

BOROUGH OF EDGEWATER

**Financial Statements With
Supplementary Information**

June 30, 2009

(With Independent Auditors' Reports Thereon)

BOROUGH OF EDGEWATER

Table of Contents

<u>Exhibit</u>		<u>Page</u>
	<u>Part I</u>	
	Independent Auditor's Report	1
	FINANCIAL STATEMENTS	
	<u>Current Fund</u>	
A	Balance Sheet - Regulatory Basis	3
A-1	Statement of Operations and Changes in Fund Balance - Regulatory Basis	5
A-2	Statement of Revenues - Regulatory Basis	6
A-3	Statement of Expenditures - Regulatory Basis	8
	<u>Trust Funds</u>	
B	Balance Sheet - Regulatory Basis	14
	<u>General Capital Fund</u>	
C	Balance Sheet - Regulatory Basis	16
C-1	Schedule of Fund Balance - Regulatory Basis	17
	<u>Marina Utility Fund</u>	
D	Balance Sheet - Regulatory Basis	18
D-1	Statement of Operations and Change in Fund Balance - Regulatory Basis	19
D-2	Statement of Revenues - Regulatory Basis	20
D-3	Statement of Expenditures - Regulatory Basis	21
	<u>Public Assistance Fund</u>	
E	Balance Sheet - Regulatory Basis	22
	<u>Sewer Facilities Grant Fund</u>	
F	Balance Sheet - Regulatory Basis	23

BOROUGH OF EDGEWATER

Table of Contents, Continued

<u>Exhibit</u>		<u>Page</u>
	<u>Part I (Cont.)</u>	
	<u>General Fixed Assets Account Group</u>	
G	Statement of General Fixed Assets - Regulatory Basis	24
	Notes to Financial Statements	25
	Supplementary Data	42
	<u>Current Fund</u>	
A-4	Schedule of Cash - Collector/Treasurer	45
A-5	Schedule of Taxes Receivable and Analysis of Property Tax Levy	46
A-6	Schedule of Tax Title Liens	47
A-7	Schedule of Revenue Accounts Receivable	48
A-8	Schedule of Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	49
A-9	Schedule of Local District School Tax Payable	49
A-10	Schedule of County Taxes Payable	50
A-11	Schedule of Due County for Added and Omitted Taxes	50
A-12	Schedule of 2008 Appropriation Reserves	51
A-13	Schedule of Reserve for Encumbrances	53
A-14	Schedule of Tax Overpayments	53
A-15	Schedule of Prepaid Taxes	54
A-16	Schedule of Due to the State - Marriage License Fees	54
A-17	Schedule of Property Acquired for Taxes - Assessed Valuation	55
A-18	Schedule of Reserves for Tax Title Lien Premium	55
A-19	Schedule of Interfunds	56
A-20	Schedule of Various Reserves	57
A-21	Schedule of Due to Federal and State Grant Fund	58
A-22	N.J.S. 40A:4-53 Special Emergency	59
A-23	Schedule of Grants Receivable - State and Federal Grant Fund	60
A-24	Schedule of Appropriated Grant Reserves - State and Federal Grant Fund	61
A-25	Schedule of Unappropriated Grant Reserves - State and Federal Grant Fund	63

BOROUGH OF EDGEWATER

Table of Contents, Continued

<u>Exhibit</u>		<u>Page</u>
	<u>Part I (Cont.)</u>	
	<u>Trust Funds</u>	
B-1	Schedule of Cash - Treasurer	64
B-2	Schedule of Reserve for Expenditures - Animal License Fund	65
B-3	Schedule of Due to State of New Jersey - Animal License Fees	66
B-4	Schedule of Reserve Escrow Deposits	66
B-5	Schedule of Amount Due to (from) Current Fund	67
B-6	Schedule of Miscellaneous Reserves	68
B-7	Statement of Service Award Contributions Receivable	69
B-8	Statement of Net Assets Available for Benefits	69
	<u>General Capital Fund</u>	
C-2	Schedule of Cash - Treasurer	70
C-3	Schedule of General Capital Fund Cash	71
C-4	Schedule of Deferred Charges to Future Taxation - Funded	73
C-5	Schedule of Deferred Charges to Future Taxation - Unfunded	74
C-6	Schedule of Infrastructure Loans Receivable - New Jersey Department of Environmental Protection	75
C-7	Schedule of Grants Receivable - State of New Jersey Green Acres Program	75
C-8	Schedule of Grants Receivable - New Jersey Department of Transportation	76
C-9	Schedule of Grants Receivable - Bergen County Open Space Trust Fund	76
C-10	Schedule of Grants Receivable - New Jersey Special Purpose Grant	77
C-11	Schedule of Grants Receivable - Bergen County Historic Preservation Trust	77
C-12	Schedule of Community Development Block Grant Receivables	78
C-13	Schedule of Due from Current Fund	79
C-14	Schedule of Reserve for Unappropriated Grants	79
C-15	Schedule of New Jersey Environmental Infrastructure Loan Payable	80
C-16	Schedule of Green Trust Loan Payable	81
C-17	Schedule of Serial Bonds	82
C-18	Schedule of Capital Leases Payable	84

BOROUGH OF EDGEWATER

Table of Contents, Continued

<u>Exhibit</u>		<u>Page</u>
	<u>Part I (Cont.)</u>	
	<u>General Capital Fund, (continued)</u>	
C-19	Schedule of Bond Anticipation Notes	85
C-20	Schedule of Reserve for Grants Receivable	86
C-21	Schedule of Reserve of Payment of Debt	86
C-22	Schedule of Capital Improvement Fund	87
C-23	Schedule of Improvement Authorizations	88
C-24	Schedule of Bonds and Notes Authorized but not Issued	89
	<u>Marina Utility Fund</u>	
D-4	Schedule of Cash - Collector - Treasurer	90
D-5	Schedule of Encumbrances Payable	91
D-6	Schedule of 2008 Reserves - Operating Fund	92
	<u>Public Assistance Fund</u>	
E-1	Schedule of Cash - Treasurer	93
E-2	Schedule of Public Assistance Cash and Reconciliation per N.J.S.A. 40A:5-5	94
E-3	Schedule of Public Assistance Cash and Reconciliation	95
E-4	Statement of Public Assistance Revenues	96
E-5	Statement of Public Assistance Expenditures	96
	<u>Sewer Facilities Grant Fund</u>	
F-1	Schedule of Grants Receivable	97
F-2	Schedule of Reserve for Grant Expenditures	97

BOROUGH OF EDGEWATER

Table of Contents, (continued)

Part II

	<u>Page</u>
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	98
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance With OMB Circular A-133 and N.J. OMB Circular 04-04 as Amended	100
Schedule of Expenditures of Federal Awards	102
Schedule of State Financial Assistance	103
Notes to the Schedules of Expenditures of Federal and State Awards	106
Schedule of Findings and Questioned Costs	107
Summary Schedule of Prior Audit Findings	110
General Comments	111
Other Comments	113
Recommendations	114
Status of Prior Years Audit Findings/Recommendations	115
Acknowledgment	115

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Edgewater
County of Bergen, New Jersey

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Borough of Edgewater in the County of Bergen, as of and for the years ended June 30, 2009 and 2008, and the related statements of operations and changes in fund balance-regulatory basis for the year then ended, and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the fiscal year ended June 30, 2009. These financial statements are the responsibility of the Borough of Edgewater's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Length of Service Awards Program of the Borough of Edgewater has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which 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 accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



Honorable Mayor and
Members of the Borough Council
Page 2.

