

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**DECEMBER 31, 2012**

**ROBERT A. HULSART AND COMPANY**  
**Certified Public Accountants**

**2807 Hurley Pond Road, Suite 100**  
**P.O. Box 1409**  
**Wall, New Jersey 07719**

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**TABLE OF CONTENTS**

**Page**

**PART I – AUDITOR’S REPORT ON THE  
BOROUGH’S FINANCIAL STATEMENTS**

Independent Auditors Report	1 & 3.
-----------------------------	--------

**Exhibit**

**CURRENT FUND**

A	Balance Sheet as at December 31, 2012 and 2011 – Regulatory Basis	4 & 5.
A-1	Statement of Operations and Change in Fund Balance December 31, 2012 and 2011 – Regulatory Basis	6.
A-2	Statement of Revenues – December 31, 2012 – Regulatory Basis	7 & 8.
A-3	Statement of Expenditures – December 31, 2012 – Regulatory Basis	9 to 15.

**TRUST FUND**

B	Balance Sheet as at December 31, 2012 and 2011 – Regulatory Basis	16.
---	---	-----

**CAPITAL FUND**

C	Balance Sheet as at December 31, 2012 and 2011 – Regulatory Basis	17.
C-1	Statement of Fund Balance – Regulatory Basis	18.

**GENERAL FIXED ASSETS**

F	Balance Sheet as at December 31, 2012 and 2011 – Regulatory Basis	19.
---	---	-----

Notes to Financial Statements	20 to 29.
-------------------------------	-----------

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**TABLE OF CONTENTS**

**Page**

**PART II - SUPPLEMENTARY DATA**

Supplementary Data	30 to 32.
Officials in Office and Surety Bonds	33.

**Exhibit**

**CURRENT FUND**

A-4	Schedule of Cash	34.
A-5	Schedule of Taxes Receivable and Analysis of Tax Levy	35.
A-6	Schedule of Due from State of New Jersey for Veterans and Senior Citizens Deductions	36.
A-7	Schedule of Property Acquired for Taxes	37.
A-8	Schedule of Prepaid Taxes	38.
A-9	Schedule of Revenue Accounts Receivable	39.
A-10	Schedule of County Taxes Payable	40.
A-11	Schedule of Local District School Tax	40.
A-12	Schedule of Appropriation Reserves	41.
A-13	Schedule of Encumbrances	41.
A-14	Schedule of Various Reserves	42.
A-15	Schedule of Deferred Charges N.J.S. 40A:4-53	43.
A-16	Schedule of Grants Receivable for Federal and State Grant Fund	44.
A-17	Schedule of Appropriation Reserves for Federal and State Grant Fund	45.
A-18	Schedule of Unappropriated Reserves for Federal and State Grants	46.

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**TABLE OF CONTENTS**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	<b><u>TRUST FUND</u></b>	
B-1	Schedule of Cash – Checking	47.
B-2	Schedule of Reserve for Dog Expenditures	48.
B-3	Schedule of Dog Fees Due State	48.
B-4	Schedule of Reserve – Unemployment Insurance	48.
B-5	Schedule of Reserve for Developer’s Account	49.
B-6	Schedule of Reserve for Law Enforcement Trust Fund	49.
B-7	Schedule of Reserve for Park Restoration	49.
B-8	Schedule of Reserve – Various Trust Funds	50.
B-9	Schedule of Reserve for Recreation	51.
B-10	Schedule of Reserve for Public Defender	51.
B-11	Schedule of Assessments Receivable	52.
	<b><u>CAPITAL FUND</u></b>	
C-2	Schedule of Cash - Checking	53.
C-3	Schedule of Cash and Investments	54.
C-4	Schedule of Deferred Charges to Future Taxation – Unfunded	55.
C-5	Schedule of Improvement Authorizations	56.
C-6	Schedule of Capital Improvement Fund	57.
C-7	Schedule of Bond Anticipation Notes	58.
C-8	Schedule of Due From Assessment Trust	59.
C-9	Schedule of Bonds and Notes Authorized But Not Issued	60.

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>PART III – REPORT ON INTERNAL CONTROLS</u></b>	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	61 & 62.
<b><u>PART IV – GENERAL COMMENTS AND RECOMMENDATIONS</u></b>	
General Comments	63 to 65.
Prior Year Recommendations	65.
Current Year Recommendations	65.
Appreciation	65.

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**PART I**

**AUDITOR'S REPORT ON THE BOROUGH'S FINANCIAL STATEMENTS,**

**FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

*Robert A. Hulsart and Company*  
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:  
 (732) 280-8888

e-mail:  
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100  
 P.O. Box 1409  
 Wall, New Jersey 07719-1409  
 (732) 681-4990

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
 of the Board of Commissioners  
 Borough of Interlaken  
 County of Monmouth  
 Interlaken, New Jersey 07712

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements - regulatory basis of the various funds and account groups of the Borough of Interlaken (the "Borough"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related consolidated statement of revenues - regulatory basis and consolidated statement of expenditures - regulatory basis of the various funds for the year ended.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors Responsibility**

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

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

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

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

### **Opinion**

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2012 and 2011, the changes in financial position, or where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic consolidated financial statements.

However, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Borough, as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the consolidated statements of revenues – regulatory basis and consolidated statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2012 on the basis of accounting described in Note 1.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 15, 2013 on our consideration of the Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming opinion on the consolidated financial statements of the Borough taken as a whole. The accompanying supplementary schedules and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

---

*Robert A. Hulsart and Company*

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

April 15, 2013

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****BALANCE SHEET - CURRENT FUND****Exhibit A  
Sheet 1 of 2****REGULATORY BASIS****DECEMBER 31**

	<b><u>Ref.</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b><u>Assets</u></b>			
Cash	A-4	\$ 494,650.46	673,879.67
Petty Cash		357.30	357.30
		<u>495,007.76</u>	<u>674,236.97</u>
Receivables with Full Reserves:			
Delinquent Taxes	A-5	12,654.60	21,302.35
Property Acquired for Taxes at Assessed Valuation	A-7	11,700.00	11,700.00
Interfund-General Capital	C	165,000.00	
Revenue Accounts Receivable	A-9	3,404.61	3,903.09
		<u>192,759.21</u>	<u>36,905.44</u>
Deferred Charges:			
Emergency-40A-4-46	A-3	22,000.00	
Emergency-40A:4-53	A-15	164,480.00	152,640.00
		<u>186,480.00</u>	<u>152,640.00</u>
Total Current Fund		<u>874,246.97</u>	<u>863,782.41</u>
<b><u>State and Federal Grants</u></b>			
Interfund Current	Contra	30,444.05	20,683.34
Grants Receivable	A-16	3,377.54	7,787.44
Total State and Federal Grants		<u>33,821.59</u>	<u>28,470.78</u>
Total Assets		<u>\$ 908,068.56</u>	<u>892,253.19</u>

