

TOWNSHIP OF ELK
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2010

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PART I

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Elk
667 Whig Lane
Monroeville, New Jersey 08343

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the Township of Elk as of December 31, 2010 and 2009, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis, and statement of expenditures – regulatory basis of the various funds, as listed in the table of contents for the year ended December 31, 2010. These financial statements are the responsibility of the Township of Elk's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Township of Elk prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Elk as of December 31, 2010 and 2009, or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Township of Elk as of December 31, 2010 and 2009, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2010 on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011 on our consideration of the Township of Elk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Township of Elk taken as a whole. The supplemental schedules listed in the table of contents are not a required part of the financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by New Jersey Treasurer Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and is also not a required part of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 5, 2011

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Regular Fund</u>			
Cash - Chief Financial Officer	A-4	1,661,583	1,986,966
Change Fund		150	150
		<u>1,661,733</u>	<u>1,987,116</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	651,594	640,719
Tax Title Liens Receivable	A-10	457,607	419,726
Property Acquired for Taxes - Assessed Valuation	A-11	152,930	77,530
Revenue Accounts Receivable	A-12	10,651	11,273
Due from Tax Sale Fund	B	167	74
Due from Compensated Absence Trust	B	6	5
Due from Fire Prevention Trust			21
Due from Forfeited Funds Trust	B	17	17
Due from Public Defender Trust	B	34	3
Due from Federal and State Grant Fund	A	54,245	
Due from Developers Escrow Trust	B	39	47
Prepaid Regional High School Tax	A-18	53,830	
		<u>1,381,120</u>	<u>1,149,415</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-55)			40,000
		<u>3,042,853</u>	<u>3,176,531</u>
<u>Federal and State Grant Fund</u>			
Cash - Chief Financial Officer	A-4	1,595	1,587
Due from Current Fund			5,761
Grants Receivable	A-8	193,756	323,954
		<u>195,351</u>	<u>331,302</u>
		<u>3,238,204</u>	<u>3,507,833</u>

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Regular Fund</u>			
Liabilities:			
Appropriation Reserves	A-3:A-14	274,796	342,790
Encumbrances Payable	A-15	13,096	5,222
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	12,845	13,787
Prepaid Taxes		78,447	87,808
Tax Overpayments		1,330	14,086
Payroll Taxes Payable		16,497	23,333
Reserve for Street Openings		21,460	12,482
Reserve for Revaluation		23,902	23,902
Reserve for Codification of Ordinances and Preparation of Master Plan		9,983	9,983
Local School District Tax Payable			4
County Taxes Payable		355	
Due County for Added & Omitted Taxes		16,068	8,589
Due Off-Duty Police Trust	B	126,323	110,064
Due Federal and State Grant Fund			5,761
Due General Capital Fund	C	217,264	101,002
Due Animal Control Trust	B	39	39
		<hr/>	<hr/>
		812,405	758,852
Reserve for Receivables		1,381,120	1,149,415
Fund Balance	A-1	849,328	1,268,264
		<hr/>	<hr/>
		3,042,853	3,176,531
<u>Federal and State Grant Fund</u>			
Encumbrances Payable	A-15	10,120	11,570
Reserve for Grants - Appropriated	A-19	128,771	309,204
Reserve for Grants - Unappropriated	A-20	2,215	10,528
Due Current Fund	A	54,245	
		<hr/>	<hr/>
		195,351	331,302
		<hr/>	<hr/>
		3,238,204	3,507,833
		<hr/>	<hr/>

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

<u>Revenue and Other Income Realized</u>	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>
Fund Balance Utilized	A-2	1,088,975	1,122,519
Miscellaneous Revenue Anticipated	A-2	725,684	1,182,184
Receipts from Delinquent Taxes	A-2	585,011	569,963
Receipts from Current Taxes	A-2	8,732,219	8,461,806
Non-Budget Revenue	A-2	396,745	158,933
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	264,505	184,888
Encumbrances Canceled	A-15	751	1,196
Interfund Loans Returned			133,766
Reserve for Grants - Appropriated Canceled	A-19	1,936	
Total Income		11,795,826	11,815,255
<u>Expenditures</u>			
Budget Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	1,477,300	1,482,695
Other Expenses	A-3	1,652,633	1,670,545
Deferred Charges and Statutory Expenditures	A-3	346,558	362,906
Budget Appropriations Excluded from "CAPS"			
Operations:			
Salaries and Wages	A-3	36,500	49,000
Other Expenses	A-3	75,592	33,020
Capital Improvements	A-3	5,000	467,000
Debt Service	A-3	236,310	219,289
Deferred Charges	A-3	40,000	40,000
County Taxes	A-9	2,345,739	2,313,509
Due County for Added Taxes	A-9	16,068	8,589
Regional High School Tax	A-18	2,417,938	2,274,165
Local District School Tax	A-17	2,365,368	1,768,599
Municipal Open Space Tax			39,581
Grant Receivable Canceled	A-8	2,698	
Interfund Loans Advanced		108,083	1
Total Expenditures		11,125,787	10,728,899

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

		<u>Year 2010</u>	<u>Year 2009</u>
Statutory Excess to Fund Balance		670,039	1,086,356
	<u>Fund Balance</u>		
Balance January 1	A	<u>1,268,264</u>	<u>1,304,427</u>
		1,938,303	2,390,783
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,088,975</u>	<u>1,122,519</u>
Balance December 31	A	<u><u>849,328</u></u>	<u><u>1,268,264</u></u>

STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Excess or (Deficit)
		Budget	Realized	
Fund Balance Anticipated	A-1	1,088,975	1,088,975	
Miscellaneous Revenues:				
Fines and Costs:				
Municipal Court	A-12	133,000	119,827	(13,173)
Interest and Costs on Taxes	A-12	116,000	148,894	32,894
Health Insurance Copay	A-12	1,100	1,331	231
Consolidated Municipal				
Property Tax Relief Act	A-12	35,604	35,604	
Energy Receipts Tax	A-12	326,711	326,711	
Uniform Construction Code	A-12	47,000	36,453	(10,547)
Borough of Newfield -				
Court Reimbursement	A-12	36,500	35,625	(875)
Recycling Tonnage Grant	A-8	3,078	3,078	
Clean Communities Program	A-8	13,750	13,750	
Alcohol Education and				
Rehabilitation	A-8	1,396	1,396	
Uniform Fire Safety Act	A-12	3,900	3,015	(885)
Total Miscellaneous Revenues		718,039	725,684	7,645
Receipts from Delinquent Taxes	A-2	600,000	585,011	(14,989)
Subtotal General Revenues		2,407,014	2,399,670	(7,344)
Amount to be Raised by Taxation	A-2	2,164,000	2,278,455	114,455
Budget Totals		4,571,014	4,678,125	107,111
Non-Budget Revenue	A-2		396,745	
		4,571,014	5,074,870	
	Ref.	A-3		

STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized Revenue

	<u>Ref.</u>	
Allocation of Current Tax Collections:		
Revenue from Collections	A-9	8,732,219
Allocated to:		
School, County and Municipal Open Space Taxes	A-9	7,144,845
Balance for Support of Municipal Budget Appropriation		1,587,374
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	691,081
Amount for Support of Municipal Budget Appropriation	A-2	<u>2,278,455</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-9	559,872
Tax Title Liens	A-10	25,139
	A-2	<u>585,011</u>

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-12	13,922
Fees and Permits	A-12	191,180
Cable Franchise	A-12	15,023
County Reimbursement	A-12	176,620
	A-2	<u>396,745</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries & Wages	38,000	37,000	36,676		324	
Other Expenses	2,950	2,950	1,111		1,839	
Equipment Maintenance	5,000	2,000		1,143	857	
Mayor and Township Committee						
Salaries & Wages	4,500	4,500	4,480		20	
Other Expenses	7,440	7,440	5,201		2,239	
Municipal Clerk's Office						
Salaries & Wages	53,000	53,000	51,951		1,049	
Other Expenses	25,000	25,000	20,832		4,168	
Elections						
Other Expenses	3,500	4,500	2,825		1,675	
Financial Administration						
Salaries & Wages	40,500	40,500	40,186		314	
Other Expenses	26,975	26,975	18,575		8,400	
Audit Services						
Other Expenses	22,800	22,800	22,800			
Collection of Taxes						
Salaries & Wages	29,000	29,000	27,350		1,650	
Other Expenses	6,350	6,350	5,463		887	
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	2,000	2,000			2,000	
Maintenance of Foreclosed Property						
Other Expenses	500	500			500	
Assessment of Taxes						
Salaries & Wages	5,500	5,500	5,385		115	
Other Expenses						
Miscellaneous Other Expenses	1,500	1,500	950		550	
Revision of Tax Map	2,500	2,500	1,194		1,306	
Legal Services and Costs						
Other Expenses	60,000	60,000	50,562		9,438	