In our opinion, because of the Borough of Edgewater's policy to prepare 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 Borough of Edgewater, New Jersey as of June 30, 2009 and 2008 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 group of the Borough of Edgewater, New Jersey at June 30, 2009 and 2008, and the results of its operations and the 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 for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated December 21, 2009, on our consideration of the Borough of Edgewater, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of state and federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"; and New Jersey OMB's Circular 04-04; single audit policy for recipients of federal grants, state grants and state aid, and are not a required part of the financial statements. Additionally, the accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CROO413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants



December 21, 2009

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis

Current Fund

June 30, 2009 and 2008

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Regular Fund:			
Cash	A-4	\$ 5,124,881	7,736,598
Petty cash		250	200
Change funds		190	175
Due from State of New Jersey:			
Senior citizens' and veterans' deductions	A-8	12,048	12,588
		<u>5,137,369</u>	<u>7,749,561</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-5	1,131,800	469,510
Property acquired for taxes - assessed valuation	A-17	3,844,775	3,844,775
Tax title liens	A-6	30,898	28,125
Revenue accounts receivable	A-7	27,966	47,312
Due from Escrow Trust Fund	A-19	118	13,069
		<u>5,035,557</u>	<u>4,402,791</u>
Deferred charges:			
Special emergency authorizations	A-22	86,000	148,000
		<u>10,258,926</u>	<u>12,300,352</u>
State and Federal Grant Fund:			
Grants receivable	A-23	132,089	132,089
Due from Current Fund	A-21	412,805	404,115
		<u>544,894</u>	<u>536,204</u>
		<u>\$ 10,803,820</u>	<u>12,836,556</u>

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis

Current Fund

June 30, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Appropriation reserves	A-3,A-12	\$ 1,429,054	1,172,658
Encumbrances payable	A-13,A-24	112,640	281,361
Tax overpayments	A-14	101,328	70,809
Due to State of NJ - Marriage Licenses	A-16	275	650
Prepaid taxes	A-15	45,804	35,926
Reserve for tax title lien premium	A-18	48,700	8,000
Interfund Payables:			
Open Space Trust	A-19	167,452	11,941
Dedicated Fire Penalty Trust	A-19		2,500
General Capital Fund	A-19	221,238	27,245
Reserve for:			
Sale of property	A-20	1,091	1,091
Donations	A-20	17,425	17,425
Playground	A-20	4,306	4,306
Library state aid	A-20	8,107	8,862
POAA	A-20	5,682	3,172
Ferry Agreement	A-20	20,000	20,000
Community Center	A-20	18,730	18,730
Developers Contributions	A-20		1,444,731
BCUA Grant	A-20	17,608	17,608
Regional Contribution Agreement	A-20		331,803
Centennial Celebration	A-20	890	890
Arts Festival	A-20	1,513	1,513
Revaluation	A-20	56,743	56,743
Special Emergency Note		50,000	100,000
Due to State and Federal Grant Fund	A-21	412,805	404,115
		<u>2,741,391</u>	<u>4,042,079</u>
Reserve for receivables and other assets	A	5,035,557	4,402,791
Fund balance	A-1	<u>2,481,978</u>	<u>3,855,482</u>
		<u>10,258,926</u>	<u>12,300,352</u>
State and Federal Grant Fund:			
Appropriated reserves	A-24	522,243	467,248
Unappropriated reserves	A-25	22,651	68,956
		<u>544,894</u>	<u>536,204</u>
		<u>\$ 10,803,820</u>	<u>12,836,556</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Statement of Operations and Changes in Fund Balance-Regulatory Basis

Current Fund

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue and other income realized:		
Fund balance utilized	\$ 3,000,000	2,750,000
Miscellaneous revenue anticipated	2,132,224	3,173,495
Receipts from delinquent taxes	468,240	277,857
Receipts from current taxes	33,651,402	33,575,847
Nonbudget revenues	848,553	1,458,342
Other credits to income:		
Unexpended balance of appropriation reserves	845,115	797,747
Liabilities Canceled		33,359
Change and Petty Cash funds advanced	65	
Prior year interfunds returned	13,069	
Total revenue	<u>40,958,668</u>	<u>42,066,647</u>
Expenditures:		
Budget and emergency appropriations:		
Appropriation within "CAPS":		
Operations:		
Salaries and wages	8,238,200	7,709,276
Other expenses	6,225,858	6,350,255
Deferred charges and statutory expenditures	1,189,421	442,617
Appropriations excluded from "CAPS":		
Operations:		
Other expenses	3,551,970	4,244,216
Capital improvements	75,000	75,000
Municipal debt service	1,664,225	1,746,725
Deferred charges and statutory expenditures	62,000	62,000
County taxes	5,479,673	5,453,268
Due county for added taxes	180,907	26,272
Local district school taxes	12,397,570	12,137,797
Open Space Tax	167,452	339,557
Refund Prior Year Revenue	99,896	12,893
Total expenditures	<u>39,332,172</u>	<u>38,599,876</u>
Excess in revenue	1,626,496	3,466,771
Fund balance - July 1,	<u>3,855,482</u>	<u>3,138,711</u>
	5,481,978	6,605,482
Decreased by utilization as anticipated revenue	<u>3,000,000</u>	<u>2,750,000</u>
Fund balance - June 30,	<u>\$ 2,481,978</u>	<u>3,855,482</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Statement of Revenues - Regulatory Basis

Current Fund

Year ended June 30, 2009

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Surplus anticipated	\$ 3,000,000	3,000,000	
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	15,000	17,050	2,050
Other	20,000	18,917	(1,083)
Fees and permits:			
Construction	350,000	291,289	(58,711)
Other	148,000	89,693	(58,307)
Fines and costs municipal court	275,000	303,857	28,857
Interest and costs on taxes	75,000	169,274	94,274
Interest on investments and deposits	150,000	33,695	(116,305)
Consolidated Municipal Property Tax Relief Aid	558,745	558,745	
Energy Receipts Tax	436,678	436,678	
Supplemental Energy Receipts Tax	18,227	18,227	
Uniform Fire Safety	25,000	26,843	1,843
Sewer connection fees	62,000	99,000	37,000
Recycling Tonnage Grant	7,250	7,250	
Clean Communities Program	19,296	19,296	
Green Communities Program	2,000	2,000	
Municipal Alliance	1,500	1,500	
Smart Growth Grant	25,000	25,000	
Municipal Stormwater Safety	8,468	8,468	
Alcohol Education Rehabilitation	2,077	2,077	
Municipal Recycling Assistance Program	3,365	3,365	
Total miscellaneous revenues	<u>2,202,606</u>	<u>2,132,224</u>	<u>(70,382)</u>
Receipts from delinquent taxes	450,000	468,240	18,240
Amount to be raised by taxes for support of municipal budget	<u>16,050,231</u>	<u>16,025,800</u>	<u>(24,431)</u>
Budget total	<u>\$ 21,702,837</u>	<u>21,626,264</u>	<u>(76,573)</u>
Nonbudget revenue		<u>848,553</u>	
		<u>\$ 22,474,817</u>	

