

BOROUGH OF FARMINGDALE

COUNTY OF MONMOUTH

DECEMBER 31, 2014

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

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BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

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BOROUGH OF FARMINGDALE

COUNTY OF MONMOUTH

PART I

AUDITOR'S REPORT OF THE BOROUGH'S FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

ogzst 4c;4uflazt and Company
 CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
 of the Borough Council
 Borough of Farmingdale
 County of Monmouth
 Farmingdale, New Jersey 07727

Report on the Financial Statements

We have audited the accompanying consolidated financial statements - regulatory basis of the various funds and account groups of the Borough of Farmingdale (the "Borough"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in fund balance — regulatory basis for the years then ended, and the related consolidated statement of revenues — regulatory basis and consolidated statement of expenditures — regulatory basis of the various funds for the year ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

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

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

As discussed more fully in Note 1, the Borough prepares its basic consolidated financial statements on a regulatory basis of accounting prescribed by the Division, as required by state statute, that demonstrates compliance with a modified accrual basis of accounting, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

Opinion

In our opinion, because of the effects of the matter 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 as of December 31, 2014 and 2013, the changes in financial position, or where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic consolidated financial statements.

However, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position — regulatory basis of the various funds and account groups of the Borough, as of December 31, 2014 and 2013, and the results of operations and changes in fund balance — regulatory basis of such funds for the years then ended and the consolidated statements of revenues — regulatory basis and consolidated statement of expenditures — regulatory basis of the various funds for the year ended December 31, 2014 on the basis of accounting described in Note 1.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2016 on our consideration of the Borough's 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements of the Borough taken as a whole. The accompanying supplementary schedules and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 I.



Robert A. Hulsart
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Robert A. Hulsart
Certified Public Accountant
Registered Municipal Accountant
R.M.A. Number 158

March 4, 2016

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, Sheet 1 of 2RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| <u>Assets</u> | <u>Ref.</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-----------------------|-----------------------|
| Cash | A-4 | \$ 1,364,942.71 | \$ 1,438,476.03 |
| Cash - Change Fund | | 200.00 | 200.00 |
| | | <u>1,365,142.71</u> | <u>1,438,676.03</u> |
| Deferred Charges: | | | |
| Emergency Authorizations: | | | |
| Special Emergency | A-3 | 52,000.00 | 65,000.00 |
| Due from State, Chapter 20, P.L. 1971 | A-5 | 250.00 | |
| | | <u>1,417,392.71</u> | <u>1,503,676.03</u> |
| Receivables and Other Assets with Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-6 | 108,646.33 | 143,502.29 |
| Tax Title Liens Receivable | A-7 | 33,724.66 | 33,724.66 |
| Interfunds: | | | |
| Animal Control Trust Fund | A-13 | 13,852.27 | 11,061.00 |
| Payroll Fund | A-13 | 40,247.60 | |
| General Capital Fund | A-13 | 206,346.50 | 159,710.00 |
| Water Utility Capital Fund | A-13 | 3,306.25 | 3,306.25 |
| | | <u>406,123.61</u> | <u>351,304.20</u> |
| | | <u>1,823,516.32</u> | <u>1,854,980.23</u> |
| Grant Fund: | | | |
| Interfund - Current Fund | A-14 | 27,213.29 | 31,253.29 |
| Grants Receivable | A-15 | 20,000.00 | 20,000.00 |
| | | <u>47,213.29</u> | <u>51,253.29</u> |
| | | <u>5 1,870,729.61</u> | <u>5 1,906,233.52</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMING DALE - COUNTY OF MONMOUTHCURRENT FUND

Exhibit A

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, Sheet 2 of 2RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| <u>Liabilities, Reserves and Fund Balance</u> | Ref. | 2014 | 2013 |
|---|-------|-----------------------|-----------------------|
| Appropriation Reserves | A-3,9 | 53,862.79 | 89,395.59 |
| Reserve for: | | | |
| Preparation of Master Plan | | 4,000.00 | 4,000.00 |
| Revaluation | A-3 | 42,630.00 | 78,630.00 |
| Encumbrances | | 12,156.81 | 4,730.60 |
| Emergency Management | A-4 | 19,134.24 | 19,134.24 |
| State Fees Payable | | 1,083.31 | 907.69 |
| Accounts Payable | A-4 | 28,008.28 | 250.00 |
| Tax Overpayments | A-4,6 | 60,316.56 | 26,935.91 |
| Prepaid Taxes | A-4,6 | | 13,929.90 |
| County Taxes Payable | A-10 | 459,472.90 | 361.22 |
| Local District School Tax Payable | A-11 | 149,012.32 | 444,339.40 |
| Regional District School Tax Payable | A-12 | | 221,884.32 |
| Interfunds: | | 44,176.08 | |
| Other Trust Fund | A-13 | 10,388.00 | 2,247.56 |
| Sewer Utility Operating Fund | A-13 | 33,249.56 | 10,388.00 |
| Water Utility Operating Fund | A-13 | 1,573.47 | 33,325.67 |
| Public Assistance Trust Fund | A-13 | 27,213.29 | 1,573.47 |
| Grant Fund | A-14 | | 31,253.29 |
| | | <u>946,277.61</u> | <u>983,286.86</u> |
| Reserve for Receivables and Other Assets | | 406,123.61 | 351,304.20 |
| Fund Balance | A-1 | <u>471,115.10</u> | <u>520,389.17</u> |
| | | <u>1,823,516.32</u> | <u>1,854,980.23</u> |
| Grant Fund: | | | 43,253.29 |
| Appropriated Reserves | A-16 | 39,213.29 | 8,000.00 |
| Unappropriated Reserves | A-17 | 8,000.00 | |
| | | <u>47,213.29</u> | <u>51,253.29</u> |
| | | <u>S 1,870,729.61</u> | <u>S 1,906,233.52</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMING DALE - COUNTY OF MONMOUTH

