, 2011		\$ 526,200.66
Increased by Receipts:		
Bond Anticipation Notes	\$ 380,000.00	
Capital Improvement Fund	10,000.00	
Bond Anticipation Note Premium	488.00	
Interfunds	<u>298,564.01</u>	
		<u>689,052.01</u>
		<u>1,215,252.67</u>
Decreased by Disbursements:		
Interfunds	321,651.01	
Improvement Authorizations	<u>25,110.00</u>	
		<u>346,761.01</u>
Balance December 31, 2012		\$ <u><u>868,491.66</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-3

ANALYSIS OF CASH

	Balance Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
		Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Interfunds	From	To	
Fund Balance	\$ 376.34	\$	\$ 488.00	\$	\$	\$ 20,000.00	\$ 18.00	\$ 882.34
Capital Improvement Fund	86,704.66		10,000.00					76,704.66
Grants Receivable	(1,821.50)							(1,821.50)
Reserve for Payment of Bonds	500.00							500.00
Reserve for Encumbrances	18,947.00					18,947.00	9,000.00	9,000.00
Interfunds:								
Current Fund	(54,768.42)		55,453.98		666.01	18.00		1.55
Grant Fund	15,913.48							15,913.48
Water-Sewer Utility Operating Fund	(22,125.03)		22,125.03					
Water-Sewer Utility Capital Fund	100,000.00		220,985.00		320,985.00			
Improvement Authorizations:								
Various Improvements	1,213.08							1,213.08
Preliminary Expenses - New Municipal Building	(23,916.52)					9,000.00	9,000.00	(23,916.52)
Various Improvements	8,094.50			9,947.00			9,947.00	8,094.50
Acquisition of Various Properties for New Municipal Building	1,971.07							1,971.07
Various Improvements	35,066.93							35,066.93
Construction of Police Station	20,949.86			1,988.00				18,961.86
Improvements to Lake Horicon Dam	267,019.89			13,175.00				253,844.89
Acquisition of New Garbage Truck	72,075.32						20,000.00	72,075.32
Various Improvements		380,000.00						400,000.00
	\$ 526,200.66	\$ 380,000.00	\$ 309,052.01	\$ 25,110.00	\$ 321,651.01	\$ 47,965.00	\$ 47,965.00	\$ 868,491.66

<u>Ordinance Number</u>	<u>Improvement Description</u>
95-10	Various Improvements
00-04	Preliminary Expenses - New Municipal Building
00-09	Various Improvements
00-10	Acquisition of Various Properties for New Municipal Building
03-04	Various Improvements
07-07	Construction of Police Station
08-09	Improvements to Lake Horicon Dam
09-02	Acquisition of New Garbage Truck
12-08	Various Improvements

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE

TAXATION - FUNDED

Balance December 31, 2011	\$ 3,437,804.99
Decreased by:	
2012 Budget Appropriation to Pay	
USDA Rural Development Loans	<u>70,657.68</u>
Balance December 31, 2012	<u>\$ 3,367,147.31</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

Exhibit C-5

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Notes Paid by Budget Appropriation	Balance Dec. 31, 2012	Analysis of Balance Dec. 31, 2012		
						Bond Anticipation Notes	Expended	Unexpended Improvement Authorization
99-14	Acquisition of Diesel Exhaust Recovery and Cleaning System	\$ 19,356.00	\$	\$	\$ 19,356.00		\$	\$ 19,356.00
00-04	Preliminary Expenses - New Municipal Building	47,500.00			47,500.00		23,916.52	23,583.48
00-09	Various Improvements	35,900.00			35,900.00			35,900.00
03-04	Various Improvements	87,580.00		41,555.00	46,025.00			46,025.00
05-22	Emergency Management Services Building	33,750.00		8,500.00	25,250.00	25,250.00		
06-08	Construction of Emergency Services Complex	322,100.00		8,260.00	313,840.00	313,840.00		
08-09	Improvements to Lake Horicon Dam	285,000.00		15,000.00	270,000.00	270,000.00		
09-02	Acquisition of New Garbage Truck	250,000.00		13,200.00	236,800.00	236,800.00		
12-08	Various Improvements		380,000.00		380,000.00	380,000.00		
		<u>\$ 1,081,186.00</u>	<u>\$ 380,000.00</u>	<u>\$ 86,515.00</u>	<u>\$ 1,374,671.00</u>	<u>\$ 1,225,890.00</u>	<u>\$ 23,916.52</u>	<u>\$ 124,864.48</u>