BOROUGH OF EDGEWATER

Statement of Revenues - Regulatory Basis

Current Fund

Year ended June 30, 2009

Analysis of Realized Revenue

Allocation of current tax collections;	
Revenue from collections	\$ <u>33,651,402</u>
Allocated to:	
Local district school tax	12,397,570
Open Space Taxes	167,452
County taxes	<u>5,660,580</u>
	<u>18,225,602</u>
Balance for support of municipal budget appropriations	15,425,800
Reserve for uncollected taxes	<u>600,000</u>
	<u>\$ 16,025,800</u>
Receipts from:	
Delinquent tax collections	\$ <u>468,240</u>
	<u>\$ 468,240</u>
Licenses other:	
Board of Health	<u>18,917</u>
	<u>\$ 18,917</u>

Analysis of Miscellaneous Revenue Not Anticipated

Cable TV fee	44,522
Police Fees	3,146
Hotel Tax	218,276
PILOT	523,754
Sale of Assets	30,360
Meter Revenue	3,965
In Lieu of Taxes	4,876
Polling Place	80
Parking Permits	480
BCUA Sewer	1,348
Advertising Fees	4,924
Tax Sale Premiums	8,000
Miscellaneous	<u>4,822</u>
	<u>\$ 848,553</u>
	Cash 840,553
	Tax Sale Premiums <u>8,000</u>
	<u>\$ 848,553</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Operations-within "CAPS"					
Administrative and executive:					
Salaries and wages	428,385	428,385	390,775	37,610	
Other expenses:					
Miscellaneous other expenses	273,550	273,550	184,521	89,029	
Mayor and Council- salaries and wages	58,768	58,768	58,766	2	
Elections:					
Salaries and wages	3,500	3,500	2,281	1,219	
Other expenses	14,300	14,300	3,099	11,201	
Financial administration:					
Annual audit	25,000	25,000	25,000	-	
Other expenses	32,000	37,400	37,400	-	
Assessment of taxes:					
Salaries and wages	55,718	56,318	56,264	54	
Other expenses:					
Consultant and legal fees-tax appeals	45,000	46,000	45,528	472	
Miscellaneous other expenses	23,700	23,700	8,081	15,619	
Collection of taxes:					
Salaries and wages	88,900	88,900	86,393	2,507	
Other expenses	12,500	13,400	13,389	11	
Legal services and costs:					
Salaries and wages	77,274	80,774	80,654	120	
Other expenses	140,000	140,000	96,096	43,904	
Engineering service and cost:					
Miscellaneous other expenses	100,000	100,000	94,190	5,810	
Insurance:					
Hospitalization	2,140,524	1,982,723	1,963,593	19,130	
Other Insurance	530,000	552,260	552,259	1	
Public building and grounds:					
Other expenses	131,500	131,500	92,385	39,115	
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salaries and wages	6,885	6,885	6,884	1	
Other expenses	35,850	35,850	27,553	8,297	
Zoning Board:					
Salaries and wages	12,085	12,085	9,484	2,601	
Other expenses	23,200	23,200	18,386	4,814	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Rent Leveling Board:					
Salaries and wages	6,685	6,985	6,884	101	
Other expenses	7,300	7,300	5,583	1,717	
Housing Inspector:					
Salaries and wages	65,608	65,608	65,537	71	
Other expenses	775	775		775	
PUBLIC SAFETY:					
Fire:					
Salaries and wages	380,410	380,410	341,814	38,596	
Other expenses	212,300	212,300	208,535	3,765	
Fire hydrant services	121,000	121,000	112,320	8,680	
Volunteer First Aid:					
Salaries and wages	263,000	263,000	227,221	35,779	
Other expenses	84,300	84,300	64,959	19,341	
Fire Prevention:					
Other expenses	27,490	27,490	27,450	40	
Police:					
Salaries and wages	4,189,104	4,189,104	4,076,109	112,995	
Other expenses:					
Miscellaneous other expenses	188,100	201,000	200,096	904	
Automobiles	48,500	55,410	55,409	1	
Emergency management services:					
Other expenses	3,000	3,000	2,499	501	
Streets and Roads:					
Road repairs and maintenance:					
Salaries and wages	1,570,210	1,570,210	1,547,262	22,948	
Other expenses	240,200	240,200	192,449	47,751	
Snow removal - other expenses	20,000	20,000	18,555	1,445	
Health and welfare:					
Board of Health:					
Salaries and wages	127,000	127,000	111,833	15,167	
Other expenses	119,100	119,100	58,392	60,708	
Dog regulation - other expenses	4,900	4,900	1,648	3,252	
Administration of Public Assistance:					
Salaries and wages	29,861	31,361	31,068	293	
Other expenses:					
Operating	2,200	2,200	1,346	854	
Emergency assistance	1,000	1,000	200	800	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		Cancelled
			Paid or charged	Reserved	
Recreation and Education:					
Parks and playgrounds - other expenses	32,900	32,900	26,959	5,941	
Recreation:					
Salaries and wages	233,000	233,000	218,483	14,517	
Other expenses	136,400	136,400	82,653	53,747	
Celebration of public event, anniversary or holiday - other expenses	29,000	29,000	9,001	19,999	
Senior Citizens Committee:					
Other expenses	3,700	3,700	200	3,500	
Sanitation:					
Garbage and Trash removal:					
Other expenses	680,000	680,000	572,538	107,462	
Recycling Program:					
Salaries and wages	39,144	39,144	34,553	4,591	
Municipal Court:					
Salaries and wages	168,000	178,000	174,853	3,147	
Other expenses	10,500	10,500	8,673	1,827	
Occupational Safety Health Act					
Board of Health - Other Expenses	2,000	2,000	1,691	309	
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
State uniform construction code official:					
Salaries and wages	264,063	264,063	253,446	10,617	
Other expenses	91,500	91,500	51,632	39,868	
UNCLASSIFIED:					
Utilities:					
Gas & Electric	225,000	225,000	224,603	397	
Street Lighting	165,000	165,000	149,936	15,064	
Water	20,000	26,000	25,759	241	
Fuel	145,000	145,000	95,463	49,537	
Telephone	175,000	175,000	174,413	587	
Salary and Wage adjustment	170,000	154,700		154,700	
Total Operations within "CAPS"	14,560,889	14,459,058	13,315,006	1,144,052	
Contingent	5,000	5,000		5,000	
Total Operations Including Contingent-within "CAPS"	14,565,889	14,464,058	13,315,006	1,149,052	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Detail:					
Salaries & Wages	8,237,600	8,238,200	7,780,564	457,636	
Other Expenses (Including Contingent)	6,328,289	6,225,858	5,534,442	691,416	
	14,565,889	14,464,058	13,315,006	1,149,052	
Deferred Charges and Statutory Expenditures-Municipal within "CAPS"					
DEFERRED CHARGES:					
Prior Years Bills					
CMX Engineering-2007	3,425	3,425	3,425		
CMX Engineering-2006	2,371	2,371			2,371
STATUTORY EXPENDITURES:					
Contribution to:					
Social Security System (O.A.S.I.)	378,000	378,000	377,132	868	
Consolidated Police and Firemen's Pension Fund	31,700	31,700	31,679	21	
Police and Firemen's Retirement System	771,296	771,296	771,296		
Unemployment insurance	5,000	5,000	12	4,988	
	1,191,792	1,191,792	1,183,544	5,877	2,371
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"					
Total General Appropriations for Municipal Purposes within "CAPS"	15,757,681	15,655,850	14,498,550	1,154,929	2,371
Maintenance of free public library	802,532	802,532	532,483	270,049	
LOSAP	73,150	73,150	69,074	4,076	
Public Employees Retirement System	293,503	293,503	293,503		
Bergen County Utilities Authority-Share of Costs	2,405,000	2,405,000	2,313,829	-	91,171
Total Operations-Excluded from "CAPS"	3,574,185	3,574,185	3,208,889	274,125	91,171
Public and Private Programs Offset with Revenues:					
Clean Community Program					
Recycling-Other Expenses	19,296	19,296	19,296		
Municipal Recycling Assistance Program:					
Other Expenses	3,365	3,365	3,365		
Recycling Tonnage Grant	7,250	7,250	7,250		
Green Communities Grant	2,000	2,000	2,000		

