

**BOROUGH OF AUDUBON PARK
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013**

INDEX

	Page
PART I	1
Independent Auditor's Report	2-4
CURRENT FUND	5
A Comparative Balance Sheet - Current Fund - Regulatory Basis	6-7
A-1 Comparative Statement of Operations and Change in Fund Balance - Current Fund - Regulatory Basis	8-9
A-2 Statement of Revenues - Current Fund - Regulatory Basis	10-11
A-3 Statement of Expenditures - Current Fund - Regulatory Basis	12-16
TRUST FUND	17
B Comparative Balance Sheet - Trust Fund - Regulatory Basis	18
GENERAL CAPITAL FUND	19
C Comparative Balance Sheet - General Capital Fund - Regulatory Basis	20
GENERAL FIXED ASSETS	21
D Comparative Balance Sheet - General Fixed Assets - Regulatory Basis	22
NOTES TO FINANCIAL STATEMENTS – Regulatory Basis	23-37
SUPPLEMENTARY INFORMATION	38
SINGLE AUDIT SECTION	
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	39-40
CURRENT FUND	41
A-4 Schedule of Current Fund Cash - Treasurer	42
A-5 Schedule of Deferred Charges NJSA 40A:4-55 Special Emergency - Revaluation Program	43
A-6 Schedule of Deferred Charges	43
A-7 Schedule of Grants Receivable	44
A-8 Schedule of Taxes Receivable and Analysis of Property Tax Levy	45
A-9 Schedule of Revenue Accounts Receivable	46
A-10 Schedule of Appropriation Reserves	47
A-11 Schedule of Encumbrances Payable	48
A-12 Schedule of Reserve for Grants - Unappropriated	48
A-13 Schedule of Tax Anticipation Notes	49
A-14 Schedule of Reserve for Grants - Appropriated	50
A-15 Schedule of Due to State of New Jersey - Senior Citizen and Veterans Deductions	51
A-16 Schedule of Consolidated District School Tax Payable	51
TRUST FUND	52
B-1 Schedule of Trust Fund Cash - Treasurer	53
B-2 Schedule of Reserve for Dog Fund Expenditures	54

INDEX (CONTINUED)

	Page
GENERAL CAPITAL FUND	55
C-1 Schedule of General Capital Cash	56
C-2 Schedule of Deferred Charges to Future Taxation - Unfunded	57
C-3 Schedule of Improvement Authorizations	58
C-4 Schedule of Bond Anticipation Notes	59
PART II	60
General Comments	61-62
Other Comments	62
Findings and Recommendations	62-63
Status of Prior Recommendations	63

PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Audubon Park
20 Road C
Audubon Park, New Jersey 08106

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Audubon Park, as of December 31, 2013, the related statement 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 year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough of Audubon Park's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

The supplemental information listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used

to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Predecessor Auditor

The financial statements for the year ended December 31, 2012, were audited by a predecessor auditor. The predecessor auditor issued an Adverse Opinion on the financial statements, stating that they do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Audubon Park as of December 31, 2012, or changes in financial position for the year then ended.

The predecessor auditor issued an unmodified opinion on the regulatory basis financial statements for the year ended December 31, 2012, stating that the regulatory basis balance sheets and account group as of December 31, 2012, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012, were in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The predecessor auditor report was dated April 16, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014, on our consideration of the Borough of Audubon Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Audubon Park's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



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

April 1, 2014

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2013	Balance Dec. 31, 2012
ASSETS			
Regular Fund			
Cash - Treasurer	A-4	267,416.16	112,987.28
Cash - Payroll	A-4	2,629.70	544.58
Due State of New Jersey: Senior & Vet Deductions	A-15	2,700.00	2,700.00
		272,745.86	116,231.86
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-8	5,152.00	5,116.60
Due from Animal Control Trust Fund	B	136.98	185.62
Due from Federal and State Grant Fund			268.21
Due from Trust Other			56.54
		5,288.98	5,626.97
Deferred Charges:			
Special Emergency Authorization			2,994.00
Emergency Authorization	A-6	9,388.75	10,500.00
Overexpenditure of Appropriation	A-6	139.66	3,110.24
Overexpenditure of Appropriation Reserves	A-6	2,771.03	3,759.71
Cancellation of Grant Receivable			11,882.12
Total Deferred Charges		12,299.44	32,246.07
Total Regular Fund		290,334.28	154,104.90
Federal and State Grant Fund			
Grants Receivable	A-7	60,114.66	38,642.89
Overexpenditure of a Grant	A-14	5,376.44	
Due from Current Fund	A	2,375.82	
		67,866.92	38,642.89
		358,201.20	192,747.79