Improvement Authorizations - Unfunded
Less: Unexpended Proceeds of Bond Anticipation Notes:

Ordinance Number	Improvement Description	
08-09	Improvements to Lake Horicon Dam	\$ 253,844.89
09-02	Acquisition of New Garbage Truck	72,075.32
12-08	Various Improvements	<u>380,000.00</u>
		705,920.21
		<u>\$ 124,864.48</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-6

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Current Fund	Grant Fund	Water-Sewer Utility Operating Fund	Water-Sewer Utility Capital Fund
Balance December 31, 2011 - Due From/(Due To)	\$ (39,020.03)	\$ 54,768.42	\$ (15,913.48)	\$ 22,125.03	\$ (100,000.00)
Increased by:					
Disbursements	321,651.01	666.01			320,985.00
Bond Anticipation Note Premium	18.00	18.00			
Total Increases	<u>321,669.01</u>	<u>684.01</u>			<u>320,985.00</u>
Total Increases and Balances	<u>282,648.98</u>	<u>55,452.43</u>	<u>(15,913.48)</u>	<u>22,125.03</u>	<u>220,985.00</u>
Decreased by:					
Receipts	298,564.01	55,453.98		22,125.03	220,985.00
Total Decreases	<u>298,564.01</u>	<u>55,453.98</u>		<u>22,125.03</u>	<u>220,985.00</u>
Balance December 31, 2012 - Due From/(Due To)	\$ (15,915.03)	\$ (1.55)	\$ (15,913.48)	\$	\$

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-7

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	\$ 86,704.66
Increased by:	
Budget Appropriation	<u>10,000.00</u>
	96,704.66
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>20,000.00</u>
Balance December 31, 2012	\$ <u><u>76,704.66</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-8

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2011		2012 Authorizations	Reserve for Encumbrances	Paid or Charged	Balance Dec. 31, 2012	
				Funded	Unfunded				Funded	Unfunded
95-10	Various Improvements	9/21/1995	\$ 44,000.00	\$	\$	\$	\$	\$ 1,213.08	\$	
99-14	Acquisition of Diesel Exhaust Recovery and Cleaning System	8/19/1999	50,000.00	19,356.00					19,356.00	
00-04	Preliminary Expenses - New Municipal Building	3/16/2000	50,000.00	23,583.48		9,000.00	9,000.00	8,094.50	23,583.48	
00-09	Various Improvements	9/07/2000	122,760.00	8,094.50		9,947.00	9,947.00		35,900.00	
00-10	Acquisition of Various Properties for New Municipal Building	10/05/2000	325,000.00	1,971.07				1,971.07	46,025.00	
03-04	Various Improvements	4/02/2003	279,500.00					35,066.93		
05-17	Emergency Management Services Building	4/21/2005	2,000,000.00							
07-07	Construction of a Police Station	10/18/2007	1,500,000.00	20,949.86				18,961.86		
08-09	Improvements to Lake Horicon Dam	7/17/2008	300,000.00	267,019.89				1,988.00	253,844.89	
09-02	Acquisition of New Garbage Truck	3/19/2009	262,500.00	72,075.32				13,175.00	72,075.32	
12-08	Various Improvements	9/06/2012	400,000.00		400,000.00			20,000.00	380,000.00	
				\$ 32,228.51	\$ 499,026.62	\$ 400,000.00	\$ 18,947.00	\$ 34,110.00	\$ 830,784.69	
	Capital Improvement Fund					\$ 20,000.00				
	Deferred Charges Unfunded					380,000.00				
						\$ 400,000.00				
	Reserve for Encumbrances						\$ 9,000.00			
	Contracts Payable						25,110.00			
	Disbursements						\$ 34,110.00			