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

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****BALANCE SHEET - CURRENT FUND****REGULATORY BASIS****Exhibit A  
Sheet 2 of 2****DECEMBER 31**

	<b><u>Ref.</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Liabilities:			
Due State Veterans and Senior Citizens	A-6	\$ 675.72	925.72
Tax Overpayments	A-4	181.35	
Various Reserves	A-14	56,007.80	28,763.83
Interfund Trust	B		36.00
Interfund Grants	Contra	30,444.05	20,683.34
Prepaid Taxes	A-8	16,659.32	26,156.61
Appropriation Reserves	A-3	154,941.75	81,554.26
Encumbrances	A-13	7,285.10	12,744.91
Due County for Added Tax	A-10	1,748.65	353.43
Local District School Taxes	A-11	220,293.50	188,712.00
Total Liabilities		488,237.24	359,930.10
Reserve for Receivables		192,759.21	36,905.44
Fund Balance	A-1	193,250.52	466,946.87
Total Current Fund		874,246.97	863,782.41
<b><u>State and Federal Grant Fund</u></b>			
Appropriated Reserves	A-17	31,821.38	26,721.33
Unappropriated Reserves	A-18	2,000.21	1,749.45
Total State and Federal Grants		33,821.59	28,470.78
Total Liabilities, Reserves & Fund Balance		\$ 908,068.56	892,253.19

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

STATEMENT OF OPERATIONS AND CHANGEIN FUND BALANCE - CURRENT FUNDREGULATORY BASISDECEMBER 31

		Year	
	Ref.	2012	2011
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance	A-2	\$ 249,081.00	249,081.17
Miscellaneous Revenue Anticipated	A-2	259,895.97	227,996.79
Receipts from Delinquent Taxes	A-2	21,302.35	13,863.74
Receipts from Current Taxes	A-2	3,007,304.63	3,018,345.54
Non-Budget Revenue	A-2	15,157.74	54,779.87
Other Credits to Income:			
Appropriation Reserves Lapsed	A-12	65,456.29	120,495.46
Current Year Appropriations Cancelled	A-3	38.52	140.30
Encumbrances Cancelled	A-13	5,744.91	44,618.80
Reserves Cancelled	A-14	7,501.08	
		<u>3,631,482.49</u>	<u>3,729,321.67</u>
<b><u>Expenditures</u></b>			
Inside CAP:			
Salaries and Wages	A-3	412,304.00	397,148.00
Other Expenses	A-3	704,419.00	441,572.64
Deferred Charges and Statutory Expenditures	A-3	189,846.00	239,090.00
Excluded from CAP:			
Other Expenses	A-3	929,573.35	820,965.05
Capital Improvement Fund	A-3	135,000.00	163,000.00
Debt Service	A-3	105,764.00	117,717.00
Deferred Charges	A-3	38,160.00	38,160.00
County Taxes	A-10	794,758.97	805,000.85
Local District School Taxes	A-11	416,787.00	429,059.00
Interfund Advance	A	165,000.00	
Other-Adjustment	A-4	1,485.52	1,113.48
		<u>3,893,097.84</u>	<u>3,452,826.02</u>
Deduct: Expenditures To Be Raised in Subsequent Budgets	A-3,15	<u>237,000.00</u>	
Adjusted Expenditures		<u>3,656,097.84</u>	<u>3,452,826.02</u>
Excess Revenue		(24,615.35)	276,495.65
Fund Balance January 1	A	466,946.87	439,532.39
Decreased by:			
Utilized as Revenue	A-2	<u>249,081.00</u>	<u>249,081.17</u>
Fund Balance December 31	A	<u>\$ 193,250.52</u>	<u>466,946.87</u>

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

**CURRENT FUND****Exhibit A-2****Sheet 1 of 2****STATEMENT OF REVENUES - DECEMBER 31, 2012****REGULATORY BASIS**

	<b><u>Ref.</u></b>	<b><u>Anticipated</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Surplus Anticipated	A-1	\$ 249,081.00	249,081.00	
<b><u>Miscellaneous Revenues</u></b>				
Fines and Costs:				
Municipal Court	A-9	63,600.00	48,415.86	(15,184.14)
Interest and Costs on Taxes	A-9	3,000.00	4,826.19	1,826.19
Interest on Investments and Deposits	A-9	5,939.00	4,555.72	(1,383.28)
Cablevision Franchise Fee	A-9	8,800.00	9,191.00	391.00
Energy Receipts Tax (P.L. 1997 Ch. 162 & 167)	A-9	107,023.00	107,023.00	-
Uniform Construction Code Fees	A-9	23,180.00	24,820.00	1,640.00
Certificate of Occupancy	A-9	600.00	2,238.85	1,638.85
Unemployment Insurance Trust Fund		50,000.00	50,000.00	-
Recycling Tonnage	A-17	1,447.81	1,447.81	-
Green Communities	A-17	3,000.00	3,000.00	-
Clean Communities Program	A-17	4,000.00	4,000.00	
Alcohol Education & Rehabilitation	A-17	377.54	377.54	
Total Miscellaneous Revenues	A-1	<u>270,967.35</u>	<u>259,895.97</u>	<u>(11,071.38)</u>
Receipts from Delinquent Taxes	A-1	13,864.00	21,302.35	7,438.35
Amount to be Raised by Taxes in Support of Municipal Budget	A-2	<u>1,803,058.65</u>	<u>1,854,663.31</u>	<u>51,604.66</u>
		<u>2,336,971.00</u>	<u>2,384,942.63</u>	<u>47,971.63</u>

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

**CURRENT FUND****Exhibit A-2****Sheet 2 of 2****STATEMENT OF REVENUES - DECEMBER 31, 2012****REGULATORY BASIS**

	<b><u>Ref.</u></b>	<b><u>Anticipated</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Non-Budget Revenue	A-1		15,157.74	
Total General Revenue		<u>\$2,336,971.00</u>	<u>2,400,100.37</u>	<u>47,971.63</u>
<b><u>Analysis of Realized Revenues</u></b>				
<b><u>Current Tax Collections</u></b>				
Collections	A-1		\$ 3,007,304.63	
Add: "Reserve for Uncollected Taxes"	A-3		58,904.65	
			<u>3,066,209.28</u>	
Less: Allocated to School and County Taxes	A-5		<u>1,211,545.97</u>	
Balance For Support of Municipal Budget	A-2		<u>\$ 1,854,663.31</u>	
<b><u>Non-Budget Revenue</u></b>				
Administration Fees			\$ 270.00	
DMV Fines			1,769.00	
Recycling			1,945.84	
Surplus Property			1,235.99	
Street Opening Permits			3,800.00	
Verizon			4,814.61	
Other			<u>1,322.30</u>	
	A-4			<u>\$ 15,157.74</u>