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Municipal Stormwater Regulation	8,468	8,468	8,468		
Smart Growth Grant	25,000	25,000	25,000		
Alcohol Education Rehabilitation fund	2,077	2,077	2,077		
Municipal Alliance	1,500	1,500	1,500		
Total Public and Private Programs Offset with Revenue	68,956	68,956	68,956		
Total Operations-Excluded from "CAPS"	3,643,141	3,643,141	3,277,845	274,125	91,171
Detail:					
Salaries and Wages	3,643,141	3,643,141	3,277,845	274,125	91,171
Other Expenses	3,643,141	3,643,141	3,277,845	274,125	91,171
Capital Improvements-Excluded from "CAPS"	75,000	75,000	75,000		
Capital Improvement Fund	75,000	75,000	75,000		
Total Capital Improvements Excluded from "CAPS"	75,000	75,000	75,000		
Municipal Debt Service-Excluded from "CAPS"	590,000	590,000	590,000		
Payment of Bond Principal	307,000	307,000	307,000		
Payment of Bond anticipation Note Principal	338,959	338,959	337,764		1,195
Interest on Bonds	133,703	133,703	133,279		424
Interest on Notes	24,874	24,874	24,873		
Green Trust Loan Program	34,296	34,296	34,296		
BCIA	136,183	238,014	237,013		1,001
New Jersey Infrastructure Trust Loan					
Total Municipal Debt Service-Excluded from "CAPS"	1,565,015	1,666,846	1,664,225		2,621
Deferred Charges:					
Special Emergency Authorization - 5 Years	62,000	62,000	62,000		
Total Deferred Charges - Municipal -Excluded from "CAPS"	62,000	62,000	62,000		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	5,345,156	5,446,987	5,079,070	274,125	93,792
Subtotal General Appropriations	21,102,837	21,102,837	19,577,620	1,429,054	96,163

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended June 30, 2009

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Reserve for Uncollected Taxes	600,000	600,000	600,000		
Total General Appropriations	<u>21,702,837</u>	<u>21,702,837</u>	<u>20,177,620</u>	<u>1,429,054</u>	<u>96,163</u>

Analysis of Paid or Charged	
Federal and State Grant Fund	68,956
Special Emergency	62,000
Reserve for Uncollected Taxes	600,000
Reserve for Encumbrances	112,640
Cash	19,334,024
	<u>\$ 20,177,620</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis

Trust Funds

June 30, 2009 and 2008

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Animal License Fund:			
Cash	B-1	\$ <u>2,696</u>	<u>697</u>
Escrow Trust Fund:			
Cash	B-1	<u>94,135</u>	<u>114,047</u>
Other Trust Funds:			
Cash	B-1	2,691,722	1,294,377
Due from Current Fund	B-5	<u>167,452</u>	<u>14,441</u>
		<u>2,859,174</u>	<u>1,308,818</u>
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Cash in Plan	B-1	404,783	348,298
Contributions Receivable	B-7	<u>75,900</u>	<u>71,300</u>
		<u>480,683</u>	<u>419,598</u>
		\$ <u><u>3,436,688</u></u>	<u><u>1,843,160</u></u>

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis

Trust Funds

June 30, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities and Reserves</u>			
Animal License Fund:			
Reserve for Animal License Fund expenditures	B-2	2,665	664
Due to State of New Jersey	B-3	31	33
		2,696	697
Escrow Trust Fund:			
Escrow Deposits	B-4	94,017	100,978
Due to Current Fund	B-5	118	13,069
		94,135	114,047
Other Trust Funds:			
Reserve for:			
Cemetery Bequests	B-6	30,897	30,860
Bullet Proof Vests	B-6	5,327	6,954
Fire Prevention	B-6	10,201	12,779
Edgewater Cares	B-6	2,420	2,405
Cultural and Historical Society	B-6	1,608	1,556
Ferry Performance Security	B-6	194,065	192,499
Regional Contribution Agreement	B-6	332,197	
Council on Affordable Housing	B-6	1,426,441	
Open Space Trust	B-6	789,674	978,870
Recycling Fees	B-6	66,344	82,895
		2,859,174	1,308,818
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Net Assets available for Benefits	B-8	480,683	419,598
		\$ 3,436,688	1,843,160

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

June 30, 2009 and 2008

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Cash:			
Checking	C-2,C-3	\$ 6,798,210	1,022,110
Deferred charges to future taxation:			
Funded	C-4	20,620,662	14,301,123
Unfunded	C-5	13,784,739	21,838,720
New Jersey Infrastructure Loans Receivable	C-6	1,525,599	53,732
Grants Receivable:			
New Jersey Green Acres Program	C-7	382,445	1,582,445
New Jersey Department of Transportation	C-8	281,859	356,859
Bergen County Open Space Trust Fund	C-9	41,873	300,623
Bergen County Historic Preservation Trust	C-11	223,937	240,000
Community Development Block Grant	C-12	119,917	507,071
New Jersey Livable Communities-Library Grant		5,375	5,375
New Jersey Department of Community Affairs		100,000	100,000
Due From Current Fund	C-13	221,238	27,245
		<u>\$ 44,105,854</u>	<u>40,335,303</u>
<u>Liabilities, Reserves and Fund Balance</u>			
New Jersey EIT Loans Payable	C-15	3,651,620	1,463,123
Green Trust Loan Payable	C-16	383,042	400,000
Serial bonds	C-17	16,159,000	11,999,000
Capital Leases Payable	C-18	427,000	439,000
Bond anticipation notes	C-19	9,684,000	6,644,450
Reserve for Grants Receivable	C-20	11,859	816,859
Reserve for payment of debt	C-21	509,459	1,742,000
Reserve for Unappropriated Grant	C-10		215,000
Reserve for Green Acres		7,987	4,705
Capital Improvement Fund	C-22	180,543	112,043
Improvement authorizations:			
Funded	C-23	3,833,428	3,234,641
Unfunded	C-23	8,649,555	12,957,682
Fund Balance	C-1	608,361	306,800
		<u>\$ 44,105,854</u>	<u>40,335,303</u>

There were \$8,985,439 of Bonds and Notes Authorized But Not Issued on June 30, 2009 (Exhibit C-24).