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance <u>Dec. 31, 2013</u>	Balance <u>Dec. 31, 2012</u>
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-10	23,758.00	28,301.55
Encumbrances Payable	A-11	2,676.36	4,624.85
Reserve for the Expense of Participation in Free County Library with State Aid		261.00	261.00
Due State of New Jersey:			
Marriage and Burial Permits		78.00	50.00
Payroll Taxes Payable		3,528.88	3,466.17
Tax Anticipation Note Payable	A-13	50,000.00	50,000.00
Due General Capital Fund	C	8,581.52	17,919.41
Consolidated School District Tax Payable	A-16	119,113.21	9,154.59
Reserve for Security Deposits		1,803.78	5,373.69
Due Federal and State Grant Fund	A	2,375.82	
		<u>212,176.57</u>	<u>119,151.26</u>
Reserve for Receivables		5,288.98	5,626.97
Fund Balance	A-1	72,868.73	29,326.67
		<u>290,334.28</u>	<u>154,104.90</u>
Federal and State Grant Fund			
Reserve for Grants - Appropriated	A-14	67,866.92	34,122.55
Encumbrances Payable			2,600.00
Reserve for Grants - Unappropriated			1,652.13
Due Current Fund			268.21
		<u>67,866.92</u>	<u>38,642.89</u>
		<u>358,201.20</u>	<u>192,747.79</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	<u>Year 2013</u>	<u>Year 2012</u>
Revenue and Other Income Realized			
Fund Balance Utilized			8,000.00
Miscellaneous Revenue Anticipated	A-2	389,176.10	344,611.79
Receipts from Delinquent Taxes	A-2	5,116.60	
Receipts from Current Taxes	A-2	1,123,322.68	999,936.55
Non-Budget Revenue	A-2	23,154.90	10,690.91
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-10	21,689.98	2,503.51
Encumbrances Payable Canceled	A-11	2,947.40	
Interfund Loan Returned		309.79	544.20
Total Income		<u>1,565,717.45</u>	<u>1,366,286.96</u>
Expenditures			
Budget Appropriations			
Operations within "CAPS:":			
Salaries and Wages	A-3	66,039.08	59,587.08
Other Expenses	A-3	257,205.83	218,808.32
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	34,316.37	16,300.19
Operations excluded from "CAPS:":			
Salaries and Wages	A-3	51,571.00	51,500.00
Other Expenses	A-3	443,752.13	499,396.00
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	13,494.00	12,494.00
Capital Improvements	A-3	73,000.00	
Debt Service	A-3	2,355.36	44,041.67
County Taxes	A-8	161,255.13	165,059.93
County Open Space Tax	A-8	4,217.49	4,679.22
County Library	A-8	10,045.09	10,641.25
Local District School Tax	A-16	411,127.00	282,191.49
Prior year Due State of New Jersey			25.00
Prior Year Senior Citizens Deductions Disallowed			250.00
Prior Year Refund			2,474.92
Prior Period Adjustment Appropriation Reserves	A-10	223.69	
Interfund Loan Advanced		3,101.63	441.69
Total Expenditures		<u>1,531,703.80</u>	<u>1,367,890.76</u>
Excess in Revenue		34,013.65	
Deficit in Revenue			1,603.80
Adjustments to Income Before Fund Balance			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	<u>9,528.41</u>	<u>13,610.24</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	<u>Year 2013</u>	<u>Year 2012</u>
Statutory Excess to Fund Balance		43,542.06	12,006.44
Fund Balance			
Balance January 1	A	<u>29,326.67</u>	<u>25,320.23</u>
		72,868.73	37,326.67
Decreased by:			
Utilization as Anticipated Revenue			<u>8,000.00</u>
Balance December 31	A	<u><u>72,868.73</u></u>	<u><u>29,326.67</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special NJSA 40A:4-87		
Miscellaneous Revenues:					
Rental of Old School Building	A-9	31,500.00		51,000.00	19,500.00
Rental of Municipal Facilities	A-9	10,000.00		10,000.00	
Consolidated Municipal					
Property Tax Relief	A-9	37,388.00		35,042.00	(2,346.00)
Energy Receipts Tax	A-9	65,635.00		67,981.28	2,346.28
Interlocal Service Agreements:					
Trash Collection	A-9	36,500.00		24,403.73	(12,096.27)
Tax Collector	A-9	11,000.00		11,500.00	500.00
Borough Clerk/Registrar	A-9	40,499.96		39,997.00	(502.96)
Trash Removal - Audubon Park					
Mutual Housing Authority	A-9	52,584.00		48,999.96	(3,584.04)
Community Development Block					
Grant	A-7	21,600.00		21,600.00	
NJ DOT	A-7	73,000.00		73,000.00	
Clean Communities Program	A-7		4,000.00	4,000.00	
Recycling Tonnage	A-7	1,652.13		1,652.13	
Total Miscellaneous Revenues		<u>381,359.09</u>	<u>4,000.00</u>	<u>389,176.10</u>	<u>3,817.01</u>
Receipts from Delinquent Taxes	A-2	5,361.91		5,116.60	(245.31)
Subtotal General Revenues		<u>386,721.00</u>	<u>4,000.00</u>	<u>394,292.70</u>	<u>3,571.70</u>
Amount to be Raised by Taxation	A-2	<u>541,779.00</u>		<u>536,677.97</u>	<u>(5,101.03)</u>
Budget Totals		<u>928,500.00</u>	<u>4,000.00</u>	<u>930,970.67</u>	<u>(1,529.33)</u>
Non-Budget Revenue	A-2			<u>23,154.90</u>	
		<u>928,500.00</u>	<u>4,000.00</u>	<u>954,125.57</u>	
	Ref.	A-3	A-3		
			Ref.		
Allocation of Current Tax Collections:					
Revenue from Collections			A-8		1,123,322.68
Allocated to:					
School Taxes					411,127.00
County Taxes					175,517.71
Balance for Support of Municipal Budget Appropriation			A-2		<u>536,677.97</u>
Receipts from Delinquent Taxes:					
Delinquent Tax Collection			A-8:A-2		<u>5,116.60</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	
Analysis of Non-Budget Revenue		
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Cable Television Franchise Fee	A-9	16,087.66
Interest on Investments	A-9	1,116.27
Licenses	A-9	7.00
Sale of Recycling Buckets	A-9	1,509.33
JIF Safety Incentive	A-9	900.00
Miscellaneous	A-9	2,964.64
Senior Citizen & Veterans Admin. Fee	A-9	570.00
	A-2	<u>23,154.90</u>

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries & Wages	31,600.00	32,654.00	32,653.76		0.24	
Other Expenses	10,600.00	10,600.00	9,622.54	414.61	562.85	
Mayor and Council						
Other Expenses	7,150.00	7,150.00	6,921.99	220.00	8.01	
Election						
Other Expenses	900.00	900.00	842.79		57.21	
Financial Administration						
Salaries & Wages	23,985.08	24,069.08	24,068.41		0.67	
Other Expenses	3,800.00	3,800.00	3,308.00		492.00	
Audit Services						
Other Expenses	11,050.00	11,050.00	11,050.00			
Revenue Administration (Tax Collection)						
Salaries & Wages	2,000.00	2,014.00	2,013.40		0.60	
Tax Assessment Administration						
Other Expenses	1,106.08	1,106.08	1,106.08			
Legal Services and Costs						
Other Expenses	13,500.00	13,500.00	10,099.34		3,400.66	
Public Employees Award Program						
Other Expenses	175.00	175.00	175.00			
Engineering Services and Costs						
Other Expenses	2,000.00	11,388.75	11,388.75			
INSURANCE						
Liability Insurance	14,700.00	14,700.00	14,700.00			
Workmen's Compensation	10,800.00	10,800.00	10,800.00			
Group Insurance Plan for Employees	15,000.00	15,000.00	15,000.00			
Unemployment Compensation Insurance	1,000.00	915.00	704.17		210.83	
PUBLIC SAFETY FUNCTIONS						
First Aid Organization Contribution	2,500.00	2,500.00	2,500.00			