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

CURRENT FUNDSTATEMENT OF EXPENDITURES - DECEMBER 31, 2012REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b><u>General Government</u></b>					
Mayor And Council	\$ 2,000.00	2,000.00	1,541.68	458.32	
Other Expenses					
Municipal Clerks Office	91,030.00	91,030.00	86,813.51	4,216.49	
Salaries and Wages	25,900.00	23,900.00	17,219.69	6,680.31	
Other Expenses					
Financial Administration	51,104.00	51,104.00	51,090.26	13.74	
Salaries and Wages	5,500.00	5,500.00	3,168.30	2,331.70	
Other Expenses	11,500.00	11,500.00	11,500.00	-	
Other Expenses-Audit					
Assessment of Taxes					
Salaries and Wages	5,225.00	5,235.00	5,226.08	8.92	
Other Expenses	2,575.00	2,575.00	1,003.96	1,571.04	
Other Expenses-Revaluation		50,000.00	50,000.00	-	
Collection of Taxes					
Salaries and Wages	29,412.00	29,422.00	29,414.18	7.82	
Other Expenses	6,040.00	6,040.00	4,994.00	1,046.00	
Legal Services and Costs					
Other Expenses	36,000.00	34,000.00	28,763.70	5,236.30	
Engineering Services and Costs					
Other Expenses	7,500.00	7,500.00	4,926.96	2,573.04	
Municipal Court					
Salaries and Wages	30,015.00	30,015.00	27,726.85	2,288.15	
Other Expenses	5,100.00	5,100.00	2,301.63	2,798.37	
Public Defender					
Salaries and Wages	1,600.00	1,600.00	1,200.00	400.00	

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

CURRENT FUNDSTATEMENT OF EXPENDITURES - DECEMBER 31, 2012REGULATORY BASIS

	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
<b><u>Land Use Administration</u></b>					
Planning Board -Municipal Land Use Law N.J.S.A. 40:5-50-1					
Salaries and Wages	1,620.00	1,620.00	675.00	945.00	
Other Expenses	3,150.00	3,150.00	931.82	2,218.18	
Zoning Officer					
Salaries and Wages	4,274.00	4,274.00	4,226.97	47.03	
<b><u>Public Safety</u></b>					
Fire-Other Expenses					
Fire Hydrant Service	18,000.00	18,000.00	14,812.06	3,187.94	
Emergency Management Services					
Other Expenses	1,000.00	500.00		500.00	
Municipal Prosecutor					
Salaries and Wages	6,050.00	6,050.00	6,000.00	50.00	
Insurance					
Health Benefit Waiver	10,000.00	10,000.00	10,000.00	-	
Liability	19,220.00	19,220.00	18,712.04	507.96	
Workmens Compensation	25,010.00	25,010.00	24,759.29	250.71	
Employee Group Health	110,000.00	108,000.00	95,071.26	12,928.74	
<b><u>Public Works</u></b>					
Street and Roads Maintenance					
Salaries and Wages	175,100.00	173,100.00	168,595.28	4,504.72	
Other Expenses	19,100.00	206,100.00	195,523.07	10,576.93	
Other Public Works Functions					
Shade Tree Commission	9,000.00	8,000.00	7,494.70	505.30	

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



**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

Exhibit A-3  
Sheet 3 of 7

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - DECEMBER 31, 2012**

**REGULATORY BASIS**

	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Reserved</u></b>	<b><u>Cancelled</u></b>
Recycling					
Salaries and Wages	3,214.00	3,214.00	3,211.60	2.40	
Other Expenses	14,000.00	24,000.00	15,937.50	8,062.50	
Public Buildings and Grounds					
Other Expenses	18,600.00	18,600.00	13,126.61	5,473.39	
Vehicle Maintenance					
Other Expenses	15,500.00	14,880.00	2,611.45	12,268.55	
<b><u>Health and Human Services</u></b>					
Service of Monmouth County Organization for Social Service-Contracts(R.S. 40:13):				-	
Board of Health					
Contractual P.L. 1975, ch. 329	5,626.00	5,626.00	5,461.00	165.00	
Dog Regulation					
Other Expenses	2,273.00	2,373.00	2,343.00	30.00	
<b><u>Parks and Recreation</u></b>					
Parks and Playgrounds					
Other Expenses	14,625.00	14,625.00	3,341.08	11,283.92	
<b><u>Education</u></b>					
Expenses of Participation in Free County Library					
Salaries and Wages	4,730.00	4,730.00	3,930.95	799.05	
<b><u>Uniform Construction Code - Appropriations</u></b>					
<b><u>Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u></b>					
State Uniform Construction Code					
Construction Officials N.J.S.A. 52:27D-120-5 seq.					
Salaries and Wages	9,143.00	9,143.00	9,041.80	101.20	
Other Expenses	400.00	400.00	343.00	57.00	

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

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

Exhibit A-3  
Sheet 4 of 7

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - DECEMBER 31, 2012**

**REGULATORY BASIS**

	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Reserved</u></b>	<b><u>Cancelled</u></b>
Electrical Inspection					
Salaries and Wages	2,047.00	2,047.00	2,047.00	-	
Plumbing Inspection					
Salaries and Wages	2,015.00	2,015.00	2,015.00	-	
Fire Sub-Code Official					
Salaries and Wages	1,775.00	1,775.00	1,775.00	-	
<b><u>Other Operating Functions</u></b>					
Deal Lake Commission(N.J.S. 40:48B-1)					
Other Expenses	10,000.00	10,000.00	10,000.00	-	
<b><u>Utilities</u></b>					
Electric	5,000.00	8,000.00	6,096.38	1,903.62	
Street Lighting	25,500.00	22,500.00	15,611.51	6,888.49	
Telephone	8,750.00	8,750.00	8,349.06	400.94	
Water	3,000.00	3,000.00	983.76	2,016.24	
Natural Gas	7,500.00	7,500.00	3,842.82	3,657.18	
Landfill Solid Waste Disposal:					
Dumping Fees	10,000.00	10,000.00	8,258.50	1,741.50	
Total Operations Within CAPS	875,723.00	1,112,723.00	992,019.31	120,703.69	-
Contingent	4,000.00	4,000.00		4,000.00	
Total Operations Including Contingent Within CAPS	879,723.00	1,116,723.00	992,019.31	124,703.69	-