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Schedule of Fund Balance - Regulatory Basis
General Capital Fund
Year ended June 30, 2009

Balance - June 30, 2008		\$	306,800
Increased by:			
Cash Receipts - Premium on Note Sale	\$	80,061	
Premium on Bond Sale - Due From Current		<u>221,500</u>	
			<u>301,561</u>
Balance - June 30, 2009		\$	<u><u>608,361</u></u>

See accompanying notes to financial statements

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis
Marina Utility Fund
June 30, 2009 and 2008

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Operating Fund:			
Cash	D-4	\$ <u>337,667</u>	<u>228,814</u>
Total Operating Fund		\$ <u><u>337,667</u></u>	<u><u>228,814</u></u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-3	23,387	8,421
Reserve for Encumbrances	D-6	6,128	1,728
Fund Balance	D-1	<u>308,152</u>	<u>218,665</u>
Total Operating Fund		\$ <u><u>337,667</u></u>	<u><u>228,814</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis

Marina Utility Fund

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenue and other income realized:		
Fund balance utilized	\$ 65,000	125,000
Operating revenues	349,352	235,670
Cancelled Liability		1,826
Other credits to income:		
Unexpended balance of appropriation reserves	<u>5,135</u>	<u>20,101</u>
Total income	<u>419,487</u>	<u>382,597</u>
Expenditures:		
Operations:		
Salaries and Wages	147,000	79,000
Other expenses	118,000	96,000
Refund		<u>951</u>
Total expenditures	<u>265,000</u>	<u>175,951</u>
Excess	154,487	206,646
Fund balance, June 1	<u>218,665</u>	<u>137,019</u>
	373,152	343,665
Decreased by utilization as anticipated revenue	<u>65,000</u>	<u>125,000</u>
Fund balance, June 30	<u><u>\$ 308,152</u></u>	<u><u>218,665</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Statement of Revenues - Regulatory Basis
Marina Utility Fund
Year ended June 30, 2009

	<u>Anticipated</u>	<u>Realized</u>	Excess (deficit)
Surplus Anticipated	\$ 65,000	65,000	
Operating Revenues	<u>200,000</u>	<u>349,352</u>	<u>149,352</u>
	<u>\$ 265,000</u>	<u>414,352</u>	<u>149,352</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Exhibit D-3

Statement of Expenditures - Regulatory Basis

Marina Utility Fund

Year ended June 30, 2009

	Appropriations		Expended	
	Budget	Budget after modifi- cation	Paid or charged	Reserved
Operating:				
Salaries and Wages	145,000	147,000	146,336	664
Other expenses	\$ 120,000	118,000	95,277	22,723
	<u>\$ 265,000</u>	<u>265,000</u>	<u>241,613</u>	<u>23,387</u>
		Reserve for encumbrances	6,128	
		Cash Disbursed	235,485	
			\$ 241,613	

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis
Public Assistance Fund
June 30, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Cash	E-1	\$ <u>22,929</u>	<u>15,569</u>
		\$ <u><u>22,929</u></u>	<u><u>15,569</u></u>
<u>Reserve</u>			
Reserve for public assistance		\$ <u>22,929</u>	<u>15,569</u>
		\$ <u><u>22,929</u></u>	<u><u>15,569</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis
Sewer Facilities Grant Fund
June 30, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Grants receivable	F-1	\$ <u>74,501</u>	<u>74,501</u>
		\$ <u>74,501</u>	<u>74,501</u>
<u>Reserves</u>			
Reserves for grant expenditures	F-2	\$ <u>74,501</u>	<u>74,501</u>
		\$ <u>74,501</u>	<u>74,501</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Statement of General Fixed Assets-Regulatory Basis

General Fixed Assets Account Group

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Land	\$ 37,767,300	37,767,300
Buildings	5,884,685	5,864,636
Vehicles and equipment	<u>7,500,272</u>	<u>5,942,426</u>
	<u>\$ 51,152,257</u>	<u>49,574,362</u>
 Investment in Fixed Assets	 <u>\$ 51,152,257</u>	 <u>49,574,362</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Notes to Financial Statements Years Ended June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Borough of Edgewater have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Edgewater (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the Volunteer Fire Department, First Aid Organization or Public Library, which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal License Fund - This fund is used to account for fees collected from animal licenses and expenditures, which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Marina Utility Fund - This fund is used to account for the operations of the municipally owned utility.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

Sewer Facilities Grant Fund - This fund is used to account for all Federal and State sewer grant revenues and expenditures.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Edgewater. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

- General Capital Fund
- Trust Fund
- Public Assistance Fund
- Sewer Facilities Grant Fund

The governing body shall introduce and approve the annual budget not later than August 10, of the fiscal year. The budget shall be adopted not later than September 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted.

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009, the Mayor and Council approved several budget transfers.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at June 30, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at June 30, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at June 30 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Inventories - 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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

General Fixed Assets - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, the Borough of Edgewater has developed a fixed assets accounting and reporting system.

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

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

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.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates

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

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTE 2. PENSION PLANS

Description of Systems:

Substantially all of the Town's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. 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.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 2. PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to 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. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final average compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years or 1/60 of final average compensation multiplied by the number of years of creditable service, whichever is greater. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 2. PENSION PLANS, (continued)

Significant Legislation

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent.

Chapter 108 (P.L. 2003), effective July 1, 2003, provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the System as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007. According to the Appropriation Act of 2003, the State as well is paying pension obligations through a five-year phase-in.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS and PFRS, effective July 12, 2002.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
June 30, 2009	\$293,503	\$771,296
June 30, 2008	218,308	737,804
June 30, 2007	114,616	469,777

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 3. MUNICIPAL DEBT

Long-term debt as of June 30, 2009 consisted of the following:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$11,999,000	\$7,344,000	\$3,184,000	\$16,159,000	\$895,000
Other Liabilities - New Jersey Wastewater Loans	1,463,123	2,351,481	162,984	3,651,620	201,473
Green Acres Trust - Loan	<u>400,000</u>	_____	<u>16,958</u>	<u>383,042</u>	<u>17,298</u>
	<u>\$13,862,123</u>	<u>\$9,695,481</u>	<u>\$3,363,942</u>	<u>\$20,193,662</u>	<u>\$1,113,771</u>

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>June 30,</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Issued-general-bonds and notes	\$25,843,000	\$18,643,450	\$19,575,377
Loans payable	<u>4,034,662</u>	<u>1,863,123</u>	<u>202,238</u>
	29,877,662	20,506,573	19,777,615
Authorized but not issued-general-bonds and notes	<u>8,985,439</u>	<u>15,194,270</u>	<u>10,289,830</u>
	38,863,101	35,700,843	30,067,445
Less funds on hand to pay debt	<u>7,848,459</u>	<u>1,742,000</u>	<u>1,722,000</u>
Net bonds and notes issued and authorized but not issued	<u>\$31,014,642</u>	<u>\$33,958,843</u>	<u>\$28,345,445</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.14%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$6,092,081	\$6,092,081	\$0
General Debt	<u>38,863,101</u>	<u>7,848,459</u>	<u>31,014,642</u>
	<u>\$44,955,182</u>	<u>\$13,940,540</u>	<u>\$31,014,642</u>

Net debt of \$31,014,642 divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended, of \$2,713,183,509 equals 1.14%.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

3 ½% of equalized valuation basis (municipal)	\$94,961,423
Net Debt	<u>31,014,642</u>
Remaining borrowing power	<u><u>\$63,946,781</u></u>

The Borough's long-term debt consisted of the following at June 30, 2009.