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Office of Emergency Management						
Salaries & Wages	1.00	1.00			1.00	
Other Expenses	4,517.00	4,517.00	4,517.00			
Aid to Volunteer Fire Company						
Other Expenses	12,000.00	11,362.00	11,362.00		#REF!	
PUBLIC WORKS FUNCTIONS						
Public Buildings & Grounds						
Other Expenses	24,000.00	23,880.00	20,144.61	1,863.81	1,871.58	
Trash Removal						
Other Expenses	49,000.00	49,000.00	49,000.00			
HEALTH & HUMAN SERVICES						
Public Health Services (Board of Health)						
Salaries & Wages	2,000.00	2,000.00	1,885.68		114.32	
Other Expenses	300.00	300.00	173.00		127.00	
Animal Control Regulation						
Other Expenses	8,000.00	8,000.00	8,000.00			
PARK & RECREATION FUNCTIONS						
Courtesy Busing						
Other Expenses	34,000.00	34,000.00	33,997.00		3.00	
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	6,000.00	6,000.00	6,000.00			
Expenses for Participation in Free Public Library						
Salaries & Wages	5,300.00	5,300.00	5,256.00		44.00	
Other Expenses	1,850.00	1,850.00	989.12	177.94	682.94	
Senior Citizens						
Salaries & Wages	1.00	1.00			1.00	
Other Expenses	50.00	50.00			50.00	
Parks and Playgrounds						
Other Expenses	1,500.00	1,500.00	1,499.81		0.19	

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Overexpended	Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved		
Unclassified							
Maintenance of Equipment	5,500.00	5,500.00	5,466.02		33.98		
UTILITY EXPENSES AND BULK PURCHASES							
Telephone	5,600.00	5,720.00	5,600.00		120.00		
Street Lighting	400.00	400.00	400.00				
Cable/Internet Access	1,400.00	1,542.00	1,539.85		2.15		
Total Operations within "CAPS"	313,285.16	323,244.91	312,784.32	2,676.36	7,784.23		
Detail:							
Salaries and Wages	64,887.08	66,039.08	65,877.25		161.83		
Other Expenses	248,398.08	257,205.83	246,907.07	2,676.36	7,622.40		
DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"							
Deferred Charges:							
Deficit in Animal Control Trust	51.67	51.67	51.67				
Overexpenditure of Appropriation	3,110.24	3,110.24	3,110.24				
Overexpenditure of Appropriation Reserve	1,256.20	1,256.20	1,256.20				
Cancellation of Federal Grant	11,882.12	11,882.12	11,882.12				
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	9,047.00	9,047.00	9,047.00				
Social Security System (OASI)	9,471.48	8,829.48	8,969.14			139.66	
Total Deferred Charges & Statutory Expenditures within "CAPS"	34,818.71	34,176.71	34,316.37			139.66	
Total General Appropriations for Municipal Purposes within "CAPS"	348,103.87	357,421.62	347,100.69	2,676.36	7,784.23	139.66	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Overexpended	Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved		
INTERLOCAL MUNICIPAL SERVICE AGREEMENT							
Garbage and Trash Disposal							
Other Expenses	36,500.00	36,500.00	20,527.12		15,972.88		
Township of Haddon							
Police and Court Services	380,000.00	380,000.00	380,000.00				
Tax Collector							
Salaries and Wages	11,000.00	11,071.00	11,070.15		0.85		
Borough Clerk/Registrar							
Salaries and Wages	40,500.00	40,500.00	40,499.96		0.04		
Total Interlocal Service Agreements	468,000.00	468,071.00	452,097.23		15,973.77		
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES							
Community Development Block Grant	21,600.00	21,600.00	21,600.00				
Clean Communities		4,000.00	4,000.00				
Recycling Tonnage	1,652.13	1,652.13	1,652.13				
Total Public & Private Programs Offset by Revenues	23,252.13	27,252.13	27,252.13				
Total Operations Excluded from "CAPS"	491,252.13	495,323.13	479,349.36		15,973.77		
Detail:							
Salaries and Wages	51,500.00	51,571.00	51,570.11		0.89		
Other Expenses	439,752.13	443,752.13	427,779.25		15,972.88		
CAPITAL IMPROVEMENTS							
NJ DOT Kennedy Drive	73,000.00	73,000.00	73,000.00				
Total Capital Improvements	73,000.00	73,000.00	73,000.00				
DEBT SERVICE							
Interest on Notes	2,650.00	2,650.00	2,355.36				294.64
Total Debt Service	2,650.00	2,650.00	2,355.36				294.64

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES EXCLUDED FROM "CAPS"						
Deferred Charges:						
Emergency Authorization	10,500.00	10,500.00	10,500.00			
Special Emergency Authorization - 5 years (NJSA 40A:4-55)	2,994.00	2,994.00	2,994.00			
Total Deferred Charges	13,494.00	13,494.00	13,494.00			
Total General Appropriations Excluded from "CAPS"	580,396.13	584,467.13	568,198.72		15,973.77	294.64
Subtotal General Appropriations	928,500.00	941,888.75	915,299.41	2,676.36	23,758.00	139.66
Total General Appropriations	928,500.00	941,888.75	915,299.41	2,676.36	23,758.00	139.66
Ref.	A-2			A-11	A	A
	Ref.					
Budget	A-3	928,500.00				
Emergency Authorization	A	9,388.75				
Appropriated by NJSA 40A:4-87	A-2	4,000.00				
		<u>941,888.75</u>				
	Ref.					
Deferred Charges						
Emergency Authorization	A-6	10,500.00				
Special Emergency Authorization - 5 years	A-5	2,994.00				
Due Animal Control Trust Fund	A-6	51.67				
Overexpenditure of Appropriation	A-6	3,110.24				
Overexpenditure of Appropriation Reserve	A-6	1,256.20				
Cancellation of Federal Grant	A-6	11,882.12				
Due Payroll Account		730.53				
Reserve for Federal & State Grants - Appropriated	A-14	100,252.13				
Disbursed	A-4	784,522.52				
		<u>915,299.41</u>				

The accompanying notes to the financial statements are an integral part of this statement.