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
Engineering Services and Costs						
Other Expenses	27,000	22,000	12,932		9,068	
Economic Development						
Other Expenses	1,000	1,000			1,000	
LAND USE ADMINISTRATION						
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board						
Salaries and Wages	34,000	34,000	33,399		601	
Other Expenses	21,000	26,000	24,038		1,962	
Zoning Office						
Salaries and Wages	40,000	40,000	39,092		908	
Other Expenses	2,500	2,500	451		2,049	
INSURANCE						
Liability Insurance	54,000	56,000	55,678		322	
Workmen's Compensation	72,000	70,000	62,179		7,821	
Group Insurance Plan for Employees	322,668	322,668	316,878		5,790	
PUBLIC SAFETY FUNCTIONS						
Police						
Salaries and Wages	1,030,000	1,030,000	1,021,446		8,554	
Other Expenses	92,800	92,800	68,970	5,842	17,988	
Office of Emergency Management						
Salaries and Wages	2,100	2,300	2,284		16	
Other Expenses	1,500	1,300	455		845	
Aid to Volunteer Fire Companies						
Other Expenses	71,500	71,500	66,834		4,666	
First Aid Organizations - Contributions	15,075	15,075	14,875		200	
Uniform Fire Safety Act (P.L. 1983, C. 383)						
Salaries and Wages	1,400	1,400	1,285		115	
Other Expenses	4,150	4,150	2,155		1,995	
Hepatitis Shots	1,500	1,500			1,500	
OSHA (P.L. 983, Chap 156)						
Fire						
Other Expenses	15,000	15,000	13,284		1,716	

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
Prosecutor						
Other Expenses	8,000	8,000	8,000			
PUBLIC WORKS FUNCTIONS						
Road Repairs & Maintenance						
Salaries & Wages	99,000	99,000	94,252		4,748	
Other Expenses	21,500	21,500	15,493	265	5,742	
Road Signs						
Other Expenses	2,500	2,500	694		1,806	
Vehicle Maintenance						
Other Expenses	50,800	55,800	52,050		3,750	
Snow Removal						
Salaries & Wages	10,000	10,000	6,446		3,554	
Other Expenses	13,000	13,000	7,357		5,643	
Solid Waste Collection						
Contractual	275,000	275,000	237,758		37,242	
State Fees	4,000	4,000			4,000	
Miscellaneous Other Expenses	3,500	3,500			3,500	
Public Buildings and Grounds						
Other Expenses	46,400	42,400	34,431	4,346	3,623	
HEALTH & HUMAN SERVICES						
Board of Health						
Other Expenses	200	200			200	
Registrar of Vital Statistics						
Other Expenses	500	500	183		317	
Environmental Commission						
Other Expenses	1,000	1,000	348		652	
Agriculture Board						
Other Expenses	1,000	1,000			1,000	
Animal Control						
Other Expenses	500	500	340		160	
PARK & RECREATION FUNCTIONS						
Recreation						
Other Expenses	11,000	11,000	11,000			
Senior Center						
Other Expenses	1,000	1,000	1,000			

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
OTHER COMMON OPERATING FUNCTIONS						
Accumulated Leave Compensation	1,000	1,000	1,000			
Celebration of Public Event, Anniversary or Holiday						
Other Expenses	1,000	1,000			1,000	
SOLID WASTE DISPOSAL COSTS						
Gloucester County Improvement Authority						
County Landfill Tipping Fees	157,000	157,000	133,720	1,379	21,901	
UTILITY EXPENSES & BULK PURCHASES						
Electricity	43,000	43,000	37,156		5,844	
Street Lighting	8,000	8,000	6,520		1,480	
Telephone	19,000	19,000	15,098	121	3,781	
Gas (Natural or Propane)	16,000	16,000	10,503		5,497	
Gasoline	58,000	58,000	46,113		11,887	
MUNICIPAL COURT FUNCTIONS						
Municipal Court						
Salaries & Wages	39,500	39,500	31,163		8,337	
Other Expenses	23,975	23,975	17,169		6,806	
Public Defender						
Salaries & Wages	5,100	5,100	4,816		284	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)						
Construction Code Officials						
Salaries & Wages	46,500	46,500	42,576		3,924	
Other Expenses	13,750	15,750	11,874		3,876	
Total Operations Within "CAPS"	3,126,933	3,126,933	2,858,836	13,096	255,001	
Contingent	3,000	3,000			3,000	
Total Operations Including Contingent Within "CAPS"	3,129,933	3,129,933	2,858,836	13,096	258,001	
Salaries & Wages	1,478,100	1,477,300	1,442,787		34,513	
Other Expenses	1,651,833	1,652,633	1,416,049	13,096	223,488	

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	52,045	52,045	52,045			
Social Security System (O.A.S.I.)	120,000	120,000	112,959		7,041	
Police and Firemen's Retirement System of NJ	160,513	160,513	160,513			
Unemployment Compensation Insurance	14,000	14,000	4,246		9,754	
Total Deferred Charges & Statutory Expenditures Within "CAPS"	<u>346,558</u>	<u>346,558</u>	<u>329,763</u>		<u>16,795</u>	
Total Appropriations Within "CAPS"	<u>3,476,491</u>	<u>3,476,491</u>	<u>3,188,599</u>	<u>13,096</u>	<u>274,796</u>	
OPERATIONS EXCLUDED FROM "CAPS"						
INSURANCE						
Group Insurance Plan for Employees	40,332	40,332	40,332			
SHARED SERVICE AGREEMENTS						
Municipal Alliance Program - Interlocal Service Agreement - Municipal Share	2,036	2,036	2,036			
Borough of Newfield - Court Reimbursement						
Municipal Court						
Salaries & Wages	36,500	36,500	36,500			
Elk Township Municipal Utilities Authority						
Service Agreement						
Other Expenses	15,000	15,000	15,000			

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
PUBLIC & PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Clean Communities	13,750	13,750	13,750		
Alcohol Education and Rehabilitation	1,396	1,396	1,396		
Recycling Tonnage Grant	3,078	3,078	3,078		
Total Operations Excluded from "CAPS"	<u>112,092</u>	<u>112,092</u>	<u>112,092</u>		
Salaries and Wages	36,500	36,500	36,500		
Other Expenses	<u>75,592</u>	<u>75,592</u>	<u>75,592</u>		
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>		
DEBT SERVICE					
Payment of Bond Principal	125,000	125,000	125,000		
Payment of Bond Anticipation Notes	20,000	20,000	10,000		10,000
Interest on Bonds	71,600	71,600	71,563		37
Interest on Notes	19,550	19,550	19,547		3
Capital Lease Program Obligations					
Approved Prior to 7/1/2007					
Principal	6,570	6,570	6,570		
Interest	3,630	3,630	3,630		
Total Debt Service Excluded from "CAPS"	<u>246,350</u>	<u>246,350</u>	<u>236,310</u>		<u>10,040</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEFERRED CHARGES						
Special Emergency Authorizations - 5 Years	40,000	40,000	40,000			
Total Appropriations Excluded from "CAPS"	403,442	403,442	393,402			10,040
Subtotal General Appropriations	3,879,933	3,879,933	3,582,001	13,096	274,796	10,040
RESERVE FOR UNCOLLECTED TAXES	691,081	691,081	691,081			
	<u>4,571,014</u>	<u>4,571,014</u>	<u>4,273,082</u>	<u>13,096</u>	<u>274,796</u>	<u>10,040</u>
Ref.	A-2	A-3		A-15	A	
		<u>Ref.</u>				
Reserve for Uncollected Taxes		A-2	691,081			
Deferred Charges:						
Special Emergency Authorization - 5 Years		A-13	40,000			
Reserve for Federal & State Grants - Appropriated		A-19	18,224			
Payroll Deductions			882,801			
Disbursed		A-4	2,640,976			
			<u>4,273,082</u>			