Paid by Current Fund:

New Jersey Environmental Infrastructure Loans Payable Wastewater Improvements issued 2001, 2007 and 2009, due through 2029	\$3,651,620
General serial bonds - 5.00% general serial bonds issued Sept. 15, 1997, due through July 15, 2009	400,000
General obligation refunding bonds - 1.50 - 4.00% refunding bonds issued June 30, 2009, due through August 15, 2015	2,460,000
General obligation bonds - 3.00 - 5.00% general obligation bonds issued June 30, 2009, due through August 15, 2024	4,884,000
General obligation bonds - 4.00-4.30% general obligation bonds issued June 1, 2004, due through June 1, 2024	8,415,000
Green Acres Loan issued 2008, due through 2027	<u>383,042</u>
	<u><u>\$20,193,662</u></u>

Aggregate General Capital Fund debt service requirements on general serial bonds and infrastructure loans payable during the next five years and thereafter are as follows:

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>	<u>Infrastructure Loans</u>	<u>Green Trust Loan</u>	<u>Total</u>
2010	\$770,000	\$587,030	\$265,732	\$24,874	\$1,647,636
2011	905,000	632,050	267,093	24,874	1,829,017
2012	960,000	601,100	273,973	24,874	1,859,947
2013	995,000	568,187	274,869	24,874	1,862,930
2014	965,000	538,537	267,963	24,874	1,796,374
2015-2019	6,075,000	1,911,775	1,353,652	124,366	9,464,793
2020-2024	4,505,000	687,715	966,405	124,366	6,283,486
2025-2029	<u>984,000</u>	<u> </u>	<u>538,843</u>	<u>87,056</u>	<u>1,609,899</u>
	<u><u>\$16,159,000</u></u>	<u><u>\$5,526,394</u></u>	<u><u>\$4,208,530</u></u>	<u><u>\$460,158</u></u>	<u><u>\$26,354,082</u></u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

General capital serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

At June 30, 2009 the Borough had authorized but not issued debt as follows:

General Capital Fund	<u>\$8,985,439</u>
----------------------	--------------------

NOTE 4. BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally such notes must be paid no later than the tenth anniversary of the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On June 30, 2009, the Borough had \$9,684,000 of Bond Anticipation Notes outstanding at a rate of 2.50% due on August 21, 2009. The Borough paid off \$4,884,000 of notes on August 21, 2009 from the proceeds of the June 30, 2009 sale of bonds and renewed the balance of the notes.

The following activity related to bond anticipation notes occurred during the calendar year ended June 30, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Bank of America	\$2,915,000	\$	\$2,915,000	\$0
Valley National Bank	1,854,450		1,854,450	0
J.P. Morgan-Chase	1,700,000	9,684,000	1,700,000	9,684,000
Commerce Capital Markets, Inc.	<u>175,000</u>		<u>175,000</u>	<u>0</u>
	<u>\$6,644,450</u>	<u>\$9,684,000</u>	<u>\$6,644,450</u>	<u>\$9,684,000</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheet of the Current Fund:

	<u>Balance</u> <u>June 30, 2009</u>	<u>2010 Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Succeeding</u> <u>Year's budget</u>
Special Emergency	<u>\$86,000</u>	<u>\$62,000</u>	<u>\$24,000</u>

NOTE 6. FUND BALANCE APPROPRIATED

The fund balance at June 30, 2009 which has been appropriated as revenue in the 2010 budget is as follows:

Current Fund	\$808,824
Marina Utility	100,000

NOTE 7. ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. At June 30, 2009 the Borough estimated the current cost of such unpaid compensation to approximate \$1,907,814.

NOTE 8. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodian credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of June 30, 2009, \$-0- of the Borough's bank balance of \$15,202,704 was exposed to custodial credit risk.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 8. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Investments

Investment Rate Risk

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

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on June 30, 2009 and 2008 amounted to \$404,783 and \$348,298, respectively.

The following investments represent 5% or more of the total invested with Valic on June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Stock Index Fund	\$48,378	
Money Market Funds	37,177	\$34,981
Fixed Income	302,972	244,944
All Others	<u>16,256</u>	<u>68,373</u>
Total	<u>\$404,783</u>	<u>\$348,298</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 9. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group as of June 30, 2009.

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Land and Improvements	\$37,767,300			\$37,767,300
Buildings and Building	5,864,636	\$20,049	-	5,884,685
Machinery and Equipment	<u>5,942,426</u>	<u>1,557,846</u>	<u>-</u>	<u>7,500,272</u>
	<u>\$49,574,362</u>	<u>\$1,577,895</u>	<u>\$0</u>	<u>\$51,152,257</u>

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2009 consist of the following:

\$221,238	Due to the Capital Fund from the Current Fund for deposits in error.
118	Due to the Current Fund from the Escrow Trust fund for interest earned on deposits.
167,452	Due to the Open Space Trust Fund from the Current Fund for tax collections.
<u>412,805</u>	Due to the Federal and State Grant Fund from the Current Fund for grant revenue collected less expenditures made.
<u>\$801,613</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

NOTE 11. CAPITAL LEASES PAYABLE

On March 15, 2003 the Borough entered into a \$1,083,000 capital lease through the Bergen County Improvement Authority for the retirement of its outstanding unfunded pension liability. Annual lease payment requirements for this capital lease are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$14,000	\$21,724	\$35,724
2011	17,000	21,026	38,026
2012	20,000	20,176	40,176
2013	24,000	19,124	43,124
2014	27,000	17,866	44,866
2015-2019	204,000	65,774	269,774
2020-2021	<u>121,000</u>	<u>9,898</u>	<u>130,898</u>
	<u>\$427,000</u>	<u>\$175,588</u>	<u>\$602,588</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2009 fiscal year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Edgewater is a member of the South Bergen Municipal Joint Insurance Fund (SBMJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The SBJMIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they were a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and establish reasonable and necessary loss reduction and prevention procedures to be followed by the members.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

NOTE 13. TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>June 30, 2009</u>	<u>Balance</u> <u>June 30, 2008</u>
Prepaid Taxes	<u>\$45,804</u>	<u>\$35,926</u>
Cash Liability for Taxes Collected in Advance	<u>\$45,804</u>	<u>\$35,926</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended June 30, 2009 and 2008
(continued)

NOTE 14. LITIGATION

Various tax appeal cases were pending at June 30, 2009. The Borough is defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. Funding of any ultimate liability would be provided for in succeeding years' budgets or through a refunding bond ordinance, which would allow the Borough to fund these liabilities over a number of years.

