

BOROUGH OF AVALON
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2012

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BOROUGH OF AVALON

PART I

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS**

FOR THE YEAR ENDED

DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of the Borough Council
Borough of Avalon, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Avalon, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Avalon 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 Avalon as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 6 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$366,570.70 and \$405,680.00 for 2012 and 2011 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 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 opinion on the financial statements that collectively comprise the Borough of Avalon’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relate 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 is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013 on our consideration of the Borough of Avalon'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 Avalon's internal control over financial reporting and compliance.

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

Glen J. Ortman

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

July 31, 2013

**EXHIBIT - A
CURRENT FUND**

BOROUGH OF AVALON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 6,245,983.64	\$ 7,729,501.35
Change Funds		1,200.00	1,200.00
		<u>6,247,183.64</u>	<u>7,730,701.35</u>
Receivables and Other Assets with			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	495,776.84	627,376.84
Tax Title Liens Receivable	A-8	14,703.16	14,642.59
Property Acquired for Taxes - Assessed Valuation		137,480.20	137,480.20
Revenue Accounts Receivable	A-9	10,596.98	9,111.29
Amount Due from IDA		-	5,425.00
Amount Due from Avalon Library		52,601.41	-
Interfunds:			
Due from Federal & State Grant Fund		-	120,398.21
Due from General Capital Fund		2,799,381.79	293,993.59
Due from Animal Control Fund		142.26	142.26
Due from Trusts - Other		1,711.75	-
Due from Beach Utility Operating Fund		-	7,781.91
Due from Water & Sewer Capital Fund		-	0.50
Due from Water & Sewer Oper. Fund		22,937.95	17,926.28
		<u>3,535,332.34</u>	<u>1,234,278.67</u>
Deferred Charges:			
None		-	-
		<u>-</u>	<u>-</u>
		<u>9,782,515.98</u>	<u>8,964,980.02</u>
Federal and State Grant Fund:			
Cash	A-4	29,639.96	-
Grants Receivable	A-11	219,618.84	346,456.04
		<u>249,258.80</u>	<u>346,456.04</u>
		<u>\$ 10,031,774.78</u>	<u>\$ 9,311,436.06</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 933,383.23	\$ 507,687.28
Reserve for Encumbrances/Accounts Payable		571,568.41	300,715.46
Prepaid Taxes		1,091,869.60	950,304.73
Tax Overpayments		855.35	-
Due to Trusts - Other		-	1,263.30
Due County - Added Taxes Payable		42,012.92	51,826.79
Due to Beach Utility Operating Fund		11,420.82	-
Prepaid Licenses and Permits		143,850.00	160,350.00
Prepaid Fire Inspection Fees		38,279.00	49,952.00
Prepaid Bay Park Marina Fees		328.00	328.00
Due to Avalon Free Public Library		-	68,337.63
Due to State of New Jersey:			
State Training Fee for New Construction		6,308.00	5,106.00
Veterans and Senior Citizens Deductions		4,752.95	2,002.95
Sales Tax		12.52	22.54
Marriage Licenses		75.00	-
Rental License Bond		22,000.00	17,500.00
Reserve for Master Plan		6,892.50	6,892.50
Reserve for Garden State Preservation Trust		3,877.00	3,877.00
Reserve for Benches - Downtown		7,278.00	7,278.00
Reserve for Animal Protection Fund		3,411.08	4,003.86
		<u>2,888,174.38</u>	<u>2,137,448.04</u>
Reserve for Receivables and Other Assets		3,535,332.34	1,234,278.67
Fund Balance	A-1	<u>3,359,009.26</u>	<u>5,593,253.31</u>
		<u>9,782,515.98</u>	<u>8,964,980.02</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	102,680.67	69,901.49
Appropriated Reserves	A-13	145,902.22	118,127.03
Reserve for Encumbrances	A-13	675.91	38,029.31
Due to Current Fund	A	-	120,398.21
		<u>249,258.80</u>	<u>346,456.04</u>
		<u>\$ 10,031,774.78</u>	<u>\$ 9,311,436.06</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,246,771.45	\$ 1,782,172.95
Miscellaneous Revenue Anticipated		3,051,922.67	7,881,729.42
Receipts from Delinquent Taxes		619,422.38	1,057,263.93
Receipts from Current Taxes		36,448,834.44	35,449,111.36
Non-Budget Revenue		462,780.66	426,121.32
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		486,811.03	697,459.72
Operations - Due from Avalon Library		-	491.10
Accounts Payable Canceled		-	21,014.90
Interfunds Returned		149,696.90	220,577.86
Total Income		<u>43,466,239.53</u>	<u>47,535,942.56</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages		5,676,375.74	5,806,385.76
Other Expenses		6,494,446.60	6,123,915.00
Deferred Charges & Statutory Expenditures		1,785,428.86	1,607,209.37
Appropriations Excluded from "CAP":			
Operations:			
Other Expenses		2,759,328.01	2,831,239.14
Capital Improvements		972,000.00	1,180,000.00
Municipal Debt Service		3,965,294.12	7,957,310.51
Deferred Charges & Statutory Expenditures		225,000.00	351,315.90
County Taxes		15,865,331.50	15,637,799.03
County Added and Omitted Taxes		42,012.92	51,826.79
Local District School Tax		3,078,694.00	3,078,694.00
Prior Year Senior Citizens Deduction Disallowed		250.00	500.00
Interfunds Created		2,587,181.75	443,690.49
Prior Accounts Payable Adjustment		2,368.63	-
Total Expenditures		<u>43,453,712.13</u>	<u>45,069,885.99</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
Excess In Revenue		\$ 12,527.40	\$ 2,466,056.57
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Years		-	-
		-	-
Statutory Excess to Fund Balance		12,527.40	2,466,056.57
Fund Balance January 1	A	5,593,253.31	4,909,369.69
		5,605,780.71	7,375,426.26
Decreased by:			
Utilization as Anticipated Revenue		2,246,771.45	1,782,172.95
Fund Balance December 31	A	\$ 3,359,009.26	\$ 5,593,253.31

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Ref.	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
	\$ 2,246,771.45	\$ -	\$ 2,246,771.45	\$ -
	2,246,771.45	-	2,246,771.45	-
Fund Balance Anticipated				
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	19,000.00		22,028.00	3,028.00
Other	250.00		355.51	105.51
Fees and Permits	350,000.00		361,894.72	11,894.72
Fines and Costs:				
Municipal Court	155,000.00		183,141.05	28,141.05
Interest and Costs on Taxes	150,000.00		157,208.19	7,208.19
Interest on Investments and Deposits	55,000.00		32,227.68	(22,772.32)
Fees from Fire Inspections	98,000.00		105,475.00	7,475.00
Fees from Rental Registration and Licenses	194,500.00		191,400.00	(3,100.00)
County of Cape May - Fleet Maintenance	72,000.00		82,993.42	10,993.42
Library - Reimbursement - Administration/Bldgs and Grounds	139,234.68		151,320.57	12,085.89
Cable TV Franchise Fee	47,653.28		47,653.28	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	435,714.00		435,714.00	-
Garden State Preservation Trust - Reserved	3,877.00		3,877.00	-
Uniform Construction Code Fees	270,000.00		325,299.00	55,299.00
Special Items:				
Public and Private Programs Offset by Revenues:				
Recycling Tonnage Grant	38,889.34		38,889.34	-
Drunk Driving Enforcement Fund	3,612.53		3,612.53	-
Clean Communities Program	20,020.58		20,020.58	-
COPS In Shops		1,200.00	1,200.00	-
Recreation Grant - McElhaton	4,058.72		4,058.72	-
US Dept of Justice - Bulletproof Vest Grant	2,289.36		2,289.36	-
Kenelm Foundation - Senior Center	1,000.00		1,000.00	-
Drive Sober or Get Pulled Over		4,400.00	4,400.00	-
Energy Efficiency & Conservation Block Grant		25,564.48	25,564.48	-

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (Continued):					
Other Special Items:					
Uniform Fire Safety Act		\$ 9,487.53	\$	9,514.03	\$ 26.50
Reserve for Payment of Bonds		250,000.00		250,000.00	-
Sale of Land - County Debt Service Payment		90,786.22		90,786.21	(0.01)
Transfer from Excess Library Surplus		500,000.00		500,000.00	-
Total Miscellaneous Revenues	A-1	2,910,373.24	31,164.48	3,051,922.67	110,384.95
Receipts from Delinquent Taxes	A-1:A-2	575,000.00		619,422.38	44,422.38
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		15,200,000.00		16,372,503.02	1,172,503.02
Minimum Library Tax		2,590,293.00		2,590,293.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget		17,790,293.00	-	18,962,796.02	
Budget Totals		23,522,437.69	31,164.48	24,880,912.52	154,807.33
Non-Budget Revenues				462,780.66	462,780.66
		\$ 23,522,437.69	\$ 31,164.48	\$ 25,343,693.18	\$ 617,587.99

BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$	36,448,834.44
Less:		
Reserve for State Tax Appeals		-
Net Revenues from Collections		36,448,834.44
Allocated to:		
School and County Taxes		18,986,038.42
Balance for Support of Municipal Budget Appropriations		17,462,796.02
Add: Appropriation		
"Reserve for Uncollected Taxes"		1,500,000.00
Amount for Support of Municipal Budget Appropriations	\$	<u>18,962,796.02</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$	<u>619,422.38</u>
	\$	<u>619,422.38</u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:		
Due from Water/Sewer Operating Fund:		
2011 Appropriation Reserves	\$	19,463.20
Treasurer:		
Joint Insurance Fund Reimbursements	\$	37,212.88
Library Repayments		62,856.43
Refunds and Rebates		67,648.31
COBRA		11,785.16
Recycling		9,963.35
Library Health Insurance		60,875.41
2011 Appropriation Reserves - Beach Utility Fund Canceled		20,678.37
Employee Health Insurance Contributions		8,185.76
Void Payroll Checks		1,614.98
Senior Citizens & Veterans Administration Fee		720.00
Library Pension Reimbursements		117,388.69
Miscellaneous		44,388.12
		<u>443,317.46</u>
	\$	<u>462,780.66</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Business Administration						
Salaries and Wages	\$ 167,189.69	\$ 167,189.69	\$ 167,189.69	\$ -	\$ -	
Other Expenses	20,500.00	20,500.00	20,176.23	256.98	66.79	
Other Expenses - Employee Awards Program	500.00	500.00			500.00	
Council						
Salaries and Wages	53,793.41	53,793.41	53,793.41		-	
Other Expenses	35,050.00	35,050.00	19,289.43	15,600.00	160.57	
Office of the Mayor						
Salaries and Wages	103,016.19	103,016.19	103,016.19		-	
Other Expenses	98,250.00	98,250.00	72,084.64	26,131.40	33.96	
Borough Clerk's Office						
Salaries and Wages	104,815.22	104,815.22	104,815.22		-	
Other Expenses	18,150.00	18,150.00	18,045.54	62.50	41.96	
Treasurer's Office						
Salaries and Wages	191,115.05	191,115.05	191,115.05		-	
Other Expenses	46,250.00	46,250.00	44,067.13	1,275.73	907.14	
Audit Services						
Other Expenses	27,800.00	27,800.00	27,800.00		-	
Election						
Other Expenses	20,000.00	20,000.00	6,200.96		13,799.04	
Municipal Court						
Salaries and Wages	158,496.98	133,496.98	130,549.82		2,947.16	
Other Expenses	24,300.00	49,300.00	30,904.72	174.86	18,220.42	
Public Defender						
Other Expenses	4,000.00	4,000.00	3,500.00		500.00	
Revenue Administration (Tax Collector)						
Salaries and Wages	68,389.71	68,389.71	68,094.20		295.51	
Other Expenses	38,250.00	38,250.00	36,627.08		1,622.92	
Tax Assessment Administration						
Salaries and Wages	140,289.59	140,289.59	138,712.50		1,577.09	
Other Expenses	11,000.00	11,000.00	10,643.65		356.35	
Legal Services						
Salaries and Wages	15,000.00	15,000.00	14,884.75		115.25	
Other Expenses	300,000.00	200,000.00	188,936.19	4,311.75	6,752.06	
Engineering Services and Costs						
Other Expenses	136,000.00	171,000.00	157,126.50		13,873.50	

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Licensing						
Salaries and Wages	\$ 36,272.67	\$ 36,272.67	\$ 33,807.73	\$	2,464.94	\$
Other Expenses	6,000.00	6,000.00	5,395.76		604.24	
Worker and Community Right to Know Act						
Salaries and Wages	30,926.63	30,926.63	28,910.12		2,016.51	
Other Expenses	18,500.00	18,500.00	8,404.06	4,356.53	5,739.41	
INSURANCE						
General Liability	151,000.00	151,000.00	135,226.85		15,773.15	
Workers Compensation Insurance	230,000.00	230,000.00	230,000.00		-	
Health Benefits Waiver						
Salaries and Wages	6,500.00	12,400.00	11,904.46		495.54	
Employee Group Health	2,026,218.00	1,965,318.00	1,664,891.58	4,045.80	296,380.62	
LAND USE ADMINISTRATION:						
Planning and Zoning						
Salaries and Wages	14,580.00	14,580.00	8,908.64		5,671.36	
Other Expenses	60,400.00	60,400.00	51,257.86	5,205.04	3,937.10	
Environmental Commission						
Salaries and Wages	3,458.76	3,458.76	3,268.46		190.30	
Other Expenses	2,100.00	2,100.00	1,766.59		333.41	
PUBLIC SAFETY:						
Fire Department						
Other Expenses	62,085.00	62,085.00	42,748.23	19,336.77	-	
Police Department						
Salaries and Wages	2,215,669.64	2,215,669.64	2,121,917.74		93,751.90	
Other Expenses:						
Municipal Alliance Program	5,000.00	5,000.00	254.84		4,745.16	
Miscellaneous Other Expenses	158,100.00	158,100.00	142,379.15	9,151.51	6,569.34	
Office of Emergency Management						
Salaries and Wages	37,036.55	37,036.55	35,615.50		1,421.05	
Other Expenses	7,700.00	7,700.00	7,663.79		36.21	
Uniform Fire Safety Act:						
Fire Official	110,191.77	110,191.77	100,248.60		9,943.17	
Other Expenses	7,000.00	7,000.00	1,833.48		5,166.52	
Rescue Squad						
Salaries and Wages	377,471.76	377,471.76	374,431.66		3,040.10	
Other Expenses	24,560.00	24,560.00	13,765.13	10,743.76	51.11	
Municipal Prosecutor						
Salaries and Wages	15,000.00	15,000.00	15,000.00		-	

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved		
PUBLIC WORKS:							
Division of Public Works							
Salaries and Wages	\$ 1,059,848.22	\$ 1,089,848.22	\$ 1,063,635.77	\$	\$ 26,212.45	\$	
Other Expenses:							
Landscape/Lawn Care - Contractual	376,820.00	376,820.00	295,469.70	4,260.00	77,090.30		
Miscellaneous Other Expenses	375,000.00	445,000.00	360,620.22	77,236.17	7,143.61		
Garbage and Trash Removal							
Contractual	386,000.00	386,000.00	358,181.70		27,818.30		
Garbage and Trash Licenses							
Other Expenses	1,500.00	1,500.00	44.00		1,456.00		
Recycling							
Contractual	389,100.00	389,100.00	365,902.51		23,197.49		
Sanitary Landfill Closure Act							
Other Expenses	228,000.00	193,000.00	168,114.40	24,390.73	494.87		
Vehicle Maintenance							
Salaries and Wages	165,207.68	165,207.68	159,538.58		5,669.10		
Other Expenses	109,888.60	109,888.60	105,619.87	3,980.96	287.77		
HEALTH AND HUMAN SERVICES:							
Animal Control							
Other Expenses	33,000.00	33,000.00	23,966.00		9,034.00		
PARKS AND RECREATION FUNCTIONS:							
Recreation							
Salaries and Wages	245,000.00	245,000.00	243,290.88		1,709.12		
Other Expenses	219,950.00	219,950.00	200,455.88	16,286.54	3,207.58		
UNIFORM CONSTRUCTION CODE:							
State Uniform Construction Code							
Construction Official	293,101.49	293,101.49	263,228.31		29,873.18		
Salaries and Wages	13,000.00	13,000.00	9,109.76	1,551.43	2,338.81		
Other Expenses							
Sub-Code Official							
Zoning Official							
Salaries and Wages	20,504.73	20,504.73	20,202.50		302.23		
Other Expenses	1,975.00	1,975.00	1,000.00		975.00		
UTILITY EXPENSES AND BULK PURCHASES:							
Salary Adjustments	45,000.00	45,000.00	44,207.46		792.54		
Accumulated Leave	180,000.00	180,000.00	180,000.00		-		
Utilities:							
Electric, Natural Gas	425,000.00	375,000.00	295,052.71	76,655.00	3,292.29		
Telephone	85,000.00	85,000.00	60,606.14	5,884.25	18,509.61		
Gasoline	140,000.00	190,000.00	172,890.60	1,437.64	15,671.76		

See Accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 12,180,822.34	\$ 12,125,822.34	\$ 11,038,310.12	\$ 775,176.87	\$ -
Contingent	45,000.00	45,000.00	26,236.58	17,000.00	1,763.42
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	12,225,822.34	12,170,822.34	11,064,546.70	329,335.35	776,940.29
Detail:					
Salaries and Wages	5,671,375.74	5,676,375.74	5,488,382.78	-	187,992.96
Other Expenses	6,554,446.60	6,494,446.60	5,576,163.92	329,335.35	588,947.33
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
Anticipated Deficit in Beach Utility Fund	241,944.29	241,944.29	152,267.86	-	89,676.43
Anticipated Deficit in Water Sewer Utility Fund	270,000.00	270,000.00	270,000.00	-	-
Unpaid Prior Year Bills	72,000.00	72,000.00	71,850.00	-	150.00
Statutory Expenditures:					
Contributions to:					
Police and Fire Retirement System of N.J.	402,940.00	402,940.00	402,940.00	-	-
Public Employees Retirement System	437,371.00	437,371.00	437,371.00	-	-
Defined Contribution Retirement Plan	1,000.00	1,000.00	-	1,000.00	-
Social Security System (O.A.S.I.)	450,000.00	450,000.00	425,816.59	24,183.41	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"	1,875,255.29	1,875,255.29	1,760,245.45	-	89,826.43
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	14,101,077.63	14,046,077.63	12,824,792.15	329,335.35	89,826.43
OTHER OPERATIONS EXCLUDED FROM "CAPS"					
Emergency Service Volunteer Length of Service Award Program					
Other Expenses	53,000.00	53,000.00	51,361.20	1,638.80	-
Aid to Free Public Library (NJSA 40:54-8)	2,590,293.00	2,590,293.00	2,590,293.00	-	-
Other Expenses					
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	2,643,293.00	2,643,293.00	2,641,654.20	-	1,638.80

**BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Recycling Tonnage Grant	\$ 38,889.34	\$ 38,889.34	\$ 38,889.34	\$ -	\$ -	
Clean Communities Program	20,020.58	20,020.58	20,020.58	-	-	
Matching Funds for Grants	15,000.00	15,000.00	-	15,000.00	-	
COPS in Shops (40A:4-87, \$1,200.00+)	-	1,200.00	1,200.00	-	-	
Drunk Driving Enforcement Fund	3,612.53	3,612.53	3,612.53	-	-	
Drive Sober or Get Pulled Over (40A:4-87, \$4,400.00+)	-	4,400.00	4,400.00	-	-	
Emergency Efficiency & Conservation Block Grant	-	25,564.48	25,564.48	-	-	
U.S. Dept. of Justice - Bulletproof Vests	2,289.36	2,289.36	2,289.36	-	-	
McElhatton - Recreation Grant	4,058.72	4,058.72	4,058.72	-	-	
Keneim Foundation - Senior Center	1,000.00	1,000.00	1,000.00	-	-	
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	84,870.53	116,035.01	101,035.01	-	15,000.00	-
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	2,728,163.53	2,759,328.01	2,742,689.21	-	16,638.80	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	2,728,163.53	2,759,328.01	2,742,689.21	-	16,638.80	-
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	40,000.00	40,000.00	40,000.00	-	-	
Road Reconstruction	450,000.00	450,000.00	297,417.03	63,587.54	88,995.43	
Acquisition of Playground Equipment	240,000.00	240,000.00	89,823.36	126,464.85	23,711.79	
Acquisition of 4 Wheel Drive Vehicles	172,000.00	172,000.00	170,914.02	20,000.00	1,085.98	
Acquisition of Generator	20,000.00	20,000.00	48,415.97	756.50	827.53	
Construct 9/11 Memorial	50,000.00	50,000.00	-	-	-	
TOTAL CAPITAL IMPROVEMENTS	972,000.00	972,000.00	646,570.38	210,808.89	114,620.73	-
DEBT SERVICE						
Payment of Bond Principal	2,665,000.00	2,720,000.00	2,720,000.00	-	-	
Interest on Bonds	1,163,396.53	1,163,396.53	1,079,690.28	-	-	83,706.25
Green Acres Trust Loan Program	-	-	-	-	-	-
Loan Repayments for Principal and Interest	167,800.00	167,800.00	165,603.84	-	-	2,196.16
TOTAL DEBT SERVICE	3,996,196.53	4,051,196.53	3,965,294.12	-	-	85,902.41
DEFERRED CHARGES - EXCLUDED FROM "CAPS"						
Dfd Charges to Future Taxation - Unfunded - Ord 644-11	225,000.00	225,000.00	225,000.00	-	-	-
TOTAL DEFERRED CHARGES - EXCLUDED FROM "CAPS"	225,000.00	225,000.00	225,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR						

See Accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF AVALON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Encumbered	Reserved	
MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 7,921,360.06	\$ 8,007,524.54	\$ 210,808.89	\$ 131,259.53	\$ 85,902.41
SUBTOTAL GENERAL APPROPRIATIONS	22,022,437.69	22,053,602.17	540,144.24	933,383.23	175,728.84
Reserve for Uncollected Taxes	1,500,000.00	1,500,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 23,522,437.69	\$ 23,553,602.17	\$ 540,144.24	\$ 933,383.23	\$ 175,728.84
Appropriation by 40A:4-87	\$ 31,164.48				
Budget	23,522,437.69				
	\$ 23,553,602.17				
Reserve for Uncollected Taxes	\$ 1,500,000.00				
Reserve for State and Federal Grants - Appropriated	101,035.01				
Due to General Capital Fund	265,000.00				
Disbursed	20,038,310.85				
	\$ 21,904,345.86				

**EXHIBIT - B
TRUST FUND**

BOROUGH OF AVALON
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Cash	B-1	\$ <u>353.76</u>	\$ <u>199.54</u>
		<u>353.76</u>	<u>199.54</u>
<u>LOSAP (unaudited)</u>			
Investments	B-15	<u>366,570.70</u>	<u>405,680.00</u>
<u>Other Funds</u>			
Cash	B-2	478,098.06	535,562.24
Due from Current Fund	A	-	1,263.30
Due from Municipal Court	B-6	<u>26.00</u>	<u>42.00</u>
		<u>478,124.06</u>	<u>536,867.54</u>
		<u>\$ 845,048.52</u>	<u>\$ 942,747.08</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 211.50	\$ 57.28
Due to Current Fund	A	142.26	142.26
		<u>353.76</u>	<u>199.54</u>
<u>LOSAP (unaudited)</u>			
Reserve for LOSAP	B-15	<u>366,570.70</u>	<u>405,680.00</u>
<u>Other Funds</u>			
Payroll Deductions Payable	B-14	52,567.54	75,515.93
Due to Water and Sewer Operating Fund	D	1,213.00	1,213.00
Due to Beach Utility Operating Fund	E	-	25.00
Due to Current Fund	A	1,711.75	-
Reserve for Unemployment Compensation	B-13	26,789.24	19,945.36
Reserve for Parking Offenses Adjud. Act	B-6	2,705.05	2,923.05
Reserve for Small Cities Grant	B-7	44,270.50	25,262.50
Reserve for Planning Board Escrow	B-8	217,798.73	244,647.93
Reserve for Law Enforcement Trust Fund	B-9	3,156.51	3,154.25
Reserve for Accumulated Absences	B-10	105,935.86	144,674.64
Reserve for Dedicated Fire Penalties	B-11	21,020.23	18,550.23
Reserve for Tax Title Lien Redemption	B-12	955.65	955.65
		<u>478,124.06</u>	<u>536,867.54</u>
		<u>\$ 845,048.52</u>	<u>\$ 942,747.08</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - C
GENERAL CAPITAL FUND

BOROUGH OF AVALON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Deferred Charges to Future Taxation:			
Funded	C-5	25,715,358.32	28,525,351.61
Unfunded	C-6	4,742,750.00	3,707,750.00
		\$ <u>30,458,108.32</u>	\$ <u>32,233,101.61</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-8	\$ 24,540,000.00	\$ 27,210,000.00
Green Acres Loans Payable	C-9	1,175,358.32	1,315,351.61
Improvement Authorizations:			
Funded	C-7	102,058.49	527,639.79
Unfunded	C-7	729,458.35	1,025,328.48
Contracts Payable	C-7	415,053.21	977,911.36
Reserve for Payment of Bonds		226,254.91	476,254.91
Reserve for Beach Replenishment		34,086.38	34,086.38
Capital Improvement Fund	C-4	123,160.80	223,160.80
Due to Current Fund		2,799,381.79	293,993.59
Fund Balance	C-1	313,296.07	149,374.69
		\$ <u>30,458,108.32</u>	\$ <u>32,233,101.61</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2012 and 2011 in the amounts of \$4,742,750.00 and \$3,707,750.00, respectively.

BOROUGH OF AVALON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

		<u>2012</u>		<u>2011</u>
Balance January 1,	<u>Ref.</u> D	\$ 149,374.69	\$	149,374.69
Increased By:				
Funded Improvement Authorizations				
Canceled		<u>163,921.38</u>		<u>-</u>
		313,296.07		149,374.69
Decreased By:				
No Activity		<u>-</u>		<u>-</u>
Balance December 31,	D	<u><u>\$ 313,296.07</u></u>	\$	<u><u>149,374.69</u></u>

See Accompanying Notes to Financial Statements

EXHIBIT - D
WATER AND SEWER UTILITY FUND

BOROUGH OF AVALON
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	\$ 613,578.83	\$ 736,174.14
Due from Trusts - Other		1,213.00	1,213.00
Due from Water and Sewer Capital Fund		105,985.42	-
		<u>720,777.25</u>	<u>737,387.14</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	59,006.01	87,387.63
Due from Middlesex Water Company		3,771.02	-
		<u>62,777.03</u>	<u>87,387.63</u>
Deferred Charges:			
Operating Deficit		12,254.35	-
		<u>12,254.35</u>	<u>-</u>
Total Operating Fund		<u>795,808.63</u>	<u>824,774.77</u>
Capital Fund:			
Cash and Investments	D-5	-	284,675.90
Fixed Capital:			
Completed		31,797,662.39	31,669,049.46
Authorized and Uncompleted		7,965,900.00	7,061,900.00
Due from N.J. Environ. Infrastructure Trust		-	1,118,240.00
Due from County of Cape May - CAFR Permit		2,631.81	2,631.81
Total Capital Fund		<u>39,766,194.20</u>	<u>40,136,497.17</u>
		<u>\$ 40,562,002.83</u>	<u>\$ 40,961,271.94</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Operating Fund:			
Appropriation Reserves	D-4	\$ 257,411.94	\$ 13,696.41
Reserve for Encumbrances/Accounts Payable		333,235.13	417,913.55
Rent Overpayments		-	4,427.14
Prepaid Rents		26,292.98	175,038.23
Bid Bond Payable		36,000.00	36,000.00
Unallocated Receipts		-	2.32
Due to Current Fund		22,937.95	17,926.28
Accrued Interest on Bonds and Notes	D-11	51,156.58	65,025.19
		<u>727,034.58</u>	<u>730,029.12</u>
Reserve for Receivables	D	62,777.03	87,387.63
Fund Balance	D-1	5,997.02	7,358.02
Total Operating Fund		<u>795,808.63</u>	<u>824,774.77</u>
Capital Fund:			
Serial Bonds Payable	D-13	3,577,000.00	4,382,000.00
NJ Environmental Infrastructure Trust Loan	D-13a	1,021,962.75	1,091,729.10
Encumbrances Payable		384,003.24	1,172,254.91
Accounts Payable		12,156.65	12,156.65
Improvement Authorizations:			
Funded	D-12	557,380.54	775,878.47
Unfunded	D-12	1,388,004.17	1,013,395.39
Due to Current Fund	D	-	0.50
Due to Water and Sewer Operating Fund	D	105,985.42	-
Deferred Reserve for Amortization		306,400.00	216,000.00
Reserve for Amortization		32,117,479.64	31,065,860.36
Capital Improvement Fund	D-10	32,000.00	32,000.00
Downpayment on Improvements		99,600.00	190,000.00
Fund Balance	D-2	164,221.79	185,221.79
Total Capital Fund		<u>39,766,194.20</u>	<u>40,136,497.17</u>
		<u>\$ 40,562,002.83</u>	<u>\$ 40,961,271.94</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2012 and 2011 in the amounts of \$2,740,720.00 and \$1,975,360.00, respectively.

BOROUGH OF AVALON
WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	Ref.	Year 2012	Year 2011
Revenue and Other Income Realized:			
Fund Balance Utilized	\$	1,361.00	\$ 320,361.00
Rents		5,162,159.22	4,979,540.21
Miscellaneous		413,116.69	456,580.88
Nonbudget Revenue		-	305.00
Water and Sewer Utility Capital Fund Balance		21,000.00	-
Other Credits to Income:			
Cancel Accounts Payable		74,826.48	-
Unexpended Balance of Appropriation Reserves		-	1,462.50
Total Income		5,672,463.39	5,758,249.59
Expenditures:			
Operations:			
Salaries and Wages		189,000.00	185,000.00
Other Expenses		4,369,151.00	4,101,700.00
Capital Improvements		300,000.00	390,000.00
Debt Service		1,082,116.74	1,270,510.90
Deferred Charges and Statutory Expenditures		14,450.00	14,150.00
Total Expenditures		5,954,717.74	5,961,360.90
Excess/Deficit in Revenue		(282,254.35)	(203,111.31)
Adjustments to Income Before Fund Balance:			
Realized from General Budget for Anticipated Deficit		270,000.00	203,111.31
Operating Deficit to be Raised in Budget of Succeeding Year		12,254.35	
Statutory Excess to Fund Balance			(0.00)
Fund Balance January 1	D	7,358.02	327,719.02
		7,358.02	327,719.02
Decreased by:			
Utilization as Anticipated Revenue		1,361.00	320,361.00
Balance December 31	D	\$ 5,997.02	\$ 7,358.02

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

		<u>2012</u>	<u>2011</u>
Balance January 1,	<u>Ref.</u> D	\$ 185,221.79	\$ 185,221.79
Increased By:			
No Activity			-
		<u>185,221.79</u>	<u>185,221.79</u>
Decreased By:			
Paid to Operating Fund as Anticipated Revenue		<u>21,000.00</u>	
Balance December 31,	D	<u><u>\$ 164,221.79</u></u>	<u><u>\$ 185,221.79</u></u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Anticipated Budget	Realized	Excess or (Deficit)
	<u> </u>	<u> </u>	<u> </u>
Operating Fund Balance Anticipated	\$ 1,361.00	\$ 1,361.00	\$ -
Anticipated Revenue:			
Rents	5,219,000.00	5,162,159.22	(56,840.78)
Miscellaneous	450,000.00	413,116.69	(36,883.31)
Capital Fund Balance	21,000.00	21,000.00	-
Deficit (General Budget)	<u>270,000.00</u>	<u>270,000.00</u>	<u>-</u>
	<u>5,960,000.00</u>	<u>5,866,275.91</u>	<u>(93,724.09)</u>
Total Revenue	<u>\$ 5,961,361.00</u>	<u>\$ 5,867,636.91</u>	<u>\$ (93,724.09)</u>

Analysis of Realized Revenue:

Rents:

Accounts Receivable	\$ 4,982,691.53	
Prepayments/Overpayments Applied	179,465.37	
Unallocated Receipts Applied	<u>2.32</u>	
Total Rents		<u>\$ 5,162,159.22</u>

Miscellaneous Revenue:

Water Installation	40,893.26	
Sewer Installation	8,932.00	
Water Application Fees	2,700.00	
Sewer Connection Fees	2,800.00	
Miscellaneous	6,133.98	
Cell Tower Rents	330,670.84	
Penalties	5,766.22	
Administration Fee	1,350.00	
Tax Sale Advertising	<u>105.00</u>	
Total Miscellaneous - Collector		\$ 399,351.30
Interest on Investments		<u>13,765.39</u>
		<u>\$ 413,116.69</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF AVALON
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
Operations:					
Salaries and Wages	\$ 189,000.00	\$ 189,000.00	\$ 188,657.66	\$ 342.34	\$
Other Expenses	4,369,151.00	4,369,151.00	4,024,621.96	88,132.86	256,396.18
	4,558,151.00	4,558,151.00	4,213,279.62	88,132.86	256,738.52
Capital Improvements:					
Capital Outlay	300,000.00	300,000.00	128,612.93	171,387.07	
Debt Service:					
Payment of Bond Principal	875,000.00	875,000.00	874,766.35		233.65
Interest on Bonds	213,760.00	213,760.00	207,350.39		6,409.61
	1,088,760.00	1,088,760.00	1,082,116.74		6,643.26
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	14,450.00	14,450.00	13,776.58	673.42	
	14,450.00	14,450.00	13,776.58	673.42	
	\$ 5,961,361.00	\$ 5,961,361.00	\$ 5,437,785.87	\$ 259,519.93	\$ 6,643.26
D					D
Ref.					
Accrued Interest on Bonds and Notes		\$	207,350.39		
Due from Current Fund			3,474.75		
Cash Disbursements			5,226,960.73		
		\$	5,437,785.87		

See Accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - E
BEACH UTILITY FUND

BOROUGH OF AVALON
BEACH UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2012	Balance Dec. 31, 2011
<u>Assets</u>			
Operating Fund:			
Cash	D-5	\$ 162,076.24	\$ 95,301.99
Due from Trusts - Other		-	25.00
Due from Current Fund		11,420.82	-
		<u>173,497.06</u>	<u>95,326.99</u>
Receivables with Full Reserves:			
None	D-7	-	-
		<u>-</u>	<u>-</u>
Total Operating Fund		<u>173,497.06</u>	<u>95,326.99</u>
Capital Fund:			
Cash and Investments	D-5	2,250.00	2,250.00
Fixed Capital:			
Completed		510,411.94	510,411.94
Total Capital Fund		<u>512,661.94</u>	<u>512,661.94</u>
		<u>\$ 686,159.00</u>	<u>\$ 607,988.93</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4	\$ 91,179.95	\$ 22,711.17
Reserve for Encumbrances/Accounts Payable		66,819.11	43,833.91
Prepaid Beach Fees		15,498.00	21,000.00
Due to Current Fund		-	7,781.91
		<u>173,497.06</u>	<u>95,326.99</u>
Reserve for Receivables	D	-	-
Fund Balance	D-1	-	-
Total Operating Fund		<u>173,497.06</u>	<u>95,326.99</u>
Capital Fund:			
Reserve for Amortization		510,411.94	510,411.94
Capital Improvement Fund	D-10	2,250.00	2,250.00
Total Capital Fund		<u>512,661.94</u>	<u>512,661.94</u>
		<u>\$ 686,159.00</u>	<u>\$ 607,988.93</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
BEACH UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
Revenue and Other Income Realized:			
Fees from Sale of Beach Tags	\$	1,219,520.00	\$ 1,190,752.00
Fees and Permits		8,880.00	9,749.04
Non Budget Revenue		276.43	-
Other Credits to Income:			
Cancellation of Accounts Payable		-	6,841.90
Total Income		<u>1,228,676.43</u>	<u>1,207,342.94</u>
Expenditures:			
Operations:			
Salaries and Wages		1,003,517.29	984,960.00
Other Expenses		283,230.00	279,000.00
Deferred Charges and Statutory Expenditures		94,197.00	92,350.00
Total Expenditures		<u>1,380,944.29</u>	<u>1,356,310.00</u>
Excess in Revenue		(152,267.86)	(148,967.06)
Adjustments to Income Before Fund Balance:			
Realized from General Budget for			
Anticipated Deficit in Revenue		152,267.86	148,967.06
Statutory Excess to Fund Balance		-	-
Fund Balance January 1	D	<u>-</u>	<u>-</u>
Decreased by:			
Utilization as Anticipated Revenue		<u>-</u>	<u>-</u>
Balance December 31	D	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
BEACH UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>Anticipated Revenue:</u>			
Fees from Sale of Beach Tags	\$ 1,130,000.00	\$ 1,219,520.00	\$ 89,520.00
Fees and Permits	9,000.00	8,880.00	(120.00)
Deficit (General Budget)	<u>241,944.29</u>	<u>152,267.86</u>	<u>(89,676.43)</u>
Total Revenue	<u>\$ 1,380,944.29</u>	<u>\$ 1,380,667.86</u>	<u>\$ (276.43)</u>
<u>Analysis of Realized Revenue:</u>			
Beach Fees:			
Accounts Receivable	\$ 1,198,520.00		
Prepayments Applied	<u>21,000.00</u>		
Total Beach Fees		<u>\$ 1,219,520.00</u>	
Fees and Permits			
Beach Vehicle Permits	<u>\$ 8,880.00</u>		
Total Fees and Permits - Collector		<u>\$ 8,880.00</u>	
<u>Analysis of Non Budget Revenue:</u>			
Interest on Investments		212.43	
Miscellaneous		<u>64.00</u>	
		<u>\$ 276.43</u>	

See Accompanying Notes to Financial Statements - Regulatory Basis

**BOROUGH OF AVALON
BEACH UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
Operations:					
Salaries and Wages	\$ 1,003,517.29	\$ 1,003,517.29	\$ 959,436.76	\$ 44,080.53	\$
Other Expenses	283,230.00	283,230.00	193,297.55	49,896.29	40,036.16
	<u>1,286,747.29</u>	<u>1,286,747.29</u>	<u>1,152,734.31</u>	<u>49,896.29</u>	<u>84,116.69</u>
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	76,857.00	76,857.00	69,793.74	7,063.26	
Unemployment	17,340.00	17,340.00	17,340.00	-	
	<u>94,197.00</u>	<u>94,197.00</u>	<u>87,133.74</u>	<u>7,063.26</u>	<u>-</u>
	<u>\$ 1,380,944.29</u>	<u>\$ 1,380,944.29</u>	<u>\$ 1,239,868.05</u>	<u>\$ 49,896.29</u>	<u>\$ -</u>
	D			E	
Due from Current Fund			\$ (11,420.82)		
Cash Disbursements			<u>1,251,288.87</u>		
			\$ 1,239,868.05		

Ref.