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Animal Control Trust Fund</u>			
Cash - Chief Financial Officer	B-1	3,443	4,124
Due Current Fund	A	39	39
		<u>3,482</u>	<u>4,163</u>
<u>Tax Sale Fund</u>			
Cash - Collector	B-3	24,843	13,829
<u>Unemployment Compensation Fund</u>			
Cash - Chief Financial Officer	B-1	24,410	37,678
<u>Forfeited Funds Trust</u>			
Cash - Chief Financial Officer	B-1	17	17
<u>Accumulated Absence Trust</u>			
Cash - Chief Financial Officer	B-1	13,123	12,122
<u>Public Defender Trust</u>			
Cash - Chief Financial Officer	B-1	6,602	5,747
<u>Developers Escrow Fund</u>			
Cash - Chief Financial Officer	B-1	168,415	148,167
<u>Fire Prevention Trust</u>			
Cash - Chief Financial Officer	B-1	7,140	5,706
<u>Open Space Preservation Fund</u>			
Cash - Chief Financial Officer	B-1	193,172	192,208
<u>Recreation Trust</u>			
Cash - Chief Financial Officer	B-1	1,055	1,055
<u>Off-Duty Police Fund</u>			
Due from Current Fund	A	126,323	110,064
<u>Affordable Housing Trust</u>			
Cash - Chief Financial Officer	B-1	72,298	47,991
<u>Uniform Fire Safety Penalty Monies</u>			
Cash - Chief Financial Officer	B-1	301	
		<u>641,181</u>	<u>578,747</u>

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Animal Control Trust Fund</u>			
Due State of New Jersey		17	1
Reserve for Dog Fund Expenditures	B-5	3,465	4,162
		<u>3,482</u>	<u>4,163</u>
<u>Tax Sale Fund</u>			
Due Current Fund	A	167	74
Reserve for Tax Sale Premiums		21,400	9,100
Deposits for Redemption of Tax Sale Certificates		3,276	4,655
		<u>24,843</u>	<u>13,829</u>
<u>Unemployment Compensation Fund</u>			
Reserve for Unemployment Claims		24,410	37,678
<u>Forfeited Funds Trust</u>			
Due Current Fund	A	17	17
<u>Accumulated Absence Trust</u>			
Due Current Fund	A	6	5
Reserve for Accumulated Absences		13,117	12,117
		<u>13,123</u>	<u>12,122</u>
<u>Public Defender Trust</u>			
Due Current Fund	A	34	3
Reserve for Public Defender Fees		6,568	5,744
		<u>6,602</u>	<u>5,747</u>
<u>Developers Escrow Fund</u>			
Due Current Fund	A	39	47
Reserve for Developers Escrow Funds		168,376	148,120
		<u>168,415</u>	<u>148,167</u>
<u>Fire Prevention Trust</u>			
Due Current Fund			21
Reserve for Fire Prevention		7,140	5,685
		<u>7,140</u>	<u>5,706</u>
<u>Open Space Preservation Fund</u>			
Reserve for Open Space Preservation		193,172	192,208
<u>Recreation Trust</u>			
Reserve for Recreation Programs		1,055	1,055
<u>Off-Duty Police Fund</u>			
Reserve for Off-Duty Police		126,323	110,064

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Affordable Housing Trust</u>			
Reserve for Affordable Housing		72,298	47,991
<u>Fire Safety Penalty Monies</u>			
Due Current Fund	A	1	
Reserve for Fire Safety Penalty Monies		300	
		301	
		<u>641,181</u>	<u>578,747</u>

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Cash - Chief Financial Officer	C-2	539,480	584,700
Due from Current Fund	A	217,264	101,002
Deferred Charges to Future Taxation:			
Funded		1,575,000	1,700,000
Unfunded	C-5	1,177,000	1,106,250
Amount to be Provided by Lease Payments		49,401	55,971
		<u>3,558,145</u>	<u>3,547,923</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bonds Payable	C-9	1,575,000	1,700,000
Bond Anticipation Notes Payable	C-10	975,000	868,750
Improvement Authorizations:			
Funded	C-7	8,757	218,186
Unfunded	C-7	565,202	524,616
Capital Improvement Fund	C-6	147,564	146,814
Reserve for Purchase of Fire Equipment		1,887	1,887
Reserve for Installation of Traffic Signals		12,000	12,000
Reserve for Improvements to Municipal Roads		19,198	19,198
Obligations Under Capital Leases	C-8	49,401	55,971
Fund Balance	C-1	204,136	501
		<u>3,558,145</u>	<u>3,547,923</u>

EXHIBIT C-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2009	C	501
Increased by:		
Improvement Authorizations Canceled	C-7	203,635
Balance December 31, 2010	C	<u>204,136</u>

GENERAL FIXED ASSETS

STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
General Fixed Assets:		
Buildings	408,000	408,000
Improvements Other than Buildings	199,475	199,475
Machinery and Equipment	142,871	161,309
Vehicles	1,150,595	1,125,405
	<u>1,900,941</u>	<u>1,894,189</u>
Investment in General Fixed Assets	<u>1,900,941</u>	<u>1,894,189</u>

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Elk was incorporated in 1891 and is located in Gloucester County, New Jersey.

The Township is governed by an elected five member committee. The members appoint a Mayor from amongst themselves to serve for a one year term.

The financial statements of the Township included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as required by N.J.S.A. 40A:5-5.

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

B. Description of Funds and Account Groups

The accounting policies of the Township conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation as required by GAAP.

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

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

General Capital Fund – Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

General Fixed Assets – All fixed assets used in governmental fund type operations are accounted for in the general fixed asset account group, rather than in governmental funds.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

C. Basis of Accounting

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

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

Revenues – are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

Expenditures – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Grant appropriations are charged upon budget adoption to create separate spending reserves. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted to the extent permitted or required by law. Appropriations for principal payments on outstanding general capital and utility capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis while interest on utility capital indebtedness is on the accrual basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received.

Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

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

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Taxes – (Continued)

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county. The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Township’s annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, and is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a “Reserve for Uncollected Taxes” would not be an appropriation.

Interest on Delinquent Taxes – It is the policy of the Township to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Foreclosed Property – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America, foreclosed property would be recorded at historical cost and no reserve would be provided.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under accounting principles generally accepted in the United States of America, interfunds are not reserved.

Insurance – Cost of insurance for all funds are recorded as expenditures at the time of payment. Under accounting principles generally accepted in the United States of America, insurance costs chargeable to future periods would be recorded as prepayments on the balance sheet.

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. Under accounting principles generally accepted in the United States of America, inventory would be recorded as an asset on the balance sheet.

General Fixed Assets – In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Township has developed a fixed asset accounting and reporting system.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – (Continued)

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

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

All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Township capitalizes fixed assets with an original cost in excess of \$1,000.

No depreciation has been provided for in the financial statements.

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

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

General Long Term Debt – General Long Term Debt is accounted for in the General Capital Fund. Accounting principles generally accepted in the United States of America require General Long Term Debt to be accounted for in the General Long Term Debt Account Group.

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

Tax Appeals and Other Contingent Losses – Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township’s financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues – regulatory basis and the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with N.J.S.A. 40A:4 et. al. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Township from taxes not paid currently. Once approved, the Township may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per N.J.S.A. 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Township can also make amendments for any special item of revenue made available by any public or private funding source as per N.J.S.A. 40A:4-87.

NOTE 3: CASH

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statutes N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2010 and 2009, the carrying amount of the Township's deposits was \$2,717,627 and \$3,042,047 respectively. As of December 31, 2010 and 2009, \$0 of the municipality's bank balance of \$2,763,367 and \$3,062,668, respectively, was exposed to custodial credit risk.

NOTE 4: INVESTMENTS

As of December 31, 2010, the Township had no investments.

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

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 4: INVESTMENTS (CONTINUED)

Credit Risk - New Jersey Statues N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statues. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31 were as follows:

	<u>Year</u>	<u>Balance December 31</u>	<u>Budget of Succeeding Year</u>
	2010	849,328	(a)
	2009	1,268,264	1,088,975
Current Fund	2008	1,304,427	1,122,519
	2007	994,154	916,899
	2006	1,636,491	913,096

(a) = The budget for 2011 has not been introduced as of the date of the audit and therefore, this amount is subject to change.