Exhibit A-1

CURRENT FUND

Sheet 1 of 2

COMPARATIVE STATEMENT OF OPERATIONS ANDCHANGE IN FUND BALANCE - REGULATORY BASIS

| | Ref, | Year 2014 | Year 2013 |
|--|------|---------------------|---------------------|
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | A-2 | \$ 202,964.00 | \$ 194,000.00 |
| Miscellaneous Revenue Anticipated | A-) | 243,367.21 | 251,483.62 |
| Receipts from Delinquent Taxes | A-2 | 126,412.88 | 81,131.44 |
| Receipts from Current Taxes | A-2 | 2,661,707.20 | 2,812,525.55 |
| Non-Budget Revenues | A-2 | 11,277.91 | 21,678.79 |
| Other Credits to Income: | | | |
| Accounts Payable Cancelled | | 250.00 | |
| County Taxes Payable Cancelled | A-10 | .01 | |
| Statutory Excess in Animal Control Trust | A-13 | 2,352.50 | |
| Prior Years Interfunds Returned | | | 22,015.05 |
| Unexpended Balance of Appropriation Reserves | A-9 | 63,072.32 | 94,862.56 |
| Total Income | | <u>3,311,404.03</u> | <u>3,477,697.01</u> |
| <u>Expenditures</u> | | | |
| Budget Appropriations within Caps: | | | |
| Operations: | | | |
| Salaries and Wages | | 229,395.00 | 223,010.00 |
| Other Expenses | | 268,763.00 | 330,063.00 |
| Deferred Charges and Statutory Expenditures | | 45,984.00 | 50,185.00 |
| Budget Appropriations excluded from Caps: | | | |
| Operations: | | | |
| Other Expenses | | :33,455.00 | 32,991.00 |
| Capital Improvements | | 18,805.18 | 15,805.18 |
| Deferred Charges | | 41,000.00 | 44,359.58 |
| County Taxes | A-3 | 637,402.18 | 696,413.76 |
| County Taxes-Prior Year Adjustment To Actual | A-10 | 436,622.55 | 443,887.39 |
| Local School District Taxes | | | 269.55 |
| Regional High School District Taxes | A-11 | 1,545,716.00 | 1,575,281.00 |
| Interfund Loans | A-12 | 448,298.00 | 599,798.00 |
| Total Expenditures | | <u>3,157,714.10</u> | <u>3,315,649.70</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CURRENT FUND

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

Exhibit A-1
Sheet 2 of 2

| | Ref. | Year 2014 | Year 2013 |
|--|------|---------------|---------------|
| Excess in Revenue | | \$ 153,689.93 | \$ 162,047.31 |
| Adjustments to Income Before Fund Balance: | | | |
| Expenditures Included Above Which are by | | | |
| Statute Deferred Charges to Budget of | | | |
| Succeeding Year | | | 65,000.00 |
| Statutory Excess to Fund Balance | | 153,689.93 | 227,047.31 |
| Fund Balance January 1 | A | 520,389.17 | 487,341.86 |
| | | 674,079.10 | 714,389.17 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1 | 202,964.00 | 194,000.00 |
| Fund Balance December 31 | A | \$ 471,115.10 | \$ 520,389.17 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet I of 2

| | Ref. | Anticipated Budget | Realized | Excess or (Deficit) |
|--|-------|-----------------------|---------------------|------------------------|
| Fund Balance Anticipated | A-1 | 5 202,964.00 | 5 202,964.00 | 5 |
| Miscellaneous Revenues | | | | |
| Licenses - Alcoholic Beverages | A-8 | 1,300.00 | 5,000.00 | 3,700.00 |
| Fines and Costs - Municipal Court | A-8 | 10,000.00 | 11,810.40 | 1,810.40 |
| Interest and Costs on Taxes | A-8 | 12,750.00 | 26,981.99 | 14,231.99 |
| Interest on Investments and Deposits | A-8 | 9,000.00 | 6,700.20 | (2,299.80) |
| Cable Television Franchise Fees | A-8 | 17,000.00 | 30,223.07 | 13,223.07 |
| Uniform Construction Code Fees | A-8 | 6,000.00 | 12,221.00 | 6,221.00 |
| State Aid: | | | | |
| Consolidated Municipal Property Tax Relief | A-8 | 23,890.00 | 23,890.00 | |
| Energy Receipts Tax | A-8 | 113,318.00 | 113,318.00 | |
| Special Items of Revenue: | | | | |
| Uniform Fire Safety Act | A-8 | 8,000.00 | 9,222.55 | 1,222.55 |
| Federal and State Revenues Off-Set with Appropriations: | | | | |
| Clean Communities Grant | A-14 | 4,000.00 | 4,000.00 | |
| Total Miscellaneous Revenues | A-1 | 205,258.00 | 243,367.21 | 38,109.21 |
| | | | | 61,412.88 |
| Receipts from Delinquent Taxes | A-1,6 | 65,000.00 | 126,412.88 | |
| Subtotal General Revenues | | 473,222.00 | 572,744.09 | 99,522.09 |
| Amount to be Raised by Taxes for Support of Municipal Budget | A-2 | 319,915.80 | 386,806.27 | 66,890.47 |
| Total General Revenues | | 793,137.80 | 959,550.36 | 166,412.56 |
| Non-Budget Revenues | A-1,4 | | 11,277.91 | 11,277.91 |
| \$ | | 793,137.80 | 5 970,828.27 | 5 177,690.47 |

Ref

A-3

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARM INGDALE - COUNTY OF MONMOUTH
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Exhibit A-2

Sheet 2 of 2

| <u>Analysis of Realized Revenues</u> | Ref. | | |
|--|------------|----|--------------|
| Allocation of Current Tax Collections: | | | |
| Revenue from Collections | A-1,6 | \$ | 2,661,707.20 |
| Allocated to: | | | |
| School and County Taxes | A-10,11,12 | | 2,430,636.55 |
| Balance for Support of Municipal Budget Appropriations | | | 231,070.65 |
| Add Appropriation "Reserve for Uncollected Taxes" | A-3 | | 155,735.62 |
| Amount for Support of Municipal Budget Appropriations | A-2 | \$ | 386,806.27 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 1 of 5

| | Appropriated | | Expended | |
|---|--------------|---------------------------|-----------------|----------|
| | Budget | Budget After Modification | Paid or Charged | Reserved |
| <u>OPERATIONS WITHIN CAPS</u> | | | | |
| <u>General Government</u> | | | | |
| Mayor and Council | | | | |
| Salaries and Wages | 5 15,950.00 | 5 15,950.00 | 5 15,950.00 | 5 |
| Administrative and Executive | | | | |
| Salaries and Wages | 46,750.00 | 46,750.00 | 46,561.03 | 188.97 |
| Other Expenses | 21,210.00 | 21,210.00 | 20,685.50 | 524.50 |
| Elections | | | | |
| Other Expenses | 400.00 | 400.00 | 397.93 | 2.07 |
| Financial Administration | | | | |
| Salaries and Wages | 2,500.00 | 2,500.00 | 2,500.00 | |
| Other Expenses | 8,508.00 | 8,508.00 | 8,042.10 | 465.90 |
| Annual Audit | | | | |
| Other Expenses | 12,000.00 | 12,000.00 | 10,416.67 | 1,583.33 |
| Tax Collection (Revenue Administration) | | | | |
| Salaries and Wages | 2,500.00 | 2,500.00 | 2,096.00 | 404.00 |
| Other Expenses | 3,305.00 | 3,305.00 | 3,303.44 | 1.56 |
| Assessment of Taxes | | | | |
| Salaries and Wages | 7,500.00 | 7,500.00 | 7,413.64 | 86.36 |
| Other Expenses | 3,100.00 | 3,100.00 | 2,857.51 | 242.49 |
| Legal Services and Costs | 22,500.00 | 22,500.00 | 21,414.61 | 1,085.39 |
| Other Expenses | | | | |
| Engineering Services and Costs | 12,500.00 | 12,500.00 | 10,753.81 | 1,746.19 |
| Other Expenses | | | | |
| <u>Land Use Administration</u> | | | | |
| Planning Board | | | | |
| Other Expenses | 2,200.00 | 2,200.00 | 1,653.30 | 546.70 |
| Zoning Official | | | | |
| Salaries and Wages | 3,100.00 | 3,100.00 | 2,989.76 | 110.24 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 2 of 5

