

BOROUGH OF STONE HARBOR
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011

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BOROUGH OF STONE HARBOR

PART I

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

FOR THE YEAR ENDED

DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Borough Council
Borough of Stone Harbor
County of Cape May, New Jersey

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the Borough of Stone Harbor, State of New Jersey (the “Borough”), as of December 31, 2011 and 2010 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2011, as listed in the accompanying table of contents. These financial statements – regulatory basis are the responsibility of the Borough’s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinions.

As described in Note 1, the Borough, prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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.

In our opinion, because of the Borough’s policy to prepare its financial statements on the prescribed 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 various funds and account groups of the Borough, as of December 31, 2011 and 2010 and the results of operations and changes in fund balance of such funds for the years then ended, and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2011.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the Borough, as of December 31, 2011 and 2010 and the results of operations and changes in fund balances – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2012 on our consideration of the Borough's internal control structure 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 audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements of the Borough. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to 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.

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

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

April 30, 2012

EXHIBIT - A
CURRENT FUND

BOROUGH OF STONE HARBOR
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 3,384,921.87	\$ 3,099,076.89
Change and Petty Cash Funds		<u>450.00</u>	<u>500.00</u>
		<u>3,385,371.87</u>	<u>3,099,576.89</u>
Other Receivables:			
Due from State of New Jersey		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	337,824.49	332,103.36
Revenue Accounts Receivable	A-9	4,430.21	2,632.87
Interfunds:			
Due from Trusts - Other		-	464.50
Due from Animal Control Fund		<u>0.04</u>	<u>91.40</u>
		<u>342,254.74</u>	<u>335,292.13</u>
Deferred Charges:			
Special Emergency Authorization		<u>20,000.00</u>	<u>30,000.00</u>
		<u>20,000.00</u>	<u>30,000.00</u>
		<u>3,747,626.61</u>	<u>3,464,869.02</u>
Federal and State Grant Fund:			
Cash	A-4	85,887.11	66,709.07
Grants Receivable	A-11	<u>175,016.50</u>	<u>276,761.00</u>
		<u>260,903.61</u>	<u>343,470.07</u>
		<u>\$ 4,008,530.22</u>	<u>\$ 3,808,339.09</u>

BOROUGH OF STONE HARBOR
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 799,026.91	\$ 528,702.17
Reserve for Encumbrances		162,704.60	132,760.72
Prepaid Taxes		407,196.15	419,907.83
Tax Overpayments		-	386.99
Local School District Taxes Payable		0.75	-
Due County - Added Taxes Payable		22,368.53	16,792.38
Payroll Taxes Payable		6,021.02	5,759.62
Prepaid Beach Fees		21,000.00	18,180.00
Prepaid Uniform Fire Code Fees		100,285.00	92,970.00
Due to State of New Jersey:			
State Fee for Marriage Licenses		50.00	75.00
State Training Fee for New Construction		4,454.00	4,641.00
Veterans and Senior Citizens Deductions		1,569.63	1,569.45
Reserve for Tax Appeals		16,500.00	16,500.00
Reserve for Reassessment Program		7,902.88	7,902.88
		<u>1,549,079.47</u>	<u>1,246,148.04</u>
Reserve for Receivables and Other Assets		342,254.74	335,292.13
Fund Balance	A-1	<u>1,856,292.40</u>	<u>1,883,428.85</u>
		<u>3,747,626.61</u>	<u>3,464,869.02</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	13,123.31	8,208.25
Appropriated Reserves	A-13	91,856.84	81,675.64
Encumbrances Payable	A-13	155,923.46	253,586.18
		<u>260,903.61</u>	<u>343,470.07</u>
		<u>\$ 4,008,530.22</u>	<u>\$ 3,808,339.09</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	921,250.00	\$ 800,000.00
Miscellaneous Revenue Anticipated		2,605,697.82	2,590,520.84
Receipts from Delinquent Taxes		322,024.55	332,128.67
Receipts from Current Taxes		20,905,180.41	20,555,655.18
Non-Budget Revenue		150,074.56	285,131.02
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		483,910.63	462,546.14
Interfunds Returned		555.90	-
Tax Overpayments Canceled		-	16.10
Total Income		<u>25,388,693.87</u>	<u>25,025,997.95</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages		5,047,948.00	4,890,661.00
Other Expenses		3,630,119.00	3,600,440.00
Deferred Charges & Statutory Expenditures		1,037,794.00	868,255.63
Appropriations Excluded from "CAP":			
Operations:			
Other Expenses		28,503.05	120,648.62
Capital Improvements		150,000.00	125,000.00
Municipal Debt Service		2,401,406.19	2,296,216.00
Deferred Charges & Statutory Expenditures		10,000.00	10,000.00
County Taxes		9,951,057.55	9,812,844.76
County Added and Omitted Taxes		22,368.53	16,792.38
Local District School Tax		2,215,104.00	2,172,505.00
Prior Year Senior Citizens Deduction Disallowed		250.00	250.00
Interfunds Created		-	464.50
Prior Year Tax Appeals Reserved		-	7,300.00
Refund of Prior Year Revenue		30.00	-
Total Expenditures		<u>24,494,580.32</u>	<u>23,921,377.89</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
Excess In Revenue		\$ <u>894,113.55</u>	\$ <u>1,104,620.06</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Years		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance		894,113.55	1,104,620.06
Fund Balance January 1	A	<u>1,883,428.85</u>	<u>1,578,808.79</u>
		2,777,542.40	2,683,428.85
Decreased by:			
Utilization as Anticipated Revenue		<u>921,250.00</u>	<u>800,000.00</u>
Fund Balance December 31	A	<u>\$ <u>1,856,292.40</u></u>	<u>\$ <u>1,883,428.85</u></u>

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 921,250.00	\$ -	\$ 921,250.00	\$ -
		921,250.00	-	921,250.00	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		10,000.00		10,188.00	188.00
Fees and Permits		245,000.00		252,751.60	7,751.60
Fines and Costs:					
Municipal Court		100,000.00		74,059.36	(25,940.64)
Interest and Costs on Taxes		77,000.00		74,913.81	(2,086.19)
Parking Meters		350,000.00		341,456.03	(8,543.97)
Interest on Investments and Deposits		35,000.00		27,990.10	(7,009.90)
Beach Fees		709,000.00		710,844.00	1,844.00
Tennis Courts		20,000.00		22,418.60	2,418.60
Cell Tower Rent		108,000.00		108,012.00	12.00
Uniform Fire Code Official		154,000.00		156,815.00	2,815.00
Arts and Crafts Show		88,000.00		84,550.00	(3,450.00)
Marina Fees		6,000.00		4,696.00	(1,304.00)
Cable TV Franchise Fee		26,000.00		26,293.50	293.50
Beach Concession		38,000.00		40,807.00	2,807.00
Special Event Revenue		38,000.00		29,574.25	(8,425.75)
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		214,317.00		214,317.00	-
Uniform Construction Code Fees		265,000.00		297,135.47	32,135.47

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (Continued):					
Special Items:					
Public and Private Programs Offset by Revenues:					
Green Communities Grant		\$ 6,281.85	\$ 3,000.00	\$ 3,000.00	\$ -
Recycling Tonnage Grant		1,840.40		6,281.85	-
Body Armor Grant			1,948.53	3,788.93	-
Drunk Driving Enforcement Fund			3,514.31	3,514.31	-
Clean Communities Program			11,917.96	11,917.96	-
Other Special Items:					
Uniform Fire Safety Act		8,000.00		6,173.05	(1,826.95)
Reserve for Payment of Bonds		35,200.00		35,200.00	-
Reserve for Payment of Bond Antic. Notes		120,000.00			(120,000.00)
General Capital Fund Balance		59,000.00		59,000.00	-
Total Miscellaneous Revenues	A-1	2,713,639.25	20,380.80	2,605,697.82	(128,322.23)
Receipts from Delinquent Taxes	A-1:A-2	324,294.00		322,024.55	(2,269.45)
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		8,919,009.00		9,118,386.33	199,377.33
Total Amount to be Raised by Taxes for Support of Municipal Budget					
Budget Totals		8,919,009.00	-	9,118,386.33	199,377.33
Non-Budget Revenues		12,878,192.25	20,380.80	12,967,358.70	68,785.65
		12,878,192.25	20,380.80	150,074.56	150,074.56
		\$ 12,878,192.25	\$ 20,380.80	\$ 13,117,433.26	\$ 218,860.21

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$ 20,905,180.41
Less:	
Reserve for State Tax Appeals	<u>-</u>
Net Revenues from Collections	20,905,180.41
Allocated to:	
School and County Taxes	<u>12,188,530.08</u>
Balance for Support of Municipal Budget Appropriations	8,716,650.33
Add: Appropriation	
"Reserve for Uncollected Taxes"	<u>401,736.00</u>
Amount for Support of Municipal	
Budget Appropriations	<u>\$ 9,118,386.33</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u>\$ 322,024.55</u>
	<u>\$ 322,024.55</u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:

Police Revenues	\$ 929.25
Zoning Board of Adjustment Fees	4,400.00
Planning Board	1,050.00
Copy Fees	78.57
Duplicate Tax Bills	6.00
Property Lists	390.00
NSF Check Fees	145.00
DMV Inspection Fines	765.00
Time Card Replacement	21.00
Senior Citizens & Veterans Administration Fee	445.81
Homestead Rebate Administration Fee	102.00
Mascot Races	516.00
Sale of Assets	7,782.44
Skate Park	869.00
CMCMUA Recycling Rebate	16,527.99
General Capital Reserves Canceled	1,992.90
Prior Year Voids	90.00
Municipal Clerk - Searches	30.00
JIF Safety Award	2,650.00
Recycled Oil	122.00
Refunds and Rebates	1,356.00
Sale of SREC's - Energy Credits	30,625.00
FEMA Storm Reimbursements	79,179.36
Miscellaneous	<u>1.24</u>
	<u>\$ 150,074.56</u>

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Reserve	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration	\$ 105,625.00	\$ 113,125.00	\$ 113,125.00	\$ -	\$ -
Salaries and Wages	28,000.00	28,000.00	11,097.28	792.12	16,110.60
Other Expenses					
Mayor and Council	68,250.00	68,250.00	62,600.00		5,650.00
Salaries and Wages	13,000.00	13,000.00	8,329.10	36.00	4,634.90
Other Expenses					
Municipal Clerk	176,115.00	178,315.00	178,230.48		84.52
Salaries and Wages	17,500.00	18,500.00	16,199.71	1,511.30	788.99
Other Expenses					
Financial Administration	136,636.00	136,636.00	136,635.97		0.03
Salaries and Wages	43,794.00	43,794.00	37,322.72	1,824.79	4,646.49
Other Expenses					
Audit Services	28,000.00	28,000.00	19,500.00		8,500.00
Other Expenses					
Collection of Taxes	40,372.00	42,403.00	42,402.81		0.19
Salaries and Wages	10,000.00	10,000.00	8,461.97	1,000.00	538.03
Other Expenses					
Assessment of Taxes	50,331.00	50,331.00	49,678.14		652.86
Salaries and Wages	13,100.00	13,100.00	10,778.98	120.12	2,200.90
Other Expenses					
Legal Services	43,825.00	43,825.00	43,825.00		
Salaries and Wages	90,000.00	90,000.00	18,529.89	5,400.01	66,070.10
Other Expenses					
Engineering Services and Costs	25,000.00	25,000.00	8,292.64	8,010.00	8,697.36
Other Expenses					
Insurance	1,369,335.00	1,369,335.00	1,137,373.22	12,994.26	218,967.52
Employee Group Health	400,000.00	400,000.00	392,217.13		7,782.87
Other Insurance Premiums					
Health Benefits Waiver					
Salaries and Wages	5,000.00	5,000.00	4,374.99		625.01
LAND USE ADMINISTRATION:					
Planning Board	3,856.00	3,856.00	2,910.27		945.73
Salaries and Wages	25,000.00	25,000.00	5,200.95	5,961.96	13,837.09
Other Expenses					
Zoning Board of Adjustment	31,928.00	31,928.00	31,928.00		
Salaries and Wages	8,700.00	8,700.00	6,073.80	2,534.25	91.95
Other Expenses					

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserve	
PUBLIC SAFETY:						
Fire Department	\$ 204,300.00	\$ 204,300.00	\$ 173,418.97	\$ 21,983.51	\$ 8,897.52	\$
Other Expenses						
Police Department	1,658,830.00	1,658,830.00	1,569,633.58		89,196.42	
Salaries and Wages						
Other Expenses:						
Miscellaneous Other Expenses	85,400.00	85,400.00	77,633.52	3,927.96	3,838.52	
Office of Emergency Management						
Salaries and Wages	7,374.00	7,374.00	7,374.00		-	
Other Expenses	6,400.00	6,400.00	6,022.70	354.16	23.14	
Aid to Volunteer Rescue Squad	70,000.00	70,000.00	70,000.00		-	
Municipal Prosecutor						
Salaries and Wages	19,721.00	19,721.00	19,721.00		-	
Uniform Fire Code Official						
Salaries and Wages	86,650.00	86,650.00	86,650.00		-	
Other Expenses	8,050.00	8,550.00	7,897.60	219.50	432.90	
Fire Hydrant Service						
Other Expenses	2,800.00	2,800.00	2,800.00		-	
Municipal Court						
Salaries and Wages	139,968.00	139,968.00	137,698.41		2,269.59	
Other Expenses	13,900.00	13,900.00	8,880.05	41.90	4,978.05	
PUBLIC WORKS:						
Public Works						
Salaries and Wages	864,756.00	864,756.00	752,846.78		111,909.22	
Other Expenses	107,450.00	107,450.00	79,252.24	6,182.73	22,015.03	
Solid Waste Collection						
Salaries and Wages	607,266.00	607,266.00	537,742.11		69,523.89	
Other Expenses	197,325.00	197,325.00	172,762.46	22,659.18	1,903.36	
Public Building and Grounds						
Other Expenses	135,550.00	135,550.00	115,304.94	14,906.59	5,338.47	
NATURAL RESOURCES						
Natural Resources Committee						
Other Expenses	10,000.00	10,000.00	6,067.77	850.00	3,082.23	
Animal Control						
Other Expenses	20,000.00	20,000.00	8,909.80	1,469.20	9,621.00	

