

BOROUGH OF EDGEWATER

**Financial Statements With
Supplementary Information**

December 31, 2010

(With Independent Auditors' Reports Thereon)

BOROUGH OF EDGEWATER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Borough of Edgewater in the County of Bergen, as of and for the years ended December 31, 2010 and 2009, and the related statements of operations and changes in fund balance-regulatory basis for the periods 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, 2010. These financial statements are the responsibility of the Borough of Edgewater's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

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



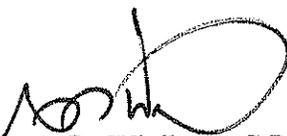
Honorable Mayor and
Members of the Borough Council
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In our opinion, because of the Borough of Edgewater's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Edgewater, New Jersey as of December 31, 2010 and 2009 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Borough of Edgewater, New Jersey at December 31, 2010 and 2009, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2011, on our consideration of the Borough of Edgewater, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



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



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

June 28, 2011

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Current Fund

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

<u>Assets</u>	<u>Ref.</u>	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
Regular Fund:			
Cash	A-4	\$ 3,183,705	4,755,931
Petty cash		250	250
Change funds		190	190
Due from State of New Jersey:			
Senior citizens' and veterans' deductions	A-8	<u>32,088</u>	<u>22,096</u>
		<u>3,216,233</u>	<u>4,778,467</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-5	734,624	1,558,448
Property acquired for taxes - assessed valuation	A-17	3,844,775	3,844,775
Tax title liens	A-6	34,166	31,938
Revenue accounts receivable	A-7	21,046	18,274
Sewer Charges Receivable		158,191	
Schedule of Interfunds	A-19	<u>18</u>	<u>3,548</u>
		<u>4,792,820</u>	<u>5,456,983</u>
Deferred charges:			
Emergency Authorizations	A-22	100,000	
Special emergency authorizations	A-23	<u>247,000</u>	<u>24,000</u>
		<u>347,000</u>	<u>24,000</u>
		<u>8,356,053</u>	<u>10,259,450</u>
State and Federal Grant Fund:			
Grants receivable	A-24		120,648
Due from Current Fund	A-21	<u>47,248</u>	<u>423,755</u>
		<u>47,248</u>	<u>544,403</u>
		<u>\$ 8,403,301</u>	<u>10,803,853</u>

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Current Fund

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

	<u>Ref.</u>	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Appropriation reserves	A-3,A-12	\$ 980,936	893,049
Encumbrances payable	A-13	159,222	53,308
Local School District Taxes Payable	A-9		904,464
County Added and Omitted Taxes Payable	A-11	33,315	23,281
Tax overpayments	A-14	32,103	43,893
Due to State of NJ - Marriage Licenses	A-16	250	50
Prepaid taxes	A-15	146,936	129,300
Reserve for tax title lien premium	A-18	63,200	53,700
Interfund Payables:			
General Capital Fund	A-19	96,407	
Reserve for:			
Sale of property	A-20	1,091	1,091
Donations	A-20	17,425	17,425
Playground	A-20	2,481	2,481
Library state aid	A-20	15,384	14,756
POAA	A-20	6,050	6,050
Ferry Agreement	A-20	20,000	20,000
Community Center	A-20	18,730	18,730
Developers Contributions	A-20	1,825	1,825
BCUA Grant	A-20	17,608	17,608
Centennial Celebration	A-20	890	890
Arts Festival	A-20	1,513	1,513
Revaluation	A-20	56,743	56,743
Special Emergency Note		155,000	50,000
Due to Library			257,303
Due to State and Federal Grant Fund	A-21	47,248	423,755
		<u>1,874,357</u>	<u>2,991,215</u>
Reserve for receivables and other assets	A	4,792,820	5,456,983
Fund balance	A-1	<u>1,688,876</u>	<u>1,811,252</u>
		<u>8,356,053</u>	<u>10,259,450</u>
State and Federal Grant Fund:			
Appropriated reserves	A-25		513,876
Unappropriated reserves	A-26	47,248	30,527
		<u>47,248</u>	<u>544,403</u>
		<u>\$ 8,403,301</u>	<u>10,803,853</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

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

Current Fund

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
Revenue and other income realized:		
Fund balance utilized	\$ 1,765,000	808,824
Miscellaneous revenue anticipated	1,804,706	1,394,595
Receipts from delinquent taxes	1,642,514	876,068
Receipts from current taxes	35,071,630	15,752,213
Nonbudget revenues	1,027,375	437,456
Other credits to income:		
Unexpended balance of appropriation reserves	537,595	899,488
Tax Overpayments Cancelled	105,321	
Liabilities Cancelled	257,303	
Grant Reserves Cancelled	343,619	
Prior year interfunds returned	3,548	118
	<u>42,558,611</u>	<u>20,168,762</u>
Total revenue		
Expenditures:		
Budget and emergency appropriations:		
Appropriation within "CAPS":		
Operations:		
Salaries and wages	8,040,558	4,152,942
Other expenses	6,296,410	3,391,800
Deferred charges and statutory expenditures	1,475,391	231,776
Appropriations excluded from "CAPS":		
Operations:		
Other expenses	3,927,813	1,671,300
Capital improvements	75,000	50,000
Municipal debt service	1,686,796	1,227,401
Deferred charges and statutory expenditures	12,000	62,000
County taxes	5,567,265	2,904,742
Due county for added taxes	33,315	23,281
Local district school taxes	13,476,108	6,202,599
Grant Receivables Cancelled	120,648	
Interfund Advanced	18	
Refund Prior Year Revenue	539,665	112,823
	<u>41,250,987</u>	<u>20,030,664</u>
Total expenditures		
Excess in revenue	1,307,624	138,098
Adjustments to income before Surplus:		
Expenditures included above which are by statute		
deferred charges to budget of succeeding year	335,000	
Statutory Excess to Surplus	<u>1,642,624</u>	<u>138,098</u>
Fund balance - January 1,	<u>1,811,252</u>	<u>2,481,978</u>
	3,453,876	2,620,076
Decreased by utilization as anticipated revenue	<u>1,765,000</u>	<u>808,824</u>
Fund balance - December 31,	<u>\$ 1,688,876</u>	<u>1,811,252</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2010

	<u>Budget</u>	<u>Realized</u>	Excess (deficit)
Surplus anticipated	\$ 1,765,000	1,765,000	
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	17,050	17,171	121
Other	18,900	8,980	(9,920)
Fees and permits:			
Construction	290,000	247,271	(42,729)
Other	89,900	120,590	30,690
Fines and costs municipal court	306,000	247,157	(58,843)
Interest and costs on taxes	169,000	145,130	(23,870)
Interest on investments and deposits	8,500	7,547	(953)
Consolidated Municipal Property Tax Relief Aid	217,627	217,261	(366)
Energy Receipts Tax	533,104	551,331	18,227
Uniform Fire Safety	25,000	26,173	1,173
Municipal Alliance	12,066	12,066	
Reserve for Payment of Debt	72,245	72,245	
Reserve for Payment of Debt - Sewer Separation	131,784	131,784	
Total miscellaneous revenues	<u>1,891,176</u>	<u>1,804,706</u>	<u>(86,470)</u>
Receipts from delinquent taxes	<u>1,453,000</u>	<u>1,642,514</u>	<u>189,514</u>
Amount to be raised by taxes for support of municipal budget	<u>17,231,684</u>	<u>16,856,142</u>	<u>(375,542)</u>
Budget total	<u>\$ 22,340,860</u>	<u>22,068,362</u>	<u>(272,498)</u>
Nonbudget revenue		<u>1,027,375</u>	
		<u>\$ 23,095,737</u>	