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2013	Balance Dec. 31, 2012
ASSETS			
Animal Control Trust Fund			
Cash - Treasurer			9.82
Deficit in Dog License Fund		138.48	175.80
		<u>138.48</u>	<u>185.62</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Trust Fund			
Deficit in Cash	B-1	1.50	
Due Current Fund	A	136.98	185.62
		<u>138.48</u>	<u>185.62</u>

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

ASSETS	Ref.	Balance <u>Dec. 31, 2013</u>	Balance <u>Dec. 31, 2012</u>
Deferred Charges to Future Taxation:			
Unfunded	C-2	166,250.00	166,250.00
Due from Current Fund	A	8,581.52	17,919.41
		<u>174,831.52</u>	<u>184,169.41</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes Payable	C-4	166,250.00	166,250.00
Improvement Authorizations:			
Unfunded	C-3	8,581.52	17,919.41
		<u>174,831.52</u>	<u>184,169.41</u>

GENERAL FIXED ASSETS

COMPARATIVE BALANCE SHEET - GENERAL FIXED ASSETS - REGULATORY BASIS

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
General Fixed Assets:		
Buildings		
John Kerfoot Building	180,487.40	180,487.40
Old School Building	195,110.97	195,110.97
Firehouse	225,087.99	225,087.99
Fire Truck	132,900.00	132,900.00
Hockey Rink	42,414.00	42,414.00
Computers	12,005.05	12,005.05
Playground Equipment & Basketball Court	84,241.49	84,241.49
Baseball Field Fencing	21,485.00	21,485.00
	<u>893,731.90</u>	<u>893,731.90</u>
Investment in General Fixed Assets	<u>893,731.90</u>	<u>893,731.90</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Audubon Park was incorporated in 1917 and is located in southwest New Jersey, Camden County, approximately two miles southeast of the City of Philadelphia. The 2010 federal census reported the population to be 1,023.

The Borough of Audubon Park operates under a Mayor-Council form of government. The Mayor is Chief Executive Officer of the Borough and is elected at the general election by the electorate for a four year term. The Council is the legislative body of the Borough and consists of six members elected by popular vote to three year terms. The day-to-day operations are conducted by the Borough Clerk.

Except as noted below, the financial statements of the Borough of Audubon Park included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Audubon Park, as required by NJSA 40A:5-5.

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

B. Description of Funds

The accounting policies of the Borough of Audubon Park 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 Borough of Audubon Park accounts for its transactions through the following separate funds, which differ from the funds 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.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities 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 follow.

A modified accrual basis of accounting is followed with minor exceptions. The more significant accounting principles are as follows:

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 Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. 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 Borough's regulatory 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. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital and utility capital indebtedness is on the cash 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.

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.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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 inter-funds are not reserved.

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 NJAC 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 Borough has developed a fixed assets accounting and reporting system.

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 Borough capitalizes fixed assets with an original cost in excess of \$5,000.00.

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

No depreciation has been provided for in the financial statements.

Fixed assets acquired through grants in aid or contributed capital, have 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.

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 is the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 Borough's annual budget protects the Borough from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, 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 Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest - It is the policy of the Borough to capitalize interest in the General Capital Fund on projects during the construction phase.

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.

Basic Financial Statements - Governmental Accounting Standards Board (GASB) prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. Generally Accepted Accounting Principles (GAAP) prescribes that the financial statements must be presented on an entity wide basis, including all funds exclusive of fiduciary funds, and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

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 Borough'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.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Recent Accounting Pronouncements Not Yet Effective

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

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Borough's financial reporting.

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

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This statement is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Borough's financial reporting.

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

NOTE 2: BUDGETARY INFORMATION

The Borough must adopt an annual budget in accordance with NJSA 40A:4 et seq. 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. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$0 and \$0, respectively. This protects the Borough from taxes not paid currently. Once approved, the Borough may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 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 Borough can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87. The following budget amendments were approved as follows:

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 2: BUDGETARY INFORMATION (CONTINUED)

Current Fund:	
Special Item of Revenue:	
Clean Communities	4,000.00
	<u> </u>

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 (GUDPA) or in qualified investments established in NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2013 and 2012, the carrying amount of the Borough's deposits was \$270,044.36 and \$113,541.68, respectively. As of December 31, 2013 and 2012, \$0 of the municipality's bank balance of \$309,667.18 and \$125,100.34, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2013 or 2012, the Borough did not have any investments.

Interest 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, NJSA 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes. 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 Borough or bonds or other obligations of the Borough 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 Borough places no limit on the amount the Borough may invest in any one issuer.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 5: FUND BALANCES APPROPRIATED

	Year	Balance December 31	Utilized in Budget of Succeeding Year
	2013	72,868.73	55,000.00
	2012	29,326.67	-
Current Fund	2011	25,320.23	8,000.00
	2010	46,654.99	26,865.14
	2009	55,269.35	26,000.00

a = The budget for 2014 has not been adopted as of the date of the audit therefore, it is subject to change.

NOTE 6: COMPENSATED ABSENCES

The Borough employee's unused vacation and sick time is not accumulated and carried forward and at no time is compensation paid for time not utilized at year end.