NOTE 6: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2010.

	<u>Balance Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2010</u>
Buildings	408,000			408,000
Improvements Other than Buildings	199,475			199,475
Machinery and Equipment	161,309		18,438	142,871
Vehicles	1,125,405	25,190		1,150,595
	<u>1,894,189</u>	<u>25,190</u>	<u>18,438</u>	<u>1,900,941</u>

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2010:

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Tax Sale Fund	167	
Compensated Absence Fund	6	
Forfeited Funds Trust	17	
Public Defender Trust Fund	34	
Federal and State Grant Fund	54,245	
Developers Escrow Trust	39	
Off-Duty Police Fund		126,323
General Capital Fund		217,264
Animal Control Trust		39
Federal and State Grant Fund		
Current Fund		54,245
Animal Control Trust		
Current Fund	39	
Tax Sale Fund		
Current Fund		167
Forfeited Funds Trust		
Current Fund		17
Accumulated Absence Trust		
Current Fund		6
Public Defender Trust		
Current Fund		34
Developers Escrow Trust		
Current Fund		39
Off-Duty Police Fund		
Current Fund	126,323	
General Capital Fund		
Current Fund	<u>217,264</u>	
	<u>398,134</u>	<u>398,134</u>

The amount due to the Off-Duty Police Fund from the Current Fund is due to the fact that there is no trust bank account maintained for that fund. The amount due to the General Capital fund is due to a deposit of a bond anticipation note into the Current Fund.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 8: LONG-TERM DEBT

During the calendar year 2010, the following changes occurred in the municipal debt of the Township:

	<u>Balance Dec. 31, 2009</u>	<u>Issued/ Authorized</u>	<u>Retired/ Reduction</u>	<u>Balance Dec. 31, 2010</u>
<u>ISSUED:</u>				
Current Fund:				
Bonds	1,700,000		125,000	1,575,000
Bond Anticipation Notes	868,750	116,250	10,000	975,000
Net Debt Issued	<u>2,568,750</u>	<u>116,250</u>	<u>135,000</u>	<u>2,550,000</u>
<u>AUTHORIZED BUT NOT ISSUED:</u>				
Current Fund:				
Bonds & Notes	237,500	80,750	116,250	202,000
Authorized but not Issued	<u>237,500</u>	<u>80,750</u>	<u>116,250</u>	<u>202,000</u>
Total Debt Issued and Authorized but Not Issued	<u>2,806,250</u>	<u>197,000</u>	<u>251,250</u>	<u>2,752,000</u>

Permanently funded debt as of December 31, 2010, consisted of the following:

\$2,120,000 General Improvement Bonds dated 9/1/05 payable in annual installments through 9/1/20. Interest is paid semi-annually at rates of 4.125% to 4.25% per annum. The balance remaining at December 31, 2010 was \$1,575,000.

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

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Serial Bonds:			
2011	125,000.00	66,406.00	191,406.00
2012	125,000.00	61,250.00	186,250.00
2013	125,000.00	56,094.00	181,094.00
2014	125,000.00	50,937.00	175,937.00
2015	150,000.00	45,687.00	195,687.00
2016-2020	<u>925,000.00</u>	<u>125,045.00</u>	<u>1,050,045.00</u>
	<u>1,575,000.00</u>	<u>405,419.00</u>	<u>1,980,419.00</u>

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 8: LONG-TERM DEBT (CONTINUED)

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 .71%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	2,732,641	2,732,641	None
General Debt	2,752,000		2,752,000
	<u>5,484,641</u>	<u>2,732,641</u>	<u>2,752,000</u>

Net Debt \$2,752,000/Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
 \$387,846,921 = .71%

Borrowing Power Under N.J.S.A. 40:A2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	13,574,642
Net Debt	<u>2,752,000</u>
Remaining Borrowing Power	<u>10,822,642</u>

NOTE 9: NOTES PAYABLE

The Township had a Bond Anticipation note outstanding as of December 31, 2010 in the amount of \$975,000 for various capital improvements that will mature on June 14, 2011 at an interest rate of 1.69%.

NOTE 10: PENSION FUNDS

Description of Plans - All eligible employees of the Township are covered by either the Public Employees' Retirement System, (P.E.R.S.) or the Police and Firemen's Retirement System (P.F.R.S.), cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the P.E.R.S. and P.F.R.S. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 10: PENSION FUNDS (CONTINUED)

Public Employees' Retirement System (P.E.R.S.) - The Public Employees' Retirement System (P.E.R.S.) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death disability and medical benefits to certain qualified members. P.E.R.S. is a cost-sharing multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Police and Firemen's Retirement System (P.F.R.S.) – The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Plan members and employer contributions may be amended by State of New Jersey legislation.

Funding Policy - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provide for employee contributions of 5.5% of employees' annual compensation, as defined. P.F.R.S. provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in P.E.R.S. and P.F.R.S. The P.E.R.S. and P.F.R.S. rates in effect for 2010 are 8.95% and 25.88% of covered payroll, respectively as reported on June 30, 2008. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Township's contributions to P.E.R.S. for the years ending December 31, 2010, 2009 and 2008 were \$52,045, \$51,269 and \$37,208 respectively, equal to the required contributions for each year. The Township's contributions to P.F.R.S. for the years ending December 31, 2010, 2009 and 2008 were \$160,513, \$179,637 and \$169,007 respectively, equal to the required contributions for each year.

NOTE 11: ACCUMULATED ABSENCE BENEFITS

The Township permits employees to accrue unused sick time up to a total of thirty days. Any amounts over this are paid at an agreed-upon rate prior to the end of each year. All vacation time must be taken prior to the end of the year.

The Township has entered into a duly negotiated and approved labor agreement #122 in regards to accumulated absence benefits.

The total value of compensated absences owed to employees as of December 31, 2010 was \$86,739. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2010, the fund had a reserve balance of \$13,117.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 12: POST-RETIREMENT BENEFITS

Plan Description - The Township 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 and Benefits. 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. Prior to 1985, the Township authorized participation in the SHBP's post-retirement benefit program. All employees who were part of a state administered pension system and have at least 25 years of government service are eligible to participate in the program.

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/gasb-43-sept2008.pdf.

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

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

The Township contributions to SHBP for the years ended December 31, 2010, 2009 and 2008, were \$99,422, \$91,534 and \$99,429, respectively, which equaled the required contributions for each year. There were approximately 8, 8 and 9 retired participants eligible at December 31, 2010, 2009, and 2008, respectively.

NOTE 13: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held by an independent administrator, Variable Annuity Life Insurance Company (VALIC) and the Security Benefits Company.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 14: LABOR CONTRACTS

As of December 31, 2010, the Township had a total of 12 employees represented by a union, The Police Benevolent Association of New Jersey, Gloucester County, Local No. 122. The union agreement expired on December 31, 2010 and a new agreement is currently being negotiated.

NOTE 15: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. In the Township's case, the amount of \$1,182,550 would be the maximum amount permitted to be deferred as of December 31, 2010, under these regulations. The Township has elected to defer school taxes and the accumulation of such deferral amounts to \$1,163,387.

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

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Balance of Tax	1,163,387	1,163,659
Deferred	1,163,387	1,163,655
Tax Payable	<u>None</u>	<u>4</u>

NOTE 16: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Prepaid Taxes - Cash liability	<u>78,447</u>	<u>87,808</u>

NOTE 17: ECONOMIC DEPENDENCY

The Township is not economically dependent on any one business or industry within the Township.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 18: RISK MANAGEMENT

The Township is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township maintains commercial insurance coverage for property, liability and surety bonds. The Township is a member of the Gloucester, Salem and Cumberland Counties Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem and Cumberland County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have been no claims in excess of coverage and no reduction in coverage during the year 2010.