See Accompanying Notes to Financial Statements - Regulatory Basis

EXHIBIT - G
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF AVALON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2012 AND 2011

	Balance Dec. 31, 2012	Balance Dec. 31, 2011
<u>Assets</u>		
Building Improvements	\$ 7,471,320.24	\$ 7,466,480.24
Land AND Improvements	6,927,442.45	6,927,442.45
Machinery and Equipment	3,286,946.52	3,176,322.52
Vehicles	4,793,602.79	3,565,250.75
	<hr/>	<hr/>
Total General Fixed Assets	\$ <u>22,479,312.00</u>	\$ <u>21,135,495.96</u>
 <u>Fund Equity</u>		
Investment in General Fixed Assets	\$ <u>22,479,312.00</u>	\$ <u>21,135,495.96</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – regulatory basis of the Borough of Avalon have been prepared, in conformity with a “Regulatory Basis of Accounting”, as established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant of the Borough’s accounting policies are described below.

Description of Financial Reporting Entity

The Borough of Avalon is a seashore community located on the Atlantic Ocean in the County of Cape May, State of New Jersey. The population according to the 2010 census is 1,334.

The Borough was incorporated in 1892 and operates under a Mayor and Council form of government. The mayor is the chief executive officer of the Borough and is elected by the voters.

Component Units

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 the 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 taxes. The Borough of Avalon had no component units as defined by Governmental Accounting Standards Board (GASB).

Basis of Presentation, Fund Accounting

The financial statements – regulatory basis of the Borough of Avalon contain all funds and account groups, in accordance with the “Requirements of Audit”, as promulgated 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 Avalon accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP:

Current Fund

The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

Trust Funds

The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with, the purpose for which, each fund was created.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Fund Accounting (Continued)

General Capital Funds

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

Water and Sewer Utility Operating and Capital Funds

The Water and Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Beach Utility Operating and Capital Funds

The Beach Utility Operating and Capital Funds account for the operations and acquisition of capital facilities related to the Borough's beaches.

Budgets and Budgetary Accounting

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budgets included a reserve for uncollected taxes in the amount of \$1,500,000.00, and \$1,475,000.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 and 2011 statutory budgets was \$2,246,771.45 of \$5,593,253.31 available fund balance and \$1,782,172.95 of \$4,909,369.69 available fund balance.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by Borough Council. The following significant budget transfers were approved in the 2012 and 2011 calendar years.

	<u>2012</u>	<u>2011</u>
Municipal Court – S&W	(25,000)	
Municipal Court – OE	25,000	
Legal Services and Costs - OE	(100,000)	20,000
Engineering Services and Costs - OE	35,000	
Health Benefit Waiver - S&W	5,900	
Employee Group Health	(60,900)	(45,000)
Public Works - SW	30,000	
Public Works – OE	70,000	
Electric, Natural Gas	(50,000)	
Gasoline	50,000	25,000
Payment of Bond Principal	55,000	

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2012 calendar year, the Borough Council approved a budget insertion for COPS In Shops Grant in the amount of \$1,200.00; one for Drive Sober or Get Pulled Over Grant for \$4,400.00 and one for Energy Efficiency and Conservation Grant for \$25,564.48. During the 2011 calendar year, Borough Council approved a budget insertion for COPS in Shops Grant in the amount of \$1,600.00; one for Municipal Court Alcohol Grant for \$1,348.37; and one for Emergency Management Grant for \$5,000.00.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency or those funded by a subsequent bond ordinance, 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. No Special emergencies or emergencies authorized in 2012 or 2011.

The Borough of Avalon must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. The Mayor submits an annual budget to the Borough Council in accordance with the Faulkner Act on January 15 of each year. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget, and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements – regulatory basis.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance, and organized under laws of the United States or the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the Borough of Avalon requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and federal), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Generally, the Borough considers all investments that mature in one year or less to be cash equivalents.

All certificates of deposit are recorded as cash regardless of date of maturity.

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to Fund Balance. 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.

Inventories of Supplies

The costs of inventories for 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.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets

The Borough of Avalon has developed a fixed assets accounting and reporting system in accordance with the requirements of the State of New Jersey, Division of Local Government Services. This reporting system differs in certain respects from Generally Accepted Accounting Principles.

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Fixed Assets used in governmental operations (“general fixed assets”) are accounted for in the General Fixed Assets Account Group. Public Domain (“Infrastructure”) 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, with the exception of Land are valued at historical cost, or estimated historical cost if actual historical cost is not available. No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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

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

Utility Fixed Assets

Property and equipment purchased by a utility fund are recorded in the utility capital account at cost, and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. Contributions in aid of construction are not capitalized. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the utility fund.

Foreclosed Property

Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments by returning the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to municipal use, it will be capitalized in the General Fixed Assets Account Group. GAAP requires property to be recorded in the General Fixed Assets Account Group at the market value at the time of acquisition.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges

The recognition of certain expenditures is deferred to future periods. These expenditures, or Deferred Charges, are generally overexpenditures of legally adopted budget appropriations made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Appropriation Reserves

Appropriation Reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts that may be canceled by the governing body. Appropriation Reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

Liens Sold for Other Governmental Units

Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the other governmental unit net of costs of the sale. The related costs of sale are recognized as revenue when received.

Fund Balance

Fund Balances included in the Current Fund and Utility Operating Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues

Revenues are recorded as received in cash except for certain amounts that are due from other governmental units. Revenue from Federal and State Grants is realized as revenue when anticipated as such in the Borough's budget. 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. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1st, May 1st, August 1st, and November 1st. Property taxes unpaid on April 1, of the year following their final due date are subject to tax sale in accordance with statutes. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the entities that follow. 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. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

School Taxes

The Borough is responsible for levying, collecting and remitting school taxes for the Borough of Avalon School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the local school district from January 1st through December 31st. As of December 31, 2012, the following is a breakdown of the school tax payable and year-end tax deferral:

Category	Amount
Local School Tax Payable	\$ -
Local School Tax Deferred	-
	\$ -

County Taxes

The Borough is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund Balance is charged for the amount due the County for the year, based upon the ratable required, to be certified to the County Board of Taxation by January 10th of the current year. In addition, Fund Balance is charged for the County Share of Added and Omitted Taxes certified to the Board of Taxation by October 10th of the current year, and due to be paid to the County by February 15th of the following year.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for Uncollected Taxes

The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Borough’s annual budget protects the Borough from taxes not paid currently. The minimum amount of the reserve, 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. A Reserve for Uncollected Taxes is not established under GAAP.

Expenditures

Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order, in conjunction with, the encumbrance system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital Fund and Utility Fund bonds and notes are provided on the cash basis. Interest on General Capital Fund indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long – term debt, which is recognized when due.

Compensated Absences and Post – Employment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a “pay as you go” basis. Likewise no accrual is made for post employment benefits, if any, which are also funded on a “pay as you go” basis. GAAP requires that the amount that would normally be liquidated, with expendable financial resources, be recorded as expenditure in the operating funds and the remaining obligations be recorded as long – term obligations.

Required 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

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 data has not been presented in the Statement of Revenue-Regulatory Basis and the Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Borough’s financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 “Items Previously Reported as Assets and Liabilities”. This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough’s financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”. This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, 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. 67 “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”. This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the 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 Nonexchange Financial Guarantees”. This statement, which is effective for fiscal years beginning after June 15, 2013 will not have any impact on the financial position of the Borough.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT

Changes in Long Term Debt

The following schedule represents the changes in the Long-Term Debt:

	<u>Outstanding</u> <u>12/31/11</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Outstanding</u> <u>12/31/12</u>	<u>Amounts Due</u> <u>in One Year</u>
General Capital Fund:					
Bonds Payable	\$ 27,210,000.00	\$ 4,870,000.00	\$ 7,540,000.00	\$ 24,540,000.00	\$ 2,765,000.00
Loans Payable	1,315,351.61	-	139,993.29	1,175,358.32	142,807.16
Total General Capital Fund	<u>28,525,351.61</u>	<u>4,870,000.00</u>	<u>7,679,993.29</u>	<u>25,715,358.32</u>	<u>2,907,807.16</u>
Utility Capital Fund:					
Bonds Payable	4,382,000.00	-	805,000.00	3,577,000.00	615,000.00
Loans Payable	1,091,729.10	-	69,766.35	1,021,962.75	69,766.35
Total Utility Capital Fund	<u>5,473,729.10</u>	<u>-</u>	<u>874,766.35</u>	<u>4,598,962.75</u>	<u>684,766.35</u>
Total All Funds	<u>\$ 33,999,080.71</u>	<u>\$ 4,870,000.00</u>	<u>\$ 8,554,759.64</u>	<u>\$ 30,314,321.07</u>	<u>\$ 3,592,573.51</u>

Summary of Municipal Debt

	<u>Year</u> <u>2012</u>	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2010</u>
Issued:			
General:			
Bonds and Notes	\$ 24,540,000.00	\$ 27,210,000.00	\$ 34,915,000.00
Loans	1,175,358.32	1,315,351.61	1,452,586.47
Beach Utility:			
Bonds and Notes	-	-	-
Water/Sewer Utility:			
Bonds and Notes	3,577,000.00	4,382,000.00	5,372,000.00
Loans	1,021,962.75	1,091,729.10	1,118,240.00
Total Issued	<u>30,314,321.07</u>	<u>33,999,080.71</u>	<u>42,857,826.47</u>
Less:			
Funds Temporarily			
Held to Pay Bonds and Notes:			
General	226,254.91	476,254.91	4,628,504.91
Net Debt Issued	<u>30,088,066.16</u>	<u>33,522,825.80</u>	<u>38,229,321.56</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	4,742,750.00	3,707,750.00	891,315.90
Water/Sewer Utility:			
Bonds and Notes	2,740,720.00	1,975,360.00	1,975,360.00
Total Authorized But Not Issued	<u>7,483,470.00</u>	<u>5,683,110.00</u>	<u>2,866,675.90</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 37,571,536.16</u>	<u>\$ 39,205,935.80</u>	<u>\$ 41,095,997.46</u>

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.460%:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Purposes	\$ 3,615,000.00	\$ 3,615,000.00	\$ -
Water & Sewer Utility Debt	7,339,682.75	1,452,419.80	5,887,262.95
General Debt	30,458,108.33	226,254.91	30,231,853.42
	<u>\$ 41,412,791.08</u>	<u>\$ 5,293,674.71</u>	<u>\$ 36,119,116.37</u>

Net debt \$36,119,116.37 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$7,849,329,801 = 0.460%.

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

3-1/2% of Equalized Valuation Basis	\$	274,726,543.04
Net Debt		<u>36,119,116.37</u>
	\$	<u>238,607,426.67</u>

Calculation of “Self-Liquidating Purpose”, Water and Sewer Utility Per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for the Year		\$ 5,597,636.91
Deductions:		
Operating & Maintenance Costs	\$	4,572,601.00
Debt Service per Water and Sewer Funds		<u>1,082,116.74</u>
Total Deductions		<u>5,654,717.74</u>
Excess (Deficit) in Revenue	\$	<u>(57,080.83)</u>

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Calculation of “Self-Liquidating Purpose”, Beach Utility Per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for the Year	\$	1,228,676.43
Deductions:		
Operating & Maintenance Costs	\$	1,380,944.29
Debt Service per Beach Utility Funds		-
Total Deductions		<u>1,380,944.29</u>
Deficit in Revenue	\$	<u><u>(152,267.86)</u></u>

Description of Bonds Payable

At December 31, 2012, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$10,820,000 General Improvement Bonds dated November 1, 2004, due in annual installments through November 1, 2019, bearing interest at variable rates ranging from 3.25% to 4.00% per annum. The balance remaining as of December 31, 2012, is \$1,700,000.

\$19,000,000 General Improvement Bonds dated May 15, 2008, due in annual installments through May 15, 2020, bearing interest at variable rates ranging from 3.00% to 5.00% per annum. The balance remaining as of December 31, 2012, is \$16,650,000.

\$2,115,000 Refunding Bonds dated July 28, 2011, due in annual installments beginning on July 15, 2012 through July 15, 2014, bearing interest at variable rates ranging from 2.00% to 3.00% per annum. The purpose of this issue is to refund the remaining principal amount of \$2,100,000 of the General Bonds of 2001 and pay issuance costs. The balance remaining as of December 31, 2012, is \$1,375,000.

\$4,870,000 Refunding Bonds dated October 4, 2012, due in annual installments beginning on November 1, 2012 through November 1, 2019, bearing interest at variable rates ranging from 1.50% to 4.00% per annum. The purpose of this issue is to refund a portion of the principal amount of \$4,820,000 of the General Bonds of 2004 and pay issuance costs. The balance remaining as of December 31, 2012, is \$4,815,000.

\$149,950 Loan dated November 6, 2003 with New Jersey Green Acres Program for Park Improvements to 8th Street Recreation Area, due in semi-annual installments through May 6, 2023, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2012, is \$89,809.

\$587,800 Loan dated June 26, 2004 with New Jersey Green Acres Program for Beachfront Acquisition – Loan #1, due in semi-annual installments through June 26, 2024, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2012, is \$177,076.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Description of Bonds Payable (Continued)

\$348,797 Loan dated December 30, 2004 with New Jersey Green Acres Program for Beachfront Acquisition – Loan #2, due in semi-annual installments through June 30, 2024, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2012, is \$85,999.

\$150,000 Loan dated May 19, 2005 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part I, due in semi-annual installments through January 19, 2025, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 13, 2013. The balance remaining as of December 31, 2012, is \$102,710.

\$500,000 Loan dated November 3, 2007 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part II, due in semi-annual installments through May 3, 2027, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 15, 2013. The balance remaining as of December 31, 2012, is \$389,668.

\$400,000 Loan dated June 18, 2008 with New Jersey Green Acres Program for Multi-Park Improvements, due in semi-annual installments through June 18, 2028, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2012, is \$330,097.

At December 31, 2012, bonds payable in the Water and Sewer Utility Fund consisted of the following individual issues:

\$2,070,000 Refunding Bonds dated August 1, 2002, due in annual installments through August 1, 2013, bearing interest at variable rates ranging from 1.80% to 5.00% per annum. The balance remaining as of December 31, 2012, is \$130,000.

\$2,282,000 Water and Sewer Utility Bonds dated July 15, 2003, due in annual installments through July 15, 2018, bearing interest at variable rates from 3.40% to 4.20% per annum. The balance remaining as of December 31, 2012, is \$1,042,000.

\$2,215,000 Refunding Water and Sewer Utility Bonds dated July 15, 2003, due in annual installments through July 15, 2013, bearing interest at variable rates from 2.75% to 3.70% per annum. The purpose of this issue is to refund the remaining principal amount of \$2,110,000 of the Refunding Bonds of 1993 and pay issuance costs. The balance remaining as of December 31, 2012, is \$265,000.

\$2,350,000 Water and Sewer Improvement Bonds dated May 15, 2008, due in annual installments through May 15, 2023, bearing interest at variable rates ranging from 3.00% to 5.00% per annum. The balance remaining as of December 31, 2012, is \$2,140,000.

\$535,000 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2025, bearing interest at 5.00%. The balance remaining as of December 31, 2012 is \$505,000.00.