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2013:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Trust Fund	136.98	
Federal and State Grant Fund		2,375.82
Due General Capital Fund		8,581.52
Federal and State Grant Fund:		
Current Fund	2,375.82	
Animal Control Trust Fund:		
Current Fund		136.98
General Capital Fund:		
Current Fund	8,581.52	
	<u>11,094.32</u>	<u>11,094.32</u>

The interfunds listed above predominately resulted from payments made by certain funds on behalf of other funds. The amount due General Capital Fund and Federal and State Grant Fund to Current Fund is due to the fact that there is not a separate bank account.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2013:

	Balance Dec. 31, 2012	Additions	Deletions	Balance Dec. 31, 2013
Building:				
John Kerfoot Building	180,487.40			180,487.40
Old School Building	195,110.97			195,110.97
Firehouse	225,087.99			225,087.99
Fire Truck	132,900.00			132,900.00
Hockey Rink	42,414.00			42,414.00
Computers	12,005.05			12,005.05
Playground Equipment & Basketball Courts	84,241.49			84,241.49
Baseball Field Fencing	21,485.00			21,485.00
	893,731.90	None	None	893,731.90

NOTE 9: ECONOMIC DEPENDENCY

The Borough of Audubon Park is not economically dependent on any one business or industry within the Borough.

NOTE 10: 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 Audubon Park's case, at December 31, 2013 and 2012, \$205,563.50 and \$146,858.88, respectively, would be the maximum amount permitted to be deferred under these regulations. The Borough, in prior years, elected to defer school taxes as follows:

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

	<u>Consolidated District School Tax</u>	
	Balance Dec. 31, 2013	Balance Dec. 31, 2012
Balance of Tax	265,972.09	156,013.47
Deferred	146,858.88	146,858.88
Tax Payable	119,113.21	9,154.59

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11: LONG-TERM DEBT

Summary of Municipal Debt Service

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

	Year 2013	Year 2012	Year 2011
Bonds, Notes and Loans Issued	166,250.00	166,250.00	158,750.00
Bonds and Notes Authorized but Not Issued	None	None	47,500.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	166,250.00	166,250.00	206,250.00

	Balance Dec. 31, 2012	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2013
Issued:				
General:				
Bond Anticipation Notes	166,250.00			166,250.00
Net Debt Issued	166,250.00			166,250.00
Authorized but not Issued:				
General:				
Bond Anticipation Notes	None			None
Authorized but not Issued	None			None
Net Bonds and Notes Issued and Authorized but not Issued	166,250.00	None	None	166,250.00

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 .769%.

	Gross Debt	Deductions	Net Debt
Consolidated School District Debt	None	None	
General Debt	166,250.00		166,250.00
	166,250.00	None	166,250.00

Net Debt \$166,250.00/Equalized Valuation Basis per NJSA 40A:2-2, \$21,614,378.67 = .769%.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11: LONG-TERM DEBT (CONTINUED)

BORROWING POWER UNDER NJSA 40: A:2-6 AS AMENDED

3 1/2% of Equalized Valuation Basis (Municipal)	756,503.25
Net Debt	<u>166,250.00</u>
Remaining Borrowing Power	<u><u>590,253.25</u></u>

The foregoing information is in agreement with the Annual Debt Statement filed by the Borough.

NOTE 12: NOTES PAYABLE

The Borough has outstanding at December 31, 2013, a General Capital bond anticipation note in the amount of \$166,250.00, payable to First Colonial Community Bank. This note will mature on August 20, 2014, at an interest rate per annum of 1.00%. There is also a Tax Anticipation note payable in the amount of \$50,000.00, payable to Colonial Bank FSB, at an interest rate of 1% which was paid off on March 26, 2014.

NOTE 13: PENSION FUNDS

Description of Plans - Substantially all eligible employees of the Borough are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. 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/actuarial-rpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death disability and medical benefits to certain qualified members. The Public Employees' Retirement System 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.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.64% to 6.78% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13: PENSION FUNDS (CONTINUED)

Funding Policy (Continued) - The Borough's contributions to PERS for the years ending December 31, 2013, 2012, and 2011, were \$9,047, \$7,542 and \$7,738, respectively, equal to the required contributions for each year.

NOTE 14: POST RETIREMENT BENEFITS

Plan Description - The Borough of Audubon Park 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 NJSA 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. In 1991 the Borough of Audubon Park authorized participation in the SHBP's post-retirement benefit program through resolution 91-139A. Participating employers will pay the premium or periodic charges for the benefits provided to employees who retired after 25 years or more of service credited in a state of locally administered retirement system. Participating employers will also reimburse such retired employees for their premium charges under Part B of the Federal Medicare 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 <http://www.state.nj.us/treasury/pensions/shbp.htm>.

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

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

The Borough's contributions to SHBP for the years ended December 31, 2013, 2012 and 2011, were \$15,000.00, \$15,270.60 and \$14,661.36, respectively, which equaled the required contributions for each year. There was one retired participant eligible at December 31, 2013, 2012 and 2011.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 15: RISK MANAGEMENT

The Borough of Audubon Park is a member of the Camden Counties Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

- Worker's Compensation
- Property Damage other than Motor Vehicles
- General Liability/Auto Liability
- Environmental Liability
- Public Officials/Employment Practices Liability.

The Borough 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 Borough maintains commercial insurance coverage for property, liability and surety bonds, and the Municipal Excess Liability Fund which includes other municipalities throughout the County. The Borough is obligated to remit insurance premiums in two installments and are based on actuarial assumptions determined by the Fund's actuary. There is an unknown contingent liability with the Camden County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year 2013. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Borough's agreement with the Municipal Excess Liability Joint Insurance Fund provides that the pool will be self-sustaining through member premiums and will reinsure for claims in excess of \$50,000.00 to \$200,000.00 based on the line of coverage for each insured event.

The Fund published its own financial report for the year ended December 31, 2013, which can be obtained at <http://www.camdenmunicipaljif.org/finance/independent-audits>.

NOTE 16: LABOR CONTRACTS

As of December 31, 2013, there are no collective bargaining units in the Borough of Audubon Park.