BOROUGH OF EDGEWATER

Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2010

Analysis of Realized Revenue

Allocation of current tax collections:	
Revenue from collections	\$ <u>35,071,630</u>
Allocated to:	
Local district school tax	13,476,108
Open Space Taxes	
County taxes	<u>5,600,580</u>
	<u>19,076,688</u>
Balance for support of municipal budget appropriations	15,994,942
Reserve for uncollected taxes	<u>861,200</u>
	<u>\$ 16,856,142</u>
Receipts from:	
Delinquent tax collections	\$ <u>1,642,514</u>
	<u>\$ 1,642,514</u>
Licenses other:	
Board of Health	<u>8,980</u>
	<u>\$ 8,980</u>

Analysis of Miscellaneous Revenue Not Anticipated

Void Checks	
Police Fees	3,307
Hotel Tax	211,178
Commercial Sewer Fees	127,714
PILOT	509,238
Parking Permits	4,104
Parking Meters	4,426
Advertising Fees	8,366
Sewer Connection Fees	14,000
FEMA	23,785
Cable TV	52,041
Sale of Assets	6,375
Miscellaneous	<u>62,841</u>
	<u>\$ 1,027,375</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended December 31, 2010

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Operations-within "CAPS"					
Administrative and executive:					
Salaries and wages	462,180	443,180	442,651	529	
Other expenses:					
Miscellaneous other expenses	234,510	234,510	189,709	44,801	
Mayor and Council- salaries and wages	58,770	58,770	58,767	3	
Elections:					
Salaries and wages	4,840	4,840		4,840	
Other expenses	12,350	12,350	5,334	7,016	
Financial administration:					
Annual audit	25,000	25,000	25,000	-	
Other expenses	32,000	67,000	66,816	184	
Assessment of taxes:					
Salaries and wages	60,740	60,740	58,100	2,640	
Other expenses:					
Consultant and legal fees-tax appeals	35,000	47,065	47,064	1	
Special consultant - Reassessment of real property		80,000		80,000	
Miscellaneous other expenses	13,700	23,425	23,424	1	
Collection of taxes:					
Salaries and wages	96,806	92,806	92,356	450	
Other expenses	10,000	12,851	12,851	-	
Legal services and costs:					
Salaries and wages	84,226	80,226	79,978	248	
Other expenses	120,000	120,000	80,926	39,074	
Engineering service and cost:					
Miscellaneous other expenses	80,000	80,000	53,006	26,994	
Insurance:					
Hospitalization:					
Other Insurance	2,062,032	2,184,032	2,181,226	2,806	
Public building and grounds:					
Other expenses	536,617	536,617	531,937	4,680	
Other expenses	105,200	105,200	42,817	62,383	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries and wages	6,885	6,885	6,540	345	
Other expenses	30,850	30,850	12,354	18,496	
Zoning Board:					
Salaries and wages	6,885	6,885	6,884	1	
Other expenses	20,000	20,000	7,223	12,777	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended December 31, 2010

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Rent Leveling Board:					
Salaries and wages	6,885	6,885	6,884	1	
Other expenses	7,300	7,780	7,779	1	
Housing Inspector:					
Salaries and wages	69,545	23,545	23,246	299	
Other expenses	575	575		575	
PUBLIC SAFETY:					
Fire:					
Salaries and wages	297,640	280,640	280,006	634	
Other expenses	180,600	180,600	177,700	2,900	
Fire hydrant services	128,000	128,000	110,286	17,714	
Volunteer First Aid:					
Salaries and wages	260,000	240,000	238,879	1,121	
Other expenses	80,000	80,000	69,501	10,499	
Fire Prevention:					
Other expenses	27,490	27,490	17,358	10,132	
Police:					
Salaries and wages	4,370,656	4,285,147	3,848,154	136,993	300,000
Other expenses:					
Miscellaneous other expenses	160,000	160,000	152,263	7,737	
Automobiles	48,500	48,500	19,193	29,307	
Emergency management services:					
Other expenses	3,000	3,000		3,000	
Streets and Roads:					
Road repairs and maintenance:					
Salaries and wages	1,727,460	1,742,922	1,735,478	7,444	
Other expenses	209,840	209,840	158,549	51,291	
Snow removal - other expenses	20,000	20,889	14,840	6,049	
Health and welfare:					
Board of Health:					
Salaries and wages	111,200	105,200	102,811	2,389	
Other expenses	105,800	105,800	104,932	868	
Dog regulation - other expenses	4,900	12,276	12,276	-	
Administration of Public Assistance:					
Salaries and wages	31,790	31,830	31,829	1	
Other expenses:					
Operating	1,900	1,900	1,150	750	
Emergency assistance	1,000	1,000	300	700	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended December 31, 2010

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Recreation and Education:					
Parks and playgrounds - other expenses	27,500	27,500	20,967	6,533	
Recreation:					
Salaries and wages	231,500	236,507	236,506	1	
Other expenses	88,360	88,360	50,647	37,713	
Celebration of public event, anniversary or holiday - other expenses	19,200	19,200	10,624	8,576	
Senior Citizens Committee:					
Other expenses	3,700	3,900	3,900	-	
Sanitation:					
Garbage and Trash removal:					
Other expenses	632,000	732,000	687,955	44,045	
Recycling Program:					
Salaries and wages	41,000	41,000	40,817	183	
Municipal Court:					
Salaries and wages	180,000	180,000	179,741	259	
Other expenses	10,500	10,500	8,980	1,520	
Occupational Safety Health Act					
Board of Health - Other Expenses	2,000	2,000	870	1,130	
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)					
State uniform construction code official:					
Salaries and wages	277,550	257,550	255,909	1,641	
Other expenses	56,250	57,266	57,265	1	
UNCLASSIFIED:					
Utilities:					
Gas & Electric	300,000	300,000	228,804	71,196	
Street Lighting	140,000	141,457	141,457	-	
Water	24,000	49,000	48,652	348	
Fuel	125,000	118,677	82,176	36,501	
Telephone	175,000	175,000	135,040	39,960	
Salary and Wage adjustment					
Terminal Leave	35,000	155,000	155,000	-	
Total Operations within "CAPS"	14,321,232	14,631,968	13,483,687	848,281	300,000