| | Appropriated | | Expended | |
|--------------------------------------|--------------|---------------------------|-----------------|----------|
| | Budget | Budget After Modification | Paid or Charged | Reserved |
| <u>Insurance</u> | | | | |
| General Liability Insurance | \$ 30,300.00 | 5 30,300.00 | \$ 30,278.80 | \$ 21.20 |
| Employee Health Benefits | 23,500.00 | 23,500.00 | 23,456.34 | 43.66 |
| <u>Public Safety</u> | | | | |
| Police | 53,500.00 | 53,500.00 | 52,851.65 | |
| Salaries and Wages - Crossing Guards | 600.00 | 600.00 | | 648.35 |
| Other Expenses | | | | 600.00 |
| Emergency Management Services | 3,000.00 | 3,000.00 | 2,358.17 | |
| Other Expenses | | | | 641.83 |
| Aid to Volunteer Fire Companies | 10,000.00 | 10,000.00 | 10,000.00 | |
| Other Expenses | | | | |
| Aid to Volunteer Ambulance Companies | 6,000.00 | 6,000.00 | | 6,000.00 |
| Other Expenses | | | | |
| Fire Prevention Bureau | | | | |
| Salaries and Wages | | 5,550.00 | 5,490.74 | 59.26 |
| Other Expenses | 5,550.00 | 4,500.00 | 2,677.06 | 1,822.94 |
| Fire | 4,500.00 | | | |
| Other Expenses | 5,000.00 | 5,000.00 | 1,890.58 | 3,109.42 |
| Prosecutor | | | | |
| Other Expenses | 3,600.00 | 3,600.00 | 3,600.00 | |
| Municipal Court | | | | |
| Salaries and Wages | | 22,295.00 | | 2,844.56 |
| Other Expenses | 22,295.00 | 2,870.00 | 19,450.44 | 1,290.46 |
| <u>Public Works</u> | 2,870.00 | | 1,579.54 | |
| Streets and Roads Maintenance | | | | |
| Salaries and Wages | | 18,750.00 | 18,747.13 | 2.87 |
| Other Expenses Shade | 18,750.00 | 17,400.00 | 16,208.96 | 1,191.04 |
| Tree Commission | 17,400.00 | | | |
| Other Expenses | | 100.00 | 100.00 | |
| Solid Waste Collection | 100.00 | | | |
| Other Expenses | 5,000.00 | 5,000.00 | 2,227.19 | 2,772.81 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 3 of 5

| | Appropriated | | Expended | |
|---|--------------|---------------------------|-----------------|-----------|
| | Budget | Budget After Modification | Paid or Charged | Reserved |
| Recycling | | | | |
| Salaries and Wages | \$ 17,000.00 | \$ 17,000.00 | \$ 16,999.75 | \$.25 |
| Other Expenses | 2,450.00 | 2,450.00 | 2,449.88 | .12 |
| Buildings and Grounds | | | | |
| Salaries and Wages | 11,500.00 | 11,500.00 | 11,476.12 | 23.88 |
| Other Expenses | 12,300.00 | 12,300.00 | 1,992.15 | 8,307.85 |
| <u>Other Common Operating Functions</u> | | | | |
| Celebration of Public Events | | | | |
| Other Expenses | 5,500.00 | 5,500.00 | 5,451.85 | 48.15 |
| <u>Uniform Construction Code</u> | | | | |
| Code Enforcement Officer | | | | |
| Salaries and Wages | 4,800.00 | 4,800.00 | 4,800.00 | |
| Other Expenses | 320.00 | 320.00 | 40.00 | 280.00 |
| Construction Official | | | | |
| Salaries and Wages | 7,200.00 | 7,200.00 | 6,881.08 | 318.92 |
| Other Expenses | 600.00 | 600.00 | 229.91 | 370.09 |
| Sub-Code Official | | | | |
| Plumbing Inspector | | | | |
| Salaries and Wages | 3,600.00 | 3,600.00 | 3,461.50 | 138.50 |
| Fire Inspector | | | | |
| Salaries and Wages | 3,600.00 | 3,600.00 | 3,597.96 | 2.04 |
| Electrical Inspector | | | | |
| Salaries and Wages | 3,300.00 | 3,300.00 | 3,181.08 | 118.92 |
| <u>Unclassified</u> | | | | |
| Electricity | 14,000.00 | 14,000.00 | 12,423.54 | 1,576.46 |
| Street Lighting | 21,000.00 | 21,000.00 | 13,349.87 | 7,650.13 |
| Telephone | 5,000.00 | 5,000.00 | 1,722.26 | 3,277.74 |
| Natural Gas | 9,000.00 | 9,000.00 | 7,081.56 | 1,918.44 |
| Total Operations within Caps | 497,158.00 | 497,158.00 | 445,090.41 | 52,067.59 |
| Contingent | 1,000.00 | 1,000.00 | 877.00 | 123.00 |
| Total Operations within Caps Including Contingent | 498,158.00 | 498,158.00 | 445,967.41 | 52,190.59 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Sheet 4 of 5

| Detail: | Appropriated | | Expended | |
|---|-------------------|---------------------------|-------------------|------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved |
| | | 229,395.00 | S 224,447.88 | |
| Salaries and Wages | \$ 229,395.00 | 5 268,763.00 | 221,519.53 \$ | 4,947.12 |
| Other Expenses | 268,763.00 | | | 47,243.47 |
| <u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u> | | | | |
| <u>WITHIN CAPS</u> | | | | |
| <u>Statutory Expenditures</u> | | | | |
| Contribution to: | | | | |
| Public Employees Retirement System | 21,734.00 | 21,734.00 | 21,734.00 | |
| Social Security System (O.A.S.I.) | 16,250.00 | 16,250.00 | 16,142.14 | 107.86 |
| Defined Contribution Retirement Program | 500.00 | 500.00 | | 500.00 |
| Unemployment | 7,500.00 | 7,500.00 | 7,500.00 | |
| Total Deferred Charges and Statutory Expenditures within Caps | <u>45,984.00</u> | <u>45,984.00</u> | <u>45,376.14</u> | <u>607.86</u> |
| Total Appropriations within Caps | <u>544,142.00</u> | <u>544,142.00</u> | <u>491,343.55</u> | <u>52,798.45</u> |
| | 20,805.00 | 20,805.00 | 20,805.00 | |
| <u>OPERATIONS EXCLUDED FROM CAPS</u> | | | | |
| BPP Adjustment for School Purposes | 8,650.00 | 8,650.00 | 7,585.66 | |
| Shared Service Agreement: | | | | |
| County of Monmouth - 911 Emergency Services | 4,000.00 | 4,000.00 | 4,000.00 | 1,064.34 |
| Public and Private Programs Offset by Revenues | | | | |
| Clean Communities Grant | | | | |
| Total Operations excluded from Caps | <u>33,455.00</u> | <u>33,455.00</u> | <u>32,390.66</u> | <u>1,064.34</u> |
| Detail: | 33,455.00 | 33,455.00 | 32,390.66 | 1,064.34 |
| Other Expenses | | | | |
| <u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u> | | | | |
| Department of Public Works Truck | <u>18,805.18</u> | 18,805.18 | <u>18,805.18</u> | |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit A-3