\$583,240 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2025, bearing no interest. The balance remaining at December 31, 2012 is \$516,962.75.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Schedule of Annual Debt Service for Principal and Interest for Serial Bonds Issued and Loans Payable Outstanding

Year Ending December 31	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2013	\$ 2,907,807.16	\$ 1,005,546.69	\$ 684,766.35	\$ 181,784.00
2014	2,920,677.59	894,501.27	459,766.35	151,504.00
2015	2,393,605.71	777,673.12	614,766.35	128,734.00
2016	3,310,352.53	665,490.10	629,766.35	101,854.00
2017	3,476,565.62	522,777.01	584,766.35	75,404.00
2018-2022	10,416,895.11	678,342.98	1,290,831.75	161,506.50
2023-2027	277,141.09	15,218.73	334,299.25	16,237.50
2028	12,313.52	123.14	-	-
	<u>\$ 25,715,358.33</u>	<u>\$ 4,559,673.04</u>	<u>\$ 4,598,962.75</u>	<u>\$ 817,024.00</u>

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BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 3: COMPENSATED ABSENCES

The Borough has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off, or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2012, the Borough estimates this liability to approximate \$1,539,638.22 based on 2012 pay rates and compensated absence balances. The Borough has \$105,935.86 reserved at December 31st to partially fund this liability.

NOTE 4: DEFERRED COMPENSATION ACCOUNT

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1998, the Borough of Avalon amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service, that requires assets of deferred compensation plans be held in Trust under the beneficial ownership of the Trustee, (Borough of Avalon) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrator is as follows:

Nationwide Retirement Solutions

NOTE 5: TAXES COLLECTED IN ADVANCE

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

	<u>Balance</u> <u>December 31,</u> <u>2012</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>	
Prepaid Taxes - Cash Liability	\$ <u>1,091,869.60</u>	\$ <u>950,304.73</u>	

NOTE 6: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

On August 11, 1999 Borough Council adopted an ordinance establishing the Length of Service Awards (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the Borough of Avalon by referendum at the general election in November of 1999. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. Contributions by the Borough for qualified participants were \$1,458.10 and \$1,426.70 for 2012 and 2011 respectively. The contributions are based on qualified service credits earned in the previous calendar year.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 6.5% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 10.6% of covered payroll.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: PENSION FUNDS (Continued)

Funding Policy (Continued)

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

For the Public Employees' Retirement System, the Borough's contributions equal to the required contribution for each fiscal year, was as follows:

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Pension Deferral	Paid by Borough
2012	\$ 137,058.00	\$ 26,197.00	\$ 274,116.00	\$ 437,371.00	\$ -	\$ 437,371.00
2011	139,534.00	27,484.00	222,338.00	389,356.00	-	389,356.00
2010	117,200.00	37,136.00	150,589.00	304,925.00	-	304,925.00

For the Police and Firemen's Retirement System, the Borough's contributions, equal to the required contribution for each fiscal year, was as follows:

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Pension Deferral	Paid by Borough
2012	\$ 182,882.00	\$ 14,238.00	\$ 205,820.00	\$ 402,940.00	\$ -	\$ 402,940.00
2011	227,296.00	17,814.00	182,255.00	427,365.00	-	427,365.00
2010	222,334.00	19,357.00	158,398.00	400,089.00	-	400,089.00

For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. Member contributions were \$3,519.41 and Borough contributions were \$1,919.69 in 2012. There were six employees enrolled in the DCRP for the year ended December 31, 2012.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: PENSION FUNDS (Continued)

Significant Legislation (Continued)

- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

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

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

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

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 8: POST RETIREMENT BENEFITS

Plan Description

Until November 1, 2011, the Borough contributed to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et. seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

All Borough retirees with at least 25 years of service or who retire upon or after the age of 62 with 15 or more years of service as regular full-time employees shall receive 100% of the cost of health insurance premiums until 65. After turning 65, the Borough will reimburse a retiree up to 50% of a Medicare supplemental insurance policy. For eligible Police Department employees, upon death of the employee, the post-retirement benefit is provided to the surviving spouse until death.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf. Subsequent to November 1, 2011, the Borough participated in a private insurance plan.

The Borough utilized the New Jersey State Health Benefits Plan for Health Insurance, however, they also provide post-retirement benefits for vision, dental, and life insurance that are not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Borough annually on a “pay as you go basis” and included in group insurance. Subsequent to November 1, 2011 the Borough participated in a private insurance plan.

In accordance with GASB 45 and the State of New Jersey, the Borough is required to obtain an actuarial valuation of the liability for providing these benefits. The actuary used the Projected Unit Cost Method. The actuarial valuation report was based on 143 total participants including 28 retirees and the Avalon Free Public Library employees. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The Borough’s annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 8: POST RETIREMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2009 Actuarial Valuation Report rolled forward to 2012, the Entry Age normal cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 6.0%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar amount.

Other Post-employment Benefit Costs and Obligations

In the January 1, 2009 actuarial valuation rolled forward to 2012, the Annual Required Contribution (ARC) for the year ending December 31, 2012 was projected as follows:

	<u>December 31,</u> <u>2012</u>
Normal Cost	\$ 489,500
Amortization of Unfunded Liability	545,198
Interest	29,370
Total ARC	\$ <u><u>1,064,068</u></u>

The following reflects the components of the 2012 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2009 actuarial valuation rolled forward to 2012 and actual OPEB payments made or accrued during 2012:

	<u>December 31,</u> <u>2012</u>
Net OPEB Obligation - Beginning of Year	\$ 2,261,480
Annual OPEB Cost	1,199,757
OPEB Payments	<u>371,516</u>
Increase in Net OPEB Obligation	828,241
Net OPEB Obligation - End of Year	\$ <u><u>3,089,721</u></u>
Percentage of OPEB Cost Contributed	<u><u>30.97%</u></u>

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 8: POST RETIREMENT BENEFITS (Continued)

Required Supplementary Information:

		December 31, 2012
Actuarial Value of Plan Assets	\$	-
Actuarial Accrued Liability (AAL)		18,873,419
Total Unfunded AAL (UAAL)	\$	18,873,419
Funded ratio		0.00%

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 on a monthly basis.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form various checking, savings and NOW Accounts, are held in the Borough's name by a commercial banking institution. At December 31, 2012, the carrying amount of the Borough's deposits was \$7,656,166.79 and the bank balance was \$7,337,011.85. Of the bank balance, \$750,000.00 was insured with Federal Deposit Insurance and \$6,395,286.14 was covered by GUDPA and \$191,725.71 was uninsured.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Borough's bank accounts are profiled in order to determine exposure, if any to Custodial Credit Risk (risk that in the event of failure of the counterparty the Borough would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2012, all of the Borough's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk. The Borough does not have a policy for custodial credit risk.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 10: INVESTMENTS

As of December 31, 2012 and 2011, the municipality had no investments other than in the Length of Service Award Program (LOSAP)

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

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

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

Unaudited Investments

As more fully described in Note 6, 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 Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2012 and 2011 amounted to \$366,570.70 and \$405,680.00. The information on 5% or more invested with Lincoln Financial Group is not yet available.

NOTE 11: PROPERTY TAXES

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local and regional school districts, and the county, the tax rate is struck by the County Board of Taxation, based on the certified amounts in each of the taxing districts for collection to fund budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof is set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in July. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 11: PROPERTY TAXES (Continued)

Tax installments not paid, on or before the due date, are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in the tax sale in accordance with New Jersey statutes.

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels the County Board of Taxation unsatisfactorily reviewed the petition, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement and any losses in tax collection from prior years are charged to a reserve set aside for this purpose or directly charged to Fund Balance.

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years:

Comparative Schedule of Tax Rates				
		<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$	0.509	\$ 0.500	\$ 0.409
Apportionment of Tax Rate:				
Municipal		0.210	0.200	0.194
Municipal Library		0.036	0.038	*
County		0.220	0.219	0.180
Local School		0.043	0.043	0.035

* Municipal Library Tax certified as a separate tax rate beginning in 2011

Assessed Valuation		
2012	\$	7,241,250,191
2011		7,194,391,299
2010		8,835,056,747

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 11: PROPERTY TAXES (Continued)

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 36,955,069.13	\$ 36,448,834.44	98.63%
2011	36,080,275.91	35,449,111.36	98.25%
2010	36,228,893.76	34,939,386.69	96.44%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 14,073.16	\$ 495,776.84	\$ 509,850.00	1.38%
2011	14,642.59	627,376.84	642,019.43	1.78%
2010	15,209.68	1,074,547.83	1,089,757.51	3.01%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2012	\$ 137,480.20
2011	137,480.20
2010	134,380.20

NOTE 12: ECONOMIC DEPENDENCY

The Borough of Avalon is economically dependent on the tourism industry during the warmer months.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 13: FUND BALANCES APPROPRIATED

The following schedule details the amount of Fund Balances available at the end of each year, and the amounts utilized in the subsequent year's budgets:

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2012	\$ 3,359,128.26	\$ -	0.00%
	2011	5,593,253.31	2,246,771.45	40.17%
	2010	4,909,369.69	1,782,172.95	36.30%
	2009	4,950,241.71	1,970,235.35	39.80%
	2008	4,800,702.41	2,139,000.00	44.56%
	2007	4,063,403.33	1,679,527.02	41.33%

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Water and Sewer Operating Fund	2012	\$ 5,997.02	\$ -	0.00%
	2011	7,358.02	1,361.00	18.50%
	2010	327,719.02	320,361.00	97.75%
	2009	868,481.04	600,910.00	69.19%
	2008	904,688.19	404,900.00	44.76%
	2007	1,183,278.58	508,000.00	42.93%
	2006	1,041,927.23	264,016.09	25.34%

NOTE 14: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2012 are as follows:

<u>Amount</u>	<u>Due To</u>	<u>Due From</u>
\$ 22,837.95	Current Fund	Water and Sewer Operating
142.26	Current Fund	Animal Control Fund
2,799,381.79	Current Fund	General Capital Fund
1,711.75	Current Fund	Trusts - Other
11,420.82	Beach Utility Operating	Current Fund
105,985.42	Water and Sewer Operating	Water and Sewer Capital Fund
1,213.00	Water and Sewer Operating	Trusts - Other
<u>\$ 2,942,692.99</u>		

The amount due from the General Capital Fund to the Current Fund is due to the fact that the Borough had not borrowed notes by year end for capital expenditures. The remaining interfunds are due to amounts that should have been transferred to the proper bank accounts by year end but were not.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 15: FEDERAL AND STATE GRANTS

In the normal course of operations, the Borough receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

NOTE 16: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2012:

	Balance as of December 31, 2011	Additions	Disposals	Balance as of December 31, 2012
Building	\$ 7,466,480.24	\$ 4,840.00	\$ -	\$ 7,471,320.24
Land & Improvements	6,927,442.45			6,927,442.45
Machinery & Equipment	3,176,322.52	110,624.00		3,286,946.52
Vehicles	3,565,250.75	1,228,352.04	-	4,793,602.79
Total	<u>\$ 21,135,495.96</u>	<u>\$ 1,343,816.04</u>	<u>\$ -</u>	<u>\$ 22,479,312.00</u>

NOTE 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2012 and 2011 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The Borough is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund.

BOROUGH OF AVALON
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 17: RISK MANAGEMENT (Continued)

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

<u>Calendar Year</u>	<u>Borough Contribution</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	17,340.00	27,206.35	13.39	37,715.86	26,789.24
2011	17,000.00	-	57.40	43,391.69	19,945.36
2010	13,000.00	13,068.41	164.85	30,416.95	46,279.65

NOTE 18: LITIGATION

The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome or exposure to the Borough from such litigation is either unknown at this time, however, the potential losses if any would be material to the financial statements.

NOTE 19: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and July 31, 2013, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and the following have come to the attention of the Borough that would require disclosure.

The Borough authorized additional debt on March 13, 2013 for various improvements in the general capital fund of \$5,629,230 and various improvements in the water and sewer capital fund of \$1,008,425.

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Avalon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 31, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Glen J. Ortman

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

July 31, 2013



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

The Honorable Mayor
And Members of the Borough Council
Borough of Avalon, New Jersey

Report on Compliance for Each Major State Program

We have audited Borough of Avalon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Borough's major state program for the year ended December 31, 2012. The Borough's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state or state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Borough of Avalon's compliance.

Opinion on Each Major State Program

In our opinion, the Borough of Avalon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Borough of Avalon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133 and Expenditures of State Financial Assistance Required by NJ OMB 04-04

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Avalon, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents and have issued our report thereon dated July 31, 2013, which contained an adverse opinion on those financial statements in accordance with U.S. Generally Accepted Accounting Principles and an unmodified opinion on the regulatory basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by

OMB Circular A-133 and NJ Circular 04-04 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Glen J. Ortman

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

July 31, 2013

BOROUGH OF AVALON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor / Pass-through Grantor Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity ID#</u>	<u>Grant Period From To</u>	<u>Program or Award Amount</u>	<u>Unexpended Balance 12/31/11</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Adjustments</u>	<u>Unexpended Balance 12/31/12</u>	<u>Accumulated Expenditures</u>
Department of Justice (Passed thru State of New Jersey)										
Police Bike Patrol Grant	16.738		1/1/2006 12/31/2006	1,600.00	\$ 1,470.34				\$ 1,470.34	\$ 129.66
Police Bike Patrol Grant	16.738		1/1/2007 12/31/2007	2,000.00	2,000.00				2,000.00	-
Police Bike Patrol Grant	16.738		1/1/2008 12/31/2008	2,000.00	2,000.00				2,000.00	-
Police Bike Patrol Grant	16.738		1/1/2009 12/31/2009	2,000.00	2,000.00				2,000.00	-
COPS In Shops	16.710		1/1/2010 12/31/2010	1,200.00	30.96				30.96	1,169.04
COPS In Shops	16.710		1/1/2011 12/31/2011	1,600.00	156.79				156.79	1,443.21
COPS In Shops	16.710		1/1/2012 12/31/2012	1,200.00		1,200.00	1,200.00		-	1,200.00
Body Armor Replacement Fund	16.607		1/1/2011 12/31/2011	2,289.36	2,289.36		780.00		1,509.36	780.00
Body Armor Replacement Fund	16.607		1/1/2012 12/31/2012	2,338.88		2,338.88			2,338.88	-
Total Department of Justice					<u>9,947.45</u>	<u>3,538.88</u>	<u>1,980.00</u>	<u>-</u>	<u>11,506.33</u>	
Department of Transportation (Passed thru State of New Jersey)										
Drive Sober or Get Pulled Over	20.607		1/1/2012 12/31/2012	4,400.00		4,400.00	4,069.87		330.13	4,069.87
Total Department of Transportation					<u>-</u>	<u>4,400.00</u>	<u>4,069.87</u>	<u>-</u>	<u>330.13</u>	
Emergency Management Agency Emergency Management Grant	97.042		1/1/2012 12/31/2012	5,000.00		5,000.00			5,000.00	-
Total Federal Assistance					<u>\$ 9,947.45</u>	<u>\$ 12,938.88</u>	<u>\$ 6,049.87</u>	<u>\$ -</u>	<u>\$ 16,836.46</u>	

See Accompanying Notes to Schedule of Expenditures of Federal and State Financial Assistance

**BOROUGH OF AVALON
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

State Grantor / Pass-Through Grantor / Program	State Account Number	Grant Period		Grant Award	Unexpended Balance 12/31/11	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustments	Unexpended Balance 12/31/12	Accumulated Expenditures
		From	To							
Department of Transportation:										
Trust Fund Authority Act of 1984: By Formula										
Reconstruction of 34th Street	6320-480-601385-61	1/1/2011	12/31/2011	\$ 195,000.00	\$ 16,000.00	\$ -	\$ 23,500.71	\$ 37,353.40	\$ 29,852.69	\$ 165,147.31
Reconstruction of 28th Street	6320-480-601385-61	1/1/2010	12/31/2010	140,000.00	13,500.00	-	-	-	13,500.00	126,500.00
Reconstruction of Dune Drive	6320-480-601385-61	1/1/2009	12/31/2009	150,000.00	11,030.71	-	-	-	11,030.71	138,969.29
Total Department of Transportation					40,530.71	-	23,500.71	37,353.40	54,383.40	
Department of Law and Public Safety:										
Municipal Court Alcohol Educ. & Rehab Program	9735-760-098-Y900	1/1/2010	12/31/2010	1,156.28	630.96	-	630.96	-	0.00	1,156.28
Municipal Court Alcohol Educ. & Rehab Program	9735-760-098-Y900	1/1/2011	12/31/2011	1,348.37	1,348.37	-	1,119.04	-	229.33	1,119.04
Municipal Court Alcohol Educ. & Rehab Program	9735-760-098-Y900	1/1/2012	12/31/2012	1,241.15	-	1,241.15	-	-	1,241.15	0.00
Drunk Driving Enforcement	6400-100-078-6400	1/1/2011	12/31/2011	3,612.53	3,612.53	-	-	-	3,612.53	-
Drunk Driving Enforcement	6400-100-078-6400	1/1/2010	12/31/2010	5,373.52	5,373.52	-	1,790.13	-	3,583.39	1,790.130
Drunk Driving Enforcement	6400-100-078-6400	1/1/2009	12/31/2009	5,198.84	1,021.49	-	1,021.49	-	-	5,198.84
Total Department of Law and Public Safety					11,986.87	1,241.15	4,561.62	-	8,666.40	
Department of Environmental Protection										
Drinking Water State Revolving Fund										
2010 NJEIT Water Tower Project	W0501001-001	Open		1,166,480.00	-	-	1,166,480.00	-	-	1,166,480.00
Clean Communities Program	4900-765-042-4900	1/1/2012	12/31/2012	19,691.60	-	19,691.60	-	-	19,691.60	-
Clean Communities Program	4900-765-042-4900	1/1/2011	12/31/2011	20,020.58	20,020.58	-	16,739.74	-	3,280.84	16,739.74
Clean Communities Program	4900-765-042-4905	1/1/2009	12/31/2009	3,000.00	-	-	-	-	-	3,000.00
Recycling Tonnage Grant	4855-100-042-4855	1/1/2012	12/31/2012	7,842.78	-	7,842.78	-	-	7,842.78	-
Recycling Tonnage Grant	4855-100-042-4855	1/1/2011	12/31/2011	8,566.98	8,566.98	-	8,566.98	-	-	8,566.98
Recycling Tonnage Grant	4855-100-042-4855	1/1/2010	12/31/2010	8,363.85	238.85	-	238.85	-	-	8,363.85
Municipal Stormwater Regulation Grant	4855-100-042-4855	1/1/2004	12/31/2004	6,822.00	6,822.00	-	-	-	6,822.00	-
Total Department of Environmental Protection					35,648.41	1,194,014.38	1,192,025.57	-	37,637.22	
Total State Assistance					88,165.99	1,195,255.53	1,220,087.90	37,353.40	100,687.02	