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserve	(Overexpended) Unexpended Balance Canceled
	Budget				Encumbered			
HEALTH AND HUMAN SERVICES:								
Board of Health								
Salaries and Wages	\$ 435.00	\$ 435.00	\$ 435.00	\$ 435.00	\$ -	\$ -	\$ -	\$ -
Other Expenses	2,000.00	2,000.00	1,556.33	229.67	214.00			
Safety Compliance								
Other Expenses	23,500.00	23,500.00	21,379.52	2,003.02	117.46			
RECREATION AND EDUCATION:								
Docks, Bulkheads and Seawall								
Salaries and Wages	6,000.00	6,000.00	4,599.25		1,400.75			
Beach Patrol								
Salaries and Wages	583,024.00	549,243.00	544,192.00		5,051.00			
Other Expenses	51,000.00	51,000.00	50,365.78	610.00	24.22			
Parks and Playgrounds								
Salaries and Wages	135,000.00	129,800.00	111,326.47		18,473.53			
Other Expenses	45,300.00	45,300.00	35,897.02	1,137.82	8,265.16			
Special Events								
Salaries and Wages	25,000.00	25,000.00	25,000.00		-			
Arts and Crafts								
Salaries and Wages	14,420.00	14,420.00	13,568.00		852.00			
Other Expenses	30,200.00	30,200.00	26,299.36		3,900.64			
Tourism								
Salaries and Wages	33,000.00	33,000.00	33,000.00		-			
Other Expenses	86,565.00	86,565.00	56,683.71	3,843.00	26,038.29			
Celebration of 100th Anniversary								
Other Expenses	10,000.00	10,000.00	10,000.00		-			
UNIFORM CONSTRUCTION CODE:								
State Uniform Construction Code								
Construction Official								
Salaries and Wages	174,991.00	174,991.00	174,991.00		-			
Other Expenses	9,450.00	9,450.00	4,399.58	388.28	4,662.14			
UNCLASSIFIED:								
Longevity Pay for Employees	56,825.00	56,825.00	55,790.85		1,034.15			
UTILITY EXPENSES AND BULK PURCHASES:								
Electric	105,000.00	105,000.00	78,611.81	19,404.42	6,983.77			
Telephone	58,000.00	58,000.00	51,333.30	3,419.50	3,247.20			
Street Lighting	105,000.00	111,000.00	105,358.86	5,641.14	-			
Gasoline	140,000.00	159,000.00	147,751.79	11,248.21	-			

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 8,673,817.00	\$ 8,673,067.00	\$ 7,738,243.61	\$ 160,704.60	\$ 774,118.79
Contingent	5,000.00	5,000.00	2,000.00	2,000.00	1,000.00
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	8,678,817.00	8,678,067.00	7,740,243.61	162,704.60	775,118.79
Detail:					
Salaries and Wages	5,075,198.00	5,047,948.00	4,740,279.11	-	307,668.89
Other Expenses	3,603,619.00	3,630,119.00	2,999,964.50	162,704.60	467,449.90
STATUTORY EXPENDITURES:					
Contributions to:					
Police and Fire Retirement System of N.J.	345,842.00	345,842.00	345,842.00	-	-
Public Employees Retirement System	284,202.00	284,202.00	284,202.00	-	-
Defined Contribution Retirement Plan	2,000.00	2,000.00	1,780.40	-	219.60
Social Security System (O.A.S.I.)	385,000.00	385,000.00	361,493.53	-	23,506.47
Unemployment Compensation Insurance	20,000.00	20,750.00	20,567.95	-	182.05
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"	1,037,044.00	1,037,794.00	1,013,885.88	-	23,908.12
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	9,715,861.00	9,715,861.00	8,754,129.49	162,704.60	799,026.91
OTHER OPERATIONS EXCLUDED FROM "CAPS"					
None	-	-	-	-	-
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	-	-	-	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Drunk Driving Enforcement Fund (40A:4-87, \$3,514.31)		3,514.31	3,514.31	-	-
Body Armor Grant (40A:4-87, \$1,948.53)	1,840.40	3,788.93	3,788.93	-	-
Recycling Tonnage Grant	6,281.85	6,281.85	6,281.85	-	-
Clean Communities Program (40A:4-87, \$11,917.96)		11,917.96	11,917.96	-	-
Green Communities Grant (40A:4-87, \$3,000.00)		3,000.00	3,000.00	-	-
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	8,122.25	28,503.05	28,503.05	-	-
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	8,122.25	28,503.05	28,503.05	-	-
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	8,122.25	28,503.05	28,503.05	-	-

BOROUGH OF STONE HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserve	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ -	\$ -	\$ -
TOTAL CAPITAL IMPROVEMENTS	<u>150,000.00</u>	<u>150,000.00</u>	<u>150,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEBT SERVICE						
Payment of Bond Principal	1,737,000.00	1,737,000.00	1,737,000.00	-	-	-
Payment of Bond Anticipation Notes	175,000.00	175,000.00	-	-	-	175,000.00
Interest on Bonds	496,613.00	496,613.00	496,613.00	-	-	-
Interest on Notes	108,191.00	108,191.00	108,190.62	-	-	0.38
New Jersey Environmental Infrastructure Trust:						
Payment of Principal	37,373.00	37,373.00	29,438.06	-	-	7,934.94
Payment of Interest	38,296.00	38,296.00	30,164.51	-	-	8,131.49
TOTAL DEBT SERVICE	<u>2,592,473.00</u>	<u>2,592,473.00</u>	<u>2,401,406.19</u>	<u>-</u>	<u>-</u>	<u>191,066.81</u>
DEFERRED CHARGES - EXCLUDED FROM "CAPS"						
Special Emergency Authorization (40A:4-55)	10,000.00	10,000.00	10,000.00	-	-	-
TOTAL DEFERRED CHARGES - EXCLUDED FROM "CAPS"	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>2,760,595.25</u>	<u>2,780,976.05</u>	<u>2,589,909.24</u>	<u>-</u>	<u>-</u>	<u>191,066.81</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>12,476,456.25</u>	<u>12,496,837.05</u>	<u>11,344,038.73</u>	<u>162,704.60</u>	<u>799,026.91</u>	<u>191,066.81</u>
Reserve for Uncollected Taxes	401,736.00	401,736.00	401,736.00	-	-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 12,878,192.25</u>	<u>\$ 12,898,573.05</u>	<u>\$ 11,745,774.73</u>	<u>\$ 162,704.60</u>	<u>\$ 799,026.91</u>	<u>\$ 191,066.81</u>
Appropriation by 40A:4-87	\$ 20,380.80					
Budget	<u>12,878,192.25</u>	<u>12,898,573.05</u>				
Reserve for Uncollected Taxes	\$ 401,736.00					
Payroll Deductions Payable	1,587,648.29					
Reserve for State and Federal Grants - Appropriated	28,503.05					
Deferred Charges - Special Emergency Authorization	10,000.00					
Disbursed	<u>9,717,887.39</u>					
	\$ 11,745,774.73					

EXHIBIT - B
TRUST FUND

BOROUGH OF STONE HARBOR
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>Assets</u>			
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ <u>287.54</u>	\$ <u>255.40</u>
		<u>287.54</u>	<u>255.40</u>
<u>Other Funds</u>			
Cash and Investments	B-2	<u>583,544.58</u>	<u>421,241.99</u>
		<u>583,544.58</u>	<u>421,241.99</u>
		<u>\$ 583,832.12</u>	<u>\$ 421,497.39</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures		\$ 284.50	\$ 161.00
Due to State of New Jersey		3.00	3.00
Due to Current Fund		<u>0.04</u>	<u>91.40</u>
		<u>287.54</u>	<u>255.40</u>
<u>Other Funds</u>			
Due to Current Fund		-	464.50
Reserve for Preservation Trust Expenditures		113,920.32	113,625.65
Reserve for Parking Offenses Adjudication Act		14,974.65	18,348.23
Reserve for Self Insurance:			
Workers Compensation		61,524.13	61,500.46
Reserve for Developer's Escrow		21,775.02	19,656.02
Reserve for Street Opening Deposits		4,972.20	-
Premium Received at Tax Sale		20.00	10,520.00
Reserve for Off-Duty Police		1,961.73	1,961.73
Reserve for Health Flex Account		0.01	-
Reserve for Disposal of Forfeited Property		425.00	425.00
Reserve for Public Defender Fees		2,111.80	4,374.54
Reserve for Contributions - Bird Sanctuary		23,343.93	32,732.87
Reserve for Council on Affordable Housing		302,313.43	132,201.66
Reserve for Uniform Fire Code Penalties		1,400.00	700.00
Reserve for 100th Anniversary		<u>34,802.36</u>	<u>24,731.33</u>
		<u>583,544.58</u>	<u>421,241.99</u>
		<u>\$ 583,832.12</u>	<u>\$ 421,497.39</u>

EXHIBIT - C
GENERAL CAPITAL FUND

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Cash and Investments	C-2,C-3	\$ 4,172,051.02	\$ 1,931,379.35
Due from NJ Environmental Infrastructure Trust		1,737,916.00	1,675,800.00
Deferred Charges to Future Taxation:			
Funded	C-5	25,540,361.94	14,556,800.00
Unfunded	C-6	<u>2,604,950.00</u>	<u>10,612,950.00</u>
		<u>\$ 34,055,278.96</u>	<u>\$ 28,776,929.35</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-8	\$ 23,894,000.00	\$ 12,881,000.00
Bond Anticipation Notes Payable	C-9	-	8,655,250.00
NJEIT Loan Payable		1,646,361.94	1,675,800.00
Improvement Authorizations:			
Funded	C-7	2,637,429.82	1,613,124.65
Unfunded	C-7	2,604,950.00	1,898,349.59
Contracts Payable	C-7	2,322,310.74	1,473,654.41
Reserve for Payment of Bonds		680,244.43	280,084.05
Reserve for Payment of NJEIT Loan		62,116.00	-
Reserve for Payment of Bond Anticipation Notes		-	120,000.00
Reserve for Arbitrage Liability		1,699.33	1,699.33
Reserve for Revitalization of 96th Street		-	1,805.20
Reserve for Beach Replenishment		-	187.70
Capital Improvement Fund	C-4	158,046.94	115,469.69
Preliminary Improvement Costs - Traffic Study		-	577.25
Fund Balance	C-1	<u>48,119.76</u>	<u>59,927.48</u>
		<u>\$ 34,055,278.96</u>	<u>\$ 28,776,929.35</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and 2010 in the amounts of \$2,604,950.00 and \$1,957,700.00, respectively.

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance December 31, 2010	<u>Ref.</u> C		\$	59,927.48
Increased by:				
Premium on General Serial Bonds		\$		<u>47,192.28</u>
				<u>47,192.28</u>
				<u>107,119.76</u>
Decreased by:				
Anticipated as a Revenue in 2011 Budget				<u>59,000.00</u>
				<u>59,000.00</u>
Balance December 31, 2011	C		\$	<u><u>48,119.76</u></u>

EXHIBIT - D
WATER AND SEWER UTILITY FUND

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

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
Operating Fund:			
Cash and Investments	D-5	\$ 503,918.62	\$ 289,867.75
Cash - Change Fund		50.00	50.00
Due from Water and Sewer Capital Fund	D	-	140,829.72
		<u>503,968.62</u>	<u>430,747.47</u>
Receivables with Full Reserves:			
Water Rents Receivable	D-7	41,140.31	51,443.16
Sewer Rents Receivable	D-7	36,780.32	42,837.69
Private Fire Protection Fees Receivable	D-7	414.00	648.20
Miscellaneous		1,170.03	1,670.00
		<u>79,504.66</u>	<u>96,599.05</u>
Total Operating Fund		<u>583,473.28</u>	<u>527,346.52</u>
Capital Fund:			
Cash and Investments	D-5	313,343.56	-
Fixed Capital:			
Completed		12,604,681.87	12,169,681.87
Authorized and Uncompleted		8,150,000.00	6,375,000.00
Due from N.J. Environ. Infrastructure Trust			
2010 Series A		469,100.00	2,010,265.00
2010 Series B		17,290.00	451,700.00
Total Capital Fund		<u>21,554,415.43</u>	<u>21,006,646.87</u>
		<u>\$ 22,137,888.71</u>	<u>\$ 21,533,993.39</u>

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

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4	\$ 26,422.25	\$ 121,718.89
Encumbrances Payable		61,638.39	12,425.16
Rent Overpayments		9,622.71	8,216.02
Accrued Interest on Bonds and Notes	D-11	104,967.16	83,532.10
		<u>202,650.51</u>	<u>225,892.17</u>
Reserve for Receivables	D	79,504.66	96,599.05
Fund Balance	D-1	301,318.11	204,855.30
Total Operating Fund		<u>583,473.28</u>	<u>527,346.52</u>
Capital Fund:			
Serial Bonds Payable	D-13	4,730,000.00	3,390,000.00
NJ Environmental Infrastructure Trust Loan	D-13a	4,917,086.98	5,152,282.46
Bond Anticipation Notes Payable	D-14	-	1,243,267.00
Encumbrances Payable		1,375,566.75	2,633,242.97
Improvement Authorizations:			
Funded	D-12	200,318.09	36,754.44
Unfunded	D-12	2,200,820.56	835,240.82
Due to Water and Sewer Operating Fund	D	-	140,829.72
Deferred Reserve for Amortization		62,700.00	59,600.00
Reserve for Amortization		8,015,730.89	7,466,131.41
Capital Improvement Fund	D-10	17,575.77	20,675.77
Fund Balance	D-2	34,616.39	28,622.28
Total Capital Fund		<u>21,554,415.43</u>	<u>21,006,646.87</u>
		<u>\$ 22,137,888.71</u>	<u>\$ 21,533,993.39</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and 2010 in the amounts of \$3,029,164.00 and \$1,233,401.00, respectively.

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	\$	200,000.00	\$ 219,447.00
Water Rents		1,289,948.05	1,073,524.94
Sewer Rents		1,553,422.49	1,535,708.66
Fire Hydrant Service		2,800.00	2,800.00
Miscellaneous		79,175.04	74,079.54
Other Credits to Income:			
Unexpended Balance of Appropriation			
Reserves		97,548.48	43,736.97
Total Income		<u>3,222,894.06</u>	<u>2,949,297.11</u>
Expenditures:			
Operations:			
Salaries and Wages		405,339.00	381,572.00
Other Expenses		460,915.00	440,575.00
Cape May County Municipal Utilities Authority		1,260,000.00	1,325,000.00
Debt Service		766,232.00	615,099.71
Deferred Charges and Statutory Expenditures		33,770.00	29,600.00
Refund of Prior Year Revenue		175.25	-
Total Expenditures		<u>2,926,431.25</u>	<u>2,791,846.71</u>
Excess in Revenue		296,462.81	157,450.40
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budgets of			
Succeeding Years		-	-
Statutory Excess to Fund Balance		<u>296,462.81</u>	<u>157,450.40</u>
Fund Balance January 1	D	<u>204,855.30</u>	<u>266,851.90</u>
		501,318.11	424,302.30
Decreased by:			
Utilization as Anticipated Revenue		<u>200,000.00</u>	<u>219,447.00</u>
Balance December 31	D	<u>\$ 301,318.11</u>	<u>\$ 204,855.30</u>

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

Balance December 31, 2010	<u>Ref.</u> D		\$	28,622.28
Increased by:				
Premium on Bonds Issued		\$	<u>5,994.11</u>	<u>5,994.11</u>
				34,616.39
Decreased by:				
No Activity in 2011				<u>-</u>
Balance December 31, 2011	D		\$	<u><u>34,616.39</u></u>