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's Trust Fund for the current year and previous two years:

<u>Year</u>	<u>Township Contribution</u>	<u>Employee Contribution</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	None	None	13,428	24,410
2009	7,432	None	None	37,678
2008	12,000	6,458	4,149	30,093

NOTE 19: PROPERTY TAX INFORMATION

COMPARISON OF TAX RATE INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate:	2.358	2.298	2.199
Apportionment of Tax Rate:			
Municipal	0.549	0.539	0.502
County	0.596	0.586	0.567
Local School	0.600	0.588	0.562
Regional High School	0.613	0.575	0.558
Open Space	None	0.010	0.010
Assessed Valuation	394,119,855	395,818,503	385,820,507

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 19: PROPERTY TAX INFORMATION (CONTINUED)

COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Levy	9,371,304	9,129,591	8,701,556
Cash Collections	8,732,219	8,461,806	8,037,040
Percentage of Collections	93.18%	92.69%	92.36%

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>2010</u>	<u>2009</u>	<u>2008</u>
Amount of Tax Title Liens	457,607	419,726	320,169
Delinquent Taxes	651,594	640,719	671,433
Total Delinquent	1,109,201	1,060,445	991,602
Percentage of Tax Levy	11.84%	5.54%	11.40%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property Acquired for Taxes (Assessed Valuation)	152,930	77,530	77,530

NOTE 20: LITIGATION

It is the Township of Elk Counsel's opinion there exists no litigation or contingent liability that may be pending against the Township of Elk that would have an adverse effect on the financial position in the future.

SUPPLEMENTARY DATA

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

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

Honorable Mayor and Members
of the Township Committee
Township of Elk
667 Whig Lane
Monroeville, New Jersey 08343

We have audited the financial statements – regulatory basis of the Township of Elk as of and for the year ended December 31, 2010, and have issued our report thereon dated May 5, 2011. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Township of Elk prepares its financial statements on a basis of accounting prescribed by Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Elk'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the General Comments Section of the audit report.

This report is intended solely for the information and use of the management, the governing body, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 5, 2011

TOWNSHIP OF ELK
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

State Funding Department/Program	State Grant Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Department of Community Affairs								
Clean Communities	4900-765-042-4900-004-VCMC-6020	5,733		5,733	1/1/09	N/A	2,839	5,733
Clean Communities	4900-765-042-4900-004-VCMC-6020	13,750		13,750	1/1/10	N/A	1,969	1,969
Recycling Tonnage	4900-753-042-4900-00-V24Y-6020	3,078		3,078	1/1/10	N/A	400	400
Department of Law and Public Safety								
Body Armor	1020-718-066-1020-001-YCJS-6120	1,044		1,044	1/1/08	N/A	219	219
Body Armor	1020-718-066-1020-001-YCJS-6120	1,079		1,079	1/1/09	N/A	561	1,079
Drunk Driving Enforcement	6400-10-078-6400-YYYY	3,010		3,010	1/1/08	N/A	320	320
Alcohol Education and Rehabilitation	9735-760-098-Y900-001-X100-6020	1,396		1,396	1/1/10	N/A	350	350
Department of Transportation								
Transportation Trust Fund	6320-480-078-6320-AJP-TCAP-6010	192,000		150,000	1/1/09	N/A	20,063	158,338
Transportation Trust Fund	6320-480-078-6320-AJP-TCAP-6010	170,000		85,500	1/1/09	N/A	170,000	170,000
				264,590			196,721	338,408

CURRENT FUND

SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal and State Grant Fund</u>
Balance December 31, 2009	A	1,986,966	1,587
Increased by Receipts:			
Tax Collector	A-6	9,392,173	
Grants Receivable	A-8	135,196	
Revenue Accounts Receivable	A-12	955,253	8
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	60,000	
Grants Unappropriated	A-20	2,215	
Due to General Capital Fund		116,250	
Street Opening Fees		8,977	
Due Off-Duty Police Fund		16,260	
		<u>10,686,324</u>	<u>8</u>
		12,673,290	1,595
Decreased by Disbursements:			
2010 Budget Appropriations	A-3	2,640,976	
2009 Appropriation Reserves	A-14	78,285	
Encumbrances Payable	A-15	6,071	
Local District School Tax	A-17	2,365,372	
Regional High School Tax	A-18	2,471,768	
Reserve for Grants - Appropriated	A-19	196,571	
Tax Overpayments Refunded		9,056	
Payroll Taxes		889,636	
County Taxes		2,345,383	
Due County for Added Taxes		8,589	
		<u>11,011,707</u>	
Balance December 31, 2010	A	<u><u>1,661,583</u></u>	<u><u>1,595</u></u>

SCHEDULE OF CURRENT FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - CHIEF FINANCIAL OFFICER

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal & State Grant Fund</u>
Balance December 31, 2010	A-4	1,661,583	1,595
Increased by Receipts:			
Cash Receipts Record		3,612,598	1
		5,274,181	1,596
Decreased by Disbursements:			
Cash Disbursements Record		3,829,484	
Balance March 31, 2011	A-5	<u>1,444,697</u>	<u>1,596</u>
<u>Cash Reconciliation - March 31, 2011</u>			
Balance per Statement			
First National Bank of Elmer		1,155,917	1,596
Susquehanna Bank		298,180	
		1,454,097	1,596
Less: Outstanding Checks		9,400	
Balance March 31, 2011	A-5	<u>1,444,697</u>	<u>1,596</u>

SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>	
Increased by Receipts:		
Taxes Receivable	A-9	9,138,313
Tax Title Liens	A-10	25,139
Revenue Accounts Receivable	A-12	148,944
Prepaid Taxes		78,447
Tax Overpayments		1,330
		<hr/>
		9,392,173
Decreased by Disbursements:		
Paid to Treasurer	A-4	9,392,173

SCHEDULE OF CURRENT FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - COLLECTOR

Increased by Receipts:		
Cash Receipts Record		2,528,071
Decreased by Disbursements:		
Cash Disbursements Record		2,528,071

SCHEDULE OF GRANTS RECEIVABLE

<u>Grant</u>	<u>Balance Dec. 31, 2009</u>	<u>2010 Budget Revenue Realized</u>	<u>Received</u>	<u>Transfer from Grants Unappropriated</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2010</u>
State:						
Body Armor Grant	362				362	
Clean Communities		13,750	7,042	6,708		
Domestic Violence Training Grant	360				360	
Recreational Trails Program	25,000					25,000
Statewide Local Domestic Preparedness	1,576				1,576	
Buckle-up South Jersey Grant	400				400	
Transportation Trust Fund	296,256		127,500			168,756
Recycling Tonnage Grant		3,078		3,078		
Alcohol Education and Rehabilitation		1,396	654	742		
	<u>323,954</u>	<u>18,224</u>	<u>135,196</u>	<u>10,528</u>	<u>2,698</u>	<u>193,756</u>
Ref.	A	A-2	A-4	A-20	A-1	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2010 Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Transferred to Property Acquired for Taxes	Balance
	Dec. 31, 2009			2009	2010					Dec. 31, 2010
1988	1,809									1,809
1989	115									115
1990	1,925									1,925
1992	1,001									1,001
1994	5,812									5,812
1995	1,937									1,937
1996	8,343									8,343
1997	11,558									11,558
1998	4,924									4,924
1999	3,305									3,305
2000	8,265									8,265
2001	9,725									9,725
2002	4,837									4,837
2003	7,046									7,046
2004	378									378
2006	3,424									3,424
2007	2									2
2008			1,358		536					822
2009	566,313		4,073		559,336			5,084		5,966
	<u>640,719</u>		<u>5,431</u>		<u>559,872</u>			<u>5,084</u>		<u>81,194</u>
2010		9,352,806	18,498	87,808	8,639,383	5,028	4,624	63,149	912	570,400
	<u>640,719</u>	<u>9,352,806</u>	<u>23,929</u>	<u>87,808</u>	<u>9,199,255</u>	<u>5,028</u>	<u>4,624</u>	<u>68,233</u>	<u>912</u>	<u>651,594</u>
Ref.	A							A-10	A-11	A
				<u>Ref.</u>						
				A-6	9,138,313					
				A-16	60,942					
					<u>9,199,255</u>					

Cash - Collector
Due State of New Jersey

Ref.
A-6 9,138,313
A-16 60,942
9,199,255

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:			
Business Personalty Tax		42,504	
General Property Tax		9,250,842	
		<hr/>	
			9,293,346
Added Taxes (54:4-63.1 et seq.)			59,460
			<hr/>
			9,352,806
			<hr/> <hr/>