See Accompanying Notes to Schedule of Expenditures of Federal and State Financial Assistance

**BOROUGH OF AVALON
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

State Grantor / Pass-Through Grantor / Program	State Account Number	Grant Period		Grant Award	Unexpended Balance 12/31/11	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Unexpended Balance 12/31/12	Accumulated Expenditures
		From	To							
Local Assistance										
Cape May County Munic. Utilities Auth.										
Recycling		1/1/2009	12/31/2009	\$ 42,273.78	\$ 3,204.53	\$ -	\$ 1,704.53	\$ -	\$ 1,500.00	\$ 40,773.78
Recycling		1/1/2011	12/31/2011	30,322.36	30,322.36	-	17,560.74	-	12,761.62	17,560.74
Recycling		1/1/2012	12/31/2012	66,485.30	66,485.30	66,485.30			66,485.30	0.00
Comcast Technology Grant		1/1/2009	12/31/2009	20,000.00	20,000.00				20,000.00	0.00
Comcast Technology Grant		1/1/2008	12/31/2008	40,000.00	22,201.00		6,125.70		16,075.30	23,924.70
Energy, Efficiency & Conservation Grant		1/1/2012	12/31/2012	25,564.48	25,564.48	25,564.48	25,564.48		0.00	25,564.48
Kenelm Foundation - Senior Center		1/1/2012	12/31/2012	1,000.00	1,000.00				1,000.00	0.00
Recreation Grant - McElhatton		1/1/2012	12/31/2012	50.00	50.00	50.00			50.00	0.00
Recreation Grant - McElhatton		1/1/2011	12/31/2011	4,058.72	4,058.72				4,058.72	0.00
Recreation Grant - McElhatton		1/1/2010	12/31/2010	1,400.00	1,400.00				1,400.00	0.00
Recreation Grant - McElhatton		1/1/2009	12/31/2009	2,500.00	2,500.00				2,500.00	0.00
Recreation Grant - McElhatton		1/1/2008	12/31/2008	3,080.00	3,080.00				3,080.00	0.00
Recreation Grant - McElhatton		1/1/2007	12/31/2007	2,500.00	2,148.47				2,148.47	351.53
Total Local Assistance				89,915.08	92,099.78	50,955.45	0.00	0.00	131,059.41	
Total State and Local Assistance				\$ 178,091.07	\$ 1,287,355.31	\$ 1,271,043.35	\$ 37,353.40	\$ 231,746.43		
Total Federal and State and Local Assistance				\$ 188,028.52	\$ 1,300,294.19	\$ 1,277,093.22	\$ 37,353.40	\$ 248,582.89		

See Accompanying Notes to Schedule of Expenditures of Federal and State Financial Assistance

BOROUGH OF AVALON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012

Note 1: General

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

Note 2: Basis of Accounting

The accompanying schedule of federal financial assistance and the schedule of state and local financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. 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 separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

Note 3: Relationship to Financial Statements

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

	<u>Federal</u>		<u>State</u>		<u>Other</u>		<u>Total</u>
Grant Fund	\$ 6,049.87	\$	53,607.90	\$	50,955.45	\$	110,613.22
Water & Sewer Capital Fund			1,166,480.00				1,166,480.00
Total Financial Assistance	<u>\$ 6,049.87</u>	\$	<u>1,220,087.90</u>	\$	<u>50,955.45</u>	\$	<u>1,277,093.22</u>

Note 4: Relationship to Federal and State Financial Reports

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

BOROUGH OF AVALON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued: Adverse Opinion in accordance with U.S. Generally Accepted Accounting Principles and Qualified Opinion issued on the Financial Statements – Regulatory Basis of Accounting” dated July 31, 2013

Internal control over financial reporting:

- | | |
|---|----|
| 1) Material weakness identified? | No |
| 2) Significant Deficiencies identified? | No |

Noncompliance material to the financial Statements noted?	No
---	----

Federal Awards

Not Applicable

State Awards

Dollar threshold used to distinguish between type A and Type B Programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

Type of auditor's report issued on compliance for major programs:	An Unqualified Opinion was issued on compliance for major programs, dated July 31, 2013
---	---

Internal Control over major programs:

- | | |
|---|----|
| 1) Material weakness identified? | No |
| 2) Significant Deficiencies identified that are not considered to be material weaknesses? | No |

Any audit findings disclosed that are required to be reported	No
---	----

Identification of major programs:

<u>State Grant Number</u>	<u>Name of State Program</u>
W0501001-001	New Jersey Department of Environmental Protection Infrastructure Trust Loan Program

BOROUGH OF AVALON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements statutory basis that are required to be reported under this section. We noted certain other findings that are reported in the Management Letter.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

State: None

MANAGEMENT RESPONSES

None

STATUS OF PRIOR YEAR FINDINGS

State: None

BOROUGH OF AVALON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2011	\$ 7,729,501.35	\$ -
Increased by Receipts:		
Collector	\$ 37,341,015.80	\$
Revenue Accounts Receivable	2,327,538.10	
State of New Jersey-Senior Citizens & Veterans	36,000.00	
Miscellaneous Revenue Not Anticipated	443,317.46	
Change Funds	2,700.00	
Due from Avalon Library	782,274.29	
Prepaid Rental Licenses	143,850.00	
Prepaid Fire Inspection Fees	38,279.00	
Sales Tax	295.04	
Rental License Bond	10,500.00	
State Training Fees for New Construction	20,523.00	
State Fee for Marriage Licenses	1,133.00	
Due from Beach Utility Fund	19,202.73	
Garden State Preservation Trust - Reserved	3,877.00	
Reserve for Animal Protection	2,202.00	
Due from Water and Sewer Operating Fund	17,926.28	
Due from Water and Sewer Capital Fund	0.50	
Due from Federal and State Grant Fund	120,398.21	
Grants - Unappropriated		102,649.71
Grants Receivable		158,001.68
	<u>41,311,032.41</u>	<u>260,651.39</u>
	49,040,533.76	260,651.39

BOROUGH OF AVALON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Decreased by Disbursements:		
2012 Appropriations	20,038,310.85	
2011 Appropriation Reserves	283,036.17	
County Taxes	15,865,331.50	
County Added and Omitted Taxes	51,826.79	
Local District School Tax	3,078,694.00	
Accounts Payable	9,500.00	
Tax Overpayments Refunded	6,630.57	
Due from Avalon Library	903,213.33	
Change Funds	2,700.00	
Return of Rental License Bond	6,000.00	
State Training Fees for New Construction	19,321.00	
Sales Tax	305.06	
State Fee for Marriage Licenses	1,058.00	
Reserve for Animal Protection	2,794.78	
Due from General Capital Fund	2,520,388.20	
Due to Water and Sewer Operating Fund	3,474.75	
Due to Trusts - Other	1,965.12	
Due to Current Fund		120,398.21
Grants - Appropriated Reserves		110,613.22
	42,794,550.12	231,011.43
Balance December 31, 2012	\$ 6,245,983.64	\$ 29,639.96

BOROUGH OF AVALOB
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

Balance December 31, 2011	<u>Ref.</u> A		\$ -
Increased by Receipts:			
Taxes Receivable		\$ 36,084,452.09	
Tax Overpayments		7,485.92	
Revenue Accounts Receivable		157,208.19	
Prepaid Taxes		<u>1,091,869.60</u>	
			<u>37,341,015.80</u>
			37,341,015.80
Decreased by Disbursements:			
Payment to Treasurer		<u>37,341,015.80</u>	
			<u>37,341,015.80</u>
Balance December 31, 2012	A		<u><u>\$ -</u></u>

BOROUGH OF AVALON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2011	2012 Levy	Added Taxes	2011 Collections	2012 Collections	Canceled	Transferred To Tax Title Liens	Balance Dec. 31, 2012
2011	\$ 627,376.84	\$ -	250.00	\$ -	\$ 619,422.38	\$ 6,909.33	\$ 32.42	\$ 1,262.71
	627,376.84	-	250.00	-	619,422.38	6,909.33	32.42	1,262.71
2012		36,955,069.13		950,304.73	35,498,529.71	11,692.41	28.15	494,514.13
	\$ 627,376.84	\$ 36,955,069.13	\$ 250.00	\$ 950,304.73	\$ 36,117,952.09	\$ 18,601.74	\$ 60.57	\$ 495,776.84
Ref:								A

\$ 36,084,452.09 Taxes Receivable
 33,500.00 Senior Citizens and Veterans
 \$ 36,117,952.09

Analysis of 2012 Property Tax Levy

Tax Yield:
 General Property Tax
 Added Taxes (54:4-63.1 et seq.)

\$ 36,857,966.34
 97,102.79
 \$ 36,955,069.13

Tax Levy:

Local District School Tax:
 Levy

\$ 3,078,694.00

County Tax
 County Open Space Tax
 County Taxes Added and Omitted

15,078,633.82
 786,697.68
 42,012.92
 15,907,344.42

Local Tax for Municipal Purposes
 Minimum Library Tax Levy
 Add: Additional Tax Levied

17,969,030.71
 \$ 36,955,069.13

BOROUGH OF AVALON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2011	<u>Ref.</u> A	\$ 14,642.59
Increased by:		
Transfer from Taxes Receivable		<u>60.57</u>
		14,703.16
Decreased by:		
No Activity in 2012		<u>-</u>
Balance December 31, 2012	A	<u>\$ 14,703.16</u>

BOROUGH OF AVALON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Ref.	Balance Dec. 31, 2011	Accrued In 2012	Collected	Balance Dec. 31, 2012
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Alcoholic Beverages	\$ -	\$ 22,028.00	\$ 22,028.00	\$ -
Other	-	355.51	355.51	-
Fees and Permits	-	361,894.72	361,894.72	-
Municipal Court	-	-	-	-
Fines and Costs	9,111.29	184,626.74	183,141.05	10,596.98
Interest and Costs on Taxes	-	157,208.19	157,208.19	-
Interest on Investments and Deposits	-	32,227.68	32,227.68	-
Fees from Fire Inspections	-	105,475.00	105,475.00	-
Fees from Rental Registrations and Licenses	-	191,400.00	191,400.00	-
County of Cape May - Fleet Maintenance	-	82,993.42	82,993.42	-
Television Cable Fees	-	47,653.28	47,653.28	-
Library - Rent & Administration/Bldgs & Ground	-	151,320.57	151,320.57	-
Energy Receipts Tax	-	435,714.00	435,714.00	-
Garden State Preservation Trust - Reserved	-	3,877.00	3,877.00	-
Construction Code Official:	-	-	-	-
Fees and Permits	-	325,299.00	325,299.00	-
Uniform Fire Safety Act	-	9,514.03	9,514.03	-
Sale of Land - County Debt Service Payment	-	90,786.21	90,786.21	-
Reserve for Payment of Bonds	-	250,000.00	250,000.00	-
Transfer of Excess Library Surplus	-	500,000.00	500,000.00	-
TOTALS	\$ 9,111.29	\$ 2,952,373.35	\$ 2,950,887.66	\$ 10,596.98
Ref.	A			A
Prepayments Applied		\$	\$ 210,302.00	
Garden State Preservation Trust - Reserved			3,877.00	
Due to General Capital Fund			250,000.00	
Due from Trusts - Other			1,962.37	
Tax Collector			157,208.19	
Treasurer			2,327,538.10	
		\$	<u>2,950,887.66</u>	

BOROUGH OF AVALOBB
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Other Expenses					
Business Administration	\$ 4,212.49	\$ 4,212.49	\$ 4,143.55	\$ 68.94	\$
Council	13,411.91	13,411.91	13,000.00	411.91	
Office of the Mayor	15,388.31	15,388.31	15,323.94	64.37	
Borough Clerk's Office	2,081.77	2,081.77	1,790.12	291.65	
Treasurer's Office	3,697.99	3,697.99	3,408.88	289.11	
Municipal Court	17,860.31	17,860.31	122.40	17,737.91	
Revenue Administration (Tax Collector)	2,326.98	2,326.98	2,326.98	-	
Tax Assessment Administration	1,567.93	1,567.93	1,538.61	29.32	
Engineering Services and Costs	12,253.34	12,253.34	12,194.04	59.30	
Worker & Community Right to Know	6,314.61	6,314.61	5,964.46	350.15	
Employee Group Insurance	122,643.53	122,643.53	37,256.70	85,386.83	
Planning and Zoning	34,744.46	34,744.46	34,620.54	123.92	
Construction Code Official	1,566.82	1,566.82	1,500.00	66.82	
Municipal Alliance Program	1,646.00	1,646.00	615.75	1,030.25	
Fire	11,167.28	11,167.28	10,733.67	433.61	
Police	20,903.88	20,903.88	20,652.42	251.46	
Rescue Squad	4,026.63	4,026.63	3,734.42	292.21	
Uniform Fire Code Official	1,657.57	1,657.57	1,500.00	157.57	
Landscape/Law Care	40,527.86	40,527.86	30,252.73	10,275.13	
Public Works	19,420.80	19,420.80	18,454.16	966.64	
Sanitary Landfill Closure Act	43,028.91	43,028.91	4,042.21	38,986.70	
Garbage and Trash Removal	3,551.95	3,551.95	35.00	3,516.95	
Vehicle Maintenance	2,962.42	2,962.42	2,321.27	641.15	
Animal Control	15,958.00	15,958.00	8,013.00	7,945.00	
Recreation	11,414.09	11,414.09	10,305.08	1,109.01	
Electric, Natural Gas	37,156.96	37,156.96	19,048.52	18,108.44	
Telephone	14,506.86	14,506.86	2,958.85	11,548.01	
Gasoline	1,153.65	1,153.65	841.17	312.48	
Contingent	2,690.93	2,690.93	2,674.00	16.93	
Capital Improvements:					

BOROUGH OF AVALOB
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

	<u>Balance</u> Dec. 31, 2011	<u>Balance</u> After Transfers	<u>Paid or</u> Charged	<u>Balance</u> Lapsed	<u>Overexpended</u>
Road Reconstruction	\$ 47,546.41	\$ 47,546.41	\$ 42,341.69	\$ 5,204.72	\$
Other Accounts - No Change	<u>281,134.54</u>	<u>281,134.54</u>		<u>281,134.54</u>	
TOTALS	\$ <u>798,525.19</u>	\$ <u>798,525.19</u>	\$ <u>311,714.16</u>	\$ <u>486,811.03</u>	\$ <u>-</u>
Appropriation Reserves	\$ 507,687.28				
Encumbrances	<u>290,837.91</u>				
Accounts Payable			\$ 28,677.99		
Disbursements			<u>283,036.17</u>		
			<u>311,714.16</u>		

BOROUGH OF AVALON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVED

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2012</u>
State:					
Recycling Tonnage Grant - 2011	\$ -	\$ 8,566.98	\$ 8,566.98	\$ -	\$ -
Clean Communities Program - 2011	-	20,020.58	20,020.58	-	-
Drunk Driving Enforcement Fund - 2011	-	3,612.53	3,612.53	-	-
2010 Business Stimulus Fund - Forestry	7,000.00	-	7,000.00	-	-
NJ Transportation Trust Fund Auth Act: Dune Drive - 2009	2,856.04	-	-	-	2,856.04
28th Street - 2010	140,000.00	-	122,648.44	-	17,351.56
34th Street - 2011	195,000.00	-	-	-	195,000.00
Federal:					
Police Body Armor Grant - 2011	-	2,289.36	2,289.36	-	-
COPS in Shops - 2011	1,600.00	-	1,588.76	-	11.24
COPS in Shops - 2012	-	1,200.00	1,200.00	-	-
Drive Sober or Get Pulled over - 2012	-	4,400.00	-	-	4,400.00
Other:					
C/MC/MUA Recycling Grant - 2011	-	30,322.36	30,322.36	-	-
Recreation Grant - McElhatton	-	4,058.72	4,058.72	-	-
Energy, Efficiency & Conservation Grant	-	25,564.48	25,564.48	-	-
Kenelm Foundation - Senior Center	-	1,000.00	1,000.00	-	-
TOTALS	\$ 346,456.04	\$ 101,035.01	\$ 227,872.21	\$ -	\$ 219,618.84
	A				A
Ref.					
Unappropriated Reserves Realized		\$ 69,870.53			
Received		158,001.68			
		\$ 227,872.21			

**BOROUGH OF AVALON
FEDERAL AND STATE GRANT FUBD
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED**

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Appropriated in 2012 Budget</u>	<u>Balance Dec. 31, 2012</u>
State:				
Recycling Tonnage Grant - 2011	\$ 8,566.98		\$ 8,566.98	-
Recycling Tonnage Grant - 2012		7,842.78		7,842.78
Clean Communities Program - 2011	20,020.58		20,020.58	-
Clean Communities Program - 2012		19,691.60		19,691.60
Drunk Driving Enforcement Fund - 2011	3,612.53		3,612.53	-
Drunk Driving Enforcement Fund - 2012				-
Municipal Court Alcohol Program - 2012		1,241.15		1,241.15
Federal:				
COPS in Shops - 2010	30.96			30.96
Body Armor Replacement Fund - 2011	2,289.36		2,289.36	-
Body Armor Replacement Fund - 2012		2,338.88		2,338.88
Emergency Management Grant - 2012		5,000.00		5,000.00
Other:				
CMCMUA Recycling Grant - 2011	30,322.36		30,322.36	-
CMCMUA Recycling Grant - 2012		66,485.30		66,485.30
Recreation Grant - McElhatton	4,058.72		4,058.72	50.00
Kenelm Foundation - Senior Center	1,000.00		1,000.00	-
TOTALS	\$ 69,901.49	\$ 102,649.71	\$ 69,870.53	\$ 102,680.67
Ref.	A			A