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

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	\$ 200,000.00	\$ 200,000.00	\$ -
Anticipated Revenue:			
Water Rents	1,181,524.00	1,289,948.05	108,424.05
Sewer Rents	1,530,000.00	1,553,422.49	23,422.49
Fire Hydrant Service	2,800.00	2,800.00	-
Miscellaneous	74,000.00	79,175.04	5,175.04
	<u>2,788,324.00</u>	<u>2,925,345.58</u>	<u>137,021.58</u>
Total Revenue	\$ <u>2,988,324.00</u>	\$ <u>3,125,345.58</u>	\$ <u>137,021.58</u>
<u>Analysis of Realized Revenue:</u>			
Water Rents:			
Accounts Receivable	\$ 1,288,508.18		
Overpayments Applied	<u>1,439.87</u>		
Total Water Rents		\$ <u>1,289,948.05</u>	
Sewer Rents:			
Accounts Receivable	\$ 1,521,824.98		
Overpayments Applied	<u>31,597.51</u>		
Total Sewer Rents		\$ <u>1,553,422.49</u>	
Miscellaneous Revenue:			
Meter Boxes & Fittings	\$ 43,273.69		
Penalties on Delinquent Accounts	7,115.94		
Meter Rental	500.00		
NSF Fee	120.00		
Sewer Vent Penalty	675.00		
Final Meter Reading	2,360.00		
Miscellaneous Parts	2,030.00		
Street Openings	6,930.00		
Turn off/on	4,900.00		
Permanent Disconnect	450.00		
Private Fire Protection	<u>10,089.00</u>		
Total Miscellaneous - Collector		\$ 78,443.63	
Interest on Investments		<u>731.41</u>	
		\$ <u>79,175.04</u>	

BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended		(Overexpended) Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
Operations:					
Salaries and Wages	\$ 429,509.00	\$ 405,339.00	\$ 398,591.10	\$ 6,747.90	\$
Other Expenses	440,915.00	460,915.00	385,170.62	61,638.39	14,105.99
Cape May County MUA	1,260,000.00	1,260,000.00	1,254,665.00	5,335.00	
	<u>2,130,424.00</u>	<u>2,126,254.00</u>	<u>2,038,426.72</u>	<u>61,638.39</u>	<u>26,188.89</u>
Debt Service:					
Payment of Bond Principal	544,300.00	544,300.00	515,195.48		29,104.52
Interest on Bonds	260,700.00	260,700.00	237,667.15		23,032.85
Interest on Notes	23,300.00	23,300.00	13,369.37		9,930.63
	<u>828,300.00</u>	<u>828,300.00</u>	<u>766,232.00</u>	<u>-</u>	<u>62,068.00</u>
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	28,000.00	32,000.00	31,806.11	193.89	
Unemployment	1,600.00	1,770.00	1,730.53	39.47	
	<u>29,600.00</u>	<u>33,770.00</u>	<u>33,536.64</u>	<u>233.36</u>	<u>-</u>
	<u>\$ 2,988,324.00</u>	<u>\$ 2,988,324.00</u>	<u>\$ 2,838,195.36</u>	<u>\$ 61,638.39</u>	<u>\$ 26,422.25</u>
	D				D
Accrued Interest on Bonds and Notes		\$	251,036.52		
Cash Disbursements			<u>2,587,158.84</u>		
		\$	<u>2,838,195.36</u>		

Ref.

EXHIBIT - E
PUBLIC ASSISTANCE FUND

BOROUGH OF STONE HARBOR
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
Cash Trust I	E-1	\$ <u>2,471.98</u>	\$ <u>2,465.59</u>
		\$ <u>2,471.98</u>	\$ <u>2,465.59</u>
 <u>Liabilities and Reserves</u>			
Reserve for Public Assistance		\$ <u>2,471.98</u>	\$ <u>2,465.59</u>
		\$ <u>2,471.98</u>	\$ <u>2,465.59</u>

EXHIBIT - G
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF STONE HARBOR
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2011 AND 2010

	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<u>Assets</u>		
Land	\$ 78,321,333.00	\$ 78,321,333.00
Land Improvements	66,634.52	66,634.52
Building Improvements	4,381,853.56	4,381,853.56
Machinery and Equipment	7,915,840.31	7,806,390.89
	<hr/>	<hr/>
Total General Fixed Assets	\$ 90,685,661.39	\$ 90,576,211.97
	<hr/> <hr/>	<hr/> <hr/>
<u>Fund Equity</u>		
Investment in General Fixed Assets	\$ 90,685,661.39	\$ 90,576,211.97
	<hr/> <hr/>	<hr/> <hr/>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – regulatory basis of the Borough of Stone Harbor have been prepared in conformity with an “Other Comprehensive Basis of Accounting” (OCBOA) as established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from Accounting Principles Generally Accepted in the United States of America (GAAP). The more significant of the Borough’s accounting policies are described below.

Description of Financial Reporting Entity

The Borough of Stone Harbor is a seashore community located on the Atlantic Ocean in the County of Cape May, State of New Jersey. The population according to the 2000 census is 1,128.

The Borough of Stone Harbor was incorporated in 1914 and operates under a Mayor and Council form of government. The Mayor is the Chief Executive Officer of the Borough and is elected by the voters. The Borough Council is the law making body and passes all Resolutions and Ordinances. The Borough employs an administrator who is responsible for the day-to-day operations of the Borough.

Component Units

The primary criterion for including activities within the Borough’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- The organization is legally separate (can sue or be sued in their own name)
- The Borough holds the corporate powers of the organization
- The Borough appoints a voting majority of the organization’s board
- The Borough is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Borough
- There is a fiscal dependency by the organization on the Borough.

The financial statements of the component units of the Borough of Stone Harbor are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14. If the provisions of GASB 14 had been complied with, the other entity’s financial statements would have to be either blended or discretely presented with the financial statements – regulatory basis of the Borough of Stone Harbor, the primary government.

Basis of Presentation, Fund Accounting

The financial statements – regulatory basis of the Borough of Stone Harbor contain all funds and account groups in accordance with the “Requirements of Audit” as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Stone Harbor accounts for its financial transactions through the following separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Fund

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

Trust Funds

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

General Capital Funds

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

Water and Sewer Utility Operating and Capital Funds

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

Budgets and Budgetary Accounting

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

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

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

Cash and Investments

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

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

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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

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

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

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to Fund Balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies

The costs of inventories 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.

General Fixed Assets

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

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive. Fixed Assets used in governmental operations ("general fixed assets") are accounted for in the General Fixed Assets Account Group. Public Domain ("Infrastructure") fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized.

All fixed assets, with the exception of Land are valued at historical cost, or estimated historical cost if actual historical cost is not available. Land is valued at the Assessed Valuation of 1985 which is the year of implementation of fixed asset accounting for New Jersey Municipal Governments.

No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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

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

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Fixed Assets

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

Foreclosed Property

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

Deferred Charges

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

Appropriation Reserves

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

Liens Sold for Other Governmental Units

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

Fund Balance

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

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Revenues are recorded as received in cash except for certain amounts that are due from other governmental units. Revenue from federal and State grants is realized as revenue when anticipated as such in the Borough's budget. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

Property Tax Revenues

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

School Taxes

The Borough is responsible for levying, collecting and remitting school taxes for the Borough of Stone Harbor School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2010 and decreased by the amount deferred at December 31, 2011. GAAP would require the recording of a deferred revenue. Following is a breakdown as of December 31 for the last two years:

		<u>Dec. 31, 2011</u>		<u>Dec. 31, 2010</u>
School Tax Payable	\$	0.75	\$	-
School Tax Deferred		1,107,550.50		1,107,550.50
	\$	<u>1,107,551.25</u>	\$	<u>1,107,550.50</u>

County Taxes

The Borough is responsible for levying, collecting and remitting county taxes for the County of Cape May. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition fund balance is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for Uncollected Taxes

The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Borough’s annual budget protects the Borough from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A reserve for uncollected taxes is not established under GAAP.

Expenditures

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

Compensated Absences and Post-Employment Benefits

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

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year</u> <u>2011</u>	<u>Year</u> <u>2010</u>	<u>Year</u> <u>2009</u>
Issued:			
General:			
Bonds and Notes	\$ 23,894,000.00	\$ 21,536,250.00	\$ 21,031,000.00
Loans Payable	1,646,361.94	1,675,800.00	-
Water/Sewer Utility:			
Bonds and Notes	4,730,000.00	4,633,267.00	4,480,000.00
Loans Payable	4,917,086.98	5,152,282.46	1,725,077.19
Total Issued	<u>35,187,448.92</u>	<u>32,997,599.46</u>	<u>27,236,077.19</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes:			
General	<u>742,360.43</u>	<u>400,084.05</u>	<u>299,484.05</u>
Net Debt Issued	<u>34,445,088.49</u>	<u>32,597,515.41</u>	<u>26,936,593.14</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	2,604,950.00	1,957,700.00	3,503,750.00
Water/Sewer Utility:			
Bonds and Notes	<u>3,029,164.00</u>	<u>1,233,401.00</u>	<u>5,208,667.00</u>
Total Authorized But Not Issued	5,634,114.00	3,191,101.00	8,712,417.00
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 40,079,202.49</u>	<u>\$ 35,788,616.41</u>	<u>\$ 35,649,010.14</u>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .61%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Water & Sewer Utility Debt	\$ 12,614,134.98	\$ 12,614,134.98	\$ -
General Debt	<u>28,145,311.94</u>	<u>742,360.43</u>	<u>27,402,951.51</u>
	<u>\$ 40,759,446.92</u>	<u>\$ 13,356,495.41</u>	<u>\$ 27,402,951.51</u>

Net debt \$27,465,067.51 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,512,128,816 = .61%.

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

3-1/2% of Equalized Valuation Basis	\$	157,924,508.56
Net Debt		<u>27,465,067.51</u>
	\$	<u>130,459,441.05</u>

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

Cash Receipts from Fees, Rents or Other Charges for the Year		\$ 3,125,345.58
Deductions:		
Operating & Maintenance Costs	\$	2,159,954.00
Debt Service per Water and Sewer Funds		<u>766,232.00</u>
Total Deductions		<u>2,926,186.00</u>
Excess in Revenue	\$	<u>199,159.58</u>

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

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Description of Bonds and Loans Payable

At December 31, 2011, bonds payable in the General Capital Fund consisted of the following individual issues:

\$13,994,000 General Improvement Bonds dated August 15, 2006, due in annual installments through August 15, 2018, bearing interest at a variable rate ranging from 3.875% to 4.00%. The balance remaining as of December 31, 2011 is \$11,144,000.00.

\$12,750,000 General Improvement Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a variable rate ranging from 2.0% to 3.125%. The balance remaining as of December 31, 2011 is \$12,750,000.00.

\$807,377.20 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2011 is \$807,377.20.

\$868,422.80 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2011 is \$838,984.74.

At December 31, 2011, bonds payable in the Water and Sewer Utility Fund consisted of the following individual issues:

\$3,450,000 Water and Sewer Utility Bond dated August 15, 2006, due in annual installments through August 15, 2020, bearing interest at a variable rate ranging from 3.875% to 4.00% per annum. The balance remaining as of December 31, 2011 is \$3,110,000.00.

\$1,620,000 General Improvement Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a variable rate ranging from 2.0% to 3.125%. The balance remaining as of December 31, 2011 is \$1,620,000.00.

\$920,000 N.J. Environmental Trust Loan Bond Series A dated November 8, 2007, due in annual installments beginning August 1, 2009 through August 1, 2027, bearing interest at varying rates. The balance remaining as of December 31, 2011 is \$825,000.00.

\$901,733 N.J. Environmental Fund Loan Bond Series A dated November 8, 2007, due in semi-annual installments through August 1, 2027, bearing no interest. The balance remaining at December 31, 2011 is \$725,905.45.

\$775,000 N.J. Environmental Trust Loan Bond Series A dated March 10, 2010, due in annual installments beginning August 1, 2011 through August 1, 2029, bearing interest at varying rates. The balance remaining as of December 31, 2011 is \$750,000.00.

\$2,373,566 N.J. Environmental Fund Loan Bond Series A dated March 10, 2010, due in semi-annual installments through August 1, 2029, bearing no interest. The balance remaining at December 31, 2011 is \$2,172,416.35.

\$217,622.80 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2011 is \$217,622.80.

\$234,077.20 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2011 is \$226,142.38.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

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

	Outstanding 12/31/10	Issues or Additions	Payments or Expenditures	Outstanding 12/31/11
General Capital Fund:				
Bonds Payable	\$ 12,881,000.00	\$ 12,750,000.00	\$ 1,737,000.00	\$ 23,894,000.00
NJEIT Loans Payable	1,675,800.00		29,438.06	1,646,361.94
Total General Capital Fund	<u>14,556,800.00</u>	<u>12,750,000.00</u>	<u>1,766,438.06</u>	<u>25,540,361.94</u>
Utility Capital Fund:				
Bonds Payable	3,390,000.00	1,620,000.00	280,000.00	4,730,000.00
NJEIT Loans Payable	5,152,282.46		235,195.48	4,917,086.98
Total Utility Capital Fund	<u>8,542,282.46</u>	<u>1,620,000.00</u>	<u>515,195.48</u>	<u>9,647,086.98</u>
Total All Funds	<u>\$ 23,099,082.46</u>	<u>\$ 14,370,000.00</u>	<u>\$ 2,281,633.54</u>	<u>\$ 35,187,448.92</u>

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

Year Ending December 31	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2012	\$ 2,346,726.07	\$ 834,885.11	\$ 635,483.09	\$ 248,786.14
2013	2,476,726.07	759,006.66	654,727.74	232,174.59
2014	2,566,726.07	678,728.21	677,036.07	214,778.04
2015	2,660,664.49	595,649.76	705,375.18	196,666.49
2016	2,700,664.49	509,574.39	728,950.65	177,091.86
2017-2021	9,318,829.86	1,263,751.43	3,657,813.73	540,699.82
2022-2026	3,057,090.97	216,766.23	1,856,380.00	159,821.27
2027-2030	412,933.92	30,128.96	731,320.52	24,096.04
	<u>\$ 25,540,361.94</u>	<u>\$ 4,888,490.75</u>	<u>\$ 9,647,086.98</u>	<u>\$ 1,794,114.25</u>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Short-Term Debt

Short-term debt provides for financing of capital projects. On November 14, 2008, the Borough originally issued \$2,000,000 of bond anticipation notes to finance various capital improvements at an interest rate of 3.25%. These notes matured on November 12, 2009. At that time, the Borough renewed \$7,350,000 of the original notes and issued an additional \$5,350,000 of notes to finance additional projects at an annual rate of 1.35%. These notes matured on November 12, 2010. At that time, the Borough renewed \$7,350,000 of the original notes and issued an additional \$2,548,517 of notes to finance additional projects at an annual rate of 1.25%. These notes matured on November 10, 2011. The Borough used bond proceeds from the 2011 bond sale to pay off the bond anticipation notes on November 10, 2011.

The following is a summary of changes in short-term debt for the year ended December 31, 2011:

	<u>Current Fund</u>	<u>Utility Capital Fund</u>	<u>Total</u>
Balance December 31, 2010	\$ 8,655,250.00	\$ 1,243,267.00	\$ 9,898,517.00
Increases	-	-	-
Decreases	<u>8,655,250.00</u>	<u>1,243,267.00</u>	<u>9,898,517.00</u>
Balance December 31, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 3: COMPENSATED ABSENCES

The Borough does not permit employees to accrue sick and vacation time. Hence, employees are not compensated upon retirement for accrued time.