NOTE 17: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of the various funds.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 17: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS
(CONTINUED)**

	Balance Dec. 31, 2013	2014 Budget Appropriation	Budgets of Succeeding Years
Current Fund:			
Overexpenditure of Appropriation	139.66		139.66
Overexpenditure of Appropriation Reserves	2,771.03	2,503.51	267.52
Emergency Authorization	9,388.75	9,388.75	
Federal and State Grant Fund:			
Overexpenditure of a Grant	5,376.44		5,376.44
Animal Control Trust Fund:			
Deficit in Operations	138.48		138.48
	17,674.70	11,892.26	5,782.44

NOTE 18: OPERATING LEASES

The Borough has operating leases in effect for a postage machine and two copiers. The monthly lease payments are \$28.00 and the \$75.00 per month for sixty months. The annual lease payments for 2013 were \$1,236.00. Future lease payments are as follows:

Year	Amount
2014	1,236.00
2015	1,236.00
2016	1,236.00
2017	515.00
	4,223.00

NOTE 19: SHARED SERVICE AGREEMENT

The Borough entered into an inter-local agreement with the Township of Haddon to provide police protection services. The agreement is for a five year period from September 1, 2009 through August 31, 2014. The annual cost is \$380,000.00 per year.

NOTE 20: CONTINGENCIES

It is the Borough of Audubon Park Counsel's opinion that there is not any pending litigation and/or contingent liability against the Borough of Audubon Park that could have an adverse effect on the financial position in the future.

**BOROUGH OF AUDUBON PARK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 21: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2013 and April 1, 2014, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Borough that would require disclosure.

SUPPLEMENTARY INFORMATION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
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MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
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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

Independent Auditor's Report

Honorable Mayor and Members
of the Borough Council
Borough of Audubon Park
20 Road C
Audubon Park, New Jersey 08106

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Borough of Audubon Park, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough of Audubon Park's basic financial statements, and have issued our report thereon dated April 1, 2014, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies as items 2013-001 and 2013-004.

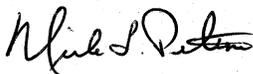
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which are described in the accompanying schedule of findings and recommendations as items 2013-002 and 2013-003.

Purpose of this Report

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

PETRONI & ASSOCIATES LLC



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

April 1, 2014

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Payroll	Federal and State Grants
Balance December 31, 2012	A	112,987.28	544.58	
Increased by Receipts:				
Taxes Receivable	A-8	1,099,939.28		
Grants Receivable	A-7			77,128.23
Revenue Accounts Receivable	A-12	312,078.87		
Tax Anticipation Note	A-13	50,000.00		
Due Federal and State Grant Fund	A-4	2,644.03		
Due State of New Jersey:				
Marriage Licenses		178.00		
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-15	28,500.00		
Security Deposits		20,980.00		
Bond Anticipation Note		166,250.00		
Employee Payroll Deductions			33,166.14	
Employer Payroll Taxes			18,720.31	
Due Current Fund			3,111.72	
Net Payroll			84,081.26	
Total Receipts		1,680,570.18	139,079.43	77,128.23
		1,793,557.46	139,624.01	77,128.23
Decreased by Disbursements:				
Current Year Budget Appropriations	A-3	784,522.52		
Appropriation Reserves	A-10	7,102.78		
Encumbrances Payable	A-11	1,677.45		2,600.00
Reserve for Grants - Appropriated	A-14			71,884.20
Tax Anticipation Note	A-13	50,000.00		
Due State of New Jersey:				
Marriage Licenses		150.00		
Due Current Fund	A-4			2,644.03
Bond Anticipation Note		166,250.00		
Due Animal Control Trust Fund	B-1	40.00		
Due General Capital Fund	C-3	9,337.89		
County Library Taxes	A-8	10,045.09		
County Taxes	A-8	161,255.13		
County Open Space Tax	A-8	4,217.49		
Local District School Tax	A-16	301,168.38		
Security Deposits		24,520.00		
Due Payroll Account		5,854.57		
Payroll Taxes			51,026.82	
Due Current Fund			1,886.23	
Net Payroll			84,081.26	
		1,526,141.30	136,994.31	77,128.23
Balance December 31, 2013	A	267,416.16	2,629.70	

SCHEDULE OF DEFERRED CHARGES
 NJSA 40A:4-55 SPECIAL EMERGENCY - REVALUATION PROGRAM

Purpose	Date Authorized	Net Amount Authorized	1/5 of Amount Authorized	Balance Dec. 31, 2012	Reduced
Revaluation Program	10/7/2008	14,970.00	2,994.00	2,994.00	2,994.00
	Ref.			A	A-3

SCHEDULE OF DEFERRED CHARGES

	Balance Dec. 31, 2012	Increased	Reduced	Balance Dec. 31, 2013
Emergency Appropriation	10,500.00	9,388.75	10,500.00	9,388.75
Overexpenditure of Appropriation	3,110.24	139.66	3,110.24	139.66
Overexpenditure of Appropriation Reserves	3,759.71	267.52	1,256.20	2,771.03
Cancelation of Grant Receivable	11,882.12		11,882.12	
	29,252.07	9,795.93	26,748.56	2,503.51
Ref.	A	A-3	A-3	A

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2012	Budget Revenue Realized	Received	Transfer from Unappropriated	Balance Dec. 31, 2013
Federal Grants:					
Community Development Block Grant	38,642.89	21,600.00	31,446.98		28,795.91
State Grants:					
NJ DOT - Kennedy Drive		73,000.00	41,681.25		31,318.75
Clean Communities Act		4,000.00	4,000.00		
Recycling Tonnage		1,652.13		1,652.13	
	<u>38,642.89</u>	<u>100,252.13</u>	<u>77,128.23</u>	<u>1,652.13</u>	<u>60,114.66</u>
Ref.	A	A-2	A-4	A-12	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2012	Levy	Collected 2013	Balance Dec. 31, 2013
2012	5,116.60		5,116.60	
2013		1,128,474.68	1,123,322.68	5,152.00
	5,116.60	1,128,474.68	1,128,439.28	5,152.00
	A			A

Cash	Ref. A-4	1,099,939.28
Due State of New Jersey - Senior Citizen & Vets	A-15	28,500.00
		1,128,439.28