**BOROUGH OF AVALON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

Purpose	Balance	Budget	Expended	Canceled	Balance
	Dec. 31, 2011	Appropriations			Dec. 31, 2012
State:					
Clean Communities Program - 2010	\$ -	\$ 20,020.58	\$ 16,739.74	\$ -	\$ 3,280.84
Clean Communities Program - 2011					
Drunk Driving Enforcement Fund - 2009	1,021.49		1,021.49		-
Drunk Driving Enforcement Fund - 2010	5,373.52		1,790.13		3,583.39
Drunk Driving Enforcement Fund - 2011		3,612.53			3,612.53
Recycling Tonnage Grant - 2010	238.85		238.85		-
Recycling Tonnage Grant - 2011		8,566.98	8,566.98		(0.00)
Municipal Court Alcohol Grant - 2010	630.96		630.96		-
Municipal Court Alcohol Grant - 2011	1,348.37		1,119.04		229.33
NJ Transportation Trust Fund Auth Act:					
Dune Drive - 2009	11,030.71				-
28th Street - 2010	13,500.00				11,030.71
34th Street - 2011	16,000.00		(13,852.69)		13,500.00
Municipal Stormwater Regulation	6,822.00				29,852.69
Green Communities Grant					-
Other:					
CMCMUA Recycling Grant - 2009	3,204.53		1,704.53		1,500.00
CMCMUA Recycling Grant - 2011		30,322.36	17,560.74		12,761.62
Recreation Grant - McElhaton	9,128.47	4,058.72			13,187.19
Comcast Technology Grant - 2008	22,201.00		6,125.70		16,075.30
Comcast Technology Grant - 2009	20,000.00				20,000.00
Energy, Efficiency & Conservation Grant		25,564.48	25,564.48		-
Kenelm Foundation - Senior Center		1,000.00			1,000.00

**BOROUGH OF AVALON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

Purpose	Balance	Budget	Expended	Canceled	Balance
	Dec. 31, 2011	Appropriations			Dec. 31, 2012
Federal:					
Police Bike Patrol Grant - 2006	\$ 1,470.34	\$	\$	\$	1,470.34
Police Bike Patrol Grant - 2007	2,000.00				2,000.00
Police Bike Patrol Grant - 2008	2,000.00				2,000.00
Police Bike Patrol Grant - 2009	2,000.00				2,000.00
Police Body Armor Replacement Fund - 2011		2,289.36	780.00		1,509.36
COPS in Shops - 2011	156.79				156.79
COPS in Shops - 2012		1,200.00	1,200.00		
Drive Sober or Get Pulled over - 2012		4,400.00	4,069.87		330.13
TOTALS	\$ 118,127.03	\$ 101,035.01	\$ 73,259.82	\$ -	\$ 145,902.22
Ref.	A				A
	Reserve for Encumbrances	\$	675.91		
	Prior Encumbrances Canceled		(38,029.31)		
	Cash Disbursements	\$	110,613.22		
			<u>73,259.82</u>		

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> B	\$	199.54
Increased by Receipts:			
Dog Licenses Fees		\$	115.50
Cat License Fees			38.50
State License Fees			45.60
Interest Earned - Due to Current Fund			<u>0.22</u>
			<u>199.82</u>
			399.36
Decreased by Disbursements:			
State of New Jersey			<u>45.60</u>
			45.60
Balance December 31, 2012	B	\$	<u><u>353.76</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 535,562.24
Increased by Receipts:			
Due to Current Fund:			
Interest Earned - Payroll	B	\$ 190.97	
Interest Earned - Planning Board	B	1,770.60	
Interest Earned - Tax Title Lien Redemption	B	0.80	
Payroll Withholdings	B	13,161.99	
Other Trusts	B	281.76	
Due to Beach			
Payroll Withholdings	B	174.00	
Deposits for Payroll and Payroll Liabilities	B-14	8,005,339.17	
Revolving Loan Repayments	B-7	19,008.00	
Due from Municipal Court	B	42.00	
POAA Fees	B-6	466.00	
Escrow Deposits Received	B-8	256,010.00	
Interest Earned - Law Enforcement Trust	B-9	2.26	
Budget Appropriation - Accumulated Absences	B-10	180,000.00	
Dedicated Fire Penalties	B-11	4,370.00	
Interest Earned - Unemployment Trust	B-13	13.39	
Budget Appropriation - Unemployment	B-13	17,340.00	
Employee Withholdings	B-13	27,206.35	
Deposits for Redmption of Tax Sale Certificates	B-12	<u>5,547.73</u>	
			<u>8,530,925.02</u>
			9,066,487.26
Decreased by Disbursements:			
Due to Current Fund - Payroll Withholdings	B	12,298.36	
Due to Current Fund - TTL Redemption	B	132.71	
Due to Beach Utility - Payroll Wihtholdings	B	199.00	
Payroll and Liabilities	B-14	8,028,287.56	
Municipal Court Expenditures	B-6	710.00	
Deposits Returned/Fees Payments	B-8	282,859.20	
Accumulated Absence Payments	B-10	218,738.78	
Fire Penalty Disbursements	B-11	1,900.00	
Unemployment Claims	B-13	37,715.86	
Deposits for Redmption of Tax Sale Certificates	B-12	<u>5,547.73</u>	
			<u>8,588,389.20</u>
Balance December 31, 2012	B		\$ <u><u>478,098.06</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2011	<u>Ref.</u> B		\$	57.28
Increased by Receipts:				
Animal Dog License Fees Collected		\$		115.50
Cat License Fees Collected				38.50
Interest Earned				0.22
				<u>154.22</u>
				211.50
Decreased by Disbursements:				
No Activity in 2012				-
				<u>-</u>
Balance December 31, 2012	B		\$	<u><u>211.50</u></u>

License Fees Collected	<u>Year</u>			
	2010	\$		129.50
	2011			126.00
		\$		<u><u>255.50</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance December 31, 2011	<u>Ref.</u> B		\$	142.26
Increased by:				
No Activity in 2012		_____		-
				<u>142.26</u>
Decreased by:				
No Activity in 2012		_____		-
				<u>142.26</u>
Balance December 31, 2012	B		\$	<u><u>142.26</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2011	<u>Ref.</u> B		\$	-
Increased by:				
Collected in 2012		\$ _____		45.60
				<u>45.60</u>
Decreased by:				
Paid to State of New Jersey		_____		45.60
				<u>45.60</u>
Balance December 31, 2012	B		\$	<u><u>-</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF RESERVE FOR PARKING OFFENSES ADJUDICATION ACT

Balance December 31, 2011	<u>Ref.</u> B		\$ 2,923.05
Increased by Receipts:			
Penalties Received from Municipal Court	B-2	\$ 466.00	
Due from Municipal Court	B	<u>26.00</u>	
			<u>492.00</u>
			3,415.05
Decreased by Disbursements:			
Municipal Court Expenditures	B-2	<u>710.00</u>	
			<u>710.00</u>
Balance December 31, 2012	B		<u>\$ 2,705.05</u>

SCHEDULE OF RESERVE FOR SMALL CITIES GRANT PROGRAM

Balance December 31, 2011	<u>Ref.</u> B		\$ 25,262.50
Increased by:			
Revolving Loan Repayments	B-2	<u>19,008.00</u>	
			<u>19,008.00</u>
			44,270.50
Decreased by:			
No Activity in 2012		<u>-</u>	
			<u>-</u>
Balance December 31, 2012	B		<u>\$ 44,270.50</u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF RESERVE FOR PLANNING BOARD ESCROW

Balance December 31, 2011	<u>Ref.</u> B	\$ 244,647.93
Increased by Receipts:		
Deposits Received	B-2	<u>256,010.00</u>
		500,657.93
Decreased by Disbursements:		
Deposits Returned/Fees Payments	B-2	<u>282,859.20</u>
Balance December 31, 2012	B	<u>\$ 217,798.73</u>

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST

Balance December 31, 2011	<u>Ref.</u> B	\$ 3,154.25
Increased by:		
Interest Earned on Deposits	B-2	<u>2.26</u>
		3,156.51
Decreased by:		
No Activity in 2012		<u>-</u>
Balance December 31, 2012	B	<u>\$ 3,156.51</u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

Balance December 31, 2011	<u>Ref.</u> B	\$ 144,674.64
Increased by Receipts:		
Budget Appropriation:		
Current Fund	B-2	<u>180,000.00</u>
		324,674.64
Decreased by Disbursements:		
Accumulated Absence Payments	B-2	<u>218,738.78</u>
Balance December 31, 2012	B	\$ <u><u>105,935.86</u></u>

SCHEDULE OF RESERVE FOR DEDICATED FIRE PENALTY

Balance December 31, 2011	<u>Ref.</u> B	\$ 18,550.23
Increased by:		
Dedicated Fire Penalties Collected	B-2	<u>4,370.00</u>
		22,920.23
Decreased by:		
Disbursements	B-2	<u>1,900.00</u>
Balance December 31, 2012	B	\$ <u><u>21,020.23</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIENS REDEMPTION

Balance December 31, 2011	<u>Ref.</u> B	\$	955.65
Increased by Receipts:			
Deposits for Liens Redemptions	B-2		<u>5,547.73</u>
			6,503.38
Decreased by Disbursements:			
Refunds - Tax Sale Certificates Redeemend	B-2		<u>5,547.73</u>
Balance December 31, 2012	B	\$	<u><u>955.65</u></u>

SCHEDULE OF RESERVE FOR UNEMPLOYMENT COMPENSATION

Balance December 31, 2011	<u>Ref.</u>	\$	19,945.36
Increased by:			
Employee Withholdings	B-1	\$	27,206.35
Interest Earned on Deposits	B-1		13.39
Budget Appropriations:			
Beach Utility Fund	B-1		<u>17,340.00</u>
			<u>44,559.74</u>
			64,505.10
Decreased by:			
Unemployment Compensation Payments	B-1		<u>37,715.86</u>
			<u>37,715.86</u>
Balance December 31, 2012	B	\$	<u><u>26,789.24</u></u>

BOROUGH OF AVALON
TRUST FUND
SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE

Balance December 31, 2011	<u>Ref.</u> B	\$ 75,515.93
Increased by:		
Deposits for Payroll and Liabilities		<u>8,005,339.17</u>
		8,080,855.10
Decreased by:		
Disbursements		<u>8,028,287.56</u>
Balance December 31, 2012	B	\$ <u><u>52,567.54</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR LOSAP
unaudited

Balance December 31, 2011	<u>Ref.</u> B	\$ 405,680.00
Increased by:		
Contributions	\$ 52,787.90	
Increase in Value	<u>52,708.98</u>	
		<u>105,496.88</u>
		511,176.88
Decreased by:		
Withdrawals	143,331.18	
Fees	<u>1,275.00</u>	
		<u>144,606.18</u>
Balance December 31, 2012	B	\$ <u><u>366,570.70</u></u>

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Ord.	Receipts			Disbursements			Transfers		Balance Dec. 31, 2012
		Balance Dec. 31, 2011	Grant Proceeds	Budget Appropriation	Improvement Authorizations	Misc	From	To		
Fund Balance		\$ 149,374.69	\$	\$	\$	\$	\$ 163,921.38	\$	313,296.07	
Capital Improvement Fund		223,160.80					40,000.00		123,160.80	
Contracts Payable		977,911.36					415,053.21		415,053.21	
Reserve for Payment of Bonds		476,254.91					250,000.00		226,254.91	
Reserve for Beach Replenishment		34,086.38					265,000.00		34,086.38	
Due to Current Fund		293,993.59					2,770,388.20		2,799,381.79	
<u>Improvement Authorizations</u>										
Ord.										
Number										
483-00	Jetty Extension Project-8th Street	2.00								2.00
525-04	Site Work, Construction of Central Plant and Improvements to the Public Safety Building	1,696.48					1,696.48			-
539-04	Various Improvements:									-
Amended by 563-05	Construction, Design & Permits for the Timber Boardwalk	111.53					111.53			-
	a) Beach Restoration	30,571.21					45,048.71	14,477.50		-
	b) Seawall Extension	130,216.14					130,216.14			-
545-05	Various Capital Improvements:									-
	(c) Roof - Borough Hall	63,117.59					17,800.00			45,317.59
550-05	Road Improvements	3,990.20					3,990.20			-
570-06	Various Capital Improvements:									-
	a) Various Road Improvements	3,051.80					9,494.00	8,000.00		1,557.80
	c) Bulkhead Reconstruction	29,184.13					5,478.58			29,184.13
580-06	Community Hall Floor	5,478.58					149,533.89	149,533.89		-
583-07	Beach Restoration	-					1,441.11	1,880.85		439.74
586-07	Improvements to Public Buildings	-					510.92	10.92		859.99
592-08	Road Improvements	1,359.99								-
597-08	Various Capital Improvements:									(146,820.33)
	a) Improve Borough Buildings	(142,420.33)					4,400.00			(12,736.23)
	b) Improve Armacost Park	(12,736.23)								(13,500.00)
	c) Improve O'Brien Park	(13,500.00)								2,000.00
	d) Install Fire Alarm-Public Works	2,000.00								2,000.00
	e) Improve Sport Fishing Pier	2,000.00								(18,000.00)
	f) Improvements to Senior Center	(18,000.00)								(49,205.55)
	g) Carpet in Borough Hall	(49,205.55)								(36,000.00)
	h) Acquire Beach Rake Tractor	(36,000.00)								(13,500.00)
	i) Installation of Radar Stations	(13,500.00)								(89,875.66)
	j) Boardwalk Repairs	(89,875.66)								-
601-08	Various Capital Improvements:									(112,500.00)
	b) HVAC Replacement Community Hall	(112,500.00)								

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
ANALYSIS OF CASH**

Improvement Authorizations Ord.	Number	Description	Receipts			Disbursements			Transfers		Balance Dec. 31, 2012
			Balance Dec. 31, 2011	Grant Proceeds	Budget Appropriation	Improvement Authorizations	Misc.	From	To		
			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	612-09	Beachfill Project	20,992.29	-	-	-	-	3,751.31	20,992.29	3,751.31	-
	619-09	Various Improvements to Buildings	(1,272,922.35)	-	-	-	-	7,759.55	7,759.55	7,759.55	(1,272,922.35)
	623-10	Beachfill Project	138,867.85	-	-	-	-	220,371.95	138,867.85	102,201.34	20,697.24
	633-10	Beach & Waterway Improvements									
	644-11	Acquire Fire Truck and Equipment									
		a) Fire Truck and Equipment	(921,761.40)	-	-	-	-	758,094.86	921,761.40	915,296.00	(764,560.26)
		b) Video Surveillance System	15,000.00	-	-	-	-	149,754.10	15,000.00	149,754.10	(134,754.10)
	649-11	Beachfill Backpass & Beach Protection	80,000.00	-	-	-	-	603,432.17	80,000.00	603,432.17	(523,432.17)
	658-12	Acquisition of Property	-	-	-	-	-	575,000.00	-	57,500.00	(517,500.00)
	660-12	Acquisition of Property	-	-	-	-	-	299,885.00	-	32,500.00	(267,385.00)
	661-12	Various Capital Improvements:									
		a. Reconfigure Macchi'a Island	-	-	-	-	-	44,300.00	-	15,000.00	(29,300.00)
		b. Bulkhead Replacement	-	-	-	-	-	46,300.00	-	35,000.00	(11,300.00)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,732,274.15</u>	<u>\$ 4,732,274.15</u>	<u>\$ 4,732,274.15</u>	<u>\$ 0.00</u>
			C								C

BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> C	\$ 223,160.80
Increased by:		
Current Fund Budget Appropriation	\$ <u>40,000.00</u>	<u>40,000.00</u>
		263,160.80
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>140,000.00</u>	<u>140,000.00</u>
Balance December 31, 2012	C	\$ <u><u>123,160.80</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2011	<u>Ref.</u> C	\$ 28,525,351.61
Increased by:		
Improvement Costs Funded by: 2012 Refunding Bonds	\$ <u>4,870,000.00</u>	<u>4,870,000.00</u>
		33,395,351.61
Decreased by:		
Green Acres Loans Paid by Operating Budget	139,993.29	
2004 Serial Bonds Refunded	4,820,000.00	
Serial Bonds Paid by Operating Budget	<u>2,720,000.00</u>	<u>7,679,993.29</u>
Balance December 31, 2012	C	\$ <u><u>25,715,358.32</u></u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Grants Received	Budget Appropriation	Balance Dec. 31, 2012	Analysis of Balance	
							Expenditures	Unexpended Improvement Authorization
597-08	Various Capital Improvements:							
	a) Improvements to Borough Buildings	\$ 153,000.00	\$	\$	\$	\$ 153,000.00	\$ 146,820.33	\$ 6,179.67
	b) Improvements to Armacost Park	13,500.00				13,500.00	12,736.23	763.77
	c) Improvements to O'Brien Park	13,500.00				13,500.00	13,500.00	-
	d) Install Fire Alarm - Public Work	18,000.00				18,000.00	18,000.00	18,000.00
	e) Improvements to Sport Fishing Pier	18,000.00				18,000.00	18,000.00	18,000.00
	f) Improvements to Senior Center	18,000.00				18,000.00	18,000.00	-
	g) Installation of Carpet in Borough Hall	54,000.00				54,000.00	49,205.55	4,794.45
	h) Acquisition of Beach Rake Tractor	36,000.00				36,000.00	36,000.00	-
	i) Installation of Radar Stations	13,500.00				13,500.00	13,500.00	-
	j) Boardwalk Repairs	90,000.00				90,000.00	89,875.66	124.34
601-08	Various Capital Improvements:							
	b) HVAC Replacement Community Hall	112,500.00				112,500.00	112,500.00	-
623-10	Beachfill Project	1,322,750.00				1,322,750.00	1,272,922.35	49,827.65
644-11	Acquisition of Fire Truck and Equipment				225,000.00			
	a) Fire Truck and Equipment	990,000.00				765,000.00	764,560.26	439.74
	b) Video Surveillance System	135,000.00				135,000.00	134,754.10	245.90
649-11	Beachfill Backpass & Beach Protection	720,000.00				720,000.00	523,432.17	196,567.83
658-12	Acquisition of Property		517,500.00			517,500.00	517,500.00	-
660-12	Acquisition of Property		292,500.00			292,500.00	267,385.00	25,115.00
661-12	Various Capital Improvements:							
	a. Reconfigure Macchi'a Island		135,000.00			135,000.00	29,300.00	105,700.00
	b. Bulkhead Replacement		315,000.00			315,000.00	11,300.00	303,700.00
		\$ 3,707,750.00	\$ 1,260,000.00	\$ -	\$ 225,000.00	\$ 4,742,750.00	\$ 4,013,291.65	\$ 729,458.35
		C				C		C-7

Ref.