NOTE 4: DEFERRED COMPENSATION ACCOUNT

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan administrator is as follows:

Nationwide Retirement Solutions

NOTE 5: TAXES COLLECTED IN ADVANCE

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

	Balance December 31, 2011		Balance December 31, 2010
	<u> </u>		<u> </u>
Prepaid Taxes - Cash Liability	\$ 407,196.15	\$	419,907.83
	<u> </u>		<u> </u>

NOTE 6: PENSION PLANS

Plan Descriptions

All eligible employees participate in the Public Employees' Retirement System (PERS), or the Police and Firemen's Retirement System (PFRS), or the Defined Contribution Retirement Program (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Police and Fireman's Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System (PFRS) was established as of July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 6: PENSION PLANS (Continued)

Plan Descriptions (Continued)

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55 and generally determined to be 2% of final average compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final average compensation for each year of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

Retirement benefits for members are determined according to the applicable Tier level:

Tier 1 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement, a member must have at least 25 years of service credit; however, if a member is under the age of 55 at the time of retirement, the retirement allowance is reduced 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Tier 2 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 60 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 60 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 6: PENSION PLANS (Continued)

Vesting and Benefit Provisions (Continued)

Tier 3 Membership: The retirement age is 62 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 62 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 62 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with Chapter 415, P.L. 1999, the member rate was set at 5.5% (increased to 6.5% effective 10/1/11) of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% (increased to 10% effective 10/1/11) of base salary.

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

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Pension Deferral	Funded by Excess Pension Asset Credit	Paid by Borough
2011	\$ 101,850.00	\$ 20,061.00	\$ 162,291.00	\$ 284,202.00	\$	\$	\$ 284,202.00
2010	87,020.00	27,573.00	111,810.00	226,403.00			226,403.00
2009	79,713.00	21,369.00	92,198.00	193,280.00			193,280.00

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

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Pension Deferral	Paid by Borough
2010	\$ 183,938.00	\$ 14,416.00	\$ 147,488.00	\$ 345,842.00	\$ -	\$ 345,842.00
2010	159,357.00	13,874.00	113,531.00	286,762.00		286,762.00
2009	150,406.00	10,464.00	104,068.00	264,938.00		264,938.00

For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. For the Deferred Contribution Retirement Program, the Borough's contribution was \$1,780.40 for 2011, \$1,222.56 for 2010 and \$737.50 for 2009.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 7: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. Operating cash, in the form various checking, savings and NOW Accounts, are held in the Borough's name by a commercial banking institution. At December 31, 2011, the carrying amount of the Borough's deposits was \$9,046,426.28 and the bank balance was \$9,148,312.73. Of the bank balance, \$642,471.66 was insured with Federal Deposit Insurance and \$8,455,751.77 was covered by GUDPA and \$50,089.30 was uninsured.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Borough's bank accounts are profiled in order to determine exposure, if any to Custodial Credit Risk (risk that in the event of failure of the counterparty the Borough would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are uncollateralized (securities not pledged by the depositor), collateralized with securities held by the pledging institution or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2011, all of the Borough's deposits were insured with Federal Deposit Insurance or under the provisions of the Governmental Unit Deposit Protection Act (GUDPA) and not exposed to custodial credit risk. The Borough does not have a policy for custodial credit risk.

Investments

Pursuant to the cash management plan, the Borough may invest in the following:

- Direct obligations of, or obligations as to which the principal and interest is guaranteed by, the United States of America
- Government money market mutual funds
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress
- Bonds or obligations of the local unit or other obligations of school districts within the local unit
- Local government investment pools
- State of New Jersey Cash Management Fund
- Agreements for the repurchase of fully collateralized securities

The Borough had no investments during 2011.

Interest Rate Risk: The Borough does not have a policy to limit interest rate risk.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: PROPERTY TAXES

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

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

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500.

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

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

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

Comparative Schedule of Tax Rates			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$ 0.479	\$ 0.472	\$ 0.463
Apportionment of Tax Rate:			
Municipal	0.202	0.198	0.190
County	0.226	0.223	0.224
Local School	0.051	0.051	0.049

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: PROPERTY TAXES (Continued)

Assessed Valuation

2011	\$	4,428,270,227.00
2010		4,422,259,103.00
2009		4,413,930,459.00

Comparison of Tax Levies and Collections

<u>Year</u>		<u>Tax Levy</u>		<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$	21,257,652.65	\$	20,905,180.41	98.34%
2010		20,908,844.31		20,564,855.18	98.35%
2009		20,472,351.75		20,128,100.00	98.32%

Delinquent Taxes and Tax Title Liens

<u>Year</u>		<u>Tax Title Liens</u>		<u>Delinquent Taxes</u>		<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$	-	\$	337,824.49	\$	337,824.49	1.59%
2010		-		332,103.36		332,103.36	1.59%
2009		-		338,201.83		338,201.83	1.76%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>		<u>Amount</u>
2011	\$	-
2010		-
2009		-

NOTE 9: ECONOMIC DEPENDENCY

The Borough of Stone Harbor is not economically dependent on any one funding agency within the Borough or the State of New Jersey.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 10: FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of each year and the amounts utilized in the subsequent year's budgets.

	<u>Year</u>		<u>Balance December 31st</u>		<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2011	\$	1,856,292.40	\$	925,000.00	49.83%
	2010		1,883,428.85		921,250.00	48.91%
	2009		1,578,808.79		800,000.00	50.67%
	2008		1,569,040.18		800,000.00	50.99%
	2007		1,997,024.72		915,740.00	45.86%
Water & Sewer Utility	2011		301,318.11		205,439.00	68.18%
	2010		204,855.30		200,000.00	97.63%
	2009		266,851.90		219,447.00	82.24%
	2008		254,439.39		229,000.00	90.00%
	2007		239,013.11		230,000.00	96.23%

NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2011 are as follows:

<u>Amount</u>	<u>Due From</u>	<u>Due To</u>
\$ 0.04	Animal Control Fund	Current Fund
<u>\$ 0.04</u>		

NOTE 12: POST RETIREMENT BENEFITS

The Borough provides post-employment medical benefits to eligible retirees and their dependants. These benefits are budgeted by the Borough annually on a "pay as you go basis" and included in group insurance.

In accordance with GASB 45 and the State of New Jersey, the Borough is required to obtain an actuarial valuation of the liability for providing these benefits. Since the Borough has less than 100 participants, the Alternative Measurement Method (AMM) is used. The (AMM) report was based on 48 total participants including 2 retirees. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 12: POST RETIREMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Actuarial Methods and Assumptions

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

In the December 31, 2010 AMM Report, the Entry Age cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 2.0% and annual medical premium cost trend consistent with the Getzen model promulgated by the Society of Actuaries. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll.

Other Post-employment Benefit Costs and Obligations

In the December 31, 2010 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2010 was projected as follows:

		<u>December 31,</u> <u>2010</u>
Normal Cost	\$	18,643
Amortization of Unfunded Liability		42,952
Implicit Subsidy		1,786
Total ARC	\$	<u><u>63,381</u></u>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 12: POST RETIREMENT BENEFITS (Continued)

The following reflects the components of the 2011 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the December 31, 2010 actuarial valuation and actual OPEB payments made or accrued during 2011:

	December 31, 2011
Net OPEB Obligation - Beginning of Year	\$ 1,502,259
Annual OPEB Cost	63,381
OPEB Payments	25,519
Increase in Net OPEB Obligation	37,862
Net OPEB Obligation - End of Year	\$ 1,540,121
Percentage of OPEB Cost Contributed	40.26%

Required Supplementary Information:

	December 31, 2011
Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability (AAL)	1,540,121
Total Unfunded AAL (UAAL)	\$ 1,540,121
Funded ratio	0.00%
Covered payroll	\$ 1,494,830
UAAL as a % of Covered Payroll	103.03%

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 13: BUDGETARY DATA

Annually, Borough Council adopts the annual appropriation budgets for the Current Fund and the Capital Improvement Plan as well as for the Water and Sewer Utility Fund. Once approved, the Borough Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Supplemental appropriations per N.J.S.A. 40A:4-46 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances.

Budget transfers between appropriation accounts are prohibited until the last two months of the year. The Borough Council approves the transfers by resolution. Budgetary transfers during the year were not significant.

NOTE 14: FEDERAL AND STATE GRANTS

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

NOTE 15: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2011:

	Balance December 31, 2010		Additions		Disposals		Balance December 31, 2011
	<u> </u>		<u> </u>		<u> </u>		<u> </u>
Land	\$ 78,321,333.00	\$		\$		\$	78,321,333.00
Land Improvements	66,634.52						66,634.52
Building Improvements	4,381,853.56						4,381,853.56
Machinery & Equipment	<u>7,806,390.89</u>		<u>262,702.24</u>		<u>153,252.82</u>		<u>7,915,840.31</u>
Total	\$ <u>90,576,211.97</u>	\$	<u>262,702.24</u>	\$	<u>153,252.82</u>	\$	<u>90,685,661.39</u>

BOROUGH OF STONE HARBOR
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 16: JOINT INSURANCE POOL

The Borough of Stone Harbor is a member of the Atlantic County Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation
 General Liability, Law Enforcement Liability
 Employee Benefits Liability
 Public Official Liability
 Property, Real and Personal
 Automobile Liability
 Boiler and Machinery
 Crime, Fidelity

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

NOTE 17: LITIGATION

The Borough is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Borough, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

NOTE 18: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2010 through April 30, 2012 the date that the financial statements were issued for possible disclosure and recognition in the financial statements.

Subsequent to December 31, the Borough of Stone Harbor authorized additional bonds and notes for various improvements as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
General Capital:		
Various Improvements	March 6, 2012	\$ 1,618,100.00
Water and Sewer Capital:		
Various Improvements	March 6, 2012	750,000.00
		\$ <u>2,368,100.00</u>

The Borough anticipates closing on two New Jersey Environmental Infrastructure Trust Fund Loans in early May 2012. The first, totaling \$4,745,000.00 to fund 2011 capital improvements and the second for \$865,330.00 to fund 2010 capital improvements.

SUPPLEMENTARY INFORMATION

BOROUGH OF STONE HARBOR
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2010	\$ 3,099,076.89	\$ 66,709.07
Increased by Receipts:		
Collector	\$ 21,322,622.66	\$
Revenue Accounts Receivable	2,391,130.96	
State of New Jersey-Senior Citizens & Veterans	22,290.59	
Miscellaneous Revenue Not Anticipated	150,074.56	
Petty Cash Funds	500.00	
Change Funds	1,950.00	
Prepaid Beach Fees	21,000.00	
Prepaid Uniform Fire Code Fees	100,285.00	
State Training Fees for New Construction	12,951.00	
State Fee for Marriage Licenses	825.00	
Due from Trusts - Other	464.50	
Due from Animal Control Fund	91.40	
Grants - Unappropriated		13,037.31
Grants Receivable		122,125.30
	<u>24,024,185.67</u>	<u>135,162.61</u>
	27,123,262.56	201,871.68
Decreased by Disbursements:		
2011 Appropriations	9,717,887.39	
2010 Appropriation Reserves	177,552.26	
County Taxes	9,951,057.55	
County Added and Omitted Taxes	16,792.38	
Local District School Tax	2,215,103.25	
Tax Overpayments Refunded	12,100.10	
Payroll Deductions Payable	1,587,386.89	
Petty Cash Funds	500.00	
Change Funds	1,900.00	
State Training Fees for New Construction	13,138.00	
State Fee for Marriage Licenses	850.00	
Third Party Liens Redemptions	44,042.87	
Refund of Prior Year Revenue	30.00	
Grants - Appropriated Reserves		115,984.57
	<u>23,738,340.69</u>	<u>115,984.57</u>
Balance December 31, 2011	\$ <u>3,384,921.87</u>	\$ <u>85,887.11</u>

BOROUGH OF STONE HARBOR
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

Balance December 31, 2010	<u>Ref.</u> A		\$	-
Increased by Receipts:				
Taxes Receivable		\$ 20,784,369.73		
Tax Overpayments		12,100.10		
Revenue Accounts Receivable		74,913.81		
Deposit for Redemption of Tax Title Liens		44,042.87		
Prepaid Taxes		<u>407,196.15</u>		
				<u>21,322,622.66</u>
				21,322,622.66
Decreased by Disbursements:				
Payment to Treasurer		<u>21,322,622.66</u>		
				<u>21,322,622.66</u>
Balance December 31, 2011	A		\$	<u><u>-</u></u>

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

Year	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Collections		Canceled	Transferred To Tax Title Liens	Balance Dec. 31, 2011
				2010	2011			
2008	\$ 2,675.88	\$	\$	\$	\$	\$	\$	\$ 2,675.88
2009	2,615.71		250.00		322,024.55	0.51		2,615.71
2010	326,811.77		250.00	-	322,024.55	0.51		5,036.71
2011	332,103.36			419,907.83	20,485,272.58	24,976.05		10,328.30
		21,257,652.65	250.00	419,907.83	20,807,297.13	24,976.56		327,496.19
	\$ 332,103.36	\$ 21,257,652.65	\$ 250.00	\$ 419,907.83	\$ 20,807,297.13	\$ 24,976.56	\$	\$ 337,824.49

Ref.