The Borough is also involved in suits in the normal course of business. These cases, if decided against the Borough, would be paid for by its insurance carrier or with funds raised by future taxation. The Borough expects such amounts, if any, to be immaterial.

NOTE 15. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP) (UNAUDITED)

On February 26, 2003, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Variable Annuity Life Insurance Company (VALIC). The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

VALIC will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall have minimum and maximum contribution requirements as follows: the minimum contribution for each participating active volunteer member shall be \$600 per year of active emergency service and the maximum contribution for each active volunteer member shall be \$1,150 per year of active emergency service, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the subsequent years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

NOTE 16. REVERSION TO CALENDAR YEAR BUDGET

On September 9, 2009, the Local Finance Board approved the Borough's application to revert to a calendar year budget. This process requires a transition year budget and a transition year audit for the six month period July 1, 2009 - December 31, 2009.

SUPPLEMENTARY DATA

BOROUGH OF EDGEWATER

Supplementary Data

Official in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>	<u>Name of corporate surety</u>
Nancy Merse	Mayor		
David Jordan	Council President		
Neda Rose	Councilwoman		
Louis Vidal	Councilman		
David Weschler	Councilman		
James F. Delaney	Councilman		
Maureen Holtje	Councilwoman		
Joseph Iannaconi, Jr.	Chief Financial Officer/ Collector/Tax Searcher	\$ 1,000,000	(A)
Gregory Franz	Administrator		
Neglia Engineering	Engineer		
John Candelmo	Construction Code Official/Zoning Officer		
Robert Cohan	Magistrate	\$ 1,000,000	(A)
Karen Christiano	Court Clerk	\$ 1,000,000	(A)
Donald Martin	Chief of Police		
Philip Boggia	Borough Attorney		
Jeffrey Clemente	Housing Inspector		
Laura Martin	Welfare Director		
Anna Marie O'Connor	Secretary Planning Board		
Jennifer Henry	Secretary Board of Adjustment		
Barbara Rae	Borough Clerk		

(A) Statutory positions are covered under the South Bergen Municipal Jointure policy (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy - Public Employee Bond - \$950,000).

BOROUGH OF EDGEWATER

Supplementary Data

Comparative Schedule of Tax Rate Information

	<u>2009</u>	<u>2008 *</u>	<u>2007</u>
Tax rate	1.149	1.093	2.96
Apportionment of tax rate:			
Local school	0.409	0.400	1.087
County	0.185	0.176	0.426
Municipal	0.555	0.505	1.417
Municipal Open Space		0.012	0.030
Assessed valuation:			
2009		\$ 3,008,914,045	
2008 *		\$ 3,021,624,313	
2007		\$ 1,116,344,757	

* Revaluation

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2009	\$ 35,100,070	33,651,402	95.87%
2008	34,296,707	33,575,846	97.90%
2007	30,903,699	30,590,205	98.99%

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2009	\$ 30,898	1,131,800	1,162,698	3.31%
2008	28,125	469,510	497,635	1.45%
2007	26,563	285,774	312,337	1.01%

BOROUGH OF EDGEWATER

Supplementary Data

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2009 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens on June 30, 2009, 2008, and 2007, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>		<u>Amount</u>
2009	\$	3,844,775
2008		3,844,775
2007		3,844,775

Comparative Schedule of Fund Balances

	<u>Year</u>		<u>Year ended</u>	<u>Utilized in budget of succeeding year</u>
Current Fund:	2009	\$	2,481,978	808,824
	2008		3,855,482	3,000,000
	2007		3,139,361	2,750,000
	2006		3,258,160	2,750,000
	2005		2,641,964	2,345,197
Marina Utility:	2009		308,152	100,000
	2008		218,665	65,000
	2007		137,019	125,000
	2006		389,687	325,000
	2005		402,400	100,000

BOROUGH OF EDGEWATER
Schedule of Cash - Collector/Treasurer

Current Fund

Year ended June 30, 2009

		<u>Current Fund</u>
Balance - June 30, 2008	\$	7,736,598
Increased by receipts:		
Revenue accounts receivable	\$ 2,063,268	
Miscellaneous revenues not anticipated	840,553	
Taxes receivable	34,056,716	
Prepaid taxes	45,804	
Due to Grant Fund	22,651	
Tax overpayments	101,328	
Senior citizens and veterans	27,540	
Tax Title Lien Premiums	57,700	
Various Reserves	26,417	
Interfunds	236,981	
Marriage license fees	1,575	
		37,480,533
		45,217,131
Decreased by disbursements:		
2009 budget appropriations	19,334,024	
2008 appropriation reserves	608,904	
Tax overpayment refunds	70,809	
Local district school tax	12,397,570	
County taxes	5,660,580	
Special Emergency Note	50,000	
Marriage license fees	1,950	
Interfunds	44,360	
Due from Grant Fund	13,961	
Tax Sale Premiums refunded	9,000	
Refunds	99,896	
Various Reserves	1,801,196	
		40,092,250
Balance - June 30, 2009	\$	5,124,881

BOROUGH OF EDGEWATER

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year ended June 30, 2009

<u>Year</u>	<u>Balance, June 30, 2008</u>	<u>2009 levy</u>	<u>Collected</u>		<u>Transferred to tax title liens</u>	<u>Cancelled</u>	<u>Balance, June 30, 2009</u>
			<u>2008</u>	<u>2009</u>			
2008	469,510			468,240		1,270	
	<u>469,510</u>			<u>468,240</u>		<u>1,270</u>	
2009		35,100,070	35,926	33,615,476	1,773	315,095	1,131,800
	<u>\$ 469,510</u>	<u>35,100,070</u>	<u>35,926</u>	<u>34,083,716</u>	<u>1,773</u>	<u>316,365</u>	<u>1,131,800</u>

Senior citizens' and veterans'
deductions allowed 27,000
Cash receipts 34,056,716
\$ 34,083,716

Analysis of 2009 Tax Levy

Tax yield:
General property tax 33,844,746
Added tax (R.S.54:4-63.1 et seq.) 1,255,324
\$ 35,100,070

Tax levy:
Local district school tax (abstract) 12,397,570
County tax (abstract) 5,479,673
Added taxes (R.S. 54:4-63.1 et seq.) 180,907
Local tax for municipal purpose (abstract) 16,050,231
Open Space Tax 167,452
Additional tax levies 824,237
\$ 35,100,070

BOROUGH OF EDGEWATER

Schedule of Tax Title Liens

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008		\$	28,125
Increased by:			
Adjustment to prior year balances	\$	1,000	
Transferred from taxes receivable		<u>1,773</u>	
			<u>2,773</u>
Balance - June 30, 2009		\$	<u><u>30,898</u></u>

BOROUGH OF EDGEWATER

Schedule of Revenue Accounts Receivable

Current Fund

Year ended June 30, 2009

	Balance, June 30, <u>2008</u>	Accrued in <u>2009</u>	<u>Collected</u>	Balance, June 30, <u>2009</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	17,050	17,050	
Other		18,917	18,917	
Fees and permits		89,693	89,693	
Construction Code Official-fees and permits		291,289	291,289	
Municipal Court fines and costs	29,085	302,738	303,857	27,966
Interest on investments		33,695	33,695	
Interest and cost on taxes		169,274	169,274	
Consolidated Municipal Property Tax Relief		558,745	558,745	
Energy Receipts Tax		436,678	436,678	
Supplemental Energy Receipts Tax	18,227	18,227	36,454	
Uniform Fire Safety		26,843	26,843	
Sewer Connection Fees		99,000	99,000	
	<u>\$ 47,312</u>	<u>2,062,149</u>	<u>2,081,495</u>	<u>27,966</u>
		Cash	2,063,268	
		Cancelled	18,227	
			<u>\$ 2,081,495</u>	