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2011		Capital Improvement Fund	2012 Authorizations		Paid or Charged	Authorizations Canceled	Balance December 31, 2012	
				Funded	Unfunded		Funded	Unfunded			Funded	Unfunded
483-00	Jetty Extension Project-8th Street	8/2/00	1,200,000.00	2.00	\$	\$					2.00	\$
525-04	Site Work, Construction of Central Plant and Improvements to the Public Safety Building	4/14/2004	3,200,000.00	1,696.48				1,696.48			-	
539-04	Various Improvements: Amended Construction, Design & Permits by 553-05 for the Timber Boardwalk	10/13/2004	1,475,000.00	111.53					111.53		-	
	a) Beach Restoration			30,571.21				(3,022.50)	33,593.71		-	
	b) Seawall Extension			130,216.14					130,216.14		-	
545-05	Various Capital Improvements: (c) Roof - Borough Hall	2/9/2005	539,000.00	63,117.59				17,800.00			45,317.59	
550-05	Road Improvements	6/26/2005	1,300,000.00	3,990.20				3,990.20			-	
570-06	Various Capital Improvements: a) Various Road Improvements c) Bulkhead Reconstruction	12/14/2006	1,800,000.00	3,051.80				1,494.00			1,557.80	
				29,184.13							29,184.13	
580-06	Community Hall Floor	1/10/2007	225,000.00	5,478.58				5,478.58			-	
586-07	Improvements to Public Buildings	10/11/2007	7,500,000					(439.74)			439.74	
592-08	Road Improvements	1/23/2008	800,000.00	1,359.99				500.00			859.99	
597-08	Various Capital Improvements: a) Improve Borough Buildings b) Improve Armacost Park c) Improve O'Brien Park	5/28/2008	475,000.00					4,400.00				6,179.67
	d) Install Fire Alarm-Public Works			2,000.00							2,000.00	18,000.00
	e) Improve Sport Fishing Pier			2,000.00							2,000.00	18,000.00
	g) Carpet in Borough Hall											4,794.45
	h) Acquire Beach Rake Tractor											
	j) Boardwalk Repairs											124.34
612-09	Beachfill Project	3/25/2009	1,200,000.00	-				-			-	
619-09	Various Improvements to Buildings	9/23/2009	90,000.00	20,992.29				20,992.29			-	
623-10	Beachfill Project	1/27/2010	5,500,000.00	-				-			-	49,827.65
633-10	Beach & Waterway Improvements	9/8/2010	500,000.00	138,867.85				118,170.61			20,697.24	
644-11	Acquire Fire Truck and Equipment	5/25/2011	1,250,000.00	-				67,796.86			-	439.74
	a) Fire Truck and Equipment			68,238.60				149,764.10			-	245.90
	b) Video Surveillance System			15,000.00							-	
649-11	Beachfill Backpass/Protection	12/28/2011	800,000.00	80,000.00				603,432.17			-	196,567.83

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2011		2012 Authorizations		Paid or Charged	Authorizations Canceled	Balance December 31, 2012	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation			Funded	Unfunded
658-12	Acquisition of Property	6/13/2012	\$ 575,000.00	\$	\$	\$ 57,500.00	\$ 517,500.00	\$ 575,000.00	\$	\$	\$
660-12	Acquisition of Property	8/22/2012	325,000.00			32,500.00	292,500.00	299,885.00			25,115.00
661-12	Various Capital Improvements:	9/26/2012	500,000.00			15,000.00	135,000.00	44,300.00			105,700.00
	a. Reconfigure Macchia Island					35,000.00	315,000.00	46,300.00			303,700.00
	b. Bulkhead Replacement										
						<u>\$ 140,000.00</u>	<u>\$ 1,260,000.00</u>	<u>\$ 1,957,530.05</u>	<u>\$ 163,921.38</u>	<u>\$ 102,058.49</u>	<u>\$ 729,458.35</u>
	Ref.					C-4	C-6		C-1	C	C
								\$ 415,053.21			
								(977,911.36)			
								2,520,388.20			
								-			
								<u>\$ 1,957,530.05</u>			

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

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding			Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	December 31, 2012	Amount					
General Bonds, Series 2004	11/1/2004	\$ 10,820,000.00	11/1/2013	\$ 800,000	3.30%	\$ 7,320,000.00	\$	\$ 5,620,000.00	\$ 1,700,000.00	
			11/1/2014	900,000	3.40%					
General Bonds, Series 2008	5/15/2008	19,000,000.00	5/15/2013	1,250,000	5.00%	17,775,000.00		1,125,000.00	16,650,000.00	
			5/15/2014	1,175,000	5.00%					
			5/15/2015	1,325,000	5.00%					
			5/15/2016	2,325,000	5.00%					
			5/15/2017	2,425,000	5.00%					
			5/15/2018	2,550,000	5.00%					
Refunding Bonds of 2011	7/28/2011	2,115,000.00	7/15/2013	695,000	3.00%	2,115,000.00		740,000.00	1,375,000.00	
			7/15/2014	680,000	3.00%					
Refunding Bonds of 2012	10/4/2012	4,870,000.00	11/1/2013	20,000.00	1.50%		4,870,000.00	55,000.00	4,815,000.00	
			11/1/2014	20,000.00	2.00%					
			11/1/2015	920,000.00	2.00%					
			11/1/2016	925,000.00	2%-3%					
			11/1/2017	990,000.00	2.00%					
			11/1/2018	970,000.00	4.00%					
	11/1/2019	970,000.00	4.00%							
			Ref. \$			<u>27,210,000.00</u>	<u>\$ 4,870,000.00</u>	<u>\$ 7,540,000.00</u>	<u>\$ 24,540,000.00</u>	
						<u>C</u>			<u>C</u>	
Paid by Budget Appropriation								\$ 2,720,000.00		
Bonds Refunded								<u>4,820,000.00</u>		
								<u>\$ 7,540,000.00</u>		

C-4

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding				Balance Dec. 31, 2012		
			Date	Amount	Interest Rate	Balance Dec. 31, 2011		Increased	Decreased
New Jersey Green Acres Trust Program:									
Park Improvements to 8th Street Recreation Center	10/15/03	\$ 149,950.00	5/6/13	\$ 3,864.55	2.00%	\$ 97,423.65	\$	\$ 7,614.68	\$ 89,808.97
			11/6/13	3,903.19					
			5/6/14	3,942.22					
			11/6/14	3,981.65					
			5/6/15	4,021.46					
			11/6/15	4,061.68					
			5/6/16	4,102.29					
			11/6/16	4,143.32					
			5/6/17	4,184.75					
			11/6/17	4,226.60					
			5/6/18	4,268.86					
			11/6/18	4,311.55					
			5/6/19	4,354.67					
			11/6/19	4,398.21					
			5/6/20	4,442.20					
			11/6/20	4,486.62					
			5/6/21	4,531.49					
			11/6/21	4,576.80					
			5/6/22	4,622.57					
			11/6/22	4,668.79					
			5/6/23	4,715.50					
New Jersey Green Acres Trust Program:									
Beachfront Acquisition - Loan Number 1	6/26/04	\$ 587,800.00	6/26/19	\$ 7,522.51	2.00%	233,790.56		56,714.66	177,075.90
(Borough is accelerating payments and repaying over ten years)			12/26/19	16,206.27					
			6/26/20	16,368.33					
			12/26/20	16,532.01					
			6/26/21	16,697.33					
			12/26/21	16,864.31					
			6/26/22	17,032.95					
			12/26/22	17,203.28					
			6/26/23	17,375.31					
			12/26/23	17,549.06					
			6/26/24	17,724.54					

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	December 31, 2012 Amount					
New Jersey Green Acres Trust Program:									
Beachfront Acquisition - Loan Number 2	12/30/04	\$ 348,797.00	6/30/20	\$ 3,018.98	2.00%	\$ 113,542.88	\$	\$ 27,544.08	\$ 85,998.80
(Borough is accelerating payments and repaying over ten years)			12/30/20	10,014.86					
			6/30/21	10,115.01					
			12/30/21	10,216.16					
			6/30/22	10,318.32					
			12/30/22	10,421.50					
			6/30/23	10,525.72					
			12/30/23	10,630.97					
			6/30/24	10,737.28					
New Jersey Green Acres Trust Program:									
8th Street Recreation - Part 1 of R	5/19/05	150,000.00	1/19/13	3,636.64	2.00%	109,875.86		7,165.61	102,710.25
			7/19/13	3,673.00					
			1/19/14	3,709.73					
			7/19/14	3,746.83					
			1/19/15	3,784.30					
			7/19/15	3,822.14					
			1/19/16	3,860.36					
			7/19/16	3,898.97					
			1/19/17	3,937.96					
			7/19/17	3,977.34					
			1/19/18	4,017.11					
			7/19/18	4,057.28					
			1/19/19	4,097.85					
			7/19/19	4,138.83					
			1/19/20	4,180.22					
			7/19/20	4,222.02					
			1/19/21	4,264.24					
			7/19/21	4,306.88					
			1/19/22	4,349.95					
			7/19/22	4,393.45					
			1/19/23	4,437.39					
			7/19/23	4,481.76					
			1/19/24	4,526.58					
			7/19/24	4,571.85					
			1/19/25	4,617.57					

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans			Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	Amount	Interest Rate				
New Jersey Green Acres Trust Program:									
8th Street Recreation - Part II of	11/3/07	\$ 500,000.00	5/3/13	\$ 11,649.12		\$ 412,620.98		22,953.38	389,667.60
			11/3/13	11,765.62					
			5/3/14	11,883.27					
			11/3/14	12,002.10					
			5/3/15	12,122.13					
			11/3/15	12,243.35					
			5/3/16	12,365.78					
			11/3/16	12,489.44					
			5/3/17	12,614.33					
			11/3/17	12,740.48					
			5/3/18	12,867.88					
			11/3/18	12,996.56					
			5/3/19	13,126.52					
			11/3/19	13,257.79					
			5/3/20	13,390.37					
			11/3/20	13,524.57					
			5/3/21	13,659.51					
			11/3/21	13,796.11					
			5/3/22	13,934.07					
			11/3/22	14,073.41					
			5/3/23	14,214.15					
			11/3/23	14,356.29					
			5/3/24	14,499.85					
			11/3/24	14,644.85					
			5/3/25	14,791.30					
			11/3/25	14,939.21					
			5/3/26	15,088.60					
			11/3/26	15,239.49					
			5/3/27	15,391.45					

**BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOANS PAYABLE**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	Amount					
New Jersey Green Acres Trust Program:	6/18/08	\$ 400,000.00	6/18/13	\$ 9,135.67	2.00%	\$ 348,097.68		18,000.88	\$ 330,096.80
Multi-Park Improvements			12/18/13	9,227.03					
			6/18/14	9,319.30					
			12/18/14	9,412.49					
			6/18/15	9,506.61					
			12/18/15	9,601.68					
			6/18/16	9,697.70					
			12/18/16	9,794.67					
			6/18/17	9,892.62					
			12/18/17	9,991.55					
			6/18/18	10,091.46					
			12/18/18	10,192.39					
			6/18/19	10,294.30					
			12/18/19	10,397.24					
			6/18/20	10,501.22					
			12/18/20	10,606.23					
			6/18/21	10,712.29					
			12/18/21	10,819.41					
			6/18/22	10,927.61					
			12/18/22	11,036.88					
			6/18/23	11,147.25					
			12/18/23	11,258.73					
			6/18/24	11,371.31					
			12/18/24	11,485.03					
			6/18/25	11,599.88					
			12/18/25	11,715.88					
			6/18/26	11,833.03					
			12/18/26	11,951.36					
			6/18/27	12,070.89					
			12/18/27	12,191.59					
			6/18/28	12,313.50					
						\$ 1,315,351.61	\$ -	\$ 139,993.29	\$ 1,175,358.32
						C			C

Ref.

Paid by Budget Appropriation

C-4

\$ 139,993.29

BOROUGH OF AVALON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Budget Appropriation	Grants Received	Balance Dec. 31, 2012
597-08	Various Capital Improvements:					
	a) Improvements to Borough Buildings	\$ 153,000.00	\$	\$		153,000.00
	b) Improvements to Armacost Park	13,500.00				13,500.00
	c) Improvements to O'Brien Park	13,500.00				13,500.00
	d) Install Fire Alarm - Public Work	18,000.00				18,000.00
	e) Improvements to Sport Fishing Pier	18,000.00				18,000.00
	f) Improvements to Senior Center	18,000.00				18,000.00
	g) Installation of Carpet in Borough Hall	54,000.00				54,000.00
	h) Acquisition of Beach Rake Tractor	36,000.00				36,000.00
	i) Installation of Radar Stations	13,500.00				13,500.00
	j) Boardwalk Repairs	90,000.00				90,000.00
601-08	Various Capital Improvements:					
	b) HVAC Replacement Community Hall	112,500.00				112,500.00
623-10	Beachfill Project	1,322,750.00				1,322,750.00
644-11	Acquisition of Fire Truck and Equipment			225,000.00		
	a) Fire Truck and Equipment	990,000.00				765,000.00
	b) Video Surveillance System	135,000.00				135,000.00
649-11	Beachfill Backpass & Beach Protection	720,000.00				720,000.00
658-12	Acquisition of Property		517,500.00			517,500.00
660-12	Acquisition of Property		292,500.00			292,500.00
661-12	Various Capital Improvements:					
	a. Reconfigure Macchi'a Island		135,000.00			135,000.00
	b. Bulkhead Replacement		315,000.00			315,000.00
		\$ 3,707,750.00	\$ 1,260,000.00	\$ 225,000.00	\$ -	\$ 4,742,750.00
	Ref.	C				C

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

	Ref.	Operating	Capital
Balance December 31, 2011	D	\$ 736,174.14	\$ 284,675.90
Increased by Receipts:			
Water Rents Collected	\$	4,982,691.53	\$
Prepaid Rents		26,292.98	
Miscellaneous - Collector		399,351.30	
Utility Capital Fund Balance		21,000.00	
Interest Earned on Investments		13,765.39	
Anticipated Deficit - General Budget		270,000.00	
Due from Water and Sewer Operating Fund			105,985.42
Premium on Serial Bonds Issued			1,118,240.00
NJ/EIT Drawdowns - Series 2010B			48,240.00
NJ/EIT Drawdowns - Premium applied to Project		5,713,101.20	1,272,465.42
		6,449,275.34	1,557,141.32
Decreased by Disbursements:			
Current Appropriations		5,226,960.73	
Appropriation Reserves		117,563.24	
Accrued Interest on Bonds and Notes		221,219.00	
Accounts Payable		146,041.84	
Due to Water and Sewer Capital Fund		105,985.42	
Due to Current Fund		17,926.28	0.50
Capital Fund Balance to Operating Fund			21,000.00
Improvement Authorizations			1,536,140.82
		5,835,696.51	1,557,141.32
Balance December 31, 2012	D	\$ 613,578.83	\$ -

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

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
	NJEIT Loan Draws	Misc.	Improvement Authorizations	Misc.	From	To	
Fund Balance	\$ 185,221.79	\$	\$	\$	\$	\$	\$ 164,221.79
Capital Improvement Fund	32,000.00						32,000.00
Downpayment on Improvements	190,000.00				90,400.00		99,600.00
Due from County - CAFR Permit	(2,631.81)						(2,631.81)
Accounts Payable - 2003 Refunding Issue	12,156.65						12,156.65
Due to Current Fund	0.50			0.50			-
Due to Water and Sewer Operating Fund		105,985.42					105,985.42
Encumbrances	1,172,254.91				1,172,254.91	384,003.24	384,003.24
<u>Improvement Authorizations</u>							
Ord.							
Number							
504-02	Phase IIIA of Downtown Reconstruction	0.60					0.60
513-03	Well Replace. and Renov. of Water Main				9,728.27	9,728.27	-
515-03	Various Improvements:						
	a) Storm Sewer Improvements						
	24th Street and Ocean Drive	22,931.72			29,933.72	7,002.00	-
516-03	Improvements to Sanitary Sewer System	43,196.61			43,196.61		-
521-03	Various Improvements:						
	a) Rehabilitation of Well #8	130,085.02			15,275.25	8,300.00	114,809.77
	b) Acquisition and Installation SCADA	-					-
544-05	Various Capital Improvements	198,778.30					198,778.30
546-05	Various Capital Improvements:						
	b) Repairs to Well #7	300.00			12,717.52	12,717.52	300.00
571-06	Various Capital Improvements:						
	a) Paint Water Tank at 13th Street	24,750.00			24,675.84		74.16
	b) Replace Well #7 at 67th St	(28,600.00)					(28,600.00)
	c) Improvements to 38th St. Generator	78,150.00			9,824.00		13,626.00
	d) Refurbish Pump Station Wet Well						
	at 42nd & 58th Streets	59,924.28					59,924.28
	e) Ocean Ave. Stormwater Improvements	3,000.00			3,000.00		-
	f) Water and Sewer improvements						
	associated with Roads	186,428.20			60,810.77	3,602.60	110,967.43

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

Improvement Authorizations Ord. Number	Balance Dec. 31, 2011	Receipts		Disbursements			Transfers		Balance Dec. 31, 2012
		NJEIT Loan Draws	Misc.	Improvement Authorizations	Misc.	From	To		
600-08 Various Capital Improvements:	\$ (183,960.26)	\$	\$	\$ 518.75	\$	\$	\$ 25,268.75	\$ (159,210.26)	
a) Paint Water Tank at 13th Street	(230,000.00)							(230,000.00)	
b) Replace Well #7 at 67th St									
c) System-wide review of the sanitary sewer gravity conveyance system	(12,000.00)			600.00		11,400.00	12,000.00	(12,000.00)	
e) Stormwater Outfall Evaluation Program	(76,000.00)			6,080.00		12,920.00	19,000.00	(76,000.00)	
g) Repairs to Sewer Pump Stations	(117,000.00)							(117,000.00)	
h) Install fiberglass enclosures at stormwater station	(51,000.00)							(51,000.00)	
i) Acquisition of Equipment	(111,799.28)							(111,799.28)	
629-10 Improve 38th Street Water Tower	(1,089,906.26)	1,166,480.00		1,230,455.46		27,051.00	1,048,931.50	(132,001.22)	
634-10 Various Capital Improvements Including Drainage and Roadway Improvements to the Sanitary Sewer System	(151,605.07)					25,704.27	25,704.27	(151,605.07)	
653-12 Various Improvements:									
a. Improve Water/Wastewater System				150,000.00			15,000.00	(135,000.00)	
b. Improve Sanitary Sewer System							46,500.00	46,500.00	
c. Street Rehab around Wells 8 & 9							12,400.00	12,400.00	
d. Pump Repairs						165,000.00	16,500.00	(148,500.00)	
	\$ 284,675.90	\$ 1,166,480.00	\$ 105,985.42	\$ 1,536,140.82	\$ 21,000.50	\$ 1,646,658.15	\$ 1,646,658.15	\$ (0.00)	
	D							D	

Ref.