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

**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - DECEMBER 31, 2012**

**REGULATORY BASIS**

**Deferred Charges and Statutory Expenditures Within CAPS**

	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Reserved</u></b>	<b><u>Cancelled</u></b>
Statutory Expenditure-Contribution To					
Public Employees Retirement System	33,960.00	33,960.00	33,960.00	-	
Social Security System (O.A.S.I.)	33,000.00	33,000.00	31,235.77	1,764.23	
Police & Firemen's Retirement System of N.J.	92,886.00	92,886.00	92,886.00	-	
Unemployment Insurance	30,000.00	30,000.00	30,000.00		
Total Deferred Charges and Statutory Expenditures	189,846.00	189,846.00	188,081.77	1,764.23	
Total General Approp. For Municipal Purposes Within CAPS	1,069,569.00	1,306,569.00	1,180,101.08	126,467.92	-

**Operations - Excluded From "CAPS"**

Recycling Tax	725.00	725.00		725.00	
Sewer Fees-Excess Flow	83,006.00	83,006.00	57,002.29	26,003.71	
Sewer Fees-Ocean Township Sewer Authority	163,944.00	163,944.00	163,944.00	-	
Total Other Operations Excluded from CAPS	247,675.00	247,675.00	220,946.29	26,728.71	-

**Interlocal Municipal Service Agreement**

Ocean Township - Purchase of Gasoline & Fuel Oil	15,000.00	15,000.00	13,793.88	1,206.12	
Borough of Deal					
Police Services	478,970.00	478,970.00	478,970.00		
Borough of Allenhurst:					
Share of Fire & First Aid Interest & Amort. Per Contract	22,960.00	22,960.00	22,960.00	-	
Fire and First Aid Services	2,985.00	2,985.00	2,985.00	-	
Garbage and Trash Removal	146,200.00	146,200.00	146,200.00	-	
LOSAP	6,458.00	6,458.00	5,919.00	539.00	
Total Interlocal Municipal Service Agreements	672,573.00	672,573.00	670,827.88	1,745.12	-

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - DECEMBER 31, 2012**

**REGULATORY BASIS**

	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Reserved</u></b>	<b><u>Cancelled</u></b>
<b><u>Public and Private Programs Offset by Revenue</u></b>					
Green Communities					
Other Expenses	3,000.00	3,000.00	3,000.00	-	
Other Expenses-Match	500.00	500.00	500.00		
Recycling Tonnage					
Other Expenses	1,447.81	1,447.81	1,447.81		
Alcohol Education & Rehabilitation					
Other Expenses	377.54	377.54	377.54	-	
Clean Communities					
Other Expenses	4,000.00	4,000.00	4,000.00	-	
Total Public and Private Programs offset by Revenue	9,325.35	9,325.35	9,325.35	-	-
<b><u>Capital Improvements - Excluded From "CAPS"</u></b>					
Capital Improvement Fund	135,000.00	135,000.00	135,000.00	-	
Total Capital Improvements - Excluded from "CAPS"	135,000.00	135,000.00	135,000.00	-	-
<b><u>Municipal Debt Service - Excluded From CAPS</u></b>					
Payment of Bond Anticipation Notes and Capital Notes	66,724.00	66,724.00	66,724.00	-	-
Interest on Notes	7,700.00	7,700.00	7,671.02	-	28.98
Lease/Purchase Aerial Pumper Combo Truck	31,340.00	31,340.00	31,330.46		9.54
Total Municipal Debt Service Excluded From CAPS	105,764.00	105,764.00	105,725.48	-	38.52
Deferred charges					
Special Emergency Authorization (N.J.S. 40A:4-55)	38,160.00	38,160.00	38,160.00		

**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH****CURRENT FUND****STATEMENT OF EXPENDITURES - DECEMBER 31, 2012****REGULATORY BASIS**

	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid or Charged</u></b>	<b><u>Reserved</u></b>	<b><u>Cancelled</u></b>
Total General Appropriations Excluded From CAPS	1,208,497.35	1,208,497.35	1,179,985.00	28,473.83	38.52
Subtotal General Appropriations Reserve for Uncollected Taxes	2,278,066.35 58,904.65	2,515,066.35 58,904.65	2,360,086.08 58,904.65	154,941.75 -	38.52
Total General Appropriations	<u>\$ 2,336,971.00</u>	<u>2,573,971.00</u>	<u>2,418,990.73</u>	<u>154,941.75</u>	<u>38.52</u>
<b><u>Budget After Modification</u></b>				A	A-1
Budget as Adopted		\$2,336,971.00			
Added N.J.S. 40A:4-87		<u>237,000.00</u>			
		<u>\$2,573,971.00</u>			
<b><u>Analysis of Paid or Charged</u></b>					
Disbursed			\$ 2,075,315.63		
Federal and State Grants			9,325.35		
To Reserves			237,000.00		
Deferred Charges			38,160.00		
Encumbrances			285.10		
Reserve for Uncollected Taxes			<u>58,904.65</u>		
			<u>\$ 2,418,990.73</u>		

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

BALANCE SHEET - TRUST FUNDREGULATORY BASISDECEMBER 31

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
<u>Dog License Fund</u>			
Cash	B-1	\$ 5,263.90	4,546.70
		<u>5,263.90</u>	<u>4,546.70</u>
<u>Other Trust Funds</u>			
Cash	B-1	107,037.51	159,280.40
Interfund - Current	A	-	36.00
Assessments Receivable	B-11		2,370.00
		<u>107,037.51</u>	<u>161,686.40</u>
Total Assets		<u>\$ 112,301.41</u>	<u>166,233.10</u>
<u>Liabilities and Reserves</u>			
<u>Dog License Fund</u>			
Dog Fees Due State	B-3	\$ -	1.20
Reserve for Expenditures	B-2	5,263.90	4,545.50
Total Dog License Fund		<u>5,263.90</u>	<u>4,546.70</u>
<u>Other Trust Funds</u>			
Reserve for Unemployment Account	B-4	49,019.37	80,266.94
Due Capital- Assessments	C	17,554.00	17,554.00
Reserve for Developers Deposits	B-5	8,063.53	31,066.53
Reserve for Law Enforcement	B-6	-	1,829.54
Reserve for Park Restoration	B-7	3,249.23	3,249.23
Reserve for Recreation	B-9	14,273.65	13,818.93
Reserve for Public Defender	B-10	1,613.20	676.70
Various Reserves	B-8	13,264.53	13,224.53
Total Other Trust Funds		<u>107,037.51</u>	<u>161,686.40</u>
Total Liabilities and Reserves		<u>\$ 112,301.41</u>	<u>166,233.10</u>

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

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****Exhibit C****BALANCE SHEET - GENERAL CAPITAL FUND****REGULATORY BASIS****DECEMBER 31**

	<b><u>Ref.</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b><u>Assets</u></b>			
Cash	C-2	\$ 153,421.33	116,654.66
Receivables:			
Due From Assessment Fund	B	17,554.00	17,554.00
Grants Receivable	C-3	82,321.46	82,321.46
Deferred Charges to Future Taxation:			
Unfunded	C-4	852,269.19	492,428.19
Total Assets		<u>\$ 1,105,565.98</u>	<u>708,958.31</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Bond Anticipation Notes	C-7	\$ 395,701.00	387,425.00
Capital Improvement Fund	C-6	29,815.00	23,250.00
Interfund Current	C-3	165,000.00	
Improvement Authorizations:			
Funded	C-5	4,853.20	130,066.70
Unfunded	C-5	510,159.75	168,179.58
Fund Balance	C-1	37.03	37.03
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,105,565.98</u>	<u>708,958.31</u>

There were Bonds and Notes Authorized but Not Issued of \$142,503.19 as of December 31, 2011 and \$494,068.19 at December 31, 2012 (Exhibit C-9).