CURRENT FUND

Sheet 5 of 5

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriated | | Expended | |
|--|---------------|---------------------------|-----------------|-------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved |
| <u>DEFERRED CHARGES EXCLUDED FROM CAPS</u> | | | | |
| Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55) | \$ 13,000.00 | 13,000.00 | \$ 13,000.00 | |
| Ordinance Authorized But Not Funded: Brook Street, Fern Road & Academy Street | 28,000.00 | 28,000.00 | 28,000.00 | |
| Total Deferred Charges excluded from Caps | 41,000.00 | 41,000.00 | 41,000.00 | |
| Total General Appropriations excluded from Caps | 93,260.18 | 93,260.18 | 92,195.84 | 1,064.34 |
| Subtotal General Appropriations | 637,402.18 | 637,402.18 | 583,539.39 | 53,862.79 |
| Reserve for Uncollected Taxes | 155,735.62 | 155,735.62 | 155,735.62 | |
| Total General Appropriations | \$ 793,137.80 | 5 793,137.80 | \$ 739,275.01 | 5 53,862.79 |
| Reserve for: | Ref. | A-) | | A |
| Encumbrances | A | | \$ 12,156.81 | |
| Special Emergency Authorization | A | | 13,000.00 | |
| Uncollected Taxes | Az? | | 155,735.62 | |
| Disbursements | A-4 | | 526,398.02 | |
| Interfunds: | | | | |
| General Capital Fund | A-13 | | 28,000.00 | |
| Other Trust Fund | A-13 | | (15.44) | |
| Grant Fund | A-14 | | 4,000.00 | |
| | A-3 | | \$ 739,275.01 | |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit B

TRUST FUNDCOMPARATIVE STATEMENT OF ASSETS, LIABILITIES,RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| | Ref. | 2014 | 2013 |
|--|------|-------------------|-------------------|
| <u>Assets</u> | | | |
| Animal Control Trust Fund: | | | |
| Cash | B-1 | \$ 21,181.27 | \$ 18,557.61 |
| Other Trust Fund: | | | |
| Cash | B-1 | 150,306.44 | 154,014.41 |
| Interfund - Current Fund | B-5 | 44,176.08 | 59,608.33 |
| | | <u>194,482.52</u> | <u>213,622.74</u> |
| | | \$ 215,663.79 | \$ 232,180.35 |
| <u>Liabilities, Reserves and Fund Balance</u> | | | |
| Animal Control Trust Fund: | | | |
| Reserve for Animal Control Trust Fund Expenditures | B-2 | \$ 7,329.00 | 7,494.21 |
| Due to State of New Jersey | B-3 | | 2.40 |
| Interfund - Current Fund | B-5 | 13,852.27 | 11,061.00 |
| | | <u>21,181.27</u> | <u>18,557.61</u> |
| Other Trust Fund: | | | |
| Interfund - Public Assistance Trust Fund | | 1,422.53 | 1,422.53 |
| Miscellaneous Reserves | B-4 | 193,059.99 | 212,200.21 |
| | | <u>194,482.52</u> | <u>213,622.74</u> |
| | | \$ 215,663.79 | \$ 232,180.35 |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit C

GENERAL CAPITAL FUNDCOMPARATIVE STATEMENT OF ASSETS, LIABILITIES,RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| | <u>Ref.</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|----------------------|----------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | C-2 | \$ 475.60 | \$ 473.25 |
| Grants Receivable | C-3 | 241,572.36 | 88,572.36 |
| Deferred Charges to Future Taxation: Unfunded | C-4 | <u>537,775.59</u> | <u>433,775.59</u> |
| | 5 | <u>779,823.55</u> | <u>522,821.20</u> |
| <u>Liabilities, Reserves and Fund Balance</u> | | | |
| Capital Improvement Fund | C-5 | \$ 17,163.00 | \$ 32,163.00 |
| Interfund - Current Fund | C-6 | 206,346.50 | 159,710.00 |
| Improvement Authorizations: Funded | C-7 | 205,707.23 | 48,118.50 |
| Unfunded | C-7 | 348,084.72 | 280,307.60 |
| Reserve for Recreation Building | | 500.00 | 500.00 |
| Fund Balance | C-1 | <u>2,022.10</u> | <u>2,022.10</u> |
| | | <u>\$ 779,823.55</u> | <u>\$ 522,821.20</u> |

There were bonds and notes authorized but not issued on December 31, 2014 of \$537,775.59 and \$433,775.59 on December 31, 2013 (Schedule C-8).

STATEMENT OF FUND BALANCE - REGULATORY BASIS

Exhibit C-1

| | <u>Ref.</u> | |
|------------------------------------|-------------|-----------------|
| Balance December 31, 2013 and 2014 | \$ | <u>2,022.10</u> |

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHWATER UTILITY FUND

Exhibit D

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, Sheet 1 of 2RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| | Ref. | 2014 | 2013 |
|---|----------|------------------------|------------------------|
| <u>Assets</u> | | | |
| Operating Fund: | | | |
| Cash | D-5 | \$ 226,540.35 | \$ 302,100.39 |
| Receivables with Full Reserves: | | | |
| Consumer Accounts Receivable | D-7 | 121,333.55 | 118,629.55 |
| Interfunds: | | | |
| Current Fund | D-11 | 33,249.56 | 33,325.67 |
| Water Utility Capital Fund | D-11 | 81,021.76 | 67,406.60 |
| Total Operating Fund | | <u>462,145.22</u> | <u>521,462.21</u> |
| Capital Fund: | | | |
| Cash | D-5 | 4,191.65 | 8,863.92 |
| Fixed Capital | D-8 | 2,223,102.25 | 2,223,102.25 |
| Fixed Capital Authorized and Uncompleted | D-9 | 477,230.73 | 477,230.73 |
| Total Capital Fund | | <u>2,704,524.63</u> | <u>2,709,196.90</u> |
| | | <u>\$ 3,166,669.85</u> | <u>\$ 3,230,659.11</u> |
| <u>Liabilities, Reserves and Fund Balance</u> | | | |
| Operating Fund: | | | |
| Appropriation Reserves | D-4,10 5 | 30,880.25 | \$ 39,667.71 |
| Reserve for Encumbrances | D-4,10 | 400.00 | 20,283.63 |
| Reserve for Connections | | 4,100.00 | 4,100.00 |
| Interfunds: | | | |
| Payroll Fund | D-11 | 6,986.78 | 6,986.78 |
| Sewer Utility Operating Fund | D-11 | 47,630.06 | 32,304.26 |
| Accrued Interest on Bonds | D-13 | 20,641.14 | 20,641.14 |
| | | <u>110,638.23</u> | <u>123,983.52</u> |
| Reserve for Receivables | | 121,333.55 | 118,629.55 |
| Operating Fund Balance | D-2 | 230,173.44 | 278,849.14 |
| Total Operating Fund | | <u>462,145.22</u> | <u>521,462.21</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHWATER UTILITY FUND