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Increases</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
03-04	Various Improvements	7/15/2003	12/04/2012	3/04/2013	3.00%	\$ 41,555.00	\$	\$ 41,555.00	\$
05-22	Emergency Management Services Building	8/08/2006	12/04/2012	3/04/2013	3.00%	33,750.00		8,500.00	25,250.00
06-08	Construction of Emergency Services Complex	4/25/2008	12/04/2012	3/04/2013	3.00%	322,100.00		8,260.00	313,840.00
08-09	Improvements to Lake Horicon Dam	4/23/2010	12/04/2012	3/04/2013	3.00%	285,000.00		15,000.00	270,000.00
09-02	Acquisition of New Garbage Truck	4/24/2009	12/04/2012	3/04/2013	3.00%	250,000.00		13,200.00	236,800.00
12-08	Various Improvements	12/04/2012	12/04/2012	3/04/2013	3.00%		380,000.00		380,000.00
						\$ 932,405.00	\$ 380,000.00	\$ 86,515.00	\$ 1,225,890.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF USDA LOAN PAYABLE

Sheet 1 of 3

<u>Purpose</u>	<u>Original Date of Issue</u>	<u>Original Amount Issued</u>	<u>Loan Maturities Outstanding Dec. 31, 2012</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
Emergency Management Services Building	7/26/2007	\$ 2,210,000.00	2013-37 See C-10 Sheet 2 & 3	4.25%	\$ 2,050,188.80	\$ 44,376.26	\$ 2,005,812.54

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF USDA RURAL DEVELOPMENT LOAN PAYABLE

Sheet 2 of 3

MATURITY SCHEDULE

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
1/26/2013	\$ 22,908.89	\$ 42,618.11
7/26/2013	23,395.70	42,131.30
1/26/2014	23,892.86	41,634.14
7/26/2014	24,400.58	41,126.42
1/26/2015	24,919.09	40,607.91
7/26/2015	25,448.62	40,078.38
1/26/2016	25,989.41	39,537.59
7/26/2016	26,541.68	38,985.32
1/26/2017	27,105.69	38,421.31
7/26/2017	27,681.69	37,845.31
1/26/2018	28,269.92	37,257.08
7/26/2018	28,870.66	36,656.34
1/26/2019	29,484.16	36,042.84
7/26/2019	30,110.70	35,416.30
1/26/2020	30,750.55	34,776.45
7/26/2020	31,404.00	34,123.00
1/26/2021	32,071.34	33,455.66
7/26/2021	32,752.85	32,774.15
1/26/2022	33,448.85	32,078.15
7/26/2022	34,159.64	31,367.36
1/26/2023	34,885.53	30,641.47
7/26/2023	35,626.85	29,900.15
1/26/2024	36,383.92	29,143.08
7/26/2024	37,157.08	28,369.92
1/26/2025	37,946.67	27,580.33
7/26/2025	38,753.03	26,773.97
1/26/2026	39,576.53	25,950.47
7/26/2026	40,417.54	25,109.46
1/26/2027	41,276.41	24,250.59
7/26/2027	42,153.53	23,373.47
1/26/2028	43,049.29	22,477.71
7/26/2028	43,964.09	21,562.91
1/26/2029	44,898.33	20,628.67
7/26/2029	45,852.42	19,674.58
1/26/2030	46,826.78	18,700.22
7/26/2030	47,821.85	17,705.15
1/26/2031	48,838.07	16,688.93
7/26/2031	49,875.87	15,651.13

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF USDA RURAL DEVELOPMENT LOAN PAYABLE

Sheet 3 of 3

MATURITY SCHEDULE

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
1/26/2032	\$ 50,935.74	\$ 14,591.26
7/26/2032	52,018.12	13,508.88
1/26/2033	53,123.51	12,403.49
7/26/2033	54,252.38	11,274.62
1/26/2034	55,405.24	10,121.76
7/26/2034	56,582.61	8,944.39
1/26/2035	57,784.99	7,742.01
7/26/2035	59,012.92	6,514.08
1/26/2036	60,266.94	5,260.06
7/26/2036	61,547.61	3,979.39
1/26/2037	62,855.50	2,671.50
7/26/2037	62,862.12	1,335.82
	<u>2,005,558.35</u>	<u>1,269,462.59</u>
Adjustment	<u>254.19</u>	<u>(254.19)</u>
Total	<u>\$ 2,005,812.54</u>	<u>\$ 1,269,208.40</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF USDA LOAN PAYABLE