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

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****GENERAL CAPITAL FUND**

Exhibit C-1

**STATEMENT OF FUND BALANCE****REGULATORY BASIS**

	<b><u>Ref.</u></b>	
Balance December 31, 2011 and 2012	C	<u>\$ 37.03</u>

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



**FIXED ASSETS ACCOUNT GROUP****Exhibit F****BALANCE SHEET - REGULATORY BASIS****DECEMBER 31**

	<b><u>2012</u></b>	<b><u>2011</u></b>
<b><u>Assets</u></b>		
Land	\$ 483,500.00	483,500.00
Building and Site Improvements	417,527.00	417,527.00
Machinery and Equipment	621,777.64	456,777.64
Total General Fixed Assets	<u>\$ 1,522,804.64</u>	<u>1,357,804.64</u>
<b><u>Liabilities</u></b>		
Reserve for Fixed Assets	<u>\$ 1,522,804.64</u>	<u>1,357,804.64</u>

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

**BOROUGH OF INTERLAKEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 1: Summary of Significant Accounting Policies**

**A. Reporting Entity**

Except as noted below, the financial statements of the Borough of Interlaken, County of Monmouth, include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Interlaken as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, First Aid organization or volunteer fire company, which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2012.

**B. Description of Funds**

The accounting policies of the Borough of Interlaken conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Interlaken accounts for its financial transactions through the following separate funds:

**Current Fund** – resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

**Trust Fund** – receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

**General Capital Fund** – receipt and disbursement of funds for the acquisition of general capital facilities, other than those required in the Current Fund.

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

**General Fixed Assets** – account for the fixed assets of the Borough.

**Grant Funds** – record Federal and State grants.

## **NOTE 1: Summary of Significant Accounting Policies (Continued)**

### **C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

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

**Revenues** – are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the borough, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

**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 Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31<sup>st</sup> of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

**Foreclosed Property** – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

**Interfunds** – Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

**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** – In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by an independent appraisal firm.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting (Continued)**

**General Fixed Assets (Continued)** - No depreciation has been provided for in the financial statements.

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

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

**D. Financial Statements**

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

**E. Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

**NOTE 2: Cash and Cash Equivalents**

**A. Deposits**

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

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

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

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

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000.00.

The carrying amount of the Borough's deposits at year-end was \$835,813.66. Of this amount \$500,000.00 was covered by Federal depository insurance, the remaining \$335,813.66 was covered by a collateral pool maintained by the banks required by New Jersey statutes.

**NOTE 2: Cash and Cash Equivalents (Continued)****A. Deposits (Continued)**

The investments recorded in the general-purpose financial statements have been recorded at the carrying amount. The difference between the carrying amount and market value is not material to the general-purpose financial statements.

**B. Investments**

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

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part of within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

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

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

**NOTE 2: Cash and Cash Equivalents (Continued)****C. Cash Management Plan**

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

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

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

**D. Credit Risk Categories**

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>
Insured:		
FDIC	\$ 500,000.00	500,000.00
GUDPA	<u>335,813.66</u>	<u>630,653.79</u>
	<u>\$ 835,813.66</u>	<u>1,130,653.79</u>

**NOTE 3: Bonds and Notes Authorized but not Issued**

At December 31, 2012, the Borough of Interlaken had authorized but not issued bonds and notes as follows:

General Capital - \$494,068.19

**NOTE 4: Long-Term Debt**

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

**NOTE 4: Long-Term Debt (Continued)****Summary of Municipal Debt**

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<b><u>Issued</u></b>			
Notes	<u>\$ 395,701.00</u>	<u>387,425.00</u>	<u>465,550.00</u>
Net Debt Issued	<u>395,701.00</u>	<u>387,425.00</u>	<u>465,550.00</u>
<b><u>Authorized but Not Issued</u></b>			
General:			
Bonds and Notes	<u>494,068.19</u>	<u>142,503.19</u>	<u>67,503.19</u>
Total Authorized but Not Issued	<u>494,068.19</u>	<u>142,503.19</u>	<u>67,503.19</u>
Net Bonds and Notes Authorized but Not Issued	<u>\$ 889,769.19</u>	<u>529,928.19</u>	<u>533,053.19</u>

**Summary of Statutory Debt Condition – Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.19%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 889,769.19</u>	<u>—</u>	<u>889,769.19</u>
	<u>\$ 889,769.19</u>	<u>-0-</u>	<u>889,769.19</u>

Net debt \$889,769.19 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended \$268,630,100.33 = 0.33%. A revised Annual Debt Statement has been filed by the Chief Financial Officer.

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

3 ½% of Equalized Valuation Basis (Municipal)	<u>\$ 9,401,163.73</u>
Net Debt	<u>889,769.19</u>
Remaining Borrowing Power	<u>\$ 8,511,394.54</u>

**Changes in Outstanding Debt**

Transactions for the year ended December 31, 2012 are summarized as follows:

	<u>Balance Dec. 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2012</u>
<b><u>General Capital Fund</u></b>				
Bond Anticipation Notes	<u>\$ 387,425.00</u>	<u>75,000.00</u>	<u>66,724.00</u>	<u>395,701.00</u>

**NOTE 5: Bond Anticipation Notes**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuing of serial bonds. The term of the notes cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note.

**NOTE 6: Fixed Assets and Fixed Capital**

Fixed assets and fixed capital activity for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
<b><u>Fixed Assets</u></b>			
Land	\$ 483,500.00		483,500.00
Buildings and Site Improvements	417,527.00		417,527.00
Machinery and Equipment	<u>456,777.64</u>	<u>165,000.00</u>	<u>621,777.64</u>
	<u>\$ 1,357,804.64</u>	<u>165,000.00</u>	<u>1,522,804.64</u>

**NOTE 7: Deferred Charges to Future Taxation Funded and Unfunded**

Upon authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

**NOTE 8: Deferred Charges to be Raised in Succeeding Budgets**

As noted in Note 2, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, there were the following deferred charges:

Current Fund:	
N.J.S.A. 40A:4-53	\$ 164,480.00
N.J.S.A. 40A:4-41	22,000.00

**NOTE 9: Taxes Collected in Advance**

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

	<u>Balance December 31</u>
	<u>2012</u> <u>2011</u>
Prepaid Taxes	\$ 16,659.32                      20,156.61



**NOTE 10: Assessment and Collection of Property Taxes**

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1<sup>st</sup> in each year and filed with the County Board of Taxation ("Board") by January 10<sup>th</sup> of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3<sup>rd</sup>, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector ("Collector") on or before May 13<sup>th</sup>. Tax bills are prepared, then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1<sup>st</sup> of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1<sup>st</sup> and May 1<sup>st</sup>. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent as of the eleventh day of the eleventh month of the fiscal year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property, allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1<sup>st</sup> of the current tax year even though the amount due is not known.