Analysis of Property Tax Levy

Tax Yield			
General Property Tax			1,128,474.68
Tax Levied	Ref.		
Local District School Tax (Abstract)	A-16		411,127.00
County Taxes:			
County Tax (Abstract)	A-1	161,255.13	
County Open Space Tax (Abstract)	A-1	4,217.49	
County Library Tax (Abstract)	A-1	10,045.09	
Total County Taxes		175,517.71	
Local Tax for Municipal Purposes	A-2	541,779.00	
Add: Additional Taxes Levied		50.97	
		541,829.97	
			1,128,474.68

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Accrued	Collected by Treasurer
Miscellaneous Revenue Anticipated		
Rental of Old School Building	51,000.00	51,000.00
Rental of Municipal Facilities	10,000.00	10,000.00
Consolidated Municipal		
Property Tax Relief	35,042.00	35,042.00
Energy Receipts Tax	67,981.28	67,981.28
Interlocal Service Agreements:		
Trash Collection	24,403.73	24,403.73
Tax Collector	11,500.00	11,500.00
Borough Clerk/Registrar	39,997.00	39,997.00
Trash Removal - Audubon Park		
Mutual Housing Authority	48,999.96	48,999.96
Miscellaneous Revenue Not Anticipated		
Cable Television Franchise Fee	16,087.66	16,087.66
Interest on Investments	1,116.27	1,116.27
Licenses	7.00	7.00
Sale of Recycling Buckets	1,509.33	1,509.33
JIF Safety Incentive	900.00	900.00
Miscellaneous	2,964.64	2,964.64
Senior Citizen & Veterans Administration Fee	570.00	570.00
	312,078.87	312,078.87
	312,078.87	312,078.87
Ref.		A-4

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2013	Prior Period Adjustment	Balance After Transfers	Paid or Charged	Over- Expended	Balance Lapsed
Other Expenses:						
Mayor & Council	2,361.25		2,361.25	2,000.00		361.25
Financial Administration	343.29		343.29	241.30		101.99
Legal Services	4,214.80		4,214.80	1,175.70		3,039.10
Unemployment Compensation	120.77	223.69	344.46	268.97		75.49
Garbage & Trash Removal	11,202.87		11,202.87	2,121.64		9,081.23
Public Buildings & Grounds	1,027.65		1,027.65	1,295.17	267.52	
Other Accounts No Change	9,030.92		9,030.92			9,030.92
	<u>28,301.55</u>	<u>223.69</u>	<u>28,525.24</u>	<u>7,102.78</u>	<u>267.52</u>	<u>21,689.98</u>
Ref.	A	A-1		A-4	A	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2012	A	4,624.85	2,600.00
Increased by:			
Charges to Budget Appropriations	A-3	2,676.36	
		<u>7,301.21</u>	<u>2,600.00</u>
Decreased by:			
Payments	A-4	1,677.45	2,600.00
Canceled	A-1	2,947.40	
Balance December 31, 2013	A	<u><u>2,676.36</u></u>	

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

		<u>Balance Dec. 31, 2012</u>	<u>Budgeted</u>
Recycling Tonnage Grant		1,652.13	1,652.13
	Ref.	A	A-7

SCHEDULE OF TAX ANTICIPATION NOTES

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>	<u>Increased</u>	<u>Reduced</u>	<u>Balance Dec. 31, 2013</u>
04/04/12	03/28/13	1.25%	50,000.00		50,000.00	
03/27/13	03/26/14	1.00%		50,000.00		50,000.00
			<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>
		Ref.	A	A-4	A-4	A

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

Grants	Balance Dec. 31, 2012	Budget Appropriation	Paid	Over- Expended	Balance Dec. 31, 2013
Federal Grants:					
Community Development Block Grant	31,761.64	21,600.00	58,738.08	5,376.44	
State Grants:					
NJ DOT - Kennedy Drive		73,000.00	6,983.41		66,016.59
Clean Communities Act	674.04	4,000.00	4,608.71		65.33
Recycling Tonnage	1,686.87	1,652.13	1,554.00		1,785.00
	<u>34,122.55</u>	<u>100,252.13</u>	<u>71,884.20</u>	<u>5,376.44</u>	<u>67,866.92</u>
Ref.	A	A-3	A-4	A	A

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

Balance December 31, 2012	Ref. A	2,700.00
Increased by:		
Receipts	A-4	28,500.00
		<u>31,200.00</u>
Decreased by:		
Deductions Per Tax Duplicate	A-8	28,500.00
		<u>28,500.00</u>
Balance December 31, 2013	A	<u><u>2,700.00</u></u>

EXHIBIT A-16

SCHEDULE OF CONSOLIDATED DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2012	Ref.		
School Tax Payable	A	9,154.59	
School Tax Deferred		146,858.88	
		<u>156,013.47</u>	
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-8		411,127.00
			<u>567,140.47</u>
Decreased by:			
Payments	A-4		301,168.38
			<u>301,168.38</u>
Balance December 31, 2013			
School Tax Payable	A	119,113.21	
School Tax Deferred		146,858.88	
		<u>265,972.09</u>	
			<u><u>265,972.09</u></u>
Tax Liability for Local District School Tax:			
Tax Paid	A-16		301,168.38
Tax Payable December 31, 2013	A-16		119,113.21
			<u>420,281.59</u>
Less: Tax Payable December 31, 2012	A-16		9,154.59
			<u>411,127.00</u>
Amount Charged to Current Year Operations	A-1		<u><u>411,127.00</u></u>

TRUST FUND

SCHEDULE OF TRUST FUND CASH

	Ref.	Animal Control Trust Fund
Balance December 31, 2012	B	<u>9.82</u>
Increased by Receipts:		
Interest Earned		3.03
Dog License Fees:		
Municipal Share	B-3	754.60
State Share		268.40
Due from Current Fund	A-4	40.00
Total Receipts		<u>1,066.03</u>
		<u>1,075.85</u>
Decreased by Disbursements:		
Expenditures Under RS 4:19-15.11	B-3	808.95
Due State of NJ Department of Health		268.40
		<u>1,077.35</u>
Balance December 31, 2013	B	<u><u>(1.50)</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