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended December 31, 2010

Description	Budget	Budget after modifications	Expended		
			Paid or charged	Reserved	Cancelled
Contingent	5,000	5,000		5,000	
Total Operations Including Contingent-within "CAPS"	14,326,232	14,636,968	13,483,687	853,281	300,000
Detail:					
Salaries & Wages	8,421,558	8,340,558	7,880,536	160,022	300,000
Other Expenses (Including Contingent)	5,904,674	6,296,410	5,603,151	693,259	
STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	300,845	300,845	300,845	-	-
Social Security System (O.A.S.I.)	393,000	400,000	400,000	-	-
Consolidated Police and Firemen's Pension Fund	36,574	36,717	36,717	-	-
Police and Firemen's Retirement System	737,829	737,829	737,829	-	-
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	1,468,248	1,475,391	1,475,391	-	-
Total General Appropriations for Municipal Purposes within "CAPS"	15,794,480	16,112,359	14,959,078	853,281	300,000
Maintenance of free public library	922,912	922,912	795,258	127,654	
LOSAP	77,050	77,050	77,050	-	
Hospitalization	102,968	102,968	102,968	-	
Bergen County Utilities Authority-Share of Costs	2,812,817	2,812,817	2,812,816	1	
Total Operations-Excluded from "CAPS"	3,915,747	3,915,747	3,788,092	127,655	
Public and Private Programs Offset with Revenues: Municipal Alliance		12,066	12,066	-	
Total Public and Private Programs Offset with Revenue		12,066	12,066		
Total Operations-Excluded from "CAPS"	3,915,747	3,927,813	3,800,158	127,655	
Detail:					
Salaries and Wages	3,915,747	3,927,813	3,800,158	127,655	
Other Expenses	3,915,747	3,927,813	3,800,158	127,655	

BOROUGH OF EDGEWATER

Statement of Expenditures - Regulatory Basis

Current Fund

Year ended December 31, 2010

Description	Budget	Budget after modifications	Expended	
			Paid or charged	Reserved
Capital Improvements-Excluded from "CAPS"				
Capital Improvement Fund	75,000	75,000	75,000	
Total Capital Improvements Excluded from "CAPS"	75,000	75,000	75,000	
Municipal Debt Service-Excluded from "CAPS"				
Payment of Bond Principal	767,500	767,500	767,500	
Interest on Bonds	467,838	467,838	467,838	
Interest on Notes	104,240	104,240	103,549	691
Green Trust Loan Program	24,874	24,874	24,874	
BCIA	35,375	35,375	35,375	
New Jersey Infrastructure Trust Loan	270,540	287,661	287,660	1
Total Municipal Debt Service-Excluded from "CAPS"	1,670,367	1,687,488	1,686,796	692
Deferred Charges:				
Special Emergency Authorization - 5 Years	12,000	12,000	12,000	
Total Deferred Charges - Municipal -Excluded from "CAPS"	12,000	12,000	12,000	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	5,673,114	5,702,301	5,573,954	692
Subtotal General Appropriations	21,467,594	21,814,660	20,533,032	300,692
Reserve for Uncollected Taxes	861,200	861,200	861,200	
Total General Appropriations	22,328,794	22,675,860	21,394,232	980,936
Emergency Appropriation 40A:4-47		335,000		
Appropriation by 40A:4-87		12,066		
Budget		22,328,794		
		22,675,860		

Analysis of Paid or Charged	
Special Emergency	12,000
Reserve for Uncollected Taxes	861,200
Reserve for Encumbrances	159,222
Cash	20,361,810
	\$ 21,394,232

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

<u>Assets</u>	<u>Ref.</u>	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
Animal License Fund:			
Cash	B-1	\$ <u>186</u>	<u>58</u>
Escrow Trust Fund:			
Cash	B-1	<u>92,296</u>	<u>115,761</u>
Other Trust Funds:			
Cash	B-1	<u>2,350,203</u>	<u>3,007,418</u>
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Cash in Plan	B-1	593,004	494,777
Contributions Receivable	B-7	<u>77,050</u>	<u>77,050</u>
		<u>670,054</u>	<u>571,827</u>
		<u>\$ 3,112,739</u>	<u>3,695,064</u>

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

	<u>Ref.</u>	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
<u>Liabilities and Reserves</u>			
Animal License Fund:			
Reserve for Animal License Fund expenditures	B-2	149	21
Due to State of New Jersey	B-3	<u>37</u>	<u>37</u>
		<u>186</u>	<u>58</u>
Escrow Trust Fund:			
Escrow Deposits	B-4	92,278	115,752
Due to Current Fund	B-5	<u>18</u>	<u>9</u>
		<u>92,296</u>	<u>115,761</u>
Other Trust Funds:			
Reserve for:			
Cemetery Bequests	B-6	30,897	30,897
Bullet Proof Vests	B-6	5,433	5,427
Fire Prevention	B-6	15,632	10,221
Edgewater Cares	B-6	2,430	2,424
Cultural and Historical Society	B-6	1,140	1,361
Ferry Performance Security	B-6	194,784	194,359
Regional Contribution Agreement	B-6	332,197	332,197
Council on Affordable Housing	B-6	1,110,240	1,557,534
Open Space Trust	B-6	501,428	790,911
Recycling Fees	B-6	131,826	82,087
Bergen County CDA Trust	B-6	100	
Municipal Alliance Trust	B-6	<u>24,096</u>	
		<u>2,350,203</u>	<u>3,007,418</u>
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Net Assets available for Benefits	B-8	<u>670,054</u>	<u>571,827</u>
		<u>\$ 3,112,739</u>	<u>3,695,064</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

Twelve Month Period Ended December 31, 2010 and Six Month Period Ended December 31, 2009

<u>Assets</u>	<u>Ref.</u>	Dec. 31, <u>2010</u>	Dec. 31, <u>2009</u>
Cash:			
Checking	C-2,C-3	\$ 3,904,958	4,193,469
Deferred charges to future taxation:			
Funded	C-4	19,286,792	19,901,059
Unfunded	C-5	14,595,483	14,995,689
New Jersey Infrastructure Loans Receivable	C-6	928,139	1,525,599
Grants Receivable:			
New Jersey Green Acres Program	C-7	382,445	382,445
New Jersey Department of Transportation	C-8	294,508	106,367
Bergen County Open Space Trust Fund	C-9	41,250	41,873
Bergen County Historic Preservation Trust	C-10	145,000	145,000
Community Development Block Grant	C-11	243,670	378,325
New Jersey Livable Communities-Library Grant		5,375	5,375
New Jersey Department of Community Affairs			100,000
NJ Department of Justice - COPS Technology Grant		500,000	500,000
Due From Current Fund	C-12	96,407	
Overexpenditure of Ordinance Appropriation	C-13	1,360	
		<u>\$ 40,425,387</u>	<u>42,275,201</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Due From Current Fund	C-12		3,539
New Jersey EIT Loans Payable	C-14	3,782,827	3,485,623
Green Trust Loan Payable	C-15	356,965	374,436
Serial bonds	C-16	14,734,000	15,614,000
Capital Leases Payable	C-17	413,000	427,000
Bond anticipation notes	C-18	7,146,000	6,866,000
Reserve for Grants Receivable	C-19		11,859
Reserve for payment of debt	C-20	1,483,579	951,570
Reserve for Green Acres	C-21	9,428	8,604
Capital Improvement Fund	C-22	285,143	215,793
Improvement authorizations:			
Funded	C-23	3,842,800	4,319,609
Unfunded	C-23	8,232,437	9,345,435
Unappropriated State Grant	C-24	79,408	
Fund Balance	C-1	59,800	651,733
		<u>\$ 40,425,387</u>	<u>42,275,201</u>

There were \$7,449,483 of Bonds and Notes Authorized But Not Issued on December 31, 2010 (Exhibit C-25).