**NOTE 11: Fund Balances Appropriated**

Fund balances at December 31, 2012 which were appropriated and included as anticipated revenue in the 2013 municipal budget for the year ending December 31, 2013 were as follows:

Current Fund:	
Fund Balance	\$ -0-

**NOTE 12: Pensions**

Employees who are eligible for a pension plan are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of State of New Jersey. The three State-administered plans are: (1) the Public Employee's Retirement System; (2) the Consolidated Police and Firemen's Pension Fund, and (3) the Police and Firemen's Retirement System. The Division annually charge municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial methods. A portion of the cost is contributed by the employee's. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$126,846.00 for 2012 and \$127,090.00 for 2011.

Borough employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement Systems and, therefore, is not presented.

**NOTE 13: Deferred Compensation Plan**

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not ordinarily available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are for the exclusive benefit of the Plan participants and their beneficiaries and the assets cannot be diverted to any other purpose. The Borough serves as Trustee under the Plan. The balance at December 31, 2012 is \$138,832.67.

**NOTE 14: Interfund Balances**

The following interfund balances existed as of December 31, 2012:

	<u>Due To</u>	<u>Due From</u>
Current	\$ 165,000.00	30,444.05
Grant Fund	30,444.05	
Capital	<u>                    </u>	<u>165,000.00</u>
	<u>\$ 195,444.05</u>	<u>195,444.05</u>

**NOTE 15: Risk Management**

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough was a member of the Monmouth County Municipal Joint Insurance Fund in 2012. The joint insurance pool is both an insured and self-administered group of twenty-four municipalities, one authority and four boards of education, established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. The Joint Insurance Fund participates in the Municipal excess Liability Program which has a contract for excess liability insurance for property. There were no settlements in excess of insurance coverage in 2012, 2011 and 2010.

**NOTE 16: Contingent Liabilities****A. Litigation**

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

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

**NOTE 16: Contingent Liabilities (Continued)****B. Federal and State Grants**

The Borough receives financial assistance from the U.S. government and the State of New Jersey in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, cost previously reimbursed could be disallowed and require payments to the grantor agency. As of December 31, 2012, the Borough estimates that no material liabilities will result from such audits.

**NOTE 17: Disbandment of the Borough Police Department**

An agreement effective January 1, 2011 was entered into with the Borough of Deal for a ten year period ending December 31, 2020. The cost for 2012 is \$450,000.00 and the cost for the ensuing years is based on the average of the last three years police budgets for the Borough of Deal. 26.1% of this amount will establish the annual cost for the following year.

**NOTE 18: Shared Services Agreement The Borough of Allenhurst for Purchase of a Fire Truck**

On April 21, 2010 a joint service agreement was entered into with the Borough of Allenhurst to share in the cost of purchasing a fire truck with the Borough of Allenhurst and the Village of Loch Arbour. Interlaken's share of the cost to be 41% or \$31,791.81 per year for ten years based on an agreement with Allenhurst for fire protection of which section 4.1.1 provides that upon approval of same, Interlaken is obligated to pay this amount which was approved by Interlaken. The total cost of the truck including interest is \$864,167.50.

**NOTE 19: Significant Accounting Pronouncements**

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Borough has updated references to GAAP in its financial statements issued for the period ended December 31, 2012. The adoption of FASB ASC 105 did not impact the Borough's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The Borough adopted the amended sections of ASC 855 and it did not have an impact on the Borough's financial statements. The Borough evaluated all events or transactions that occurred after December 31, 2012 through April 15, 2013.

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**PART II**

**SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2012**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE****CURRENT FUND**

	<b><u>Year 2012</u></b>		<b><u>Year 2011</u></b>	
	<b><u>Amount</u></b>	<b><u>%</u></b>	<b><u>Amount</u></b>	<b><u>%</u></b>
<b><u>Revenue and Other Income Realized</u></b>				
Fund Balance Utilized	\$ 249,081.00	6.86	249,081.17	6.68
Miscellaneous - From Other Than				
Local Tax Levies	263,794.51	7.26	448,031.22	12.01
Collection of Delinquent Taxes and				
Tax Title Liens	21,302.35	0.59	13,863.74	0.37
Collection of Current Tax Levy	3,097,304.63	85.29	3,018,345.54	80.94
	<u>3,631,482.49</u>	<u>100.00</u>	<u>3,729,321.67</u>	<u>100.00</u>
<b><u>Expenditures</u></b>				
Budget Expenditures:				
Municipal Purposes	2,515,066.35	68.68	2,217,652.69	64.23
County Taxes	794,758.97	20.36	805,000.85	23.31
Local and Regional School Taxes	416,787.00	10.68	429,059.00	12.42
Other	166,485.52	0.28	1,113.48	0.04
	<u>3,893,097.84</u>	<u>100.00</u>	<u>3,452,826.02</u>	<u>100.00</u>
Deduct Expenditures To Be Raised in				
Subsequent Budgets	237,000.00			
Adjusted expenditures	<u>3,656,097.84</u>		<u>3,452,826.02</u>	
Excess in Revenue	(24,615.35)		276,495.65	
Fund Balance January 1	<u>466,946.87</u>		<u>439,532.39</u>	
	442,331.52		716,028.04	
Less: Utilized as Anticipated Revenue	<u>249,081.00</u>		<u>249,081.17</u>	
Fund Balance December 31	<u>\$ 193,250.52</u>		<u>466,946.87</u>	

**COMPARATIVE SCHEDULE OF FUND BALANCES**

<b><u>Current Fund</u></b>	<b><u>Balance</u></b> <b><u>December 31</u></b>	<b><u>Utilized</u></b> <b><u>In Budget of</u></b> <b><u>Succeeding</u></b> <b><u>Year</u></b>
2012	\$ 193,250.52	-
2011	466,946.87	249,081.00
2010	439,532.39	249,081.17

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Total Tax Rate	\$ <u>1.510</u>	<u>1.521</u>	<u>1.595</u>
<b><u>Apportionment of Tax Rate</u></b>			
Municipal	\$ 0.903	0.903	0.938
County	0.398	0.403	0.404
Local School	0.209	0.215	0.253
<b><u>Assessed Valuation</u></b>			
2012	\$ 199,557,942.00		
2011		199,992,739.00	
2010			199,483,074.00