Exhibit D

COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,

Sheet 2 of 2

RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| <u>Liabilities, Reserves and Fund Balance (Continued)</u> | <u>Ref.</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|------------------------|-----------------------|
| Capital Fund: | | | |
| Interfunds: | | | |
| Water Operating Fund | | \$ 81,021.76 | \$ 67,406.60 |
| Current Fund | | 3,306.25 | 3,306.25 |
| Capital Improvement Fund | D-12 | 50,755.00 | 40,755.00 |
| Improvement Authorizations: | | | |
| Funded | D-I4 | 42,230.73 | 52,230.73 |
| Unfunded | D-I4 | 104,516.84 | 163,804.27 |
| Reserve for Amortization | D-15 | 1,154,658.55 | 1,130,897.15 |
| Deferred Reserve for Amortization | D-16 | 193,730.73 | 152,730.73 |
| U.S.D.A. Rural Development Program Bonds | D-17 | 1,068,443.70 | 1,092,205.10 |
| Fund Balance | D-1 | 5,861.07 | 5,861.07 |
| Total Capital Fund | | <u>2,704,524.63</u> | <u>2,709,196.90</u> |
| | | <u>\$ 3,166,669.85</u> | <u>5 3,230,659.11</u> |

There were bonds and notes authorized but not issued on December 31, 2013 of \$324,500.00 and \$283,500.00 at December 31, 2014 (Schedule D-18),

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARM INGDALE - COUNTY OF MONMOUTH
WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Exhibit D-1

| | | | |
|------------------------------------|------|----|----------|
| Balance December 31, 2013 and 2014 | Ref. | \$ | 5,861.07 |
| | | | 5,861.07 |

WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

Exhibit D-2

| | Ref. | Year 2014 | Year 2013 |
|--|------|---------------|---------------|
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | D-3 | \$ 166,300.00 | \$ 122,175.92 |
| Water Rents | D-3 | 339,834.59 | 358,489.77 |
| Miscellaneous Revenue not Anticipated | D-3 | 6,091.68 | 4,271.99 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | D-10 | 36,698.03 | 30,138.95 |
| Total Income | | 548,924.30 | 515,076.63 |
| <u>Expenditures</u> | | | |
| Budget Expenditures: | | | |
| Operating | | 298,500.00 | 263,665.00 |
| Capital Improvement Fund | | 10,000.00 | 10,000.00 |
| Debt Service | | 76,800.00 | 77,050.00 |
| Deferred Charges and Statutory Expenditures | | 46,000.00 | 33,500.00 |
| Total Budget Expenditures | D-4 | 431,300.00 | 384,215.00 |
| Excess in Revenue | | 117,624.30 | 130,861.63 |
| Fund Balance January 1 | | 278,849.14 | 270,163.43 |
| | | 396,473.44 | 401,025.06 |
| Decreased by: | | | |
| Utilization by Water Operating Budget | D-2 | 166,300.00 | 122,175.92 |
| Fund Balance December 31 | | \$ 230,173.44 | \$ 278,849.14 |

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF FARMING DALE - COUNTY OF MONMOUTH

Exhibit D-3

WATER UTILITY OPERATING FUND

STATEMENT OF REVENUES

REGULATORY BASIS

| | Ref. | Anticipated Budget | Realized | Excess or (Deficit) |
|--|-------|-----------------------|---------------|------------------------|
| Fund Balance Anticipated | D-2 | \$ 166,300.00 | \$ 166,300.00 | |
| Rents | D-2,7 | 265,000.00 | 339,834.59 | 74,834.59 |
| Total General Revenues | | 431,300.00 | 506,134.59 | 74,834.59 |
| Non-Budget Revenues | D-2,3 | | 6,091.68 | 6,091.68 |
| | 5 | 431,300.00 | \$ 512,226.27 | \$ 80,926.27 |
| | Ref. | D-4 | | |
| <u>Analysis of Non-Budget Revenues</u> | | | | |
| Receipts | D-5 | | \$ 6,049.02 | |
| Interfuncl - Water Capital Fund | D-11 | | 42.66 | |
| | D-3 | | \$ 6,091.68 | |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

WATER UTILITY OPERATING FUND

Exhibit D-4

STATEMENT OF EXPENDITURES

REGULATORY BASIS

| | Appropriated | | Expended | | | | | |
|--|--------------|---------------------------|-----------------|-------------------|---|---------------------|---|--------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | | | | |
| Operating | | | | | | | | |
| Salaries and Wages | 5 | 60,500.00 | 5 | 60,500.00 | S | 60,488.95 | 5 | 11.05 |
| Other Expenses | | 238,000.00 | | 238,000.00 | | 207,768.76 | | 30,231.24 |
| Capital Improvements | | | | | | | | |
| Capital Improvement Fund | | 10,000.00 | | 10,000.00 | | 10,000.00 | | |
| Debt Service | | | | | | | | |
| U.S.D.A. Loan | | | | | | | | |
| Principal | | 23,761.00 | | 23,761.00 | | 23,761.00 | | |
| Interest | | 53,039.00 | | 53,039.00 | | 53,039.00 | | |
| Deferred Charges and Statutory Expenditures: | | | | | | | | |
| Deferred Charges: | | | | | | | | |
| Unfunded Ordinance #2010-02 | | 41,000.00 | | 41,000.00 | | 41,000.00 | | |
| Contribution to: | | | | | | | | |
| Social Security System (O.A.S.I.) | | 5,000.00 | | 5,000.00 | | 4,362.04 | | 637.96 |
| | | <u>5 431,300.00</u> | S | <u>431,300.00</u> | | <u>5 400,419.75</u> | | <u>S 30,880.25</u> |
| | Ref. | D-2,3 | | | | | | |
| Reserve for Encumbrances | D | | | | 5 | 400.00 | | |
| Disbursements | D-5 | | | | | 343,519.75 | | |
| Interfunds | D-11 | | | | | 56,500.00 | | |
| | | | | | | <u>5 400,419.75</u> | | |

The accompanying Notes to Financial Statements are an integral part of this statement

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit E

PUBLIC ASSISTANCE TRUST FUNDCOMPARATIVE STATEMENT OF ASSETS, LIABILITIESAND RESERVES - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---------------------------------|--------------------|--------------------|
| <u>Assets</u> | | |
| Interfunds: | | |
| Trust Other | \$ 1,422.53 | \$ 1,422.53 |
| Current Fund | 1,573.47 | 1,573.47 |
| | <u>\$ 2,996.00</u> | <u>\$ 2,996.00</u> |
| <u>Liabilities and Reserves</u> | | |
| Reserve for Public Assistance | <u>\$ 2,996.00</u> | <u>\$ 2,996.00</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit F