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Schedule of Fund Balance - Regulatory Basis
General Capital Fund
Year ended December 31, 2010

Balance - December 31, 2009		\$	651,733
Increased by:			
Cash Receipts - Premium on Note Sale	\$	47,449	
Improvement Authorizations Canceled		659,618	
			707,067
			1,358,800
Decreased by :			
Appropriated to Finance Imp. Authorizations			1,299,000
Balance - December 31, 2010		\$	59,800

See accompanying notes to financial statements

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Marina Utility Fund

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

<u>Assets</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Operating Fund:			
Cash	D-4	\$ <u>341,597</u>	<u>291,536</u>
Total Operating Fund		\$ <u><u>341,597</u></u>	<u><u>291,536</u></u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-3	53,956	30,191
Reserve for Encumbrances	D-5	5,074	1,664
Fund Balance	D-1	<u>282,567</u>	<u>259,681</u>
Total Operating Fund		\$ <u><u>341,597</u></u>	<u><u>291,536</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

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

Marina Utility Fund

Twelve Month Period Ended December 31, 2010 and Six Month Period Ended December 31, 2009

	<u>2010</u>	<u>2009</u>
Revenue and other income realized:		
Fund balance utilized	\$ 100,000	100,000
Operating revenues	296,451	85,039
Other credits to income:		
Unexpended balance of appropriation reserves	<u>26,435</u>	<u>16,490</u>
Total income	<u>422,886</u>	<u>201,529</u>
Expenditures:		
Operations:		
Salaries and Wages	130,000	90,000
Other expenses	<u>170,000</u>	<u>60,000</u>
Total expenditures	<u>300,000</u>	<u>150,000</u>
Excess	122,886	51,529
Fund balance, January 1,	<u>259,681</u>	<u>308,152</u>
	382,567	359,681
Decreased by utilization as anticipated revenue	<u>100,000</u>	<u>100,000</u>
Fund balance, December 31,	<u>\$ 282,567</u>	<u>259,681</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Statement of Revenues - Regulatory Basis
Marina Utility Fund
Year ended December 31, 2010

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Surplus Anticipated	\$ 100,000	100,000	
Operating Revenues	<u>200,000</u>	<u>296,451</u>	<u>96,451</u>
	<u>\$ 300,000</u>	<u>396,451</u>	<u>96,451</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Exhibit D-3

Statement of Expenditures - Regulatory Basis

Marina Utility Fund

Year ended December 31, 2010

	Appropriations		Expended	
	Budget	Budget after modifi- cation	Paid or charged	Reserved
Operating:				
Salaries and Wages	180,000	130,000	117,884	12,116
Other expenses	\$ 120,000	170,000	128,160	41,840
	\$ <u>300,000</u>	<u>300,000</u>	<u>246,044</u>	<u>53,956</u>
			Reserve for encumbrances 5,074	
			Cash Disbursed <u>240,970</u>	
			\$ <u>246,044</u>	

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Comparative Balance Sheet - Regulatory Basis

Public Assistance Fund

Twelve Month Period ended December 31, 2010 and Six Month Period Ended December 31, 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash	E-1	\$ <u>38,092</u>	<u>24,436</u>
		\$ <u><u>38,092</u></u>	<u><u>24,436</u></u>
<u>Reserve</u>			
Reserve for public assistance		\$ <u>38,092</u>	<u>24,436</u>
		\$ <u><u>38,092</u></u>	<u><u>24,436</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER
Comparative Balance Sheet - Regulatory Basis
Sewer Facilities Grant Fund

Twelve Month Period ended December 31, 2010 and Six Month Period ended December 31, 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Grants receivable	F-1	\$ <u>74,501</u>	<u>74,501</u>
		\$ <u><u>74,501</u></u>	<u><u>74,501</u></u>
<u>Reserves</u>			
Reserves for grant expenditures	F-2	\$ <u>74,501</u>	<u>74,501</u>
		\$ <u><u>74,501</u></u>	<u><u>74,501</u></u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Statement of General Fixed Assets-Regulatory Basis

General Fixed Assets Account Group

Twelve Month Period ended December 31, 2010 and Six Month Period Ended December 31, 2009

	<u>2010</u>	<u>2009</u>
Land	\$ 37,797,105	37,773,600
Buildings	6,640,764	5,894,109
Vehicles and equipment	<u>7,846,886</u>	<u>7,568,863</u>
	<u>\$ 52,284,755</u>	<u>51,236,572</u>
Investment in Fixed Assets	<u>\$ 52,284,755</u>	<u>51,236,572</u>

See accompanying notes to financial statements.

BOROUGH OF EDGEWATER

Notes to Financial Statements Years Ended December 31, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

Basis of Accounting

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

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

Basis of Accounting, (continued)

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

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

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

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

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

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2010, the Mayor and Council approved several budget transfers.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

Basis of Accounting, (continued)

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

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

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

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

Basis of Accounting, (continued)

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

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

Basis of Accounting, (continued)

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

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

Use of Estimates

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

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

C. Basic Financial Statements

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 2. PENSION PLANS

Description of Systems:

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

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 2. PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, 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. 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 as 1/7th of the required amount, beginning in fiscal year 2012.

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

Police and Firemens' Retirement System (PFRS)

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 2. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan 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.

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

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Edgewater did not opt for this deferral.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 2. PENSION PLANS, (continued)

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
Year Ended December 31, 2010	\$300,845	\$737,829
Six Month Period Ended December 31, 2009	-0-	-0-
Year Ended June 30, 2009	293,503	771,296

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 2. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS. A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2010 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$15,614,000	\$	\$880,000	\$14,734,000	\$925,000
Other Liabilities - New Jersey Wastewater Loans	3,485,623	505,000	207,796	3,782,827	227,369
Green Acres Trust - Loan	<u>374,436</u>	<u> </u>	<u>17,471</u>	<u>356,965</u>	<u>17,823</u>
	<u>\$19,474,059</u>	<u>\$505,000</u>	<u>\$1,105,267</u>	<u>\$18,873,792</u>	<u>\$1,170,192</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Municipal Debt (Excluding Current Operating Debt)

	Year Ended Dec. 31, 2010	Six Month Period Ended Dec. 31, 2009	Year Ended June 30, 2009
Issued-general-bonds and notes	\$21,880,000	\$22,480,000	\$25,843,000
Loans payable	<u>4,139,792</u>	<u>3,860,059</u>	<u>4,034,662</u>
	26,019,792	26,340,059	29,877,662
Authorized but not issued-general-bonds and notes	<u>7,449,483</u>	<u>8,128,989</u>	<u>8,985,439</u>
	33,469,275	34,469,048	38,863,101
Less funds on hand to pay debt	<u>3,143,579</u>	<u>2,885,870</u>	<u>7,848,459</u>
Net bonds and notes issued and authorized but not issued	<u>\$30,325,696</u>	<u>\$31,583,178</u>	<u>\$31,014,642</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.08%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$34,008,000	\$34,008,000	\$0
General Debt	<u>33,469,275</u>	<u>3,143,579</u>	<u>30,325,696</u>
	<u>\$67,477,275</u>	<u>\$37,151,579</u>	<u>\$30,325,696</u>

Net debt of \$30,325,696 divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended, of \$2,818,541,407 equals 1.08%.