A

\$ 20,784,369.73 Taxes Receivable
 22,540.41 Senior Citizens and Veterans
 386.99 Overpayments Applied
\$ 20,807,297.13

Analysis of 2011 Property Tax Levy
 Tax Yield:
 General Property Tax \$ 21,210,243.46
 Added Taxes (54:4-63.1 et seq.) 47,409.19
 \$ 21,257,652.65

Tax Levy:
 Local District School Tax:
 Levy \$ 2,215,104.00
 County Tax 8,190,423.26
 County Library Tax 1,309,240.28
 County Open Space Tax 451,394.01
 County Taxes Added and Omitted 22,368.53
 9,973,426.08

Local Tax for Municipal Purposes 8,919,009.00
 Add: Additional Tax Levied 150,113.57
 \$ 9,069,122.57
 \$ 21,257,652.65

BOROUGH OF STONE HARBOR
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Miscellaneous Revenue Anticipated:	Ref.	Balance Dec. 31, 2010	Accrued In 2011	Collected	Balance Dec. 31, 2011
Licenses:					
Alcoholic Beverages		-	10,188.00	10,188.00	-
Fees and Permits		-	252,751.60	252,751.60	-
Construction Code Official		-			-
Fees and Permits		-	297,135.47	297,135.47	-
Municipal Court		-			-
Fines and Costs		2,630.58	75,857.71	74,059.36	4,428.93
Parking Meters		-	341,456.03	341,456.03	-
Interest and Costs on Taxes		-	74,913.81	74,913.81	-
Interest on Investments and Deposits		2.29	27,989.09	27,990.10	1.28
Beach Fees		-	710,844.00	710,844.00	-
Tennis Courts		-	22,418.60	22,418.60	-
Cell Tower Rent		-	108,012.00	108,012.00	-
Television Cable Fees		-	26,293.50	26,293.50	-
Uniform Fire Code Official		-	156,815.00	156,815.00	-
Uniform Fire Safety Act		-	6,173.05	6,173.05	-
Arts and Crafts Show		-	84,550.00	84,550.00	-
Marina Fees		-	4,696.00	4,696.00	-
Beach Concession		-	40,807.00	40,807.00	-
Special Events Revenue		-	29,574.25	29,574.25	-
Energy Receipts Tax		-	214,317.00	214,317.00	-
General Capital Fund Balance		-	59,000.00	59,000.00	-
Reserve for Payment of Bonds		-	35,200.00	35,200.00	-
TOTALS		\$ 2,632.87	\$ 2,578,992.11	\$ 2,577,194.77	\$ 4,430.21
	Ref.	A			A
Prepayments Applied			\$ 111,150.00		
Tax Collector			74,913.81		
Treasurer			2,391,130.96		
			<u>\$ 2,577,194.77</u>		

BOROUGH OF STONE HARBOR
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Salaries and Wages					
Police	\$ 41,862.03	\$ 41,862.03	\$ 1,169.34	\$ 40,692.69	\$
Public Works	32,784.46	32,784.46	27,223.27	5,561.19	
Solid Waste Collection	38,140.98	38,140.98	16,238.79	21,902.19	
Other Expenses					
General Administration	4,941.62	4,941.62	1,351.29	3,590.33	
Municipal Clerk	5,521.96	5,521.96	265.39	5,256.57	
Financial Administration	6,144.72	6,144.72	80.35	6,064.37	
Audit Services	10,500.00	10,500.00	10,500.00	-	
Collection of Taxes	2,171.83	2,171.83	545.74	1,626.09	
Assessment of Taxes	3,681.61	3,681.61	1,493.49	2,188.12	
Legal Services	70,531.45	70,531.45	174.00	70,357.45	
Engineering Services and Costs	21,574.25	21,574.25	385.00	21,189.25	
Group Insurance Plan for Employees	80,617.59	80,617.59	11,530.71	69,086.88	
Planning Board	13,217.91	13,217.91	12,216.24	1,001.67	
Zoning Board of Adjustment	4,856.56	4,856.56	1,213.48	3,643.08	
Construction Code Official	2,862.53	2,862.53	194.83	2,667.70	
Police	16,876.99	16,876.99	4,703.44	12,173.55	
Emergency Management	2,099.08	2,099.08	623.21	1,475.87	
Fire	15,756.95	15,756.95	15,441.95	315.00	
Uniform Fire Code Official	3,295.25	3,295.25	151.94	3,143.31	
Municipal Court	4,199.33	4,199.33	570.22	3,629.11	
Public Works	8,371.60	8,371.60	4,289.57	4,082.03	
Solid Waste Collection	23,659.69	23,659.69	6,251.38	17,408.31	
Public Buildings and Grounds	22,535.40	22,535.40	14,086.14	8,449.26	
Board of Health	499.00	499.00	75.00	424.00	
Natural Resources	13,560.42	13,560.42	6,165.00	7,395.42	
Animal Control	14,875.42	14,875.42	7,065.61	7,809.81	
Safety Compliance	15,854.48	15,854.48	8,342.30	7,512.18	
Parks and Playgrounds	4,988.10	4,988.10	175.88	4,812.22	

BOROUGH OF STONE HARBOR
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010

	<u>Balance</u> Dec. 31, 2010	<u>Balance</u> After Transfers	<u>Paid or</u> Charged	<u>Balance</u> Lapsed	<u>Overexpended</u>
Tourism	\$ 30,165.62	\$ 30,165.62	\$ 2,492.21	\$ 27,673.41	\$
Electricity	17,631.38	17,631.38	8,012.77	9,618.61	
Street Lighting	11,915.15	11,915.15	9,341.88	2,573.27	
Telephone	5,290.48	5,290.48	3,548.89	1,741.59	
Gasoline	32,237.85	32,237.85	1,516.93	30,720.92	
Unemployment Compensation	641.34	641.34	116.02	525.32	
Other Accounts - No Change	77,599.86	77,599.86		77,599.86	
TOTALS	<u>\$ 661,462.89</u>	<u>\$ 661,462.89</u>	<u>\$ 177,552.26</u>	<u>\$ 483,910.63</u>	<u>\$ -</u>
Appropriation Reserves	\$ 528,702.17				
Encumbrances	132,760.72				
	<u>\$ 661,462.89</u>				
Accounts Payable			-		
Disbursements			<u>177,552.26</u>		
			<u>\$ 177,552.26</u>		

**BOROUGH OF STONE HARBOR
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2011</u>
State:					
Police Body Armor Grant	\$ -	\$ 3,788.93	\$ 3,788.93	\$ -	-
Clean Communities Program -2011	-	11,917.96	11,917.96		-
Drunk Driving Enforcement Fund	-	3,514.31	3,514.31		-
Green Communities Grant	-	3,000.00			3,000.00
Recycling Tonnage Grant	-	6,281.85	6,281.85		-
NJDOT Relocation of Site 103	266,121.00		102,244.50		163,876.50
Cooperative Marketing Grant	2,500.00		2,500.00		-
Other:					
Cape May County - Road Improvements	8,140.00				8,140.00
TOTALS	\$ 276,761.00	\$ 28,503.05	\$ 130,247.55	\$ -	\$ 175,016.50
	A				A
Unappropriated Reserves Realized Received			\$ 8,122.25		
			122,125.30		
			\$ 130,247.55		

BOROUGH OF STONE HARBOR
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2010	<u>Received</u>	<u>Appropriated</u> in 2011 Budget	<u>Balance</u> Dec. 31, 2011
State:				
Police Body Armor Replacement Fund	\$ 1,840.40	\$	1,840.40	-
Supplemental Fire Services Program	1.00			1.00
Recycling Tonnage Grant - 2010	6,281.85		6,281.85	-
Recycling Tonnage Grant - 2011	-	6,066.45		6,066.45
Shore Bird Stewardship	-	5,200.00		5,200.00
Drunk Driving Enforcement Fund - 2011		1,770.86		1,770.86
Other:				
Contributions - Feral Cat Management	85.00			85.00
TOTALS	\$ 8,208.25	\$ 13,037.31	\$ 8,122.25	\$ 13,123.31
Ref.	A			A

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

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Budget Appropriations</u>	<u>Expended</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2011</u>
State:					
Municipal Court Alcohol Rehabilitation and Education Program	\$ 330.85	\$	\$	\$	\$ 330.85
Drunk Driving Enforcement Fund	-	3,514.31	3,514.31		-
Recycling Tonnage Grant	8,505.43	6,281.85			14,787.28
DOT Relocation of Site 103	-		(3,166.00)		3,166.00
Clean Communities Program - 2011	-	11,917.96	7,490.92		4,427.04
Clean Communities Program - 2010	3,813.42		3,813.42		-
Police Body Armor Replacement Fund	1,460.17	3,788.93			5,249.10
Municipal Stormwater Regulation Grant - 2004	6,377.02		2,500.00		3,877.02
Municipal Stormwater Regulation Grant - 2005	6,822.00				6,822.00
Green Communities Program	-	3,000.00	3,000.00		-
Other:					
Cape May County - Streetscape - 2008	8,904.53				8,904.53
Shore Bird Stewardship Grant	20,738.20		1,169.20		19,569.00
MUA Mini - Grant	1,737.71				1,737.71
Contributions- Archival Museum	1,257.10				1,257.10
Contributions - Bird Sanctuary	215.65				215.65

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

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Budget Appropriations</u>	<u>Expended</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2011</u>
Other: - Continued					
Contributions - Feral Cat Management	\$ 148.27	\$	\$	\$	148.27
Private Donation - Speed Sentry	45.00				45.00
Comcast Technology Grant	21,200.00		-		21,200.00
Donations - Parks	120.29				120.29
TOTALS	<u>\$ 60,355.35</u>	<u>\$ 28,503.05</u>	<u>\$ 18,321.85</u>	<u>\$ -</u>	<u>\$ 91,856.84</u>
Ref.	A				A
			Reserve for Encumbrances		
			Prior Encumbrances Canceled		
			Cash Disbursements		
			\$ 155,923.46		
			(253,586.18)		
			115,984.57		
			<u>\$ 18,321.85</u>		

BOROUGH OF STONE HARBOR
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2010	<u>Ref.</u> B	\$	255.40
Increased by Receipts:			
Animal Licenses Fees		\$	123.50
State License Fees			38.40
Interest Earned - Due to Current Fund			<u>0.91</u>
			<u>162.81</u>
			418.21
Decreased by Disbursements:			
Reserve for Dog Fund Expenditures			-
Statutory Excess Paid to Current Fund			92.27
State of New Jersey			<u>38.40</u>
			<u>130.67</u>
Balance December 31, 2011	B	\$	<u><u>287.54</u></u>

BOROUGH OF STONE HARBOR
TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2010	<u>Ref.</u> B	\$ 421,241.99
Increased by Receipts:		
Interest Earned - Workers Compensation	\$ 159.42	
Interest Earned - Public Defender Trust	12.26	
Interest Earned - Parking Offense Adjudication Act	48.36	
Interest Earned - Preservation Trust	294.67	
Interest Earned - 100th Anniversary	71.03	
Interest Earned - COAH	529.77	
Budget Appropriation		
100th Anniversary	10,000.00	
Bird Sanctuary Revenues	11,376.00	
Health Flex Account	0.01	
Premiums Received at Tax Sale	26,100.00	
Escrow Fees Collected	18,276.00	
Street Opening Deposits	6,950.00	
COAH Fees	169,582.00	
Public Defender Fees	1,475.00	
Parking Offense Fees from Municipal Court	498.00	
Uniform Fire Code Penalties	700.00	
Insurance Reimbursement - Workers Compensation	<u>220.00</u>	
		<u>246,292.52</u>
		667,534.51
Decreased by Disbursements:		
Parking Offenses Adjudication Act - Expenditures	3,919.94	
Due to Current Fund	464.50	
Return of Tax Sale Premiums	36,600.00	
Bird Sanctuary Expenses	20,764.94	
Street Openings	1,977.80	
Escrow Expenditures and Refunds	16,157.00	
Public Defender Expenditures	3,750.00	
Insurance Claims - Workers Compensation	<u>355.75</u>	
		<u>83,989.93</u>
Balance December 31, 2011	B	<u>\$ 583,544.58</u>

BOROUGH OF STONE HARBOR
TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2010	<u>Ref.</u> B		\$	161.00
Increased by Receipts:				
Animal Control Fees Collected		\$		<u>123.50</u>
				<u>123.50</u>
				284.50
Decreased by Disbursements:				
Animal Control Expenditures				<u>-</u>
				-
Balance December 31, 2011	B		\$	<u><u>284.50</u></u>

License Fees Collected

<u>Year</u>	\$	
2009	\$	182.00
2010		<u>167.00</u>
	\$	<u><u>349.00</u></u>

BOROUGH OF STONE HARBOR
TRUST FUND
SCHEDULE OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance December 31, 2010	<u>Ref.</u> B	\$	91.40
Increased by:			
Interest Earned - Due to Current Fund		\$	0.91
Statutory Excess - Due to Current Fund			<u>-</u>
			<u>0.91</u>
			92.31
Decreased by:			
Paid to Current Fund			<u>92.27</u>
			<u>92.27</u>
Balance December 31, 2011	B	\$	<u><u>0.04</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2010	<u>Ref.</u> B	\$	3.00
Increased by:			
Collected in 2011		\$	<u>38.40</u>
			<u>38.40</u>
			41.40
Decreased by:			
Paid to State of New Jersey			<u>38.40</u>
			<u>38.40</u>
Balance December 31, 2011	B	\$	<u><u>3.00</u></u>

BOROUGH OF STONE HARBOR
TRUST FUND
SCHEDULE OF RESERVE FOR PARKING OFFENSES ADJUDICATION ACT

Balance December 31, 2010	<u>Ref.</u> B	\$	18,348.23
Increased by Receipts:			
Penalties Received from Municipal Court		\$	498.00
Interest Earned on Deposits			48.36
			<u>546.36</u>
			18,894.59
Decreased by Disbursements:			
Municipal Court Expenditures			<u>3,919.94</u>
			3,919.94
Balance December 31, 2011	B	\$	<u><u>14,974.65</u></u>

SCHEDULE OF RESERVE FOR SELF INSURANCE PROGRAM

Automobile and General Liability Reserve	<u>Ref.</u> B	\$	-
Workers Compensation Reserve	B		<u>61,500.46</u>
Balance December 31, 2010		\$	61,500.46
Increased by:			
Interest Earned on Deposits - Workers Compensation			159.42
Insurance Reimbursement - Workers Compensation			220.00
			<u>379.42</u>
			61,879.88
Decreased by:			
Insurance Claims - Workers Compensation			<u>355.75</u>
			355.75
Balance December 31, 2011	B	\$	<u><u>61,524.13</u></u>
Automobile and General Liability Reserve	B		-
Workers Compensation Reserve	B		<u>61,524.13</u>
		\$	<u><u>61,524.13</u></u>

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2010	<u>Ref.</u> C		\$	1,931,379.35
Increased by Receipts:				
Budget Appropriations:				
Capital Improvement Fund		\$		150,000.00
General Serial Bonds				12,750,000.00
Grant - Reconstruction of 107th Street				118,972.88
Grant - Reconstruction of 94th Street				35,750.00
Solar Energy Grant				160,637.50
Premium Received on Serial Bonds				<u>47,192.28</u>
				<u>13,262,552.66</u>
				15,193,932.01
Decreased by Disbursements:				
Improvement Authorizations				2,270,438.09
Notes Paid from Bond Funds				8,655,250.00
Canceled Reserves - to Current Fund				1,992.90
Anticipated as a Revenue in 2011 Budget;				
Reserve for Payment of Bonds				35,200.00
General Capital Fund Balance				<u>59,000.00</u>
				<u>11,021,880.99</u>
Balance December 31, 2011	C		\$	<u><u>4,172,051.02</u></u>

**BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Receipts			Disbursements			Transfers		Balance Dec. 31, 2011	
	Balance Dec. 31, 2010	Bonds Issued	Budget Appropriation	Misc.	Improvement Authorizations	Notes Paid	Misc.	From		To
Fund Balance	\$ 59,927.48	\$ -	\$ 150,000.00	\$ 47,192.28	\$ -	\$ -	\$ 59,000.00	\$ -	\$ -	\$ 48,119.76
Capital Improvement Fund	115,469.69	-	-	-	-	-	-	108,000.00	577.25	158,046.94
Preliminary Improvement Costs-Traffic Study	577.25	-	-	-	-	-	1,805.20	577.25	-	-
Reserve for Revitalization of 96th St.	1,805.20	-	-	-	-	-	187.70	-	-	-
Reserve for Beach Replenishment	187.70	-	-	-	-	-	-	-	-	-
Contracts Payable	1,473,654.41	-	-	315,360.38	-	-	35,200.00	1,473,654.41	2,322,310.74	2,322,310.74
Reserve for Payment of Bonds	280,084.05	-	-	-	-	-	-	-	120,000.00	680,244.43
Reserve for Payment of NJEIT Loan	120,000.00	-	-	-	-	-	-	120,000.00	62,116.00	62,116.00
Reserve for Payment of Bond Antic. Notes	1,699.33	-	-	-	-	-	-	62,116.00	-	1,699.33
Reserve for Arbitrage Liability	(1,675,800.00)	-	-	-	-	-	-	-	-	(1,737,916.00)
Due from NJ Environmental Infrastructure Trust	-	-	-	-	-	-	-	-	-	-
Improvement Authorizations										
Ord. Number										
1086	Various Improvements									
1208	d. Improve Municipal Property	0.52								0.52
1228	Improve Lagoons and Basins	150.00								150.00
	Various Improvements:									
	b. Improve Borough Buildings and Property	-			12.95					12.95
	f. Improvements to Marina	-			452.78					452.78
	h. Improvement of Sedge Island	59,555.58								59,555.58
	i. Improvement of Site 103	146,970.00			3,200.00					143,770.00
1249	Various Improvements:									
	e. Construct Recreation Bldg on 82nd Street	23,379.57			23,379.57					-
	f. Funding Borough's Obligation for Affordable Housing	57,582.50			26,779.50			22,791.25	22,791.25	30,803.00
1267	Supplemental Appropriation-Improvement to Beach Property		333,000.00			333,000.00				-
1291	Bulkheads (amending 1204(d))		114,000.00			114,000.00				-
1293	Various Improvements	(45,768.00)			44,743.12	362,500.00			38,511.12	-
	a. New Vehicular Equipment and Property	-	366,600.00			366,600.00		3,210.10	3,210.10	-
	c. Improve Beach Property	17,042.05	1,057,000.00		6,987.56	1,057,000.00		40,224.76	42,274.76	12,104.49
	d. Improve Streets & Parking Lots	-	583,150.00		21,093.85	583,150.00		454.19	21,548.04	-
	e. Improve 96th Street	(4,254.34)	195,000.00		33,785.68	100,000.00		3,975.97	3,893.46	56,877.47
	f. Various Equip. - Pub. Works/ Admin/Recreation	2,447.35	240,900.00		2,447.35	240,900.00				-
	g. Computer Equip. for Admin. Dept & Dispatch Equip. for Police	-	187,600.00			187,600.00				-
1308	Various Improvements									
	a. Vehicular Equipment for Borough Departments	-	341,400.00			341,400.00		855.00	906.25	51.25
	b. Improve Borough Buildings and Property	691,608.77	1,792,200.00		484,991.47	1,792,200.00		59,452.31	328,101.48	475,266.47
	c. Improve Beach Property		1,413,500.00			1,413,500.00				-
	d. Purchase Equipment - Various Borough Departments	(2,933.87)	134,100.00		13,571.93	103,000.00		3,920.00	935.00	11,609.20
	e. Initial Costs-New Recreation Bldg.	(2,448.10)	76,500.00		74,051.90					-
	f. Purchase Computer Equipment - Police Department	(2,788.00)	3,300.00		512.00					-

**BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
ANALYSIS OF CASH**

Ord. Number	Improvement Authorizations	Receipts				Disbursements				Transfers		Balance Dec. 31, 2011
		Balance Dec. 31, 2010	Bonds Issued	Budget Appropriation	Misc.	Improvement Authorizations	Notes Paid	Misc.	From	To		
1332	Various Improvements:											
	a. Vehicular Equipment for Borough Departments	7,793.01	301,300.00	62,766.99		301,300.00			1,096.25	56,070.23		-
	b. Improve Borough Buildings and Property	339,913.67 (271,400.00)	857,100.00 571,400.00	252,477.58		854,100.00 300,000.00			207,569.98	117,133.89 7.25		- 7.25
	c. Purchase of Fire Truck											
	d. Purchase Equipment - Various Borough Departments	(76,360.90)	95,200.00	17,258.75					96,498.37	4,837.50		6,417.85
	e. Improve Streets & Parking Lots	(451,300.00)	451,300.00	297,015.27						479,783.40		86,269.76
	f. Purchase Computer Equipment	(10,731.46)	14,200.00	109.97								3,368.57
	g. Funding Borough's Obligation for Affordable Housing	8,500.00	169,500.00									178,000.00
1356	Various Improvements:											
	a. Vehicular Equipment for Borough Departments	33,916.97	336,400.00	19,693.97		215,000.00			20,000.00	1.25		115,624.25
	b. Improve Borough Buildings and Property	(211,866.55)	437,500.00	289,434.56					42,991.97	191,738.55		84,945.47
	c. Purchase Equipment - Various Borough Departments	(72,221.01)	126,300.00	85,224.11					2,849.80	34,990.00		995.08
	d. Improve Streets and Locations	1,316,286.48		178,823.18					241,180.18	126,455.15		1,022,736.27
	e. Purchase Computer Equipment	700.00	10,000.00	6,430.23								4,269.77
1369	Various Improvements:											
	a. Vehicular Equipment for Borough Departments		270,700.00	49,654.34					29,271.69	14,300.00		206,073.97
	b. Improve Borough Buildings and Property		1,675,200.00	207,209.81					1,545,968.92	83,800.00		5,821.27
	c. Purchase Equipment - Various Borough Departments		161,900.00	43,296.41						8,100.00		126,703.59
	d. Purchase Computer Equipment		29,250.00	25,033.26						1,800.00		6,016.74
1390	Improvement to Water and Sewerage System - General Capital Portion											
		\$ 1,931,379.35	\$ 12,750,000.00	\$ 150,000.00	\$ 362,552.66	\$ 2,270,438.09	\$ 8,655,250.00	\$ 96,192.90	\$ 4,086,658.40	\$ 4,086,658.40	\$ -	\$ 4,172,051.02

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2010	<u>Ref.</u> C	\$	115,469.69
Increased by:			
Current Fund Budget Appropriation		\$	150,000.00
Preliminary Costs - Traffic Study Canceled			<u>577.25</u>
			<u>150,577.25</u>
			266,046.94
Decreased by:			
Appropriation to Finance Improvement Authorizations			<u>108,000.00</u>
			108,000.00
Balance December 31, 2011	C	\$	<u><u>158,046.94</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2010	<u>Ref.</u> C	\$	14,556,800.00
Increased by:			
Improvement Costs Funded by:			
General Serial Bonds Issued		\$	<u>12,750,000.00</u>
			<u>12,750,000.00</u>
			27,306,800.00
Decreased by:			
NJEIT Loans Paid by Operating Budget			29,438.06
Serial Bonds Paid by Operating Budget			<u>1,737,000.00</u>
			<u>1,766,438.06</u>
Balance December 31, 2011	C	\$	<u><u>25,540,361.94</u></u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Transfer to Deferred Charges Funded	Balance Dec. 31, 2011	Analysis of Balance	
						Bond Anticipation Note	Unexpended Improvement Authorization
1267	Supplemental Appropriation - Improvement of Beach Property	\$ 333,000.00	\$ -	\$ 333,000.00	\$ -	\$ -	\$ -
1291	Improvement to Various Street- End Bulkheads (amending 1204(d))	114,000.00	-	114,000.00	-	-	-
1293	Various Improvements a. New Vehicular Equipment b. Improve Borough Buildings and Property c. Improve Beach Property d. Improve Streets and Parking Lots e. Improve 96th Street f. Various Equip. - Pub. Works/Admin./ Recreation g. Computer Equip. for Admin. Dept. and Dispatch Equip. for Police	404,500.00 366,600.00 1,057,000.00 583,150.00 195,000.00 240,900.00 187,600.00	- - - - - - -	404,500.00 366,600.00 1,057,000.00 583,150.00 195,000.00 240,900.00 187,600.00	- - - - - - -	- - - - - - -	- - - - - - -
1308	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Improvements to Beach Property d. Purchase Equipment - Various Borough Departments e. Initial costs - New Recreation Bldg. f. Purchase Computer Equipment - Police Department	341,400.00 1,792,200.00 1,413,500.00 134,100.00 76,500.00 3,300.00	- - - - - -	341,400.00 1,792,200.00 1,413,500.00 134,100.00 76,500.00 3,300.00	- - - - - -	- - - - - -	- - - - - -
1332	Various Improvements: a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase of Fire Truck d. Purchase Equipment - Various Borough Departments e. Improve Streets and Parking Lots f. Purchase Computer Equipment g. Funding Borough's Obligation for Affordable Housing	301,300.00 857,100.00 571,400.00 95,200.00 451,300.00 14,200.00 169,500.00	- - - - - - -	301,300.00 857,100.00 571,400.00 95,200.00 451,300.00 14,200.00 169,500.00	- - - - - - -	- - - - - - -	- - - - - - -

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Transfer to Deferred Charges Funded	Balance Dec. 31, 2011	Analysis of Balance		
						Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
1356	Various Improvements: a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Improve Streets and Locations e. Purchase Computer Equipment	\$ 336,400.00 437,500.00 126,300.00 10,000.00		\$ 336,400.00 437,500.00 126,300.00 10,000.00	\$ - - - -	\$ - - - -		
1369	Various Improvements: a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Purchase Computer Equipment		270,700.00 1,675,200.00 161,900.00 34,200.00	270,700.00 1,675,200.00 161,900.00 29,250.00	- - - 4,950.00			
1390	Improvement to Water and Sewerage System - General Capital Portion		2,600,000.00	2,600,000.00	2,600,000.00			
		<u>\$ 10,612,950.00</u>	<u>\$ 4,742,000.00</u>	<u>\$ 12,750,000.00</u>	<u>\$ 2,604,950.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,604,950.00</u>
		C			C			C-7

Ref.

**BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2010		Capital Improvement Fund	2011 Authorizations	Deferred Charges to Future Taxation	Paid or Charged	Authorizations Canceled	Balance December 31, 2011	
				Funded	Unfunded						Funded	Unfunded
1086	Various Improvements: d. Improve Municipal Property	3/2/2000	\$ 1,044,000.00	\$ 0.52	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.52	\$ -
1208	Improve Lagoons and Basins	4/6/2004	300,000.00	150.00	-	-	-	-	-	-	150.00	-
1228	Various Improvements: b. Improve Borough Buildings and Property f. Improvements to Marina h. Improvement of Sedge Island i. Improvement of Site 103	3/1/2005	4,059,000.00	-	-	-	-	-	-	-	-	-
				59,555.58	146,970.00	-	-	3,200.00	-	-	59,555.58	143,770.00
1249	Various Improvements: e. Construction of Reception Bldg on 82nd Street f. Funding Borough's Obligation for Affordable Housing	3/7/2006	2,450,000.00	23,379.57	57,582.50	-	-	23,379.57	-	-	-	30,803.00
1293	Various Improvements a. New Vehicular Equipment b. Improve Borough Buildings and Property c. Improve Beach Property d. Improve Streets and Parking Lots e. Improve 96th Street f. Various Equip. - Pub. Works/Admin./ Recreation	8/3/2007	3,300,000.00	6,232.00	-	-	-	6,232.00	-	-	-	-
				17,042.05	90,745.66	-	-	4,937.56	-	-	12,104.49	56,877.47
				2,447.35	-	-	-	2,447.35	-	-	-	-
1308	Various Improvements a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property d. Purchase Equipment - Various Borough Departments e. Initial Costs-New Recreation Bldg. f. Purchase Computer Equipment - Police Department	4/1/2008	3,950,000	-	-	-	-	(51.25)	-	-	51.25	-
				691,608.77	28,166.13	74,051.90	-	216,342.30	-	-	475,266.47	11,609.20
				512.00	-	-	-	512.00	-	-	-	-
1332	Various Improvements: a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase of Fire Truck d. Purchase Equipment - Various Borough Departments e. Improve Streets and Parking Lots f. Purchase Computer Equipment g. Funding Borough's Obligation for Affordable Housing	3/17/2009	2,900,000	7,793.01	342,913.67	-	-	7,793.01	-	-	0.00	-
				18,839.10	3,468.54	-	-	342,913.67	(7.25)	-	7.25	-
				8,500.00	169,500.00	-	-	12,421.25	(86,269.76)	109.97	6,417.85	86,269.76
				8,500.00	169,500.00	-	-	109.97	-	-	3,358.57	178,000.00

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds				Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Maturity Date	Outstanding December 31, 2011	Interest Rate	Balance Dec. 31, 2010				
General Bonds of 2002	5/15/02	\$ 6,662,000			\$	887,000.00	\$	887,000.00	\$ -	
General Bonds of 2006	8/15/2006	13,994,000	8/15/12	1,450,000.00	4.00%	11,994,000.00		850,000.00	11,144,000.00	
			8/15/13	1,540,000.00	4.00%					
			8/15/14	1,590,000.00	4.00%					
			8/15/15-17	1,640,000.00	4.00%					
			8/15/18	1,644,000.00	4.00%					
General Bonds of 2011	11/01/11	12,750,000	11/01/12	825,000.00	2.00%		12,750,000.00		12,750,000.00	
			11/01/13	865,000.00	2.00%					
			11/01/14	905,000.00	2.00%					
			11/01/15	945,000.00	2.00%					
			11/01/16	985,000.00	3.00%					
			11/01/17	1,025,000.00	3.00%					
			11/01/18	1,075,000.00	3.00%					
			11/01/19	1,125,000.00	3.00%					
			11/01/20	1,175,000.00	3.00%					
			11/01/21	1,225,000.00	3.00%					
			11/01/22	1,275,000.00	3.00%					
			11/01/23	1,325,000.00	3.125%					
			Ref.	\$		\$	12,881,000.00	\$	12,750,000.00	
								\$	1,737,000.00	
									\$ 23,894,000.00	
									C	
			Issued for Cash				\$	12,750,000.00		
			Paid by Budget Appropriation					\$	1,737,000.00	
									C	

BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans				Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Date	Outstanding December 31, 2011 Amount	Interest Rate					
NJ/EIT 2010B Trust Loan CW - General Capital Portion (78.7685076%)	12/2/2010	\$ 807,377.20	8/1/2012	\$ 27,568.98	5.00%	\$	\$	\$	\$ 807,377.20	
			8/1/2013	27,568.98	5.00%					
			8/1/2014	27,568.98	5.00%					
			8/1/2015	31,507.40	5.00%					
			8/1/2016	31,507.40	5.00%					
			8/1/2017	35,445.83	5.00%					
			8/1/2018	35,445.83	5.00%					
			8/1/2019	39,384.25	5.00%					
			8/1/2020	39,384.25	5.00%					
			8/1/2021	39,384.25	5.00%					
			8/1/2022	43,322.68	5.00%					
			8/1/2023	43,322.68	5.00%					
			8/1/2024	47,261.10	5.00%					
			8/1/2025	51,199.53	5.00%					
			8/1/2026	51,199.53	5.00%					
			8/1/2027	55,137.96	5.00%					
			8/1/2028	59,076.38	5.00%					
			8/1/2029	59,076.38	5.00%					
			8/1/2030	63,014.81	5.00%					
	NJ/EIT 2010B Fund Loan CW - General Capital Portion (78.7685076%)	12/2/2010	868,422.80	2/1/2012	\$ 14,719.03	0.00%	868,422.80		29,438.06	838,984.74
			8/1/2012	29,438.06						
			2/1/2013	14,719.03						
			8/1/2013	29,438.06						
			2/1/2014	14,719.03						
			8/1/2014	29,438.06						
			2/1/2015	14,719.03						
			8/1/2015	29,438.06						
			2/1/2016	14,719.03						
			8/1/2016	29,438.06						
			2/1/2017	14,719.03						
		8/1/2017	29,438.06							
		2/1/2018	14,719.03							
		8/1/2018	29,438.06							
		2/1/2019	14,719.03							
		8/1/2019	29,438.06							
		2/1/2020	14,719.03							
		8/1/2020	29,438.06							

**BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
1267	Supplemental Appropriation - Improvement of Beach Property	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	\$ 333,000.00	\$ -	\$ 333,000.00	\$ -
1291	Improvement to Various Street- End Bulkheads (amending 1204(d))	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	114,000.00	-	114,000.00	-
1293	Various Improvements:								
	a. Vehicular Equipment for Public Works, Recreation and Police	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	309,500.00	-	309,500.00	-
	a. Vehicular Equipment for Public Works, Recreation and Police	5/1/3/2009	11/1/0/2010	11/10/2011	1.25%	43,000.00	-	43,000.00	-
	b. Improve Borough Buildings and Property	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	240,000.00	-	240,000.00	-
	b. Improve Borough Buildings and Property	11/1/0/2010	11/1/0/2010	11/10/2011	1.25%	126,600.00	-	126,600.00	-
	c. Improvements to Beach Property	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	100,000.00	-	100,000.00	-
	c. Improvements to Beach Property	5/1/3/2009	11/1/0/2010	11/10/2011	1.25%	957,000.00	-	957,000.00	-
	d. Improve Streets and Parking Lots	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	375,000.00	-	375,000.00	-
	d. Improve Streets and Parking Lots	11/1/0/2010	11/1/0/2010	11/10/2011	1.25%	208,150.00	-	208,150.00	-
	e. Improvement of 96th Street	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	100,000.00	-	100,000.00	-
	f. Various Equip. - Public Works/Police/Administration/Recreation	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	240,900.00	-	240,900.00	-
	g. Computer & Communications Equip	11/1/4/2008	11/1/0/2010	11/10/2011	1.25%	187,600.00	-	187,600.00	-
1308	Various Improvements:								
	a. Vehicular Equipment for Borough Departments	11/10/2010	11/10/2010	11/10/2011	1.25%	341,400.00	-	341,400.00	-
	b. Improve Borough Buildings and Property	11/12/2009	11/10/2010	11/10/2011	1.25%	1,792,200.00	-	1,792,200.00	-
	c. Improvements to Beach Property	11/12/2009	11/10/2010	11/10/2011	1.25%	707,800.00	-	707,800.00	-
	d. Purchase Equipment - Various Borough Departments	11/10/2010	11/10/2010	11/10/2011	1.25%	705,700.00	-	705,700.00	-
		11/10/2010	11/10/2010	11/10/2011	1.25%	103,000.00	-	103,000.00	-

**BOROUGH OF STONE HARBOR
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
1332	Various Improvements:								
	a. Vehicular Equipment for Borough Departments	11/12/2009	11/10/2010	11/10/2011	1.25%	\$ 301,300.00	\$	\$ 301,300.00	\$ -
	b. Improve Borough Buildings and Property	11/12/2009	11/10/2010	11/10/2011	1.25%	300,000.00		300,000.00	-
	b. Improve Borough Buildings and Property	11/10/2010	11/10/2010	11/10/2011	1.25%	554,100.00		554,100.00	-
	c. Purchase of Fire Truck	11/12/2009	11/10/2010	11/10/2011	1.25%	300,000.00		300,000.00	-
1356	Various Improvements:								
	a. Vehicular Equipment for Borough Departments	11/10/2010	11/10/2010	11/10/2011	1.25%	215,000.00		215,000.00	-
					Ref.	\$ 8,655,250.00	\$ -	\$ 8,655,250.00	\$ -
						C			C
	Notes Paid from Bond Funds					C-2	\$ 8,655,250.00	\$ 8,655,250.00	

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

Ord. Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Serial Bonds Issued	NJEIT Loan Issued	Balance Dec. 31, 2011
1293	Various Improvements: a. Vehicular Equipment for Public Works, Recreation and Police e. Improvement of 96th Street	\$ 52,000.00 95,000.00	\$ -	\$ 52,000.00 95,000.00	\$ -	-
1308	Various Improvements: d. Purchase Equipment - Various Borough Departments e. Initial costs - New Recreation Bldg. f. Purchase Computer Equipment - Police Department	31,100.00 76,500.00 3,300.00		31,100.00 76,500.00 3,300.00		-
1332	Various Improvements: b. Improve Borough Buildings and Property c. Purchase of Fire Truck d. Purchase Equipment - Various Borough Departments e. Improve Streets and Parking Lots f. Purchase Computer Equipment g. Funding Borough's Obligation for Affordable Housing	- 3,000.00 271,400.00 95,200.00 451,300.00 14,200.00 169,500.00		3,000.00 271,400.00 95,200.00 451,300.00 14,200.00 169,500.00		-
1356	Various Improvements: a. Vehicular Equipment for Borough Departments b. Improve Borough Buildings and Property c. Purchase Equipment - Various Borough Departments d. Improve Streets and Locations e. Purchase Computer Equipment	121,400.00 437,500.00 126,300.00 - 10,000.00		121,400.00 437,500.00 126,300.00 - 10,000.00		-

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

Ord. Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Serial Bonds Issued	NJFIT Loan Issued	Balance Dec. 31, 2011
1369	Various Improvements:					
	a. Vehicular Equipment for Borough Departments	\$	\$ 270,700.00	\$ 270,700.00		\$ -
	b. Improve Borough Buildings and Property		1,675,200.00	1,675,200.00		-
	c. Purchase Equipment - Various Borough Departments		161,900.00	161,900.00		-
	d. Purchase Computer Equipment		34,200.00	29,250.00		4,950.00
1390	Improvement of Water and Sewerage System - General Capital Portion		2,600,000.00			2,600,000.00
		\$ 1,957,700.00	\$ 4,742,000.00	\$ 4,094,750.00	\$ -	2,604,950.00
		C				C

Ref.

BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2010	D	\$ 289,867.75	\$ -
Increased by Receipts:			
Water Rents Collected	\$	1,288,508.18	
Sewer Rents Collected		1,521,824.98	
Rent Overpayments		34,475.20	
Miscellaneous - Collector		78,412.50	
Fire Hydrant Service		2,800.00	
Interest Earned on Investments		731.41	
Due from Water/Sewer Capital Fund		140,829.72	
Premium on Serial Bonds Issued			5,994.11
NJ/EIT Drawdowns - Series 2010A			1,560,185.00
NJ/EIT Drawdowns - Series 2010B			449,794.00
Serial Bonds			1,620,000.00
		<u>3,067,581.99</u>	<u>3,635,973.11</u>
		3,357,449.74	3,635,973.11
Decreased by Disbursements:			
Current Appropriations		2,587,158.84	
Appropriation Reserves		36,595.57	
Accrued Interest on Bonds and Notes		229,601.46	
Refund of Prior Year Revenue		175.25	
Notes Paid from Bond Funds			1,243,267.00
Due to Water/Sewer Operating Fund			140,829.72
Improvement Authorizations			1,938,532.83
		<u>2,853,531.12</u>	<u>3,322,629.55</u>
Balance December 31, 2011	D	\$ <u>503,918.62</u>	\$ <u>313,343.56</u>

**BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Receipts			Disbursements			Transfers		Balance Dec. 31, 2011
	Dec. 31, 2010		Serial Bonds	NJEIT Loan Draws	Misc.	Improvement Authorizations	Notes Paid	Misc.	From	To	
Fund Balance	\$ 28,622.28	\$	\$	\$	\$ 5,994.11	\$	\$	\$	\$	\$	\$ 34,616.39
Capital Improvement Fund	20,675.77								3,100.00		17,575.77
Encumbrances Payable	2,633,242.97								2,633,242.97	1,375,566.75	1,375,566.75
Due to Utility Operating Fund	140,829.72						140,829.72		486,390.00		(486,390.00)
Due from N.J. Environ. Infrastructure Trust											
<u>Improvement Authorizations</u>											
Ord. Number											
1134	Improvements to Water Supply	36,735.00				19.44					36,735.00
	Amended and Distribution System by 1197										
1252	Various Improvements										
	a. Purchase Vehicular Equip.										
	c. Water & Sewer Equip.	19.44									
1280	Various Improvements	14,242.03	100,000.00			2,511.50	100,000.00		398.50	2,410.00	13,742.03
	a. Vehicular Equipment										
	b. Construction/Reconstruction of Sewer Pumps	(15,000.00)	40,000.00				25,000.00				
	c. Water/Sewer Utility Equipment		200,000.00				200,000.00				
	d. Roof Replacement of Water Plant/Rehabilitation of Water Tower		300,000.00				300,000.00				
1282	Improvement of the Water and Sewerage System	(18,267.00)	428,267.00				428,267.00				(18,267.00)
1309	Various Improvements	(348,916.00)				340,477.03					4,295.00
	a. Improvement of the Water and Sewerage System	(16,753.57)	190,400.00		361,699.00	39,520.22	50,000.00		99,630.81	331,989.03	785.40
	b. Purchase of Equipment										
1333	Various Improvements	(80,116.04)	100,000.00								19,883.96
	a. Reconstruction/Renovation of Roof of Water Plant		200,000.00						7,793.00	7,793.00	138,618.73
	b. Vehicular Equipment	78,618.73									
1342	Improvement of the Water and Sewerage System	(2,473,933.33)		1,648,280.00		1,556,004.64			1,241,167.97	2,761,150.94	(861,675.00)
1370	Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants		61,333.00						26,576.47	3,100.00	37,856.53
		\$ -	\$ 1,620,000.00	\$ 2,009,979.00	\$ 5,994.11	\$ 1,938,532.83	\$ 1,243,267.00	\$ 140,829.72	\$ 4,498,299.72	\$ 4,498,299.72	\$ 313,343.56
											D

Ref.

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

	<u>Ref.</u>		
Water Rents Receivable		\$ 51,443.16	
Sewer Rents Receivable		42,837.69	
Private Fire Protection Fees Receivable		<u>648.20</u>	
Balance December 31, 2010	D		\$ 94,929.05
Increased by:			
Water Rents Levied		1,279,645.20	
Sewer Rents Levied		1,547,365.12	
Private Fire Protection Fees Levied		<u>9,854.80</u>	
			<u>2,836,865.12</u>
			2,931,794.17
Decreased by:			
Collections - Water		1,288,508.18	
Collections - Sewer		1,521,824.98	
Collections - Private Fire Protection		10,057.87	
Overpayments Applied - Water		1,439.87	
Overpayments Applied - Sewer		31,597.51	
Overpayments Applied - Private Fire Protection		<u>31.13</u>	
			<u>2,853,459.54</u>
Balance December 31, 2011	D		\$ <u><u>78,334.63</u></u>
Water Rents Receivable		41,140.31	
Sewer Rents Receivable		36,780.32	
Private Fire Protection Fees Receivable		<u>414.00</u>	
Balance December 31, 2011			\$ <u><u>78,334.63</u></u>

BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Operating:					
Salaries and Wages	\$ 63,657.63	\$ 63,657.63	\$ 5,951.41	\$ 57,706.22	
Other Expenses	31,510.61	31,510.61	30,392.68	1,117.93	
Cape May County Municipal Utilities Authority	35,757.00	35,757.00		35,757.00	
Statutory Expenditures:					
Social Security	2,967.33	2,967.33		2,967.33	
Unemployment	251.48	251.48	251.48	-	
TOTALS	\$ 134,144.05	\$ 134,144.05	\$ 36,595.57	\$ 97,548.48	\$ -
Ref.	D				
Appropriation Reserves	\$ 121,718.89				
Reserve for Encumbrances	12,425.16				
	<u>\$ 134,144.05</u>				
Cash Disbursements			\$ 36,595.57		
Accounts Payable			-		
			<u>\$ 36,595.57</u>		

BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY FUND
SCHEDULE OF UTILITY CAPITAL IMPROVEMENT FUND

Balance December 31, 2010	<u>Ref.</u> D	\$	20,675.77
Increased by:			
No Activity in 2011		\$	
		_____	-
			<u>20,675.77</u>
Decreased by:			
Appropriated to Finance Improvement Authorization		_____	3,100.00
			<u>3,100.00</u>
Balance December 31, 2011	D	\$	<u><u>17,575.77</u></u>

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

Balance December 31, 2010	<u>Ref.</u> D		\$	83,532.10
Increased by:				
Budget Appropriation:				
Interest on Bonds and Loans		\$		237,667.15
Interest on Notes				<u>13,369.37</u>
				<u>251,036.52</u>
				<u>334,568.62</u>
Decreased by:				
Interest Paid on Bonds and Loans				214,060.63
Interest Paid on Notes				<u>15,540.83</u>
				<u>229,601.46</u>
Balance December 31, 2011	D		\$	<u><u>104,967.16</u></u>

Analysis of Accrued Interest December 31, 2011

Principal Outstanding Dec. 31, 2011	Interest Rate	From	To	Days	Amount
\$ 3,110,000.00	Variable	8/16/2011	12/31/2011	138	\$ 47,686.67
1,620,000.00	Variable	11/10/2011	12/31/2011	61	7,438.52
160,000.00	Variable	8/1/2011	12/31/2011	153	2,969.57
665,000.00	Variable	8/1/2011	12/31/2011	153	12,280.54
750,000.00	Variable	8/1/2011	12/31/2011	153	13,283.56
451,700.00	5.00%	12/2/2011	12/31/2011	30	<u>21,308.31</u>
<u>\$ 6,756,700.00</u>					<u>\$ 104,967.17</u>

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

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2010		Capital Improvement Fund	Deferred Charges to Future Revenue	Paid or Charged	Canceled	Balance December 31, 2011	
				Funded	Unfunded					Funded	Unfunded
1134 amended by 1197	Improvement to Water Supply and Distribution System	3/6/2001	\$ 750,000	\$ 36,735.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,735.00	\$ -
1252	Various Improvements c. Water & Sewer Equip.	3/21/2006	1,450,000	19.44			19.44				
1280	Various Improvements a. Vehicular Equipment	3/12/2007	640,000		14,242.03		500.00				13,742.03
1309	Various Improvements a. Improvement of the Water and Sewerage System	4/1/2008	1,250,000				8,488.00			4,295.00	
	b. Purchase of Equipment				123,646.43		122,861.03			785.40	
1333	Various Improvements a. Reconstruction/Renovation of Roof of Water Plant	3/17/2009	300,000							19,883.96	
	b. Vehicular Equipment				138,618.73					138,618.73	
1342	Improvement of the Water and Sewerage System	9/15/2009	3,000,000		526,066.67		522,411.67				3,655.00
1370	Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants	3/1/2011	65,000			3,100.00	61,900.00	26,576.47			38,423.53
1391	Improvement of the Water and Sewerage System	10/18/2011	2,145,000				2,145,000.00				2,145,000.00
				\$ 36,754.44	\$ 835,240.82	\$ 3,100.00	\$ 2,206,900.00	\$ 680,856.61	\$ -	\$ 200,318.09	\$ 2,200,820.56
				D	D	D	D	D	D	D	D
			Ref.								
							Reserve for Encumbrances - 2011	\$ 1,375,566.75			
							Reserve for Encumbrances - 2010	(2,633,242.97)			
							Cash Disbursements	1,938,532.83			
								\$ 680,856.61			