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

No properties have been acquired in 2012 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2012	\$ 11,700.00
2011	11,700.00
2010	11,700.00

### **COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY**

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Cash Collections</u></b>	<b><u>% of Collection</u></b>
2012	\$ 3,019,959.23	3,007,304.63	99.58%
2011	3,043,223.76	3,018,345.54	98.64%
2010	3,189,829.13	3,170,229.29	99.39%

### **DELINQUENT TAXES AND TAX TITLE LIENS**

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

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Taxes</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2012	None	\$ 12,654.60	12,654.60	0.42%
2011	None	21,302.35	21,302.35	0.70%
2010	None	13,813.17	13,813.17	0.43%

## **OFFICIALS IN OFFICE AND SURETY BONDS**

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

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
Michael Nohilly	Mayor	12/31/2014
Robert White	Councilman	12/31/2012
Thomas Morley	Councilman	12/31/2012
Lynn A Parry Jr.	Councilman	12/31/2013
Keith Miller	Councilman-President of Council	12/31/2013
Robert Napoli	Councilman	12/31/2014
Corey Folta	Councilman	12/31/2014
Dawn McDonald	Borough Clerk/Administrator	
Stephen Gallagher	Tax Collector	
Stephen Gallagher	Chief Financial Officer/Treasurer	
Patricia M. Weaver	Municipal Court Administrator	
George Cieri	Municipal Court Judge	
Lisa Casler	Court Assistant/Violations Clerk	
Jennifer Krimko	Attorney	
Edward M. Mullane	Assessor	
Salvatore Massaro	Plumbing Sub-Code Official	
Salvatore Massaro	Building Sub-Code Official	
Peter Avakian	Engineer	
Paul Vitale	Construction Official/Electrical Sub-Code	
Thomas Haegi	Fire Sub-Code Official	

\* There was a blanket position bond for the Municipal Court of \$25,000.00. Also, there was a \$250,000.00 blanket bond with the Joint Insurance Fund for all employees. The Tax Collector is covered under a \$1,000,000.00 bond thru the Joint Insurance Fund.



**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

Exhibit A-4

**CURRENT FUND**

**SCHEDULE OF CASH**

	<b><u>Ref.</u></b>	<b><u>Current</u></b>	<b><u>Grants</u></b>
Balance December 31, 2011	A	\$ 673,879.67	-
Increased by:			
Property Taxes	A-5	2,988,950.37	
State of New Jersey Veterans and Senior Citizens	A-6	13,250.00	
Revenue Accounts Receivable	A-9	251,070.62	
Federal and State Grants Receivable	A-16,18		11,985.80
Tax Overpayments	A	181.35	
Unappropriated Grants	A-18		
Miscellaneous Revenue Not Anticipated	A-2	15,157.74	2,000.21
Grant fund	A	9,760.71	
Prepaid Taxes	A-8	16,659.32	
		<u>3,295,030.11</u>	<u>13,986.01</u>
		3,968,909.78	13,986.01
Decreased by:			
Budget Appropriations	A-3	2,075,315.63	
Various Reserves	A	202,254.95	
Federal and State Appropriation Reserves	A-17		4,225.30
Interfund-Trust	B	36.00	
Local District School Taxes	A-11	385,205.50	
Current Fund	Contra		9,760.71
Other	A-1	1,966.23	
Appropriation Reserves	A-12	16,097.97	
County Taxes Payable	A-10	793,383.04	
		<u>3,474,259.32</u>	<u>13,986.01</u>
Balance December 31, 2012	A	\$ 494,650.46	-

**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

**CURRENT FUND**

Exhibit A-5

**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY**

Year	Balance Dec. 31, 2011	2012 Levy	Receipts		Veterans and Senior Citizens	Balance Dec. 31, 2012
			2011	2012		
2011	\$ 21,302.35			21,302.35		
2012		3,019,959.23	26,156.61	2,967,648.02	13,500.00	12,654.60
	\$ 21,302.35	3,019,959.23	26,156.61	2,988,950.37	13,500.00	12,654.60
Ref.	A		A-8	A-4	A-6	A

**Analysis of 2011 Property Tax Levy**

General Purpose Tax	\$ 3,013,324.92
Added Taxes	6,634.31
	<u>\$ 3,019,959.23</u>

**Ref.**

<b><u>Tax Levy</u></b>		
Local District School Tax	A-11	\$ 416,787.00
County Taxes (Abstract)		
General		\$ 710,479.62
Library		41,325.57
Open Space Preservation		41,205.13
Added Taxes		<u>1,748.65</u>
		794,758.97
Local Taxes for Municipal Purposes	A-10	
Additional Taxes	A-2	1,803,058.65
		<u>5,354.61</u>
		<u>1,808,413.26</u>
		<u>\$ 3,019,959.23</u>

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****CURRENT FUND****Exhibit A-6****SCHEDULE OF DUE FROM STATE OF NEW JERSEY****FOR VETERANS AND SENIOR CITIZENS DEDUCTIONS**

	<b><u>Ref.</u></b>		
Balance December 31, 2011 - Due To	A		\$ (925.72)
Increased by:			
Billing Per Duplicate:			
Senior Citizens		500.00	
Veterans		<u>13,000.00</u>	
	A-5		<u>13,500.00</u>
			12,574.28
Decreased by:			
Receipts	A-4		<u>13,250.00</u>
Balance December 31, 2012 - Due To	A		<u><u>\$ (675.72)</u></u>

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

37.

**CURRENT FUND**

**Exhibit A-7**

**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES**

Balance December 31, 2011 & 2012	<b><u>Ref.</u></b> A	<b><u>\$ 11,700.00</u></b>
----------------------------------	-------------------------	----------------------------

**CURRENT FUND**

**Exhibit A-8**

**SCHEDULE OF PREPAID TAXES**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	A	\$ 26,156.61
Increased by:		
Receipts	A-4	<u>16,659.32</u>
		42,815.93
Decreased by:		
Transferred to 2012 Taxes Receivable	A-5	<u>26,156.61</u>
Balance December 31, 2012	A	<u><u>\$ 16,659.32</u></u>