Sheet 1 of 3

<u>Purpose</u>	<u>Original Date of Issue</u>	<u>Original Amount Issued</u>	<u>Loan Maturities</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
			<u>Outstanding Date</u>	<u>Dec. 31, 2012 Amount</u>				
Construction of Police Station	4/23/2010	\$ 1,425,000.00	2013-40	See C-11 Sheet 2 & 3	4.125%	\$ 1,387,616.19	\$ 26,281.42	\$ 1,361,334.77

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF USDA RURAL DEVELOPMENT LOAN PAYABLE

Sheet 2 of 3

MATURITY SCHEDULE

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
4/23/2013	\$ 13,549.12	\$ 28,075.88
10/23/2013	13,828.57	27,796.43
4/23/2014	14,113.79	27,511.21
10/23/2014	14,404.88	27,220.12
4/23/2015	14,701.98	26,923.02
10/23/2015	15,005.21	26,619.79
4/23/2016	15,314.70	26,310.30
10/23/2016	15,630.56	25,994.44
4/23/2017	15,952.94	25,672.06
10/23/2017	16,281.97	25,343.03
4/23/2018	16,617.79	25,007.21
10/23/2018	16,960.53	24,664.47
4/23/2019	17,310.34	24,314.66
10/23/2019	17,667.36	23,957.64
4/23/2020	18,031.75	23,593.25
10/23/2020	18,403.66	23,221.34
4/23/2021	18,783.23	22,841.77
10/23/2021	19,170.64	22,454.36
4/23/2022	19,566.03	22,058.97
10/23/2022	19,969.58	21,655.42
4/23/2023	20,381.46	21,243.54
10/23/2023	20,801.82	20,823.18
4/23/2024	21,230.86	20,394.14
10/23/2024	21,668.75	19,956.25
4/23/2025	22,115.66	19,509.34
10/23/2025	22,571.80	19,053.20
4/23/2026	23,037.34	18,587.66
10/23/2026	23,512.49	18,112.51
4/23/2027	23,997.43	17,627.57
10/23/2027	24,492.38	17,132.62
4/23/2028	24,997.54	16,627.46
10/23/2028	25,513.11	16,111.89
4/23/2029	26,039.32	15,585.68
10/23/2029	26,576.38	15,048.62
4/23/2030	27,124.52	14,500.48
10/23/2030	27,683.96	13,941.04
4/23/2031	28,254.94	13,370.06
10/23/2031	28,837.70	12,787.30

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF USDA RURAL DEVELOPMENT LOAN PAYABLE

Sheet 3 of 3

MATURITY SCHEDULE

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
04/23/2032	\$ 29,432.48	\$ 12,192.52
10/23/2032	30,039.52	11,585.48
04/23/2033	30,659.09	10,965.91
10/23/2033	31,291.43	10,333.57
04/23/2034	31,936.82	9,688.18
10/23/2034	32,595.51	9,029.49
04/23/2035	33,267.80	8,357.20
10/23/2035	33,953.95	7,671.05
04/23/2036	34,654.25	6,970.75
10/23/2036	35,368.99	6,256.01
04/23/2037	36,098.47	5,526.53
10/23/2037	36,843.01	4,781.99
04/23/2038	37,602.89	4,022.11
10/23/2038	38,378.45	3,246.55
04/23/2039	39,170.01	2,454.99
10/23/2039	39,977.91	1,647.09
04/23/2040	39,882.02	
Total	<u>1,361,254.69</u>	<u>\$ 926,377.33</u>
Adjustment	<u>80.08</u>	<u>(80.08)</u>
	<u>\$ 1,361,334.77</u>	<u>\$ 926,297.25</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

GENERAL CAPITAL FUND

Exhibit C-12

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2012</u>
99-14	Acquisition of Diesel Exhaust Recovery and Cleaning System	\$ 19,356.00
00-04	Preliminary Expenses - Acquisition of New Municipal Building	47,500.00
00-09	Various Improvements	35,900.00
03-04	Various Improvements	46,025.00
		<u>\$ 148,781.00</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-4