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

3 ½% of equalized valuation basis (municipal)	\$98,648,949
Net Debt	<u>30,325,696</u>
Remaining borrowing power	<u>\$68,323,253</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's long-term debt consisted of the following at December 31, 2010.

Paid by Current Fund:

New Jersey Environmental Infrastructure Loans Payable Wastewater Improvements issued 2000, 2001, 2007 and 2010, due through 2030	\$3,782,827
\$2,460,000 general obligation refunding bonds with interest rates of 1.50 - 4.00% issued June 30, 2009, due through August 15, 2015	1,660,000
\$4,884,000 general obligation bonds with interest rates of 3.00 - 5.00% issued June 30, 2009, due through August 15, 2024	4,884,000
\$9,190,000 general obligation bonds with interest rates of 4.00-4.30% issued June 1, 2004, due through June 1, 2024	8,190,000
Green Acres Loan issued 2008, due through 2027	<u>356,965</u>
	<u>\$18,873,792</u>

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

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>	<u>Infrastructure Loans</u>	<u>Green Trust Loan</u>	<u>Total</u>
2011	\$925,000	\$616,538	\$227,369	\$17,823	\$1,786,730
2012	980,000	584,794	245,983	18,181	1,828,958
2013	440,000	549,963	242,736	18,546	1,251,245
2014	1,330,000	515,156	239,443	18,919	2,103,518
2015	1,465,000	457,963	252,513	19,299	2,194,775
2016-2020	5,475,000	1,550,085	1,361,772	102,475	8,489,332
2021-2025	4,119,000	355,530	797,027	113,195	5,384,752
2026-2030			415,984	48,527	464,511
	<u>\$14,734,000</u>	<u>\$4,630,029</u>	<u>\$3,782,827</u>	<u>\$356,965</u>	<u>\$23,503,821</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

At December 31, 2010 the Borough had authorized but not issued debt as follows:

General Capital Fund	<u>\$7,449,483</u>
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NOTE 4. BOND ANTICIPATION NOTES

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

On December 31, 2010, the Borough had \$7,146,000 of Bond Anticipation Notes outstanding at a rate of 1.50% due on August 12, 2011.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Beneficial Bank	\$ -0-	\$7,146,000	\$	\$7,146,000
TD Securities	<u>6,866,000</u>		<u>6,866,000</u>	<u>0</u>
	<u>\$6,866,000</u>	<u>\$7,146,000</u>	<u>\$6,866,000</u>	<u>\$7,146,000</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance December 31, <u>2010</u>	2011 Budget <u>Appropriation</u>	Balance Succeeding Year's budget
Emergency Authorization	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$ -0-</u>
Special Emergency	<u>\$247,000</u>	<u>\$43,000</u>	<u>\$204,000</u>

NOTE 6. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2010 which has been appropriated as revenue in the 2011 budget is as follows:

Current Fund	\$1,585,000
Marina Utility	100,000

NOTE 7. ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. At December 31, 2010 the Borough estimated the current cost of such unpaid compensation to approximate \$1,198,853.

NOTE 8. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodian credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2010, \$-0- of the Borough's bank balance of \$11,302,560 was exposed to custodial credit risk.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account for the years ended December 31, 2010 and 2009 amounted to \$593,004 and \$494,777, respectively.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

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

The following investments represent 5% or more of the total invested with Valic for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Core Equity	\$749	\$670
Dividend Value	759	456
Fixed Account Plus	414,283	353,805
Health Sciences Fund	5,126	3,946
International Equities Fund	1,732	1,613
International Growth I Fund	9,132	6,378
Intl Small Cap Equity	2,170	1,383
Mid Cap Index Fund	6,326	4,699
Money Market I Fund	52,578	45,025
Science & Technology Fund	1,339	1,108
Small CAP Fund	850	663
Small CAP Index Fund	6,027	4,296
Stock Index Fund	<u>91,933</u>	<u>70,735</u>
Total	<u>\$593,004</u>	<u>\$494,777</u>

NOTE 9. FIXED ASSETS

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

	Balance <u>Dec. 31, 2009</u>	Additions	Deletions	Balance <u>Dec. 31, 2010</u>
Land and Improvements	\$37,773,600	\$23,505	\$ -	\$37,797,105
Buildings and Building	5,894,109	746,655	-	6,640,764
Machinery and Equipment	<u>7,568,863</u>	<u>303,917</u>	<u>25,894</u>	<u>7,846,886</u>
	<u>\$51,236,572</u>	<u>\$1,074,077</u>	<u>\$25,894</u>	<u>\$52,284,755</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2010 consist of the following:

\$96,407	Due to General Capital Fund from Current Fund for grant received in Current Fund less Capital Fund interest on investments.
47,248	Due to Federal and State Grant Fund from Current Fund for grant revenue collected less expenditures made.
<u>18</u>	Due to Current Fund from Escrow Fund for interest earned.
<u>\$143,673</u>	

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

NOTE 11. CAPITAL LEASES PAYABLE

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$17,000	\$20,601	\$37,601
2012	20,000	19,651	39,651
2013	24,000	18,496	42,496
2014	27,000	17,231	44,231
2015	31,000	15,860	46,860
2016-2020	230,000	49,802	279,802
2021	<u>64,000</u>	<u>1,712</u>	<u>65,712</u>
	<u>\$413,000</u>	<u>\$143,353</u>	<u>\$556,353</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During 2010, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

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

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

NOTE 13. TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Prepaid Taxes	<u>\$146,936</u>	<u>\$129,300</u>
Cash Liability for Taxes Collected in Advance	<u>\$146,936</u>	<u>\$129,300</u>

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 14. LITIGATION

Various tax appeal cases were pending at December 31, 2010. The Borough is defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. Funding of any ultimate liability would be provided for in succeeding years' budgets or through a refunding bond ordinance, which would allow the Borough to fund these liabilities over a number of years.

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

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

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

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

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

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 17. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 2, the Borough provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

The Borough sponsors a single employer postemployment benefits plan that provided benefits in accordance with State statute, through the State's Health Benefits Bureau to eligible retirees, their spouses/domestic partners and eligible dependent children and continues to be provided on behalf of the surviving spouse/domestic partner or a retiree. Employees and/or their spouses/domestic partners become eligible for these benefits upon 25 years or more of service in the Public Employees Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) or those approved for disability retirement.

Pursuant to GASB Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Borough obtained an actuarially determined calculation for this obligation.