GENERAL FIXED ASSETS ACCOUNT GROUPCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESREGULATORY BASISDECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|------------------------------------|------------------------|------------------------|
| <u>Assets</u> | | |
| General Fixed Assets: | | |
| Land and Buildings | \$ 1,717,000.00 | \$ 1,717,000.00 |
| Machinery and Equipment | 564,615.00 | 564,615.00 |
| | <u>2,281,615.00</u> | <u>\$ 2,281,615.00</u> |
| <u>Lia bilities</u> | | |
| Investment in General Fixed Assets | <u>\$ 2,281,615.00</u> | <u>\$ 2,281,615.00</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit G

PAYROLL FUNDCOMPARATIVE STATEMENT OF ASSETS AND LIABILITIESREGULATORY BASISDECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|------------------------------|---------------------|---------------------|
| <u>Assets</u> | | |
| Cash | \$ 34,038.29 | 5 47,388.71 |
| Interfunds: | | |
| Water Utility Operating Fund | 6,986.78 | 6,986.78 |
| Sewer Utility Operating Fund | 7,985.37 | 7,985.37 |
| | <u>\$ 49,010.44</u> | <u>\$ 62,360.86</u> |
| <u>Liabilities</u> | | |
| Due to Various Agencies | \$ 8,762.84 | \$ 5,000.09 |
| Interfund - Current Fund | 40,247.60 | 57,360.77 |
| | <u>\$ 49,010.44</u> | <u>\$ 62,360.86</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHSEWER UTILITY FUND Exhibit SCOMPARATIVE STATEMENT OF ASSETS, LIABILITIES, Sheet 1 of 2RESERVES AND FUND BALANCE - REGULATORY BASISDECEMBER 31, 2014 AND 2013

| <u>Assets</u> | <u>Ref.</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|------------------------|------------------------|
| <u>Operating Fund:</u> | | | |
| Cash | S-5 5 | 262,915.69 | \$ 259,926.79 |
| <u>Interfunds:</u> | | | |
| Current Fund | S-11 | 10,388.00 | 10,388.00 |
| Water Utility Operating Fund | S-11 | 47,630.06 | 32,304.26 |
| | | <u>320,933.75</u> | <u>302,619.05</u> |
| <u>Receivables with Full Reserves:</u> | | | |
| Consumer Accounts Receivable | S-7 | 24,866.50 | 33,479.64 |
| Total Operating Fund | | <u>345,800.25</u> | <u>336,098.69</u> |
| <u>Capital Fund:</u> | | | |
| Cash | S-5 | 12,437.24 | 12,375.21 |
| Fixed Capital | S-8 | 2,181,642.60 | 2,181,642.60 |
| Fixed Capital Authorized and Uncompleted | S-9 | 4,030.00 | 4,030.00 |
| Interfund - Sewer Operating Fund | S-11 | 162,473.76 | 162,535.79 |
| Prospective Assessment Raised by Utility Revenue | | 4,648.00 | 4,648.00 |
| Total Capital Fund | | <u>2,365,231.60</u> | <u>2,365,231.60</u> |
| | | <u>\$ 2,711,031.85</u> | <u>\$ 2,701,330.29</u> |
| <u>Liabilities, Reserves and Fund Balance</u> | | | |
| <u>Operating Fund:</u> | | | |
| Appropriation Reserves | S-4,10 | \$ 17,308.50 | 26,973.52 |
| Reserve for Sewer Escrow | | 15,500.00 | 15,500.00 |
| Reserve for Encumbrances | S-4 | 292.80 | |
| Prepaid Sewer Rents | S-5,7 | 40,254.84 | 26,235.32 |
| <u>Interfunds:</u> | | | |
| Sewer Utility Capital Fund | S-11 | 162,473.76 | 162,535.79 |
| Payroll Fund | S-11 | 7,985.37 | 7,985.37 |
| | | <u>243,815.27</u> | <u>239,230.00</u> |
| Reserve for Receivables | | 24,866.50 | 33,479.64 |
| Operating Fund Balance | S-2 | 77,118.48 | 63,389.05 |
| Total Operating Fund | | <u>345,800.25</u> | <u>336,098.69</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHSEWER UTILITY FUND Exhibit SCOMPARATIVE STATEMENT OF ASSETS, LIABILITIES,RESERVES AND FUND BALANCE - REGULATORY BASIS Sheet 2 of 2DECEMBER 31, 2014 AND 2013

| <u>Liabilities, Reserves and Fund Balance (Continued)</u> | Ref. | 2014 | 2013 |
|---|------|-----------------|-----------------|
| Capital Fund: | | | |
| Improvement Authorizations: | | | |
| Funded | S-12 | 4,000.00 | 4,000.00 |
| Unfunded | S-12 | 30.00 | 30.00 |
| Reserve for Amortization | S-8 | 2,181,642.60 | 2,181,642.60 |
| Deferred Reserve for Amortization | S-12 | 4,000.00 | 4,000.00 |
| Reserve for Prospective Assessments | | | 4,648.00 |
| Raised by Utility Revenue | | 4,648.00 | |
| Capital Improvement Fund | | 166,352.00 | 166,352.00 |
| - Fund Balance | S-1 | 4,559.00 | 4,559.00 |
| Total Capital Fund | | 2,365,231.60 | 2,365,231.60 |
| | | \$ 2,711,031.85 | \$ 2,701,330.29 |
| | | 2,711,031.85 | 2,701,330.29 |

There were bonds and notes authorized but not issued on December 31, 2013 and 2014 of \$30.00 (Exhibit S-13).

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTHSEWER UTILITY CAPITAL FUND

Exhibit S-1

STATEMENT OF FUND BALANCE - REGULATORY BASIS

| | | |
|------------------------------------|-------------|--------------------|
| Balance December 31, 2013 and 2014 | <u>Ref.</u> | \$ <u>4,559.00</u> |
|------------------------------------|-------------|--------------------|

SEWER UTILITY OPERATING FUNDCOMPARATIVE STATEMENT OF OPERATIONS AND

Exhibit S-2

CHANGE IN FUND BALANCE - REGULATORY BASIS

| | <u>Ref.</u> | <u>Year 2014</u> | <u>Year 2013</u> |
|--|-------------|-------------------|---------------------|
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | S-3 | \$ 60,000.00 | \$ 79,500.00 |
| Sewer Rents | S-3 | 342,734.78 | 324,357.15 |
| Interest on Investments | S-3 | 1,144.59 | 1,792.44 |
| Miscellaneous Revenue not Anticipated | S-3 | 5,600.58 | 16,821.75 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | S-10 | 26,749.48 | 15,894.36 |
| Total Income | | <u>436,229.43</u> | <u>438,365.70</u> |
| <u>Expenditures</u> | | | |
| Operating | | 357,500.00 | 381,500.00 |
| Statutory Expenditures | | 5,000.00 | 5,000.00 |
| Total Expenditures | S-4 | <u>362,500.00</u> | <u>386,500.00</u> |
| Excess in Revenue | | 73,729.43 | 51,865.70 |
| Fund Balance January 1 | | <u>63,389.05</u> | <u>91,023.35</u> |
| | | 137,118.48 | 142,889.05 |
| Decreased by: | | | |
| Fund Balance Utilized | | <u>60,000.00</u> | <u>79,500.00</u> |
| Fund Balance December 31 | <u>5</u> | <u>77,118.48</u> | <u>\$ 63,389.05</u> |