Tax Levied

	<u>Ref.</u>		
Regional High School Tax (Abstract)	A-18		2,417,938
Local District School Tax (Abstract)	A-17		2,365,100
County Taxes:			
County Tax (Abstract)		2,027,160	
County Library Tax (Abstract)		159,326	
County Open Space Tax (Abstract)		159,253	
Due County for Added Taxes (54:4-63.1 et seq.)		16,068	
		<hr/>	
Total County Taxes			2,361,807
Local Tax for Municipal Purposes	A-2	2,164,000	
Add: Additional Taxes Levied		43,961	
		<hr/>	
			2,207,961
			<hr/>
			9,352,806
			<hr/> <hr/>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>		
Balance December 31, 2009	A		419,726
Increased by:			
Transfers from Taxes Receivable	A-9	68,233	
Interest and Costs Accrued by Sale of November 30, 2010		837	
		<hr/>	69,070
			<hr/>
			488,796
Decreased by:			
Collection	A-6	25,139	
Transfer to Property Acquired for Taxes	A-11	6,050	
		<hr/>	31,189
Balance December 31, 2010	A		<hr/> <hr/> 457,607

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	<u>Ref.</u>		
Balance December 31, 2009	A		77,530
Increased by:			
Transfer from Tax Title Liens	A-10	6,050	
Transfer from Taxes Receivable	A-9	912	
		<hr/>	6,962
Add: Adjustment to Assessed Valuation		68,438	
		<hr/>	75,400
Balance December 31, 2010	A		<hr/> <hr/> 152,930

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance Dec. 31, 2009</u>	<u>Accrued in 2010</u>	<u>Collected</u>	<u>Balance Dec. 31, 2010</u>
<u>Miscellaneous Revenue Anticipated</u>				
Fines and Costs:				
Municipal Court	9,234	117,501	119,827	6,908
Interest and Costs on Taxes		148,894	148,894	
Health Insurance Copay		1,331	1,331	
Consolidated Municipal Property Tax Relief		35,604	35,604	
Energy Receipts Tax		326,711	326,711	
Uniform Construction Code	2,016	38,159	36,453	3,722
Borough of Newfield - Court Reimbursement		35,625	35,625	
Uniform Fire Safety Act		3,015	3,015	
<u>Miscellaneous Revenue Not Anticipated</u>				
Interest on Investments	23	13,920	13,922	21
Fees and Permits		191,180	191,180	
Cable Franchise		15,023	15,023	
County Reimbursement		176,620	176,620	
	<u>11,273</u>	<u>1,103,583</u>	<u>1,104,205</u>	<u>10,651</u>
Ref.	A			A
		<u>Ref.</u>		
Treasurer		A-4	955,261	
Collector		A-6	148,944	
			<u>1,104,205</u>	

SCHEDULE OF DEFERRED CHARGES
SPECIAL EMERGENCY - TAX MAP AND REVALUATION

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance Dec. 31, 2009</u>	<u>Reduced in 2010</u>
6/2/05	Revaluation	200,000	40,000	40,000	40,000
	Ref.			A	A-3

SCHEDULE OF 2009 APPROPRIATION RESERVES

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>After Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Salaries and Wages:				
Construction Code	3,982	1,982		1,982
Other Expenses:				
General Administration	1,717	1,717	703	1,014
Mayor and Township Committee	1,806	1,806	65	1,741
Municipal Clerk	11,585	11,585	3,360	8,225
Financial Administration	5,089	5,089	1,108	3,981
Assessment of Taxes	2,748	2,748	548	2,200
Tax Map Revisions	4,926	4,926	60	4,866
Legal Services and Costs	9,602	9,602	7,555	2,047
Engineering Services and Costs	23,063	23,063	3,292	19,771
Planning Board	9,123	9,123	4,038	5,085
Police	1,708	4,208	2,950	1,258
Aid to Volunteer Fire Company	4,278	4,278	464	3,814
Uniform Fire Safety Act	359	359	135	224
Vehicle Maintenance	22,061	22,061	2,684	19,377
Snow Removal	5,144	5,144	3,382	1,762
Solid Waste Collection	32,664	32,664	22,120	10,544
Public Buildings and Grounds	15,649	13,149	1,330	11,819
County Landfill Tipping Fees	28,171	28,171	14,754	13,417
Electricity	10,381	10,381	3,113	7,268
Street Lighting	2,249	2,249	866	1,383
Telephone	3,588	3,588	832	2,756
Gas (Natural or Propane)	9,261	9,261	1,284	7,977
Gasoline	24,181	24,181	1,520	22,661
Construction Code	1,513	3,513	1,720	1,793
Municipal Court	7,465	7,465	402	7,063
Other Accounts - No Change	100,477	100,477		100,477
	<u>342,790</u>	<u>342,790</u>	<u>78,285</u>	<u>264,505</u>
Ref.	A		A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2009	A	<u>5,222</u>	<u>11,570</u>
Increased by:			
Charges to 2010 Appropriations	A-3	13,096	
Reserve for Grants - Appropriated	A-19		150
		<u>18,318</u>	<u>11,720</u>
Decreased by:			
Payments	A-4	4,471	1,600
Canceled	A-1	751	
		<u>5,222</u>	<u>1,600</u>
Balance December 31, 2010	A	<u><u>13,096</u></u>	<u><u>10,120</u></u>

SCHEDULE OF DUE STATE OF NEW JERSEY
SENIOR CITIZEN AND VETERANS DEDUCTIONS

	<u>Ref.</u>	
Balance December 31, 2009	A	13,787
Increased by:		
Receipts	A-4	60,000
		<u>73,787</u>
Decreased by:		
2010 Deductions Per Tax Duplicate		62,000
2010 Deductions Allowed by Collector		1,500
2010 Deductions Disallowed by Collector		<u>(2,558)</u>
	A-9	<u>60,942</u>
Balance December 31, 2010	A	<u><u>12,845</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>		
Balance December 31, 2009:			
School Tax Payable	A	4	
School Tax Deferred		1,163,655	
		<hr/>	1,163,659
Increased by:			
Levy - School Year July 1, 2010 to June 30, 2011	A-9		2,365,100
			<hr/>
			3,528,759
Decreased by:			
Payments	A-4		2,365,372
			<hr/>
Balance December 31, 2010:			
School Tax Deferred		1,163,387	
		<hr/>	1,163,387
			<hr/> <hr/>
2010 Tax Liability for Local District School Tax:			
Tax Paid	A-17		2,365,372
Less: Tax Payable 12-31-09	A-17		4
			<hr/>
Amount Charged to 2010 Operations	A-1		2,365,368
			<hr/> <hr/>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
Levy - Calendar Year 2010	A-9	2,417,938
Decreased by:		
Payments	A-4	<u>2,471,768</u>
Balance December 31, 2010	A	<u><u>(53,830)</u></u>
2010 Tax Liability for Regional High School Tax:		
Tax Paid	A-1	<u><u>2,417,938</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Transferred</u> <u>from 2010</u> <u>Budget</u> <u>Appropriation</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Federal Grants:				
Community Development Block Grant	22,720			22,720
Click It or Ticket	3,400			3,400
State Grants:				
Alcohol Education and Rehabilitation	1,453	1,396	350	2,499
Clean Communities	21,878	13,750	4,808	30,820
Domestic Violence Training Grant	360		360	
Drunk Driving Enforcement Fund	4,252		320	3,932
Body Armor Grant	2,124		780	1,344
Stormwater Regulation Program	6,250			6,250
Recycling Tonnage Grant	8,893	3,078	400	11,571
Statewide Local Domestic Preparedness	1,576		1,576	
Transportation Trust Fund	236,298		190,063	46,235
	<u>309,204</u>	<u>18,224</u>	<u>198,657</u>	<u>128,771</u>
Ref.	A	A-3 <u>Ref.</u>		A
	Disbursed	A-4	196,571	
	Encumbered	A-15	150	
	Canceled	A-1	1,936	
			<u>198,657</u>	

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Received</u>	<u>Realized in</u> <u>2010 Budget</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
State Grants:				
Clean Communities	6,708		6,708	
Alcohol Education and Rehabilitation	742		742	
Body Armor Grant		2,215		2,215
Recycling Tonnage Grant	3,078		3,078	
	<u>10,528</u>	<u>2,215</u>	<u>10,528</u>	<u>2,215</u>
	A	A-4	A-8	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - CHIEF FINANCIAL OFFICER