	Ref.	
Increased by:		
Municipal Share of Dog License Fees	B-1	754.60
Current Fund appropriation	B-1	40.00
		<hr/>
		794.60
		<hr/>
Decreased by:		
Expenditures Under R.S.4:19-15.11: Cash	B-1	808.95
		<hr/>
Balance December 31, 2013	B	(14.35)
		<hr/> <hr/>

License Fees Collected

	<u>Amount</u>
2011	821.40
2012	520.80
	<hr/>
	1,342.20
	<hr/> <hr/>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH

		Balance	Transfers		Balance
		Dec. 31, 2012	From	To	Dec. 31, 2013
Due Current Fund		(17,919.41)		9,337.89	(8,581.52)
Improvement Authorizations:					
Ordinance					
<u>Number</u>					
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	2,994.95	2,599.18		395.77
2011-1b	Construction and Renovations to Borough Recreation Facilities	9,947.17	1,848.37		8,098.80
2011-1c/ 2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	86.95			86.95
2011-1d	Engineering Costs for the Overlay of Existing Roads	4,890.34	4,890.34		
			<u>9,337.89</u>	<u>9,337.89</u>	

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - UNFUNDED

Ordinance Number	Purpose	Balance Dec. 31, 2012	Balance Dec. 31, 2013	Analysis of Balance Dec. 31, 2013 Financed By Bond Anticipation Notes
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	14,250.00	14,250.00	14,250.00
2011-1b	Construction and Renovations to Borough Recreation Facilities	19,000.00	19,000.00	19,000.00
2011-1c/ 2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	118,750.00	118,750.00	118,750.00
2011-1d	Engineering Costs for the Overlay of Existing Roads	14,250.00	14,250.00	14,250.00
		<u>166,250.00</u>	<u>166,250.00</u>	<u>166,250.00</u>
	Ref.	C	C	C-4

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2012 Unfunded	Paid or Charged	Balance Dec. 31, 2013 Unfunded
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	02/22/11	15,000.00	2,994.95	2,599.18	395.77
2011-1b	Construction and Renovations to Borough Recreation Facilities	02/22/11	65,000.00	9,947.17	1,848.37	8,098.80
2011-1c/ 2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	10/03/11	125,000.00	86.95		86.95
2011-1d	Engineering Costs for the Overlay of Existing Roads	02/22/11	15,000.00	4,890.34	4,890.34	
				<u>17,919.41</u>	<u>9,337.89</u>	<u>8,581.52</u>
			Ref.	C	A-4	C

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Balance Dec. 31, 2013
2011-1a	Acquisition of Upgrades to the Borough's Financial Information Technology Systems	04/18/12	08/21/13	08/20/14	1.00%	14,250.00	14,250.00
2011-1b	Construction and Renovations to Borough Recreation Facilities	04/18/12	08/21/13	08/20/14	1.00%	19,000.00	19,000.00
2011-1c/ 2011-6	Replacement of Existing Roof of the Firehouse and Portion of Municipal Building	08/25/11	08/21/13	08/20/14	1.00%	118,750.00	118,750.00
2011-1d	Engineering Costs for the Overlay of Existing Roads	04/18/12	08/21/13	08/20/14	1.00%	14,250.00	14,250.00
						<u>166,250.00</u>	<u>166,250.00</u>
					Ref.	C	C

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2013

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 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 Borough 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.

Our examination of expenditures did not reveal any individual payments, contracts or agreements 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 NJSA 40A:11-6.

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

Peter's Creek Landscaping Improvements

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

NJSA 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.

PROPERTY TAX INFORMATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate:	5.404	4.336	4.104
Apportionment of Tax Rate:			
Municipal	2.594	2.289	2.216
County	0.773	0.713	0.657
County Open Space	0.020	0.021	0.021
County Library	0.049	0.046	0.043
Local School	1.968	1.267	1.167
Assessed Valuation	20,882,211	23,179,270	23,190,477

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>2013</u>	<u>2012</u>	<u>2011</u>
Tax Levy	1,128,474.68	1,005,053.15	951,737.18
Cash Collections	1,123,322.68	999,936.55	951,737.18
Percentage of Collections	99.54%	99.49%	100.00%

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>2013</u>	<u>2012</u>	<u>2011</u>
Delinquent Taxes	5,152.00	5,116.60	None
Percentage of Tax Levy	0.46%	0.51%	0%

OTHER COMMENTS

Chief Financial Officer

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 with the following exceptions:

1. The Borough expended funds in excess of the amount appropriated for the Community Development Block Grant, a current year appropriation and prior year appropriation reserve.
2. A contract was not prepared for the 2013 Courtesy School Busing for an award made by the Borough.
3. No analysis was maintained for payroll taxes payable.
4. Some of the employees were found to be paid in excess of the salary ordinance.

Corrective Action Plan

A corrective action plan was filed as required for the year 2012.

FINDINGS AND RECOMMENDATIONS

2013-001: Finding: The Borough expended funds in excess of the amount appropriated for the Community Development Block Grant, a current year appropriation and prior year appropriation reserve.

Recommendation: The Chief Financial Officer ensure that sufficient appropriations are available in budget line items prior to expending funds.

2013-002: Finding: A contract was not prepared for the 2013 Courtesy School Busing for an award made by the Borough.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Recommendation: Contracts be prepared for awards made by the governing body that exceed the bid threshold as required by NJSA40A:11-4.

2013-003: An analysis of payroll taxes payable was not maintained.

Recommendation: An analysis of payroll taxes payable be maintained.

2013-004: Finding: Three employees were found to be paid in excess of the salary ordinance.

Recommendation: Internal control procedures be established to ensure employees are paid at the proper rate.

STATUS OF PRIOR RECOMMENDATIONS

Prior year recommendation has not been resolved and is repeated in this years' report as item 2013-001.

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

We received the complete cooperation of all the officials of the Borough 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

April 1, 2014