BOROUGH OF EDGEWATER

**Schedule of Due from State of New Jersey
Senior Citizens' and Veterans' Deductions**

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008	\$ 12,588
Increased by:	
Senior citizens' and veterans' deductions per tax billings	<u>27,000</u>
	39,588
Decreased by:	
Cash received	<u>27,540</u>
Balance - June 30, 2009	<u><u>\$ 12,048</u></u>

Schedule of Local District School Tax Payable

Current Fund

Year ended June 30, 2009

Increased by:	
2009 Tax Levy	<u>\$ 12,397,570</u>
Decreased by:	
Cash Disbursements	<u><u>\$ 12,397,570</u></u>

BOROUGH OF EDGEWATER
Schedule of County Taxes Payable
Current Fund
Year ended June 30, 2009

Increased by:		
County tax levy	\$	<u>5,479,673</u>
Decreased by:		
Cash Disbursements	\$	<u><u>5,479,673</u></u>

**Schedule of Due County for Added
and Omitted Taxes**
Current Fund
Year ended June 30, 2009

Increased by:		
County tax levy-Added	\$	<u>180,907</u>
Decreased by:		
Cash Disbursements	\$	<u><u>180,907</u></u>

BOROUGH OF EDGEWATER

Schedule of 2008 Appropriation Reserves

Current Fund

Year Ended June 30, 2009

<u>Description</u>	<u>Balance</u> June 30, 2008	<u>Balance after</u> <u>Encumbrances</u> and <u>Transfers</u>	<u>Paid or</u> <u>charged</u>	<u>Balance</u> <u>lapsed</u>
Salaries and wages				
Legal	\$ 604	604		604
Administrative and Executive	8,560	8,560		8,560
Mayor and Council	1	1		1
Elections	1,084	1,084		1,084
Assessment of Taxes	1,192	1,192		1,192
Collection of taxes	20,555	8,851		8,851
Zoning Board	459	459		459
Recycling	1	1		1
Fire	102,531	102,531		102,531
Volunteer First Aid Corps	22,010	22,010		22,010
Police	39,150	39,150		39,150
Housing Inspections	283	283		283
Road repairs and maintenance	12,216	12,216	12,216	
Board of Health	462	462		462
Administration of Public Assistance	6	6		6
Recreation	29,849	29,849		29,849
Municipal Court	183	183		183
State uniform construction code official	18,832	18,832		18,832
Salary and Wage Adjustment	32,980	32,980		32,980
Other expenses:				
Administrative and Executive	64,372	65,624	4,006	61,618
Elections	72	72		72
Financial Administration	3,325	3,325	528	2,797
Collection of Taxes	1	438	438	
Assessment of Taxes	5,526	11,923	11,459	464
Consultant and legal fees- tax appeals	23,238	23,455	417	23,038
Legal services	18,577	26,357	26,305	52
Engineering service and cost	48,211	48,211	3,693	44,518
Public building and grounds	26,666	28,501	7,081	21,420
Zoning Board		6,400	6,320	80
Planning Board	33,656	36,396	3,917	32,479
Rent Leveling Board	9	813	812	1
Housing Inspections	775	775		775
Fire	13,720	33,551	31,167	2,384
Fire hydrant services	7,680	7,680	7,680	
Fire Prevention	1,536	17,960	16,559	1,401
Volunteer First Aid Corps	52,323	52,553	1,062	51,491
Police	2,641	10,989	8,619	2,370
Automobiles	766	766		766

BOROUGH OF EDGEWATER

Schedule of 2008 Appropriation Reserves

Current Fund

Year Ended June 30, 2009

<u>Description</u>	<u>Balance June 30, 2008</u>	<u>Balance after Encumbrances and Transfers</u>	<u>Paid or charged</u>	<u>Balance lapsed</u>
Emergency management services	3,000	3,000		3,000
Road repairs and maintenance	30,706	51,450	34,364	17,086
Snow removal	5,931	5,931		5,931
Board of Health	1,415	1,827	922	905
Dog Regulation	1,392	1,392		1,392
Administration of Public Assistance	707	707	14	693
Emergency Assistance	1,000	1,000		1,000
Parks and Playgrounds	16,517	16,902	1,999	14,903
Recreation	40,480	45,200	14,284	30,916
Celebration of public events	11,463	11,463		11,463
Senior Citizens Committee	2,611	2,611		2,611
Garbage and Trash removal	38,087	54,087	53,709	378
Municipal Court	1,981	1,981	1,599	382
Occupational Safety-Health	1,804	1,804		1,804
State uniform construction code official	17,355	67,355	51,373	15,982
Gas and Electric	17,402	25,402	24,410	992
Street Lighting	28,454	28,454	28,454	
Water	5,222	3,980	575	3,405
Fuel	4,897	17,410	17,409	1
Contingent	5,000	5,000		5,000
Telephone	919	11,065	11,064	1
Unemployment Compensation Insurance	3,786	3,786	1,630	2,156
Social Security	10,824	11,824		11,824
Maintenance of free public library	196,940	196,940	196,940	
Hospitalization	58,047	8,140		8,140
Other Insurance Premiums	62,693	62,693	(129,692)	192,385
Consolidated Police and Firemans Retirement System	1	1		1
Municipal Utilities Authority	9,972	9,972	9,972	
Interest on Notes		147,599	147,599	
TOTAL	\$ 1,172,658	1,454,019	608,904	845,115
		Encumbrances \$ 281,361		
		Appropriation Reserves 1,172,658		
		\$ 1,454,019		

BOROUGH OF EDGEWATER
Schedule of Reserve for Encumbrances

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008	\$	281,361
Increased by:		
2008-2009 encumbrances		112,640
		394,001
Decreased by:		
Transferred to appropriation reserves		281,361
Balance - June 30, 2009	\$	112,640

Schedule of Tax Overpayments

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008	\$	70,809
Increased by:		
2008-09 Overpayments		101,328
		172,137
Decreased by:		
Overpayments refunded		70,809
Balance - June 30, 2009	\$	101,328

BOROUGH OF EDGEWATER

Schedule of Prepaid Taxes

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008	\$ 35,926
Increased by:	
2010 prepaid taxes collected	<u>45,804</u>
	81,730
Decreased by:	
Taxes realized as revenue	<u>35,926</u>
Balance - June 30, 2009	<u><u>\$ 45,804</u></u>

**Schedule of Due to the State - Marriage
License Fees**

Current Fund

Year ended June 30, 2009

Balance - June 30, 2008	\$ 650
Increased by:	
Cash Receipts	<u>1,575</u>
	2,225
Decreased by:	
Disbursements	<u>1,950</u>
Balance - June 30, 2009	<u><u>\$ 275</u></u>