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans				Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
			Date	Outstanding December 31, 2011	Interest Rate	Amount				
NJ/EIT 2007A Trust Loan	11/8/2007	\$ 920,000.00					\$	\$	\$ 825,000.00	
			8/1/2012	\$ 35,000.00	5.00%					
			8/1/2013	35,000.00	5.00%					
			8/1/2014	40,000.00	5.00%					
			8/1/2015	45,000.00	5.00%					
			8/1/2016	45,000.00	5.00%					
			8/1/2017	45,000.00	5.00%					
			8/1/2018	50,000.00	5.00%					
			8/1/2019	50,000.00	4.00%					
			8/1/2020	50,000.00	4.00%					
			8/1/2021	55,000.00	5.00%					
			8/1/2022	55,000.00	5.00%					
			8/1/2023	60,000.00	4.25%					
			8/1/2024	60,000.00	4.50%					
			8/1/2025	60,000.00	4.50%					
			8/1/2026	70,000.00	4.50%					
			8/1/2027	70,000.00	4.25%					
NJ/EIT 2007A Fund Loan	11/8/2007	901,733.00					772,476.32	46,570.87	725,905.45	
			2/1/2012	11,621.85	0.00%					
			8/1/2012	33,838.20						
			2/1/2013	11,244.17						
			8/1/2013	33,460.53						
			2/1/2014	10,855.39						
			8/1/2014	36,157.64						
			2/1/2015	10,399.95						
			8/1/2015	38,890.61						
			2/1/2016	9,687.68						
			8/1/2016	38,178.35						
			2/1/2017	8,975.42						
			8/1/2017	37,466.08						
			2/1/2018	8,263.15						
			8/1/2018	39,942.22						
			2/1/2019	7,471.18						
			8/1/2019	39,150.24						
		2/1/2020	6,837.59							
		8/1/2020	38,516.66							
		2/1/2021	6,204.01							
		8/1/2021	41,071.49							

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding				Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2011
			Date	December 31, 2011	Amount						
NJEIT 2007A Fund Loan	11/8/2007	\$ 901,733.00	2/1/2022	\$ 5,332.33		0.00%	\$			\$	
			8/1/2022	40,199.80							
			2/1/2023	4,460.64							
			8/1/2023	42,516.52							
			2/1/2024	3,651.95							
			8/1/2024	41,707.83							
			2/1/2025	2,795.70							
			8/1/2025	40,851.58							
			2/1/2026	1,939.44							
			8/1/2026	46,269.63							
			2/1/2027	942.01							
			8/1/2027	27,005.61							
NJEIT 2010A Trust Loan DW & CW	3/10/2010	775,000.00	8/1/2012	25,000.00		5.00%	775,000.00		25,000.00	750,000.00	
			8/1/2013	30,000.00		5.00%					
			8/1/2014	30,000.00		5.00%					
			8/1/2015	30,000.00		5.00%					
			8/1/2016	30,000.00		5.00%					
			8/1/2017	35,000.00		5.00%					
			8/1/2018	40,000.00		5.00%					
			8/1/2019	40,000.00		4.00%					
			8/1/2020	45,000.00		5.00%					
			8/1/2021	45,000.00		3.00%					
			8/1/2022	45,000.00		4.00%					
			8/1/2023	45,000.00		4.00%					
			8/1/2024	50,000.00		4.00%					
			8/1/2025	50,000.00		4.00%					
			8/1/2026	50,000.00		3.50%					
			8/1/2027	50,000.00		4.00%					
			8/1/2028	55,000.00		4.00%					
			8/1/2029	55,000.00		4.00%					
NJEIT 2010A Fund Loan DW & CW	3/10/2010	\$ 2,373,566.00	2/1/2012	40,229.93		0.000%	2,293,106.14		120,689.79	2,172,416.35	
			8/1/2012	80,459.86							
			2/1/2013	40,229.93							
			8/1/2013	80,459.86							

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding				
			Date	December 31, 2011 Amount	Interest Rate	Balance Dec. 31, 2010	
				Increase	Decrease	Balance Dec. 31, 2011	
NJEIT 2010A Fund Loan DW & CW	3/10/2010	\$ 2,373,566.00	2/1/2014	\$ 40,229.93	0.000%	\$	\$
			8/1/2014	80,459.86			
			2/1/2015	40,229.93			
			8/1/2015	80,459.86			
			2/1/2016	40,229.93			
			8/1/2016	80,459.86			
			2/1/2017	40,229.93			
			8/1/2017	80,459.86			
			2/1/2018	40,229.93			
			2/1/2018	40,229.93			
			8/1/2018	80,459.86			
			2/1/2019	40,229.93			
			8/1/2019	80,459.86			
			2/1/2020	40,229.93			
			2/1/2021	40,229.93			
			8/1/2021	80,459.86			
			2/1/2022	40,229.93			
			8/1/2022	80,459.86			
			2/1/2023	40,229.93			
			8/1/2023	80,459.86			
			2/1/2024	40,229.93			
			8/1/2024	80,459.86			
			2/1/2025	40,229.93			
			8/1/2025	80,459.86			
			2/1/2026	40,229.93			
			8/1/2026	80,459.86			
			2/1/2027	40,229.93			
			8/1/2027	80,459.86			
			2/1/2028	40,229.93			
			8/1/2028	80,459.86			
			2/1/2029	40,229.93			
			8/1/2029	80,459.99			

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

Improvement Descriptor	Date of Issue	Amount of Original Issue	Maturities of Loans				Balance Dec. 31, 2010	Increase	Decrease	Balance Dec. 31, 2011
			Date	Outstanding December 31, 2011	Interest Rate	Balance Dec. 31, 2010				
NJEIT 2010B Trust Loan CW - Water/Sewer Portion (21.23149.24%)	12/2/2010	\$ 217,622.80	8/1/2012	\$ 7,431.02	5.00%	\$ 217,622.80	\$	\$	\$ 217,622.80	
			8/1/2013	7,431.02	5.00%					
			8/1/2014	7,431.02	5.00%					
			8/1/2015	8,492.60	5.00%					
			8/1/2016	8,492.60	5.00%					
			8/1/2017	9,554.17	5.00%					
			8/1/2018	9,554.17	5.00%					
			8/1/2019	10,615.75	5.00%					
			8/1/2020	10,615.75	5.00%					
			8/1/2021	10,615.75	5.00%					
		8/1/2022	11,677.32	5.00%						
		8/1/2023	11,677.32	5.00%						
		8/1/2024	12,738.90	5.00%						
		8/1/2025	13,800.47	5.00%						
		8/1/2026	13,800.47	5.00%						
		8/1/2027	14,862.04	5.00%						
		8/1/2028	15,923.62	5.00%						
		8/1/2029	15,923.62	5.00%						
		8/1/2030	16,985.19	5.00%						
NJEIT 2010B Fund Loan CW - Water/Sewer Portion (21.23149.24%)	12/2/2010	\$ 234,077.20	2/1/2012	\$ 3,967.41	0.00%	234,077.20	7,934.82	7,934.82	226,142.38	
			8/1/2012	7,934.82						
			2/1/2013	3,967.41						
			8/1/2013	7,934.82						
			2/1/2014	3,967.41						
			8/1/2014	7,934.82						
			2/1/2015	3,967.41						
			8/1/2015	7,934.82						
			2/1/2016	3,967.41						
			8/1/2016	7,934.82						
		2/1/2017	3,967.41							
		8/1/2017	7,934.82							
		2/1/2018	3,967.41							
		8/1/2018	7,934.82							
		2/1/2019	3,967.41							
		8/1/2019	7,934.82							
		2/1/2020	3,967.41							

BOROUGH OF STONE HARBOR
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
1280	Various Improvements	11/10/10	11/10/10	11/10/11	1.25%	\$ 100,000.00		\$ 100,000.00	\$ -
	a. Vehicular Equipment								
	b. Construction/Reconstruction of Sewer Pumps	11/10/10	11/10/10	11/10/11	1.25%	25,000.00		25,000.00	-
	c. Water/Sewer Utility Equipment	11/12/09	11/10/10	11/10/11	1.25%	200,000.00		200,000.00	-
	d. Roof Replacement of Water Plant and Rehabilitation of Water Tower	11/12/09	11/10/10	11/10/11	1.25%	300,000.00		300,000.00	-
1282	Improvement of the Water and Sewerage System	11/12/09	11/10/10	11/10/11	1.25%	350,000.00		350,000.00	-
	Improvement of the Water and Sewerage System	11/10/10	11/10/10	11/10/11	1.25%	78,267.00		78,267.00	-
1309	Various Improvements	11/10/10	11/10/10	11/10/11	1.25%	50,000.00		50,000.00	-
	b. Purchase of Equipment								
1333	Various Improvements	11/10/10	11/10/10	11/10/11	1.25%	140,000.00		140,000.00	-
	b. Vehicular Equipment								
						\$ 1,243,267.00	\$ -	\$ 1,243,267.00	\$ -
					Ref.	D			D

Notes Paid by Bond Funds

\$ 1,243,267.00
 \$ 1,243,267.00

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

Ord. Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Bonds Issued	NJ/EIT Additional Drawdowns	Balance Dec. 31, 2011
1280	Various Improvements b. Construction/Reconstruction of Sewer Pumps	\$ 15,000.00	\$	\$ 15,000.00	\$	-
1282	Improvement of the Water and Sewerage System	18,267.00				18,267.00
1309	Various Improvements b. Purchase of Equipment	140,400.00		140,400.00		-
1333	Various Improvements a. Reconstruction/Renovation of Roof of Water Plant b. Vehicular Equipment	100,000.00 60,000.00		100,000.00 60,000.00		- -
1342	Improvement of the Water and Sewerage System	899,734.00			34,404.00	865,330.00
1370	Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants		61,900.00	61,333.00		567.00
1391	Improvement of the Water and Sewerage System		2,145,000.00			2,145,000.00
		\$ 1,233,401.00	\$ 2,206,900.00	\$ 376,733.00	\$ 34,404.00	\$ 3,029,164.00
	Ref.	D			D	D

BOROUGH OF STONE HARBOR
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

	Ref.	Trust Fund I
Balance December 31, 2010	E	\$ 2,465.59
Increased by Receipts:		
Other Receipts	\$	6.39
Intrafund Transfers		6.39
		2,471.98
Decreased by Disbursements:		
Intrafund Transfers		-
Balance December 31, 2011	E	\$ 2,471.98

BOROUGH OF STONE HARBOR
PUBLIC ASSISTANCE FUND
SCHEDULE OF PUBLIC ASSISTANCE CASH AND RECONCILIATION
PER N.J.S. 40A:5-5

	<u>Ref.</u>	<u>Trust Fund I</u>
Balance December 31, 2011	E-1	\$ 2,471.98
Increased by Receipts:		
Cash Receipts Record		\$ <u>0.62</u>
		<u>0.62</u>
		<u>2,472.60</u>
Decreased by Disbursements:		
Cash Disbursement Record		<u>-</u>
		<u>-</u>
Balance March 31, 2012	E-2	\$ <u><u>2,472.60</u></u>
Balance March 31, 2012		
Balance on Deposit per Statement:		
Sturdy Savings Bank		\$ <u>2,472.60</u>
Book Balance		\$ <u><u>2,472.60</u></u>

Exhibit E-3

BOROUGH OF STONE HARBOR
PUBLIC ASSISTANCE FUND
SCHEDULE OF REVENUES

	<u>Trust Fund I</u>
Interest Earned on Deposits	\$ <u>6.39</u>
Total Receipts (PTAF)	\$ <u><u>6.39</u></u>

Exhibit E-4

SCHEDULE OF EXPENDITURES

	<u>Trust Fund I</u>
Intrafund Transfers	\$ <u>-</u>
Total Disbursements (PTAF)	\$ <u><u>-</u></u>

BOROUGH OF STONE HARBOR

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2011

1535 HAVEN AVENUE • PO BOX 538
OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710



1409 CANTILLON BLVD. • PO BOX 548
MAYS LANDING, NJ 08330
PHONE 609.625.0999 • FAX 609.625.2421

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Borough Council
Borough of Stone Harbor
County of Cape May, New Jersey

We have audited the financial statements – regulatory basis of the Borough of Stone Harbor, State of New Jersey (the “Borough”), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 30, 2012. Our report disclosed that, as described in Note 1 to the financial statements, the Borough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

Management of the Borough of Stone Harbor is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the Borough of Stone Harbor's management in a separate letter dated April 30, 2012.

This report is intended solely for the information and use of management, the Borough of Stone Harbor's Commissioners, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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

April 30, 2012

BOROUGH OF STONE HARBOR
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Regulatory Basis, presented in accordance with an "Other Comprehensive Basis of Accounting" dated April 30, 2012.**

Internal control over financial reporting:

- 1) Material Weakness identified? **NO**
- 2) Significant deficiencies identified? **NO**

Non-Compliance material to Financial Statements – Regulatory Basis noted? **NO**

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

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements – regulatory basis that are required to be reported. We did note certain other findings that are reported to the governing body in a separate Letter to those in Governance.

MANAGEMENT RESPONSES

Management is required to respond to any findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report. No corrective action plan is required for 2011.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings related federal and state assistance programs.

BOROUGH OF STONE HARBOR

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2005, the bid threshold was increased to \$21,000. The Borough appointed a "Qualified Purchasing Agent" on April 17, 2007 which increased the bid threshold to \$29,000. Effective July 1, 2011, the bid threshold increased to \$36,000.

The governing body of the Borough of Stone Harbor has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in a violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

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

- Firehouse Roof Replacement
- Boat Ramp Replacement
- Second Avenue Street Lighting Project
- Wildlife/Animal Control Services
- Construction of Recreation Support Building
- Painting and Metal Repair Work at Public Works Building
- 114th Street Generator
- Firehouse Foundation Repairs Project
- Sewer Vacuum Truck

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the Mayor and Council of the Borough of Stone Harbor, County of Cape May and State of New Jersey, that the interest penalty for delinquent taxes shall be 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500, on each parcel of land by block and lot, and

BE IT FURTHER RESOLVED that no interest be charged if payment of any installment is made within ten (10) calendar days after the date on which same is payable, said ten (10) calendar days to be straight calendar days, and if the tenth day falls on a Saturday, Sunday or legal holiday, then the grace period shall extend to the next business day; and

BOROUGH OF STONE HARBOR

GENERAL COMMENTS (Continued)

BE IT FURTHER RESOLVED pursuant to N.J.S.A. 54:4-67 that an additional penalty of 6% shall be charged against any property with a delinquency in excess of \$10,000 which remains in arrears beyond December 31st of each year.

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

Delinquent Taxes and Tax Title Liens

The tax sale was held and was complete.

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

<u>Year</u>	<u>Number</u>
2010	-
2009	-
2008	-

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2011 and 2012 Taxes	40
Delinquent Taxes - 2011	40
Payment of Water and Sewer Rents	40
Delinquent Water and Sewer Rents	40
Total	<u>160</u>

Deposit of Municipal Funds

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

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

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

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

BOROUGH OF STONE HARBOR

FINDINGS AND RECOMMENDATIONS

None

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April 30, 2012