BOROUGH OF AVALON
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>		
Balance December 31, 2011	D		\$ 87,387.63
Increased by:			
Rents Levied in 2012		<u>5,133,777.60</u>	<u>5,133,777.60</u>
			5,221,165.23
Decreased by:			
Prepayments/Overpayments Applied		179,465.37	
Unallocated Receipts Applied		2.32	
Collections		<u>4,982,691.53</u>	
			<u>5,162,159.22</u>
Balance December 31, 2012	D		\$ <u><u>59,006.01</u></u>

BOROUGH OF AVALON
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Due to Current Fund	Overexpended
Operating:					
Salaries and Wages	\$ 1,249.94	\$ 1,249.94	\$	\$ 1,249.94	\$
Other Expenses	58,383.04	58,383.04	46,675.69	11,707.35	
Capital Improvements:					
Capital Outlay	147,068.91	147,068.91	141,012.75	6,056.16	
Statutory Expenditures:					
Social Security	449.75	449.75		449.75	
TOTALS	\$ 207,151.64	\$ 207,151.64	\$ 187,688.44	\$ 19,463.20	\$ -
Ref.					
Appropriation Reserves	\$ 13,696.41				
Reserve for Encumbrances	193,455.23				
	\$ 207,151.64				
Cash Disbursements			\$ 117,563.24		
Accounts Payable			70,125.20		
			\$ 187,688.44		

BOROUGH OF AVALON
WATER AND SEWER UTILITY FUND
SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> D		\$	32,000.00
Increased by:				
No Activity in 2012		\$		
				-
				32,000.00
Decreased by:				
No Activity in 2012				
				-
Balance December 31, 2012	D		\$	32,000.00

SCHEDULE OF UTILITY CAPITAL DOWNPAYMENT ON IMPROVEMENTS

Balance December 31, 2011	<u>Ref.</u> D		\$	190,000.00
Increased by:				
No Activity in 2012		\$		
				-
				190,000.00
Decreased by:				
Appropriation to Finance Improvement Authorizations		90,400.00		90,400.00
Balance December 31, 2012	D		\$	99,600.00

BOROUGH OF AVALON
WATER AND SEWER OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
AND NOTES AND ANALYSIS OF BALANCE

Balance December 31, 2011	<u>Ref.</u> D		\$	65,025.19
Increased by:				
Budget Appropriation:				
Interest on Bonds and Loans		\$		<u>207,350.39</u>
				<u>207,350.39</u>
				<u>272,375.58</u>
Decreased by:				
Interest Paid on Bonds and Loans				<u>221,219.00</u>
				<u>221,219.00</u>
Balance December 31, 2012	D		\$	<u><u>51,156.58</u></u>

Analysis of Accrued Interest December 31, 2012

Principal Outstanding Dec. 31, 2012	Interest Rate	From	To	Days	Amount
\$ 130,000.00	Variable	8/1/2012	12/31/2012	5 Months	\$ 2,437.50
1,042,000.00	Variable	7/1/2012	12/31/2012	6 Months	20,664.50
265,000.00	Variable	8/1/2012	12/31/2012	5 Months	4,902.50
2,140,000.00	Variable	8/1/2012	12/31/2012	5 Months	12,631.25
505,000.00	Variable	8/1/2012	12/31/2012	5 Months	10,520.83
<u>\$ 4,082,000.00</u>					<u>\$ 51,156.58</u>

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

Ord. Number	Improvement Description	Ord. Date	Amount	2011 Authorizations		2012 Authorizations		Paid or Charged	Canceled	Balance December 31, 2012	
				Funded	Unfunded	Funded	Unfunded			Funded	Unfunded
504-02	Phase IIIA of Downtown Reconstruction	7/10/2002	900,000.00	\$ 0.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.60	\$ -
513-03	Well Replace and Renov. of Water Main	3/12/2003	475,000.00	-	-	-	-	-	-	-	-
515-03	Various Improvements: a) Storm Sewer Improvements 24th Street and Ocean Drive	3/26/2003	275,000.00	22,931.72	-	22,931.72	-	43,196.61	-	-	-
516-03	Improvements to Sanitary Sewer System	4/23/2003	777,300.00	43,196.61	-	-	-	15,275.25	-	114,809.77	-
521-03	Various Improvements: a) Rehabilitation of Well #8 b) Acquisition and Installation SCADA	7/23/2003	510,000.00	130,085.02	-	-	-	-	-	198,778.30	-
544-05	Various Capital Improvements	2/9/2005	200,000.00	198,778.30	-	-	-	-	-	300.00	-
546-05	Various Capital Improvements: b) Repairs to Well #7	2/9/2005	285,000.00	300.00	-	-	-	-	-	-	-
571-06	Various Capital Improvements: a) Paint Water Tank at 13th Street c) Improvements to 38th St. Generator d) Refurbish Pump Station Wet Well at 42nd & 58th Streets e) Ocean Ave. Stormwater Improvements f) Water and Sewer Improvements associated with Roads	5/10/2006	1,163,600.00	24,750.00 78,150.00	-	24,675.84 64,524.00	-	3,000.00	-	74.16 13,626.00	-
600-08	Various Capital Improvements: a) Paint Water Tank at 13th Street c) System-wide review of the sanitary sewer gravity conveyance system d) Water allocation permit e) Stormwater Outfall Evaluation Program f) Installation of Tide-Flex valves at the 21st Street and 25th Street Outfalls i) Acquisition of Equipment	8/13/2008	981,000.00	36,039.74	-	(24,750.00)	-	-	-	60,789.74	-
629-10	Improve 38th Street Water Tower	5/26/2012	1,700,000.00	28,333.74	-	208,574.96	-	-	-	137,000.00 3,200.72	-
634-10	Various Capital Improvements Including Drainage and Roadway Improvements to the Sanitary Sewer System	9/8/2012	400,000.00	-	232,394.93	-	-	-	-	-	232,394.93
653-12	Various Improvements: a. Improve Water/Wastewater System b. Improve Sanitary Sewer System c. Street Rehab around Wells 8 & 9 d. Pump Repairs	3/14/2012	904,000.00	15,000.00 46,500.00 12,400.00 16,500.00	135,000.00 418,500.00 111,600.00 148,500.00	150,000.00	165,000.00	747,889.15	-	46,500.00 12,400.00	418,500.00 111,600.00
				\$ 775,878.47	\$ 1,013,395.39	\$ 813,600.00	\$ 90,400.00	\$ 747,889.15	\$ -	\$ 557,380.54	\$ 1,389,004.17
				D	D	D	D	D	D	D	D
Ref.											
						Reserve for Encumbrances - 2012	\$ 384,003.24				
						Reserve for Encumbrances - 2011	(1,172,254.91)				
						Due to Current Fund	1,536,140.82				
						Cash Disbursements	<u>747,889.15</u>				

**BOROUGH OF AVALON
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2012				Balance Dec. 31, 2011	Balance Dec. 31, 2012
			Date	Amount	Interest Rate	Increased		
Series 1990	11/1/1990	\$ 3,800,000	-	-	7.05%	\$ 200,000.00	\$ -	
Refunding Bonds of 2002	8/1/2002	2,070,000	8/1/2013	130,000.00		265,000.00	130,000.00	
Water/Sewer Utility Bonds	7/15/2003	2,282,000	7/15/2013	160,000.00	3.75%	1,197,000.00	1,042,000.00	
			7/15/2014	165,000.00	3.80%			
			7/15/2015	170,000.00	3.90%			
			7/15/2016	180,000.00	4.00%			
			7/15/2017	185,000.00	4.10%			
	7/15/2018	182,000.00	4.20%					
Refunding Bonds of 2003	8/1/2003	2,215,000	7/15/2013	265,000.00	3.70%	520,000.00	265,000.00	
Water/Sewer Utility Bonds	5/15/2008	2,350,000	5/15/2013	60,000.00	5.00%	2,200,000.00	2,140,000.00	
			5/15/2014	225,000.00	5.00%			
			5/15/2015	375,000.00	5.00%			
			5/15/2016	375,000.00	5.00%			
			5/15/2017	325,000.00	5.00%			
			5/15/2018	150,000.00	5.00%			
			5/15/2019	140,000.00	4.00%			
			5/15/2020	140,000.00	4.00%			
			5/15/2021	140,000.00	4.00%			
5/15/2022	140,000.00	4.125%						
	5/15/2023	70,000.00	4.25%					
						\$ 4,382,000.00	\$ 3,577,000.00	
						D	D	

Ref.

Paid by Budget Appropriation

\$ 805,000.00

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding				Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	December 31, 2012	Amount	Amount					
NJEIT Trust Series 2010B	12/2/2010	\$ 535,000.00	8/1/2013	\$ 30,000.00	5.00%	\$ 535,000.00	\$	\$ 30,000.00	\$ 505,000.00		
	8/1/2014	30,000.00	8/1/2015	30,000.00	5.00%						
	8/1/2016	30,000.00	8/1/2017	35,000.00	5.00%						
	8/1/2018	35,000.00	8/1/2019	35,000.00	5.00%						
	8/1/2020	40,000.00	8/1/2021	40,000.00	5.00%						
	8/1/2022	45,000.00	8/1/2023	45,000.00	5.00%						
	8/1/2024	50,000.00	8/1/2025	50,000.00	5.00%						
	2/1/2013	13,255.45	8/1/2013	26,510.90	0.00%	556,729.10		39,766.35	516,962.75		
	2/1/2014	13,255.45	8/1/2014	26,510.90							
	2/1/2015	13,255.45	8/1/2015	26,510.90							
	2/1/2016	13,255.45	8/1/2016	26,510.90							
	2/1/2017	13,255.45	8/1/2017	26,510.90							
	2/1/2018	13,255.45	8/1/2018	26,510.90							
2/1/2019	13,255.45	8/1/2019	26,510.90								
2/1/2020	13,255.45	8/1/2020	26,510.90								
2/1/2021	13,255.45	8/1/2021	26,510.90								
2/1/2022	13,255.45	8/1/2022	26,510.90								
NJEIT Trust Fall 2010B	12/2/2010	\$ 583,240.00									

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding			Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	December 31, 2012 Amount	Amount					
NJUIT Trust Fall 2010B	12/2/2010	\$ 583,240.00	8/1/2022	\$ 26,510.90		\$			\$	
			2/1/2023	13,255.45						
			8/1/2023	26,510.90						
			2/1/2024	13,255.45						
			8/1/2024	26,510.90						
			2/1/2025	13,255.45						
			8/1/2025	26,510.90						
						\$ 1,091,729.10	\$ -	\$ 69,766.35	\$ 1,021,962.75	
						D			D	
								69,766.35		
								<u>69,766.35</u>		

Ref. Paid by Budget Appropriation

BOROUGH OF AVALON
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	NJ/EIT Loans Issued	NJ/EIT Loans Canceled	Balance Dec. 31, 2012
571-06	Various Improvements: a. Replace Well #7 at 67th Street	\$ 28,600.00	\$	\$	\$	28,600.00
608-08	Various Improvements: a. Paint Water Tank at 13th Street b. Replace Well #7 at 67th Street c. System-wide review of the sanitary sewer gravity conveyance system d. Water allocation permit e. Stormwater Outfall Evaluation f. Install Tide-Flex valves at the 21st /25th Street Outfalls g. Repair Sewer pumping Stations located at 58th and 74th Streets h. Install fiberglass enclosures at storm water station located at 22nd and 11th Streets i. Acquisition of Equipment	220,000.00 230,000.00 12,000.00 23,000.00 76,000.00 137,000.00 117,000.00 51,000.00 115,000.00				220,000.00 230,000.00 12,000.00 23,000.00 76,000.00 - 137,000.00 117,000.00 51,000.00 115,000.00
629-10	Improve 38th Street Water Tower	581,760.00		48,240.00		533,520.00
634-10	Various Capital Improvements including Drainage and Roadway Improvements to the Sanitary Sewer System	384,000.00				-
653-12	Various Improvements: a. Improve Water/Wastewater System b. Improve Sanitary Sewer System c. Street Rehab around Wells 8 & 9 d. Pump Repairs		135,000.00 418,500.00 111,600.00 148,500.00			135,000.00 418,500.00 111,600.00 148,500.00
		\$ 1,975,360.00	\$ 813,600.00	\$ 48,240.00	\$ -	\$ 2,740,720.00
		D				D

Ref.

**BOROUGH OF AVALON
BEACH UTILITY FUND
SCHEDULE OF CASH - TREASURER**

Ref.	Operating	Capital
Balance December 31, 2011	\$ 95,301.99	\$ 2,250.00
Increased by Receipts:		
Beach Fees Collected	\$ 1,198,520.00	
Prepaid Beach Fees	15,498.00	
Fees and Permits	8,880.00	
Interest Earned on Investments	212.43	
Due from Trusts - Other	25.00	
Anticipated Deficit - General Budget	131,589.49	
Non Budget Revenue	<u>64.00</u>	
	1,354,788.92	<u>-</u>
	<u>1,450,090.91</u>	<u>2,250.00</u>
Decreased by Disbursements:		
Current Appropriations	1,251,288.87	
Appropriation Reserves	28,943.89	
Due to Current Fund	<u>7,781.91</u>	
	<u>1,288,014.67</u>	<u>-</u>
Balance December 31, 2012	<u>\$ 162,076.24</u>	<u>\$ 2,250.00</u>

BOROUGH OF AVALON
BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Receipts		Disbursements		Transfers		
	Misc.		Misc.		From	To	Balance Dec. 31, 2012
Balance Dec. 31, 2011		\$ 2,250.00					\$ 2,250.00
Capital Improvement Fund		\$ -					\$ -
Ref.		\$ -					\$ -
		<u>\$ 2,250.00</u>					<u>\$ 2,250.00</u>
		D					D

BOROUGH OF AVALON
BEACH UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>		
Balance December 31, 2011	D		\$ -
Increased by:			
Beach Fees Charged in 2012		<u>1,219,520.00</u>	<u>1,219,520.00</u>
			1,219,520.00
Decreased by:			
Collections in 2012		1,198,520.00	
Prepayments Applied		<u>21,000.00</u>	
			<u>1,219,520.00</u>
Balance December 31, 2012	D		\$ <u><u>-</u></u>

BOROUGH OF AVALON
BEACH UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Due to Current Fund	Overexpended
Operating:					
Salaries and Wages	\$ 929.55	\$ 929.55	\$	\$ 929.55	\$
Other Expenses	65,401.13	65,401.13	45,866.71	19,534.42	
Statutory Expenditures:					
Social Security	214.40	214.40		214.40	
TOTALS	\$ 66,545.08	\$ 66,545.08	\$ 45,866.71	\$ 20,678.37	\$ -
Ref.					
Appropriation Reserves	\$ 22,711.17				
Reserve for Encumbrances	43,833.91				
	\$ 66,545.08				
Cash Disbursements			\$ 28,943.89		
Accounts Payable			16,922.82		
			\$ 45,866.71		

BOROUGH OF AVALON
BEACH UTILITY FUND
SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> D	\$	2,250.00
Increased by:			
No Activity in 2012		\$	

			-
			<u>2,250.00</u>
Decreased by:			
No Activity in 2012			

			-
Balance December 31, 2012	D	\$	<u><u>2,250.00</u></u>

BOROUGH OF AVALON

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2012

BOROUGH OF AVALON

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2010, the bid threshold was \$26,000. The Borough employs a Qualified Purchasing Agent which increases the threshold to \$36,000.

The governing body of the Borough of Avalon 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 a violation of the statute, the Borough Solicitor's opinion should be sought before a commitment is made.

Our examination of expenditures revealed payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

The minutes indicate that bids were sought by public advertising for the following items:

- Closed Circuit Television System
- Beach Renourishment Program
- 2012 Road Reconstruction
- Purchase Beach Rake
- Purchase of Fiberglass Surf Boats
- Reconstruction of Parking Lots
- Replacement of 4th Avenue Sewer System – Phase I
- Fireworks
- Garbage, Trash and Recycling Collection
- Bulkhead Replacement
- Custodial and Cleaning Services
- Tidal Backflow Check valves

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on June 26, 1991, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and

"WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 and allows an additional penalty of 6% to be collected against a delinquency in excess of \$10,000.00 on properties that fail to pay the delinquency prior to the end of the calendar year;

BOROUGH OF AVALON

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (Continued)

"NOW, THEREFORE, BE IT RESOLVED by the Borough Council of the Borough of Avalon, Cape May County, New Jersey, as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes becoming delinquent after due date and 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 6% shall be charged against the delinquency.
2. Effective January 1, 1991, there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.
3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution."

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

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 18, 2012 and was complete.

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

<u>Year</u>	<u>Number</u>
2012	3
2011	3
2010	8

It is essential to good management that all means provided by the statutes be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis. The amount of these municipal liens and dormant liens is \$14,642.59 at December 31, 2012.

BOROUGH OF AVALON

GENERAL COMMENTS (CONTINUED)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	5
Delinquent Taxes	5
Total	<u>10</u>

Deposit of Municipal Funds

N.J.S.A. 40A:5-15 states:

“All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository.”

Our examination revealed that municipal funds were deposited within the mandated time.

BOROUGH OF AVALON

FINDINGS AND RECOMMENDATIONS

None

In accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the Borough in response to my recommendations.

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

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

Glen J. Ortman

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

July 31, 2013