SCHEDULE OF WATER-SEWER UTILITY CASH - TREASURER

Balance December 31, 2011		\$ 775,186.14
Increased by Receipts:		
Prepaid Consumer Accounts	\$ 4,331.85	
Miscellaneous	5,308.86	
Consumer Accounts Receivable	953,880.82	
Interfunds:		
Current Fund	3,232.28	
Utility Capital Fund	<u>407,500.00</u>	
		<u>1,374,253.81</u>
		2,149,439.95
Decreased by Disbursements:		
2012 Appropriations	835,531.82	
2011 Appropriation Reserves	27,505.70	
Accrued Interest on Bonds, Loans and Notes	65,141.78	
Interfunds:		
Current Fund	12,496.72	
General Capital Fund	22,125.03	
Utility Capital Fund	<u>572,916.06</u>	
		<u>1,535,717.11</u>
Balance December 31, 2012		\$ <u><u>613,722.84</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-5

ANALYSIS OF WATER-SEWER UTILITY CAPITAL CASH

	Balance Dec. 31, 2011	Transfers		Balance Dec. 31, 2012
	From	To		
	\$	\$	\$	\$
Capital Improvement Fund	20,588.54			20,588.54
Interfunds:				
Water-Sewer Utility Operating Fund	(464,282.41)	407,500.00	572,916.06	(298,866.35)
General Capital Fund	(100,000.00)		100,000.00	
Reserve for Encumbrances	748.07	748.07	31,931.50	31,931.50
Fund Balance	70.92			70.92
Ordinance				
Number	Improvement Description			
00-08	(21,560.00)			(21,560.00)
03-05	(14,160.05)			(14,160.05)
09-14	46,010.00	1,832.13		44,177.87
11-03	532,584.93	603,015.43	308,248.07	237,817.57
	\$	\$	\$	\$
	<u>20,588.54</u>	<u>1,013,095.63</u>	<u>1,013,095.63</u>	<u>20,588.54</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-6

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

Balance December 31, 2011		\$	100,036.06
Increased by:			
Consumer Accounts Receivable			<u>936,725.41</u>
			1,036,761.47
Decreased by:			
Collections	\$ 953,880.82		
Prepayments Applied	<u>1,702.25</u>		
			<u>955,583.07</u>
Balance December 31, 2012		\$	<u><u>81,178.40</u></u>

WATER-SEWER UTILITY CAPITAL FUND

SCHEDULE OF FIXED CAPITAL

Exhibit D-7

	Balance Dec. 31, 2012
Water-Sewer System	\$ <u>3,111,262.29</u>
Water Improvements	204,844.71
Jet Truck for Sewers	35,000.00
Boiler Replacement	6,695.00
Replacement of Water Lines - Chestnut Street	27,000.00
Refurbish Sewer Lift Pump	4,480.00
Computer Equipment	23,000.00
Purchase of Water Meters	14,959.08
Utility Truck	<u>46,800.00</u>
	\$ <u><u>3,474,041.08</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-8

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2012</u>
03-05	Various Water-Sewer Improvements	4/03/2003	\$ 135,000.00	\$ 30,611.34
09-14	Improvements to Well No. 16	9/17/2009	100,000.00	100,000.00
11-03	Water Tower Improvements	9/01/2011	850,000.00	850,000.00
				<u>\$ 980,611.34</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-9

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2011</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:					
Salaries and Wages	\$ 4,163.66	\$	\$ 4,163.66	\$	\$ 4,163.66
Other Expenses	49,799.72	2,195.86	51,995.58	2,655.70	49,339.88
Audit and Professional	9,000.00		9,000.00		9,000.00
Ocean County Utilities Authority	907.20		907.20		907.20
Capital Improvements:					
Capital Improvement Fund	1,000.00		1,000.00		1,000.00
Capital Outlay		25,000.00	25,000.00	25,000.00	
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	505.04		505.04		505.04
Unemployment Compensation Insurance (N.J.S.A. 43:21-3)	<u>2,000.00</u>		<u>2,000.00</u>		<u>2,000.00</u>
	\$ <u>67,375.62</u>	\$ <u>27,195.86</u>	\$ <u>94,571.48</u>	\$ <u>27,655.70</u>	\$ <u>66,915.78</u>
Accounts Payable				\$ 150.00	
Disbursed				<u>27,505.70</u>	
				\$ <u>27,655.70</u>	