The Borough's annual other postemployment benefits ("OPEB") costs for the Plan, which is currently funded on a pay-as-you-go basis and is a non-contributory plan with all plan payments for plan benefits being funded by the Borough, is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and interest on the net OPEB obligation and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Borough's annual OPEB cost for the year ended December 31, 2010, and the related information for the plan, are as follows:

January 1, 2010 - Net OPEB Obligation (Initial) (NOO)	\$3,854,943
Annual Required Costs (ARC)	2,300,200
Contribution from employer and other contributing entities	<u>(243,236)</u>
December 31, 2010 - Net OPEB Obligation (NOO)	<u>\$5,911,907</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for FY2009 were as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
(Dollars in Thousands)			
2010	\$2,300,200	10.57%	\$5,911,907
2009	\$2,300,200	14.99%	\$3,854,943

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 17. OTHER POST EMPLOYMENT BENEFITS, (continued)

Valuation <u>Date</u>	Actuarial Value of Assets OPEB <u>Cost</u>	Actuarial accrued Liability - Projected <u>Unit Credit</u>	Unfunded Actuarial Accrued <u>Liability</u>	Funded <u>Ratio</u>	Covered <u>Payroll*</u>	Unfunded Actuarial Liability as a Percentage of Covered <u>Payroll*</u>
	(Dollars in Thousands)					
07/01/08	\$-0-	\$20,333.6	\$20,333.6	0 %	N/A	N/A

*Required disclosure at adoption of standard payroll is not provided.

The **Present Value of all Projected Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all projected benefits is a measure of total liability or obligation. Essentially, the Present Value of all projected benefits is the value (on the valuation date) of the benefits promised to current and future retirees. The Plan's present value of all projected benefits (at July 1, 2008) is \$35,732,500 assuming no prefunding of obligations. The majority of this liability is for current active employees (future retirees).

The **Actuarial Accrued Liability** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Actuarial Accrued Liability (at July 1, 2008) is \$20,333,600 assuming no prefunding of obligations. The majority of this obligation is for current active employees.

Normal Cost is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The 2008 Fiscal Year Normal Cost is \$1,081,000 assuming no prefunding of obligations. In pension accounting, this is also known as "service cost."

Future Normal Costs represent the present value of the remaining balance of all projected benefits to be earned in future years.

Assumptions

The results were calculated based upon plan provisions, as provided by the Borough of Edgewater and the State of New Jersey, along with certain demographic and economic assumptions as recommended by Aon, in conjunction with the Borough of Edgewater with guidance from the GASB statement.

BOROUGH OF EDGEWATER
Notes to Financial Statements
Years Ended December 31, 2010 and 2009
(continued)

NOTE 17. OTHER POST EMPLOYMENT BENEFITS, (continued)

Demographic Assumptions

Data was provided by the Borough of Edgewater as of July 1, 2008. Demographic assumptions used to project the data are the same as those used to value the SHBP PERS pension liabilities. There is no assumption for future new hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be estimated long-term yield on the "investments that are expected to be used to finance the payments of benefits". Since the Borough of Edgewater does not currently pre-fund the retiree healthcare liabilities, the discount rate for the "no prefunding" scenario should be based on the portfolio of the Borough of Edgewater's "general assets" used to pay these benefits. The discount rate assumption selected by the Borough is 4.00%.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

Aon developed the trend assumption utilizing the short-term rates expected on the SHBP plan along with information in published papers from other industry experts (actuaries, health economists, etc.). For medical benefits, this amount initially is at 10.5% and decreases to a 5.0% long-term trend rate for all medical benefits after eleven years. For prescription drug benefits, the initial trend rate is 11.5%, decreasing to a 5.0% long-term trend rate after thirteen years.

SUPPLEMENTARY DATA

BOROUGH OF EDGEWATER

Supplementary Data

Comparative Schedule of Tax Rate Information

	Year Ended Dec. 31, <u>2010</u>	Year Ended Dec. 31, <u>2009</u>	Year Ended June 30, <u>2008 *</u>
Tax rate	1.225	1.149	1.093
Apportionment of tax rate:			
Local school	0.455	0.410	0.400
County	0.189	0.185	0.176
Municipal	0.581	0.554	0.505
Municipal Open Space			0.012
Assessed valuation:			
Dec. 31, 2010		\$ 2,962,069,601	
Dec. 31, 2009		\$ 3,008,914,045	
June 30, 2008 *		\$ 3,021,624,313	

* Revaluation

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
Dec. 31, 2010	\$ 36,501,290	35,071,630	96.08%
Dec. 31, 2009	17,541,010	15,752,213	89.80%
June 30, 2009	35,100,070	33,651,402	95.87%

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
Dec. 31, 2010	\$ 34,166	734,624	768,790	2.11%
Dec. 31, 2009	31,938	1,558,448	1,590,386	9.07%
June 30, 2009	30,898	1,131,800	1,162,698	3.31%

BOROUGH OF EDGEWATER

Supplementary Data

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2010 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens on December 31, 2010, and 2009, June 30, 2009 and 2008 on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
Dec. 31, 2010 \$	3,844,775
Dec. 31, 2009	3,844,775
June 30, 2009	3,844,775

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in budget of succeeding year</u>
Current Fund:	Dec. 31, 2010 \$	1,688,876	1,585,000
	Dec. 31, 2009	1,811,252	1,500,000
	June 30, 2009	2,481,978	808,824
	June 30, 2008	3,855,482	3,000,000
	June 30, 2007	3,139,361	2,750,000
Marina Utility:	Dec. 31, 2010	282,567	100,000
	Dec. 31, 2009	259,681	100,000
	June 30, 2009	308,152	100,000
	June 30, 2008	218,665	65,000
	June 30, 2007	137,019	125,000

BOROUGH OF EDGEWATER

Supplementary Data

Official in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>	<u>Name of corporate surety</u>
Nancy Merse	Mayor (1/11 - 3/11)		
James F. Delaney	Mayor (4/11 - 12/11)		
David Jordan	Council President		
Neda Rose	Councilwoman		
Louis Vidal	Councilman		
David Weschler	Councilman		
James F. Delaney	Councilman (1/11 - 3/11)		
Maureen Holtje	Councilwoman		
Joseph Iannaconi, Jr.	Chief Financial Officer/ Collector/Tax Searcher	\$ 1,000,000	(A)
Gregory Franz	Administrator		
Neglia Engineering	Engineer		
John Candelmo	Construction Code Official/Zoning Officer		
Robert Cohan	Magistrate	\$ 1,000,000	(A)
Karen Christiano	Court Clerk	\$ 1,000,000	(A)
Donald Martin	Chief of Police		
Philip Boggia	Borough Attorney		
Jeffrey Clemente	Housing Inspector		
Laura Martin	Welfare Director		
Anna Marie O'Connor	Secretary Planning Board		
Jennifer Henry	Secretary Board of Adjustment		
Barbara Rae	Borough Clerk		