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

Exhibit S-3

SEWER UTILITY OPERATING FUNDSTATEMENT OF REVENUESREGULATORY BASIS

| | <u>Ref.</u> | Anticipated Budget | Realized | Excess or (Deficit) |
|--|-------------|-----------------------|----------------------------|------------------------|
| Fund Balance Anticipated | | \$ 60,000.00 | \$ 60,000.00 | \$ |
| Interest on Investments | S-2,3 | 1,500.00 | 1,144.59 | (355.41) |
| Rents | S-2,7 | 301,000.00 | 342,734.78 | 41,734.78 |
| | | <u>302,500.00</u> | <u>343,879.37</u> | <u>41,379.37</u> |
| Total General Revenues | | 362,500.00 | 403,879.37 | 41,379.37 |
| Non-Budget Revenues | S-2,5 | | 5,600.58 | 5,600.58 |
| | S-4 | 5 | 362,500.00 | 5 409,479.95 |
| | | | <u><u>\$ 46,979.95</u></u> | |
| <u>Analysis of Interest on Investments</u> | | | | |
| Receipts | S-5 | | \$ 1,082.56 | |
| Interfunds | S-11 | | <u>62.03</u> | |
| | S-3 | | <u><u>\$ 1,144.59</u></u> | |

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

SEWER UTILITY OPERATING FUND

Exhibit S-4

STATEMENT OF EXPENDITURES

REGULATORY BASIS

| | Appropriated | | | | Expended | |
|---|--------------|---------------|------------------------------|----|----------------------|-----------|
| | Budget | | Budget After Modification | | Paid or Charged | Reserved |
| Operating | | | | | | |
| Salaries and Wages | 5 | 13,000.00 | \$ 13,000.00 | 5 | 12,996.09 | 3.91 |
| Other Expenses | | 344,500.00 | 344,500.00 | | 327,503.03 | 16,996.97 |
| Deferred Charges and Statutory Expenditures | | | | | | |
| Statutory Expenditures: | | | | | | |
| Contribution to: | | | | | | |
| Social Security System (O.A.S.1.) | | 5,000.00 | 5,000.00 | | 4,692.38 | 307.62 |
| | | \$ 362,500.00 | 5 362,500.00 | \$ | 345,191.50 | 17,308.50 |
| | <u>Ref.</u> | | S-2,3 | | S-5 | |
| Reserve for Encumbrances | | | | | \$ | |
| Disbursements | | | | | 29 | |
| | | | | | <u>\$ 345,191.50</u> | |

The accompanying Notes to Financial Statements are an integral part of this statement

BOROUGH OF FARMINGDALE - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Farmingdale County of Monmouth, New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid organization or volunteer fire company which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2014.

B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. 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 differs from the fund structure required by generally accepted accounting principles ("GAAP"):

Current Fund - revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Animal Control Trust Fund - animal license revenues and expenditures.

Other Trust Fund - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes, payroll costs and payroll taxes.

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Descriptions of Funds (Continued)

Water Utility Operating Fund - revenues and expenditures necessary to operate a municipally-owned water supply system from user fees.

Water Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of water capital facilities, other than those acquired through the Water Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

Sewer Utility Operating Fund - revenues and expenditures necessary to operate municipally-owned sewer collection system from user fees.

Sewer Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of sewer capital facilities, other than those acquired through the Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

Public Assistance Trust Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - used to account for fixed assets used in general government operations.

Payroll Fund - receipt and disbursement for payroll costs and payroll taxes.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Basis of Accounting (Continued)

Encumbrances - contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. 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.

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. Current Borough policies do not allow payments for unused sick time,

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 at its market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds are reported as a cash liability in the CuiTent Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are required to be 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.

GAAP does not require utilization of a general fixed asset account group.

Machinery and equipment are valued at replacement cost. Buildings and land are presented at assessed valuation.

Depreciation is not recorded in the General Fixed Assets Account Group.

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

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

Utility Fixed Assets - Accounting for utility fund "fixed capital" remains unchanged.

Property and equipment purchased by the Water and Sewer Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Water and Sewer Utility Funds are not depreciated. Principal payments for Water and Sewer Utility debt are recorded as expenditures in the Water or Sewer Utility Statement of Operations.

The fixed assets records of the Borough were not properly maintained during 2014. Ending ledger balances were as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

| | <u>Balance</u> <u>Dec. 31, 2014</u> | <u>Balance</u> <u>Dec. 31, 2013</u> |
|--|--|--|
| General Fixed Assets Account Group: | | |
| Land and Buildings | \$ 1,717,000 | \$ 1,717,000 |
| Machinery and Equipment | 564,615 | 564,615 |
| Water Utility Fund: | | |
| Fixed Capital | 2,223,102 | 2,223,102 |
| Fixed Capital Authorized and Uncompleted | 342,231 | 342,231 |
| Sewer Utility Fund: | | |
| Fixed Capital | 2,181,643 | 2,181,643 |
| Fixed Capital Authorized and Uncompleted | 4,030 | 4,030 |
| | <u>\$ 7,032,621</u> | <u>\$ 7,032,621</u> |

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

E. 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. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes,

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At year-end the carrying amount of the Borough's deposits was \$2,078,850 and the bank balance amount was \$2,090,578. Of this amount \$501,068 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$1,511,127. The remaining \$78,383 was the carrying value of the Borough's investment in the New Jersey Cash Management Fund.

B. Investments

a When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located,
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of Pl. 1977, c. 281; or

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a. (8) Agreements for the repurchase of fully collateralized securities, if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

- c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At year-end, the carrying value of the Borough's investments (that were all in the State of New Jersey Cash Management Fund) was \$85,720 and the investment balance amount was \$85,720.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

| <u>Depository Account</u> | Bank Balance | |
|---------------------------|---------------------|---------------------|
| | 2014 | 2013 |
| Insured: | | |
| FDIC | \$ 501,068 | \$ 500,000 |
| GUDPA | 1,511,127 | 1,685,913 |
| Uninsured | 78,383 | 85,720 |
| | <u>\$ 2,090,578</u> | <u>\$ 2,271,633</u> |

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year, the Borough had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Borough.

NOTE 3. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general, obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance 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. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

A. Long-Term DebtGeneral Capital Fund

The Borough had no long-term general capital debt at December 31, 2014.