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-10

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Current Fund	General Capital Fund	Water-Sewer Capital Fund
Balance December 31, 2011 - Due From/(Due To)	\$ (495,671.88)	\$ (9,264.44)	\$ (22,125.03)	\$ (464,282.41)
Increased by:				
Receipts	410,732.28	3,232.28		407,500.00
Total Increases	<u>410,732.28</u>	<u>3,232.28</u>		<u>407,500.00</u>
Total Increases and Balances	<u>(906,404.16)</u>	<u>(12,496.72)</u>	<u>(22,125.03)</u>	<u>(871,782.41)</u>
Decreased by:				
Disbursements	607,537.81	12,496.72	22,125.03	572,916.06
Deposited in Current Fund:	225.34	225.34		
Miscellaneous Revenue	<u>607,763.15</u>	<u>12,722.06</u>	<u>22,125.03</u>	<u>572,916.06</u>
Balance December 31, 2012 - Due From/(Due To)	\$ (298,641.01)	\$ 225.34	\$	\$ (298,866.35)

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-11

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS

Balance December 31, 2011	\$ 5,912.18
Increased by:	
Budget Appropriations	<u>64,617.04</u>
	70,529.22
Decreased by:	
Disbursements	<u>65,141.78</u>
Balance December 31, 2012	\$ <u><u>5,387.44</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-12

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2011		Reserve for Encumbrances	Paid or Charged	Balance Dec. 31, 2012	
				Funded	Unfunded			Funded	Unfunded
03-05	Various Water-Sewer Improvements	4/03/2003	\$ 135,000.00	\$ 19,089.95	\$	\$	\$ 19,089.95		
09-14	Improvements to Well No. 16	9/17/2009	100,000.00	46,010.00		1,832.13	44,177.87		
11-03	Water Tower Improvements	9/01/2011	850,000.00	807,500.00	748.07	603,015.43	236,416.07		
				<u>\$ 32,584.93</u>	<u>\$ 748.07</u>	<u>\$ 604,847.56</u>	<u>\$ 1,401.50</u>	<u>\$ 299,683.89</u>	
	Reserve for Encumbrances					\$ 31,931.50			
	Interfund - Water-Sewer Utility Operating Fund					<u>572,916.06</u>			
						<u>\$ 604,847.56</u>			

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-13

SCHEDULE OF RESERVE FOR AMORTIZATION

Balance December 31, 2011		\$ 2,303,867.81
Increased by:		
Paid by Operating Budget:		
Farmers' Home Administration Loan	\$ 12,431.00	
USDA Loan	22,015.00	
Bond Anticipation Note	<u>18,000.00</u>	
		<u>52,446.00</u>
Balance December 31, 2012		\$ <u><u>2,356,313.81</u></u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-14

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2011</u>	<u>Paid from Operating Budget Bond Anticipation Notes</u>	<u>Balance Dec. 31, 2012</u>
09-14	Improvements to Well No. 16	9/17/2009	\$	\$ 12,500.00	\$ 12,500.00
03-05	Various Water-Sewer Improvements	4/03/2003	6,750.00		6,750.00
11-03	Water Tower Improvements	9/01/2011	42,500.00		42,500.00
			\$ 49,250.00	\$ 12,500.00	\$ 61,750.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

SCHEDULE OF USDA LOAN PAYABLE

Exhibit D-15
Sheet 1 of 2

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Loan Maturities Outstanding Dec. 31, 2012</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
Water-Sewer Improvements	12/23/1999	\$ 1,200,000.00	12/23/2012-39 See D-17 Sheet 2 of 2	3.25%	\$ 984,436.61	\$ 22,015.00	\$ 962,421.61

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-15

MATURITY SCHEDULE

Sheet 2 of 2

\$1,200,000 WATER-SEWER IMPROVEMENT LOAN

USDA - 3.25%

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 22,737	\$ 31,095
2014	23,482	30,350
2015	24,251	29,581
2016	25,046	28,786
2017	25,866	27,966
2018	26,714	27,118
2019	27,589	26,243
2020	28,493	25,339
2021	29,462	24,370
2022	30,391	23,441
2023	31,386	22,446
2024	32,415	21,417
2025	33,677	20,155
2026	34,573	19,259
2027	35,706	18,126
2028	36,876	16,956
2029	38,084	15,748
2030	39,332	14,500
2031	40,621	13,211
2032	41,952	11,880
2033	43,326	10,506
2034	44,746	9,086
2035	46,212	7,620
2036	47,726	6,106
2037	49,290	4,542
2038	51,105	2,727
2039	51,364	1,699
	<u>\$ 962,422</u>	<u>\$ 490,273</u>