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

BOROUGH OF EDGEWATER

Schedule of Expenditures of Federal Awards

Six Month Period Ended December 31, 2010

<u>Federal grantor</u>	<u>Program</u>	<u>CFDA number</u>	<u>Grant period</u>	<u>Award Amount</u>	<u>Balance at Dec. 31, 2009</u>	<u>Cash Receipts</u>	<u>Budgetary Expended</u>	<u>Adjustments</u>	<u>Balance at Dec. 31, 2010</u>
<u>Current Fund:</u> Department of Justice									
	Bullet Proof Vest Partnership	16.607	2005	3,649	3,649		3,649		
	COPS More - Technology	16.710	2002	55,433	31,483		31,483		
	Computer Grant	16.710	2006-07	49,361	2,078		14,835	(12,757)	
	Universal COPS	16.710	2000-01	200,601	121,963		137,963	(16,000)	
					<u>159,173</u>		<u>152,798</u>	<u>6,375</u>	
U.S. Department of Environmental Protection	Municipal Stormwater Regulation Program	66.605	2007-08	8,468	6,936			6,936	
<u>General Capital Fund:</u> Department of Housing and Urban Development (passed through County of Bergen):									
	Community Development Block Grant:								
	Undercliff Avenue Streetscape								
	Ord. 1381/1387	14.219	2007-08	300,000	(65,402)				(65,402)
	Undercliff Avenue Streetscape - Ord. 1401	14.219	2008-09	100,000	51,654				51,654
	Reconst. of Undercliff Avenue - Ord. 1423	14.219	2009	158,408	(51,227)	127,584	79,554		(3,197)
	Undercliff Avenue Streetscape - Ord. 1423	14.219	2009	100,000	(64,975)	127,584	79,554		(16,945)
<u>Public Assistance Trust Fund:</u> Department of Health, Education and Welfare	Supplemental Security Income	96.006	2010			24,900	24,900		
					<u>\$ 101,134</u>	<u>152,484</u>	<u>257,252</u>	<u>13,311</u>	<u>(16,945)</u>

Note: This schedule was not subject to an audit in accordance with OMB Circular A-133.

BOROUGH OF EDGEWATER

Schedule of State Financial Assistance

Six Month Period Ended December 31, 2010

State grantor	Program	Grant number	Grant period	Award Amount	Balance Dec. 31, 2009	Cash Received	Budgetary Expenditures	Adjustments	Balance Dec. 31, 2010
Current Fund:									
Department of Community Affairs									
	Smart Growth		2007-08	\$ 25,000	\$ 25,000			25,000	
	Supplemental Fire Services Program	8030-150-141650-60	1994-95	2,544	(2,544)			(2,544)	
	Supplemental Fire Services Program	8030-150-141650-60	1993-94	2,168	2,168			2,168	
	Supplemental Safe Neighborhood Program	7030-150-041640-60	1993-94	21,650	(21,650)			(21,650)	
	Emergency Medical Grant		2001-02	3,000	3,000			3,000	
	ADA Compliance - Fire Department		2003-04	22,000	2,389			2,389	
					<u>8,363</u>			<u>8,363</u>	A
Department of Environmental Protection									
	Clean Communities Program	4900-765-042-4900-004-V42Y	2008-09	12,136	12,136	12,620			24,756
	Clean Communities Program	4900-765-042-4900-04-YCMC	2007-08	19,296					
	Clean Communities Program	4900-765-042-4900-04-YCMC	2005-06	16,325	976			976	
	Clean Communities Program	4900-765-042-4900-04-YCMC	2004-05	8,066	3,077		3,077		
	Clean Communities Program	4900-765-042-4900-04-YCMC	2003-04	7,615	4,483		3,940		
	Clean Communities Program	4900-765-178910-60	2001-02	4,019	4,019				
	Clean Communities Program	4900-765-178910-60	2000-01	9,701	9,360				
	Clean Communities Program	4900-765-178910-60	1999-00	9,701	3,078		9,357		
	Clean Communities Program	4900-765-178910-60	1995-96	5,999	(5,999)				
	Green Communities		2007-08	2,000	2,000				2,000
Solid Waste Administration									
	Recycling Tonnage Grant	4900-752-042-4900-001-V42Y	2009	7,876	7,876				7,876
	Recycling Tonnage Grant	4900-752-042-4900-001-V42Y	2008-09	6,340	6,340				6,340
	Recycling Tonnage Grant	4900-752-042-4900-001-V42Y	2007-08	7,250	7,250				
	Recycling Tonnage Grant		2004-05	15,013	4,657				
	EDA Grant		1996-97	134,238	84,018				84,018
	EDA Grant		1996-97	127,624	123,691				123,691
					<u>266,962</u>	<u>12,620</u>	<u>16,374</u>	<u>224,236</u>	<u>38,972</u>
Department of Transportation	Pot Hole Program		1995-96	6,301	5,725				5,725
Department of Law and Public Safety									
	Drunk Driving Enforcement Fund	1110-448-031020-22	2002-03	453	453				453
	Drunk Driving Enforcement Fund	1110-448-031020-22	2001-02	620	130				130
	Drunk Driving Enforcement Fund	1110-448-031020-22	2000-01	998	450				450
	Drunk Driving Enforcement Fund	1110-448-031020-22	1999-00	1,123	890				890
	Drunk Driving Enforcement Fund	1110-448-031020-22	1998-99	1,681	566				566
	Drunk Driving Enforcement Fund	1110-448-031020-22	1996-97	3,236	3,236				3,236
	Drunk Driving Enforcement Fund	1110-448-031020-22	1995-96	1,491	693				693
	Drunk Driving Enforcement Fund	1110-448-031020-22	1994-95	2,549	2,549				2,549

BOROUGH OF EDGEWATER

Schedule of State Financial Assistance

Six Month Period Ended December 31, 2010

State grantor	Program	Grant number	Grant period	Award Amount	Balance Dec. 31, 2009	Cash Received	Budgetary Expenditures	Adjustments	Balance Dec. 31, 2010
Department of Law and Public Safety (cont.)	Domestic Violence Grant		2002-03	2,180	2,180			2,180	
					11,147			11,147	
Administrative Office of the Courts	Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001-X100	2008-09	1,067	1,067	1,157		2,077	2,224
		9735-760-098-Y900-001-X100	2007-08	2,077	2,077			2,372	
		9735-760-098-Y900-001-X100	2005-06	2,378	2,372			125	
		9735-760-060000-60	1999-00	125	125			791	
		9735-760-060000-60	1996-97	791	791			453	
	Alcohol Education Rehabilitation Fund	9735-760-060000-60	1995-96	453	6,885	1,157		5,818	2,224
Division of Criminal Justice	Body Armor Grant	1020-718-066-1020-001-YCJS	2008-09	3,108	3,108	2,944		2,802	6,052
			2004-05	2,802	2,802			5,976	
			2002-03	5,976	5,976			2,463	
			1999-00	2,463	14,349	2,944		11,241	6,052
				\$ 313,431	16,721	16,374	266,530	47,248	
General Capital Fund:									
Department of Transportation	Trust Fund Authority Act - Leary & Hooks Lane, and Maple Street - Ord. 1285 Improvements to Garden Pl. Ord. 1381/1387 Reconstruction of North St. Ord. 1381/1387		2002-03	70,000		11,859		11,859	
			2007-08	140,000	63,430				63,430
			2007-08	130,000	(55,796)				(55,796)
				7,634	11,859		11,859	7,634	
Department of the Treasury	Special Purpose Grants		2008-09	215,000					
Department of Community Affairs	Borough Hall Preservation & Renovation Project - Ord. 1326		2004-05	100,000	(53,491)	100,000			46,509
			2005-06	32,000	(32,000)				(32,000)
Department of Environmental Protection	Green Acres		2006-07	600,000	(107,327)			(107,327)	
	Improvements to Veterans Field Ord. 1326 (Grant)		2006-07	400,000	383,042			383,042	
	Dredging of Edgewater Marina Ord. 1372/1400	0213-05-014	2007-08	975,000	275,715			275,715	
					\$ 197,858	111,859		11,859	297,858