NOTE 3. DEBT (CONTINUED)A. Long-Term Debt (Continued)Water Utility Capital Fund

5.00% U.S.D.A. Rural Development Program Bonds
issued July 18, 1975, installment maturities to
July 1, 2015 \$ 5,000

The Water Utility Fund bonds mature serially in installments to the year 2015. Aggregate debt service requirements during the next fiscal year is as follows:

| Year | <u>Principal</u> | <u>Interest</u> |
|------|------------------|-----------------|
| 2015 | \$ <u>5,000</u> | \$ <u>250</u> |

4.875% U.S.D.A. Rural Development Program Bonds issued
August 17, 2001, Semi-annual Level Debt Payments of
\$35,650 through the year 2041 \$ 1,082,205

The U.S.D.A. Rural Development Program bonds mature through the year 2041. Aggregate debt
service requirements during the next five fiscal years and thereafter are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|-------------------|
| 2015 | \$ 19,652 | \$ 51,622 |
| 2016 | 20,622 | 50,652 |
| 2017 | 21,639 | 49,635 |
| 2018 | 22,707 | 48,567 |
| 2019 | 23,827 | 47,447 |
| 2020-2024 | 137,978 | 218,392 |
| 2025-2029 | 175,550 | 180,820 |
| 2030-2034 | 223,352 | 133,018 |
| 2035-2039 | 284,171 | 72,199 |
| 2040-2041 | 133,979 | 8,280 |
| | | |
| Total | <u>\$ 1,063,477</u> | <u>\$ 860,632</u> |

NOTE 3. DEBT (CONTINUED)**B. Short-Term Debt**

The Borough had no short-term debt at December 31, 2014.

C. Bonds and Notes Authorized but not Issued

At December 31 the Borough had authorized but not issued bonds and notes as follows:

| | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------|-------------|
| General Capital Fund | \$ 537,776 | \$ 433,775 |
| Water Utility Capital Fund | 283,500 | 324,500 |
| Sewer Utility Capital Fund | 30 | 30 |

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2014 was .384%. The Borough's remaining borrowing power is 3.120%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the Supplementary Data section of this report.

E. Summary of Debt Activity During 2014 and 2013 following changes occurred

in the outstanding debt of the Borough:

| | <u>Balance</u> <u>Jan. 1, 2014</u> | <u>Retired</u> | <u>Balance</u> <u>Dec. 31, 2014</u> |
|---|---------------------------------------|----------------|--|
| Water Utility Fund Debt: | | | |
| U.S.D.A. Rural Development Program Bonds | \$ 1,092,205 | \$ 23,728 | \$ 1,068,477 |
| | | | |
| | <u>Balance</u> <u>Jan. 1, 2013</u> | <u>Retired</u> | <u>Balance</u> <u>Dec. 31, 2013</u> |
| Water Utility Fund Debt: | | | |
| U.S.D.A. Rural Development Program Bonds | \$ 1,115,084 | \$ 22,879 | \$ 1,092,205 |

NOTE 4. FUND BALANCES APPROPRIATED

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the municipal budget for the year ending December 31 of the succeeding years are as follows:

| | 2014 | 2013 |
|----------------------------|------------|------------|
| Current Fund | \$ 200,000 | \$ 202,964 |
| Water Utility Capital Fund | 164,850 | 166,300 |
| Sewer Utility Capital Fund | 62,750 | 60,000 |

NOTE 5. TAXES AND UTILITY CHARGES COLLECTED IN ADVANCE

Taxes and sewer charges collected in advance set forth as cash liabilities in the financial statements, are as follows:

| | Balance December 31 | |
|-------------------------------|---------------------|-----------|
| | 2014 | 2013 |
| Prepaid Taxes | \$ 60,317 | \$ 13,930 |
| Prepaid Sewer Utility Charges | 40,255 | 26,235 |

NOTE 6. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers, Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 7. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost 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 non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 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 the particular year in the current budget. As funds are raised, the deferred charges are reduced.

NOTE 8. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014 the following defened charge is reflected on the balance sheet of the Current Fund:

| | Balance Dec. 31, 2014 | 2015 Budget Appropriation | Balance to Succeeding Budgets |
|-----------------------------------|--------------------------|------------------------------|-------------------------------------|
| Special Emergency Authorizations: | | | |
| N.J.S. 40A:4-55: | | | |
| 2014 Revaluation | \$ 52,000 | \$ 13,000 | \$ 39,000 |

NOTE 9. PENSION PLANS

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New jersey Division of Pensions and Benefits ("the Division"): the Police and Firemen's Retirement System ("the PFRS"), the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Defined Contribution Retirement Program (DCRP)

The DCRP was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

NOTE 9. PENSION PLANS (CONTINUED)Defined Contribution Retirement Program (DCRP)

The contribution requirements of plan members are determined by State statute. Plan members are required to contribute 5.5% of their annual covered salary and the Borough is required to contribute 3% of the annual salary. The employee contributions along with the Borough's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

Other Information

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

| | 2014 | 2013 | 2012 |
|---------------------------------------|------------------|------------------|------------------|
| | PERS | PERS | PERS |
| Normal Contribution | \$ 3,960 | \$ 6,523 | \$ 7,879 |
| Accrued Liability | 17,411 | 15,596 | 15,759 |
| Total Regular Pension Contribution | 21,371 | 22,119 | 23,638 |
| Non-contributory Group Life Insurance | 363 | 1,316 | 1,506 |
| Total Due | <u>\$ 21,734</u> | <u>\$ 23,435</u> | <u>\$ 25,144</u> |

The Division does not invest in securities issued by the Borough.

NOTE 10. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough is a member of the Monmouth County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance programs for municipalities within the state. The Borough pays an actuarially determined annual assessment to Monmouth County Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Borough has not been notified on any supplemental assessments.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 11. CONTINGENT LIABILITIESState and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2014, the Borough estimates that no material liabilities will result from such audits.

NOTE 11. CONTINGENT LIABILITIES (CONTINUED)Major Tax Assessments

Taxpayers in 2014 with assessments in excess of 1% of the total assessed valuation were as follows:

| <u>Owner</u> | <u>Assessed Value</u> | <u>% of Value</u> |
|-------------------------------|---------------------------|-----------------------|
| Farmingdale Garden Apartments | \$ 11,500,000 | 7.64% |
| Farmingdale, LLC | 3,439,000 | 2.28% |
| Farmingdale Shopping Center | 2,442,200 | 1.62% |
| R.T. Equities, LLC | 2,107,200 | 1.40% |

Pending Litigation

There are actions which have been instituted against the Borough which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

The Borough officials believe that negligence and other types of liability suits, of which the Borough is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2014:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| Current Fund | \$ 263,753 | \$ 116,600 |
| Grant Fund | 27,213 | |
| Animal Control Trust Fund | | 13,852 |
| Other Trust Fund | 44,176 | 1,423 |
| General Capital Fund | | 206,346 |
| Water Utility Operating Fund | 114,271 | 54,617 |
| Water Utility Capital Fund | | 84,328 |
| Sewer Utility Operating Fund | 58,018 | 170,459 |
| Sewer Utility Capital Fund | 162,474 | |
| Public Assistance | 2,996 | |
| Payroll Fund | 14,972 | 40,248 |
| | <u>\$ 687,873</u> | <u>\$ 687,873</u> |