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-16

SCHEDULE OF FARMERS' HOME ADMINISTRATION LOAN PAYABLE

Sheet 1 of 2

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Loan Maturities Outstanding Dec. 31, 2012</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Paid by Budget Appropriation</u>	<u>Balance Dec. 31, 2012</u>
Water Improvements	9/01/1980	\$ 325,000.00	8/01/2012-20 See D-18 Sheet 2 of 2	5%	\$ 136,788.00	\$ 12,431.00	\$ 124,357.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-16

MATURITY SCHEDULE

Sheet 2 of 2

\$325,000 WATER IMPROVEMENT LOAN

FARMERS HOME ADMINISTRATION - 5%

<u>Due</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 13,052	\$ 6,218
2014	13,705	5,565
2015	14,390	4,880
2016	15,109	4,161
2017	15,865	3,405
2018	16,658	2,612
2019	17,491	1,779
2020	18,087	904
	<u>\$ 124,357</u>	<u>\$ 29,524</u>

BOROUGH OF LAKEHURST-COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-17

SCHEDULE OF BOND ANTICIPATION NOTES

Ordinance Number	Improvement Description	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increases	Decreases	Balance Dec. 31, 2012
03-05	Various Water-Sewer Improvements	7/15/2003				\$ 18,000.00	\$	\$ 18,000.00	\$
09-14	Improvements to Well No. 16	4/23/2011	12/04/2012	3/04/2013	3.00%	100,000.00		12,500.00	87,500.00
11-03	Water Tower Improvements	11/01/2011	12/04/2012	3/04/2013	3.00%	500,000.00	307,500.00		807,500.00
						\$ 618,000.00	\$ 307,500.00	\$ 30,500.00	\$ 895,000.00

BOROUGH OF LAKEHURST - COUNTY OF OCEAN

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-18

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2012</u>
00-08	Acquisition of a Utility Truck	\$ 21,560.00
03-05	Various Water-Sewer Improvements	33,250.00
		<u>\$ 54,810.00</u>

BOROUGH OF LAKEHURST

COUNTY OF OCEAN

PART III

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2012

William E. Antonides and Company

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS BASED ON

AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Lakehurst
County of Ocean
Lakehurst, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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 statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - regulatory basis of the Borough of Lakehurst, (the "Borough"), in the County of Ocean, State of New Jersey, as of and for the years ended December 31, 2012 and 2011, as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the Borough's financial statements, and have issued our report thereon dated September 30, 2013. These financial statements have been prepared in conformity with accounting principles prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported in the comments and recommendations section of this report and in a separate letter to management of the Borough dated September 30, 2013.

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.

William E. Antonides and Company

Independent Auditors

Wall Township, New Jersey
September 30, 2013

SCHEDULE OF FINDING AND RESPONSE

12-01 **Criteria** - In accordance with N.J.A.C. 5:30-5.2, "All local units shall maintain an encumbrance accounting system for all funds".

Condition - The encumbrance accounting system was not maintained.

Cause - All funds were not encumbered prior to the receipt of invoices from vendors.

Effect - Departments ordered goods prior to the recording of the encumbrance against the amount appropriated.

Recommendation - That internal control procedures be instituted in order to ensure that the encumbrance accounting system is maintained.

Management's Response - Internal control procedures will be structured so that funds are encumbered at the time goods are ordered.

BOROUGH OF LAKEHURST

COUNTY OF OCEAN

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

An audit of the financial accounts and transactions of the Borough of Lakehurst, in the County of Ocean, for the year ended December 31, 2012, has recently been completed. The results of the audit are herewith set forth.

SCOPE OF AUDIT

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

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

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

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

All material items of revenue and receipts were established and verified as to source and amount where practical.