BOROUGH OF EDGEWATER

Schedule of State Financial Assistance

Six Month Period Ended December 31, 2010

State grantor	Program	Grant number	Grant period	Award Amount	Balance Dec. 31, 2009	Cash Received	Budgetary Expenditures	Adjustments	Balance Dec. 31, 2010
Public Assistance Fund: Department of Health and Human Services	Public assistance	7500-150-158010-60	2010		(1,315)	50,349	60,855		(10,506)
	Public assistance	7500-150-158010-60	2009		(1,315)	1,315			
	<i>Total State Assistance - Public Assistance Trust Fund</i>					<u>51,664</u>	<u>60,855</u>		<u>(10,506)</u>
Other Financial Assistance:									
County of Bergen (Passed through)	Municipal Alliance Grant Fund		2000-01	10,000	(8,124)				(8,124)
	Municipal Alliance Grant Fund		1999-00	10,000	(1,531)				(1,531)
	Municipal Recycling Assistance Program		2007-08	3,365	3,365		1,084		2,281
			2006-07	2,639	2,639				2,639
			2005-06	2,368	2,368				2,368
					<u>8,372</u>		<u>1,084</u>		<u>7,288</u>
	Bergen County Open Space/Historic Preservation Trust		2007-08	300,000					
	Veteran's Field Imps., Phase II - Ord. 1381/1387	Open Space	2008-09	41,250					
	Acq/Installation of clock at Grand Cove Marina - Ord. 1398	Open Space	2005-06	95,000					
	Design/Repair at Borough Hall, Phase I - Ord. 1326	Historic Preservation	2007-08	145,000	(145,000)				(145,000)
	Rehabilitation of Borough Hall, Phase I - Ord. 1381/1387	Historic Preservation			(145,000)				(145,000)
	<i>Total Other Financial Assistance</i>				<u>(146,283)</u>		<u>1,084</u>		<u>(147,367)</u>
	<i>Total State and Other Financial Assistance</i>				<u>\$ 363,691</u>	<u>180,244</u>	<u>78,313</u>	<u>278,389</u>	<u>187,233</u>

A - Accounts receivable of \$10,089, appropriated reserve of \$13,189

Note: This schedule was subject to an audit in accordance with N.J. OMB circular 04-04.

BOROUGH OF EDGEWATER

Schedule of Cash - Collector/Treasurer

Current Fund

Year ended December 31, 2010

		Current <u>Fund</u>
Balance - December 31, 2009		\$ 4,755,931
Increased by receipts:		
Revenue accounts receivable	\$ 1,600,659	
Miscellaneous revenues not anticipated	1,027,375	
Reserve for payment of debt	204,029	
Taxes receivable	36,547,567	
Prepaid taxes	146,936	
Due to Grant Fund	16,720	
Tax overpayments	197,387	
Senior citizens and veterans	27,285	
Tax Title Lien Premiums	9,500	
Various Reserves	2,914	
Interfunds	103,548	
Special emergency note	155,000	
Marriage license fees	1,200	
		<u>40,040,120</u>
		44,796,051
Decreased by disbursements:		
2010 budget appropriations	20,361,810	
2009 appropriation reserves	408,762	
Tax overpayment refunds	103,856	
Local district school tax	14,380,572	
County taxes	5,567,265	
County added/omitted	23,281	
Marriage license fees	1,000	
Interfunds	3,593	
Special emergency note	50,000	
Due from Grant Fund	170,256	
Refunds	539,665	
Various Reserves	2,286	
		<u>41,612,346</u>
Balance - December 31, 2010		\$ <u><u>3,183,705</u></u>

BOROUGH OF EDGEWATER
Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2010

Year	Balance, Dec. 31, 2009	2010 levy	Added/Omitted	Collected		Transferred to tax title liens	Cancelled	Balance, Dec. 31, 2010
				2009	2010			
2009	1,558,448		84,066		1,642,514			
	1,558,448		84,066		1,642,514			
2010		36,501,290		129,300	34,942,330	2,228	692,808	734,624
	<u>\$ 1,558,448</u>	<u>36,501,290</u>	<u>84,066</u>	<u>129,300</u>	<u>36,584,844</u>	<u>2,228</u>	<u>692,808</u>	<u>734,624</u>

Senior citizens' and veterans'
deductions allowed 37,277
Cash receipts 36,547,567
\$ 36,584,844

Analysis of 2010 Tax Levy

Tax yield:
General property tax 36,285,361
Added tax (R.S.54:4-63.1 et seq.) 215,929
\$ 36,501,290

Tax levy:
Local district school tax (abstract) 13,476,108
County tax (abstract) 5,567,265
Added taxes (R.S. 54:4-63.1 et seq.) 33,315
Local tax for municipal purpose (abstract) 17,231,684
Additional tax levies 192,918
\$ 36,501,290

BOROUGH OF EDGEWATER

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2010

Balance - December 31, 2009	\$	31,938
Increased by:		
Transferred from taxes receivable		<u>2,228</u>
Balance - December 31, 2010	\$	<u><u>34,166</u></u>

BOROUGH OF EDGEWATER

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2010

	Balance, Dec. 31, <u>2009</u>	Accrued in 2010	<u>Collected</u>	Balance, Dec. 31, <u>2010</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	17,171	17,171	
Other		8,980	8,980	
Fees and permits		120,590	120,590	
Construction Code Official-fees and permits		247,271	247,271	
Municipal Court fines and costs	18,274	249,929	247,157	21,046
Interest on investments		7,547	7,547	
Interest and cost on taxes		145,130	145,130	
Consolidated Municipal Property Tax Relief		217,261	217,261	
Energy Receipts Tax		551,331	551,331	
Municipal Alliance		12,066	12,066	
Uniform Fire Safety		26,173	26,173	
	<u>\$ 18,274</u>	<u>1,603,449</u>	<u>1,600,677</u>	<u>21,046</u>

BOROUGH OF EDGEWATER

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

Current Fund

Year ended December 31, 2010

Balance - December 31, 2009	\$ 22,096
Increased by:	
Senior citizens' and veterans' deductions per tax billings	<u>37,277</u>
	59,373
Decreased by:	
Cash received	<u>27,285</u>
Balance - December 31, 2010	<u><u>\$ 32,088</u></u>

Schedule of Local District School Tax Payable

Current Fund

Year ended December 31, 2010

Balance - December 31, 2009	\$ 904,464
Increased by:	
2010 Tax Levy	<u>13,476,108</u>
	14,380,572
Decreased by:	
Cash Disbursements	<u>14,380,572</u>
Balance - December 31, 2010	<u><u>\$</u></u>

BOROUGH OF EDGEWATER
Schedule of County Taxes Payable
Current Fund
Year ended December 31, 2010

Increased by:		
County tax levy	\$	<u>5,567,265</u>
Decreased by:		
Cash Disbursements	\$	<u><u>5,567,265</u></u>

**Schedule of Due County for Added
and Omitted Taxes**
Current Fund
Year ended December 31, 2010

Balance - December 31, 2009		\$ 23,281
Increased by:		
County tax levy-Added		<u>33,315</u>
		56,596
Decreased by:		
Cash Disbursements		<u>23,281</u>
Balance - December 31, 2010	\$	<u><u>33,315</u></u>