	Ref.	Animal Control Trust	Unemployment Compensation Fund	Forfeited Funds Trust	Accumulated Absence Trust	Public Defender Trust	Developers Escrow Fund	Fire Prevention Trust	Open Space Preservation Fund	Recreation Trust	Affordable Housing Trust	Fire Safety Penalty Monies Trust
Balance December 31, 2009	B	4,124	37,678	17	12,122	5,747	148,167	5,706	192,208	1,055	47,991	
Increased by Receipts:												
Dog License Fees:												
Municipal Share	B-5	5,508										
State Share		1,697										
Budget Appropriation					1,000							
Developers Deposits							103,227					
Fire Prevention Fees								1,455				
Fire Safety Penalty Fees												300
Public Defender Fees						1,055						
Affordable Housing Fees											24,028	
Interest Earned		23	160		61	31	1,063	33	964	5	279	1
		<u>7,228</u>	<u>160</u>		<u>1,061</u>	<u>1,086</u>	<u>104,290</u>	<u>1,488</u>	<u>964</u>	<u>5</u>	<u>24,307</u>	<u>301</u>
		<u>11,352</u>	<u>37,838</u>	<u>17</u>	<u>13,183</u>	<u>6,833</u>	<u>252,457</u>	<u>7,194</u>	<u>193,172</u>	<u>1,060</u>	<u>72,298</u>	<u>301</u>
Decreased by Disbursements:												
Paid to State of New Jersey		1,680										
Expenditures Under RS 4:19-15.11	B-5	6,205										
Unemployment Compensation			13,428									
Developers Fees							83,468					
Transfer to Current Fund		24			60	231	574	54		5		
		<u>7,909</u>	<u>13,428</u>		<u>60</u>	<u>231</u>	<u>84,042</u>	<u>54</u>		<u>5</u>		
Balance December 31, 2010	B	<u>3,443</u>	<u>24,410</u>	<u>17</u>	<u>13,123</u>	<u>6,602</u>	<u>168,415</u>	<u>7,140</u>	<u>193,172</u>	<u>1,055</u>	<u>72,298</u>	<u>301</u>

SCHEDULE OF TRUST FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 -- CHIEF FINANCIAL OFFICER

	Ref.	Animal Control Trust	Unemployment Compensation Fund	Forfeited Funds Trust	Accumulated Absence Trust	Public Defender Trust	Developers Escrow Fund	Fire Prevention Trust	Open Space Preservation Fund	Recreation Trust	Affordable Housing Trust	Fire Safety Penalty Monies Trust	Snow Removal Trust
Balance December 31, 2010	B-1	3,443	24,410	17	13,123	6,602	168,415	7,140	193,172	1,055	72,298	301	
Increased by Receipts:													
Cash Receipts Record		2,924	9,792		16	208	25,983	581	238	1	2,589		10,003
		6,367	34,202	17	13,139	6,810	194,398	7,721	193,410	1,056	74,887	301	10,003
Decreased by Disbursements:													
Cash Disbursements Record		2,521	6,252		6	3	4,184	4					
Balance March 31, 2011	B-2	3,846	27,950	17	13,133	6,807	190,214	7,717	193,410	1,056	74,887	301	10,003

Cash Reconciliation - March 31, 2011

Balance per Statement													
First National Bank of Elmer		3,846	27,950	17	13,133	6,807	167,667	7,717	193,410	1,056	74,887	301	10,003
Susquehanna Bank							22,547						
Balance March 31, 2011	B-2	3,846	27,950	17	13,133	6,807	190,214	7,717	193,410	1,056	74,887	301	10,003

EXHIBIT B-3

SCHEDULE OF TRUST FUND CASH - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2009	B	13,829
Increased by:		
Deposits for Redemption of Tax Sale Certificates		121,972
Premiums Received at Tax Sale		21,400
Interest Due Current Fund		93
		<hr/>
		143,465
		<hr/>
		157,294
Decreased by:		
Deposits for Redemption of Tax Sale Certificates		123,351
Premiums Received at Tax Sale		9,100
Transfer to Current Fund		
		<hr/>
		132,451
Balance December 31, 2010	B	<hr/> <hr/> 24,843

EXHIBIT B-4

SCHEDULE OF TRUST FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 -- COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2010	B-3	24,843
Increased by:		
Cash Receipts Record		77,185
		<hr/>
		102,028
Decreased by:		
Cash Disbursements Record		79,242
		<hr/>
Balance March 31, 2011	B-4	<hr/> <hr/> 22,786
<u>Cash Reconciliation - March 31, 2011</u>		
Balance per Statement		
First National Bank of Elmer		23,894
Less: Outstanding Checks		1,108
Balance March 31, 2011	B-4	<hr/> <hr/> 22,786

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2009	<u>Ref.</u> B	4,162
Increased by:		
Municipal Share of Dog License Fees	B-1	5,508
		<hr/>
		9,670
Decreased by:		
Expenditures Under R.S.4:19-15.11: Cash	B-1	6,205
		<hr/>
Balance December 31, 2010	B	<u><u>3,465</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2008	4,872
2009	3,325
	<hr/>
	<u><u>8,197</u></u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH - CHIEF FINANCIAL OFFICER

Balance December 31, 2009	<u>Ref.</u> C		584,700
Increased by:			
Budget Appropriation:			
Capital Improvement Fund	C-6	5,000	
Interest Earned		2,885	
		<hr/>	7,885
			<hr/>
			592,585
Decreased by:			
Due Current Fund		2,897	
Improvement Authorizations	C-7	50,208	
		<hr/>	53,105
Balance December 31, 2010	C		<hr/> <hr/> 539,480

SCHEDULE OF GENERAL CAPITAL CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - CHIEF FINANCIAL OFFICER

Balance December 31, 2010	<u>Ref.</u> C-2	539,480
Increased by:		
Cash Receipts Record		665
		<hr/> 540,145
Decreased by:		
Cash Disbursements Record		236
Balance March 31, 2011	C-3	<hr/> 539,909 <hr/> <hr/>
		<u>Cash Reconciliation - March 31, 2011</u>
Balance per Statement		
First National Bank of Elmer	C-3	<hr/> 539,909 <hr/> <hr/>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2009	Receipts		Disbursements		Balance Dec. 31, 2010	
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous		Transfers
Fund Balance	501					203,635	204,136
Capital Improvement Fund	146,814	5,000				(4,250)	147,564
Due Current Fund	(101,002)		2,885		2,897	(116,250)	(217,264)
Reserve for Purchase of Fire Equipment	1,887						1,887
Reserve for Installation of Traffic Signals	12,000						12,000
Reserve for Improvements to Municipal Roads	19,198						19,198
Improvement Authorizations:							
<u>Ordinance #</u>							
86-06 Development of Multi-Purpose Park	5,824					(5,824)	
Reappropriation of Unexpended Balance of Previous Ordinance per 40A:2-39 for Sound Equipment & Renovations to Municipal Building	9,563					(9,563)	
98-04 Acquisition of Land, Various Improvements to Municipal Buildings & Grounds, Acquisition of Certain Capital Equipment	2,569						2,569
99-02 Acquisition of Certain Capital Equipment	42,822					(42,822)	
01-14 Landfill Closure	33,844					(33,844)	
03-05 Acquisition of Land	3,991					(3,991)	
03-11 Purchase of Vehicle, Equipment & Software	20,317					(20,317)	
03-15 Improvements to West Boulevard & Dunbar Street	42,691					(42,691)	
03-18 Acquisition of Land	11,847					(11,847)	
05-04 Acquisition of Certain Police Equipment & Improvements to Municipal Building	32,736					(32,736)	
06-04 Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	33,365						33,365
07-18 Purchase of Fire Truck	28,282						28,282
07-19 Reconstruction of Streets & Park Improvements	184,181						184,181
07-20 Purchase of Passenger Bus	2,332						2,332
08-12 Reconstruction of Streets	41,288						41,288
09-08 Reconstruction of Streets	9,650			49,814		116,250	76,086
10-46 Purchase of Recycling Carts				394		4,250	3,856
	<u>584,700</u>	<u>5,000</u>	<u>2,885</u>	<u>50,208</u>	<u>2,897</u>		<u>539,480</u>
Ref.	C	C-6	C-2	C-7	C-2		C