GENERAL COMMENTS

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

N.J.S. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." The amount set forth pursuant to the above statute was \$17,500 for municipalities without a qualified purchasing agent (QPA) and \$36,000 with a qualified purchasing agent. In 2011, it was noted that the Division of Local Government Services adopted a temporary rule that permits municipalities to increase their bid threshold to \$26,000 for a person meeting certain eligibility requirements for the future anticipated QPA certification exam. The Borough's bid threshold was \$36,000 for the year under audit.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where questions arise 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 indicate that 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 the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit 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.A. 40A:11-4.

Contracts or Agreements not Required to be Advertised per N.J.S. 40A:11-6.1

N.J.S. 40A:11-6.1 states “For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... .. the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable.”

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

Collection of Interest on Delinquent Taxes and Water-Sewer Rents

N.J.S. 54:4-67, as amended, provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes, assessments or water-sewer rents on or before the date when they would become delinquent.

The governing body on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

“**BE IT RESOLVED**, that in accordance with N.J.S. 54:4-67, as amended, the Tax Collector is hereby authorized and directed to charge eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500 becoming delinquent after the due date. Effective January 1, 2010 there will be a ten day grace period of quarterly tax payments made by cash, check or money order.”

It appears from an examination of the Tax Collector and Water-Sewer Utility Collector’s records, that interest was collected in accordance with the foregoing resolution and statutes.

Delinquent Taxes and Tax Title Liens

The tax sale was held on October 23, 2012 and was complete except for those properties in bankruptcy.

Inspection of tax sale certificates on file revealed that all certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2012	7
2011	6
2010	7

Miscellaneous

All sums of outstanding checks, reflected in cash reconciliations herein, are in agreement with the records of the Treasurer, as well as with independent lists made part of this audit.

A report summarizing collections of Dog License Fees and remittance of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A statutory report on the operations of the Municipal Court has been prepared and copies filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

A request for individual payments of the Local School District Taxes by the municipality from the Secretary of the Board of Education for the year 2012 was received by us and it was determined that the amount paid to the District agreed with the 2012 tax levy.

In our verification of expenditures, no attempt was made to establish proof of rendition, character or extent of services nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from individual employee salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittances to authorized agencies, however, were ascertained.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

FOLLOW -UP OF PRIOR YEAR FINDINGS

In accordance with Government Auditing Standards our procedures included a review of all prior year findings. Findings 11-01, 11-02, 11-03, 11-04, 11-05 and 11-06 were not corrected in 2012 and appear as Findings 12-01, 12-02, 12-03, 12-04, 12-05 and 12-06 for the period under audit.

FINDINGS/RECOMMENDATIONS

12-02 Finding - Several funds had interfund balances at December 31.

Criteria - In accordance with the Division of Local Government Services Directives, all interfund balances should be liquidated as of December 31.

Recommendation - That all interfund balances be liquidated by December 31.

12-03 Finding - There were seventy-three tickets assigned to officers that were not issued within six months.

Criteria - In accordance with the Administrative Office of the Courts, all tickets assigned over six months should be recalled.

Recommendation - That all tickets assigned and not issued within six months be recalled.

FINDINGS/RECOMMENDATIONS (CONTINUED)

12-04 Finding - There were fifty-four tickets reported on the Tickets Issued Not Assigned Report.

Criteria - In order to properly control and account for traffic tickets the Municipal Court is required to assign the tickets in the system prior to issuance.

Recommendation - That procedures be implemented to insure that all tickets are assigned prior to being issued.

12-05 Finding - The General Capital Fund analysis of cash reflects one ordinance with a cash deficit that is over five years old.

Criteria - Capital ordinances over five years old should have enough cash to fund the specific project.

Recommendation - That adequate cash funding be obtained through either the issuance of debt or the raising of said deficits in the budget to provide for capital expenditures.

12-06 Finding - Some grant receivable balances were older than two years.

Criteria - Grant receivable balances should be accurate and reflect the actual amounts that the Borough will receive at a future date.

Recommendation - That all grant receivable balances be investigated and cancelled if it is determined that the Borough will not receive the funds.

12-07 Finding - Salaries and wages payroll checks did not agree to the amounts stated in the employee contracts.

Criteria - Disbursements for salaries and wages must be in accordance with the contracts approved by the governing body.

Recommendation - That the disbursement of funds for each individual employee be in accordance with the contracts approved by the governing body.

ACKNOWLEDGEMENT

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

The foregoing comments and resultant recommendations, are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please contact us at your earliest opportunity.