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - UNFUNDED

<u>Ordinance #</u>	<u>Purpose</u>	<u>Balance Dec. 31, 2009</u>	<u>2010 Authorization</u>	<u>Notes Paid by Appropriation</u>	<u>Balance Dec. 31, 2010</u>	<u>Analysis of Balance Dec. 31, 2010</u>	
						<u>Financed By Bond Anticipation Notes</u>	<u>Unexpended Improvement Authorizations</u>
06-04	Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	180,000		10,000	170,000	170,000	
07-18	Purchase of Fire Truck	380,000			380,000	380,000	
07-19	Reconstruction of Streets & Park Improvements	213,750			213,750	213,750	
07-20	Purchase of Passenger Bus	47,500			47,500		47,500
08-12	Reconstruction of Streets	95,000			95,000	95,000	
09-08	Reconstruction of Streets	190,000			190,000	116,250	73,750
10-46	Purchase of Recycling Carts		80,750		80,750		80,750
		<u>1,106,250</u>	<u>80,750</u>	<u>10,000</u>	<u>1,177,000</u>	<u>975,000</u>	<u>202,000</u>
Ref.		C	C-7	C-10	C	C-10	
	Improvement Authorizations - Unfunded				<u>Ref.</u>		565,202
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:						
	Ordinance 06-04				C-4	33,365	
	Ordinance 07-18				C-4	28,282	
	Ordinance 07-19				C-4	184,181	
	Ordinance 08-12				C-4	41,288	
	Ordinance 09-08				C-4	76,086	
							363,202
							<u>202,000</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2009	C	146,814
Increased by:		
2010 Budget Appropriation	C-2	<u>5,000</u>
		151,814
Decreased by:		
Appropriation to Finance Improvement Authorization	C-7	<u>4,250</u>
Balance December 31, 2010	C	<u><u>147,564</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance #	Improvement Description	Date	Amount	Balance Dec. 31, 2009		2010 Authorization	Paid or Charged	Canceled	Balance Dec. 31, 2010	
				Funded	Unfunded				Funded	Unfunded
86-06	Development of Multi-Purpose Park	4/21/86	105,000	5,824				5,824		
	Reappropriation of Unexpended Balance of Previous Ordinance per 40A:2-39 for Sound Equipment & Renovations to Municipal Building	8/7/97	25,000	9,563				9,563		
98-04	Acquisition of Land, Various Improvements to Municipal Buildings & Grounds, Acquisition of Certain Capital Equipment	6/4/98	198,030	2,569					2,569	
99-02	Acquisition of Certain Capital Equipment	7/1/99	485,000	42,822				42,822		
01-14	Landfill Closure	10/4/01	85,000	33,844				33,844		
03-05	Acquisition of Land	4/3/03	55,000	3,991				3,991		
03-11	Purchase of Vehicle, Equipment & Software	7/15/03	75,000	20,317				20,317		
03-15	Improvements to West Boulevard & Dunbar Street	10/2/03	45,000	42,691				42,691		
03-18	Acquisition of Land	12/4/03	190,000	11,847				11,847		
05-04	Acquisition of Certain Police Equipment & Improvements to Municipal Building	5/5/05	150,000	32,736				32,736		
06-04	Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	6/19/06	200,000		33,365					33,365
07-18	Purchase of Fire Truck	12/6/07	400,000		28,282					28,282
07-19	Reconstruction of Streets & Park Improvements	12/6/07	225,000		184,181					184,181
07-20	Purchase of Passenger Bus	12/6/07	50,000	2,332	47,500				2,332	47,500
08-12	Reconstruction of Streets	10/2/08	100,000		41,288					41,288
09-08	Reconstruction of Streets	7/21/09	200,000	9,650	190,000		49,814			149,836
10-46	Purchase of Recycling Carts	2/2/10	85,000			85,000	394		3,856	80,750
				218,186	524,616	85,000	50,208	203,635	8,757	565,202
		Ref.	C	C			C-2	C-1	C	C
	Capital Improvement Fund									
	Deferred Charges to Future Taxation - Unfunded									
						4,250				
						80,750				
						85,000				

EXHIBIT C-8

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Purpose</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>		<u>Balance Dec. 31, 2010</u>
			<u>Principal</u>	<u>Interest</u>		<u>Decreased</u>		
Energy Management Equipment	6/1/06	10 Years	74,832	27,168	6.50%	55,971	6,570	49,401
					Ref.	C		C

EXHIBIT C-9

SCHEDULE OF BONDS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2010</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>		<u>Balance Dec. 31, 2010</u>
			<u>Date</u>	<u>Amount</u>		<u>Decreased</u>		
General Improvement Bonds of 2005	9/1/05	2,120,000	9/1/11-13	125,000	4.125%			
			6/1/14	125,000	4.200%			
			9/1/15-16	150,000	4.250%			
			9/1/17	155,000	4.250%			
			9/1/18	200,000	4.250%			
			9/1/19-20	210,000	4.250%	1,700,000	125,000	1,575,000
						1,700,000	125,000	1,575,000
					Ref.	C		C

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>Ordinance #</u>	<u>Purpose</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2010</u>
06-04	Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	6/25/06	6/15/10	6/14/11	1.69%	180,000		10,000	170,000
07-18	Purchase of Fire Truck	8/13/08	6/15/10	6/14/11	1.69%	380,000			380,000
07-19	Reconstruction of Streets & Park Improvements	8/13/08	6/15/10	6/14/11	1.69%	213,750			213,750
08-12	Reconstruction of Streets	6/16/09	6/15/10	6/14/11	1.69%	95,000			95,000
09-08	Reconstruction of Streets	6/15/10	6/15/10	6/14/11	1.69%		116,250		116,250
						<u>868,750</u>	<u>116,250</u>	<u>10,000</u>	<u>975,000</u>
					Ref.	C	C-11	C-5	C

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2009</u>	<u>2010 Authorization</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance Dec. 31, 2010</u>
07-19	Reconstruction of Streets & Park Improvements	47,500			47,500
09-08	Reconstruction of Streets	190,000		116,250	73,750
10-46	Purchase of Recycling Carts		80,750		80,750
		<u>237,500</u>	<u>80,750</u>	<u>116,250</u>	<u>202,000</u>
	Ref.		C-7	C-10	

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states "Every contract or agreement 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 therefore, except as is provided otherwise in this act or specifically by any other law."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertisement for the following items:

Reconstruction of Jackson Avenue, Leddon Street and Roosevelt Avenue

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11.5.

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

Our examination of expenditures did not reveal any individual payment, contract or agreement in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

N.J.S.A. 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 7, 2010 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 allows Municipalities to fix rates of interest to be charged for unpaid and delinquent taxes.

NOW, THEREFORE, BE IT RESOLVED by the Township Committee of Elk, County of Gloucester and State of New Jersey that the Tax Collector of said Township is hereby directed to charge interest at the rate of 8% per annum on the first \$1,500 of delinquent installments of taxes, and at the rate of 18% per annum on any amount in excess of \$1,500 from the date the installments become delinquent. Provided, however, that no interest shall be charged if payment of any installment is made within ten (10) days after the date on which same became payable.

BE IT FURTHER RESOLVED that the Tax Collector is authorized and directed to charge a penalty of 6% of the amount of tax delinquency to any taxpayer with a tax delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 1, 2010 and was complete.

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>
2010	88
2009	89
2008	72

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. All notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

OTHER COMMENTS

Accounting Procedures

The records maintained by the Chief Financial Officer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements as follows:

1. The general ledger has been established as required by N.J.A.C. 5:30-5.7. The general ledger does not contain all necessary adjusting entries. These entries are made after year end.
2. An encumbrance accounting and reporting system has been established as required by N.J.A.C. 5:30-5.2.
3. A fixed asset accounting and reporting system has been established as required by N.J.A.C. 5:30-5.6.

There are interfund loans existing as of year end. Generally, they were the result of December interest earned and the absence of a bank account for the Federal and State grant funds. These interfunds are routinely cleared in the subsequent year.

Corrective Action Plan

A corrective action plan was filed for the year 2009 and corrective action was taken for all findings.

FINDINGS AND RECOMMENDATIONS

None

We received the complete cooperation of all the officials of the Township and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252