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

**CURRENT FUND**

Exhibit A-9

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<b><u>Ref.</u></b>	<b><u>Balance Dec. 31, 2011</u></b>	<b><u>Accrued in 2012</u></b>	<b><u>2012 Revenue</u></b>	<b><u>Balance Dec. 31, 2012</u></b>
<b><u>Miscellaneous Revenues</u></b>					
Certificate of Occupancy	A-2	\$ -	2,238.85	2,238.85	
Fines and Costs:					
Municipal Court	A-2	3,903.09	47,917.38	48,415.86	3,404.61
Interest and Costs on Taxes	A-2		4,826.19	4,826.19	
Interest on Investments and Deposits	A-2		4,555.72	4,555.72	
Cablevision Franchise Fee	A-2		9,191.00	9,191.00	
Energy Receipts Tax	A-2		107,023.00	107,023.00	
Unemployment Insurance Trucs Fund	A-2		50,000.00	50,000.00	
Uniform Construction Code	A-2		24,820.00	24,820.00	
Total Miscellaneous Revenue		<u>\$ 3,903.09</u>	<u>250,572.14</u>	<u>251,070.62</u>	<u>3,404.61</u>
	<b><u>Ref.</u></b>	<b><u>A</u></b>	<b><u>A-4</u></b>		<b><u>A</u></b>

**CURRENT FUND****Exhibit A-10****SCHEDULE OF COUNTY TAXES PAYABLE**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	A	\$ 353.43
Adjustment to Prior Year Added Taxes		19.29
Increased by:		
2012 Levy:		
General County Taxes		710,479.62
County Library Tax		41,325.57
County Open Space Fund		41,205.13
Added Taxes Due County		<u>1,748.65</u>
	A-5	<u>794,758.97</u>
		795,131.69
Decreased by:		
Payments	A-4	<u>793,383.04</u>
Balance December 31, 2012	A	<u><u>\$ 1,748.65</u></u>

**SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES****Exhibit A-11**

	<b><u>Ref.</u></b>	
Balance Payable December 31, 2011		\$ 188,712.00
Increased by:		
Local School Levy Calendar Year	A-5	<u>416,787.00</u>
		605,499.00
Decreased By:		
School Tax Paid		<u>385,205.50</u>
Balance Payable December 31, 2012	A	<u><u>\$ 220,293.50</u></u>

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****CURRENT FUND****Exhibit A-12****SCHEDULE OF APPROPRIATION RESERVES**

Balance December 31, 2011	<b><u>Ref.</u></b> A		\$ 81,554.26
Decreased by:			
Disbursed	A-4	16,097.97	
Lapsed to Operations	A-1	<u>65,456.29</u>	
			<u>\$ 81,554.26</u>

**SCHEDULE OF ENCUMBRANCES****Exhibit A-13**

Balance December 31, 2011	<b><u>Ref.</u></b> A		\$ 12,744.91
Increased by:			
2012 Encumbrances	A-3	<u>285.10</u>	
			13,030.01
Decreased by:			
Lapsed to Operations	A-4	<u>5,744.91</u>	
Balance December 31, 2012	A		<u>\$ 7,285.10</u>



**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

Exhibit A-14

**CURRENT FUND**

**SCHEDULE OF VARIOUS RESERVES**

	<u>Ref.</u>	<u>Total</u>	<u>State Library Aid</u>	<u>Codification of Ordinances</u>	<u>Accumulated Sick Leave</u>	<u>Reserve For Revaluation</u>	<u>Shade Trees</u>	<u>Recreation Donation</u>	<u>Library Donation</u>	<u>Debris Removal</u>	<u>Purchase of A Loader</u>
Balance December 31, 2011	A	\$ 28,763.83	950.00	94.18	17,378.57	7,501.08	200.00	1,690.00	950.00		
Increased By:											
Transferred From Budget	A-3	237,000.00	950.00	94.18	17,378.57	50,000.00	200.00	1,690.00	950.00	22,000.00	165,000.00
		265,763.83				57,501.08				22,000.00	165,000.00
Decreased By:											
Cancelled to Surplus	A-1	7,501.08				7,501.08					
Disbursed	A-4	202,254.95			6,479.54	13,275.41				17,500.00	165,000.00
		209,756.03			6,479.54	20,776.49				17,500.00	165,000.00
Balance December 31, 2012	A	\$ 56,007.80	950.00	94.18	10,899.03	36,724.59	200.00	1,690.00	950.00	4,500.00	-

**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

**CURRENT FUND**

Exhibit A-15

**SCHEDULE OF DEFERRED CHARGES N.J.S. 40A:4-53**

<u>Date</u>	<u>Description</u>	<u>Original Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authorization</u>	<u>2012 Budget</u>	<u>Balance Dec. 31, 2012</u>
10/6/2010	Municipal Consolidation	\$ 190,800.00	\$ 38,160.00	\$ 152,640.00		38,160.00	114,480.00
4/19/2012	Revaluation	50,000.00	10,000.00		50,000.00		50,000.00
				<u>\$ 152,640.00</u>	<u>50,000.00</u>	<u>38,160.00</u>	<u>164,480.00</u>
				<u>A</u>	<u>A-3</u>	<u>A-3</u>	<u>A</u>

CURRENT FUNDSCHEDULE OF GRANTS RECEIVABLE FOR

Exhibit A-16

FEDERAL AND STATE GRANT FUND

	<u>Balance Dec, 2011</u>	<u>2012 Budget Revenue Realized</u>	<u>Received</u>	<u>From Unappropriated Grants</u>	<u>Balance Dec 31, 2012</u>
Recycling Tonnage	\$ -	1,447.81		1,447.81	
HAVA-Section 261	7,485.80		7,485.80		-
Alcohol Education & Rehabilitation	301.64	377.54		301.64	377.54
Green Communities		3,000.00			3,000.00
Green Communities-Match		500.00	500.00		
Clean Communities		4,000.00	4,000.00		
Total Receivables	<u>\$ 7,787.44</u>	<u>9,325.35</u>	<u>11,985.80</u>	<u>1,749.45</u>	<u>3,377.54</u>
	A	A-2	A-4	A-18	A

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

**CURRENT FUND**

Exhibit A-17

**SCHEDULE OF APPROPRIATION RESERVES FOR**

**FEDERAL AND STATE GRANT FUND**

	Balance Dec. 31, 2011	Transfer from 2012 Budget Appropriations Budget	Expended	Balance Dec. 31, 2012
Alcohol Rehabilitation	\$ 3,670.22	377.54		4,047.76
Clean Communities	4,000.00	4,000.00	3,900.00	4,100.00
Body Armor	2,711.32			2,711.32
Recycling Tonnage	3,754.90	1,447.81		5,202.71
Stormwater Management	2,625.00			2,625.00
Drunk Driving Enforcement	6,015.87			6,015.87
Federal Emergency Management Agency	1,017.22			1,017.22
Cool Cities	2,430.00			2,430.00
Green Communities		3,000.00		3,000.00
Green Communities-Match		500.00		500.00
HAVA Section 261 Grant	496.80		325.30	171.50
				-
	<u>\$ 26,721.33</u>	<u>9,325.35</u>	<u>4,225.30</u>	<u>31,821.38</u>
Ref.	A	A-3	A-4	A

**CURRENT FUND**

Exhibit A-18

**SCHEDULE OF UNAPPROPRIATED RESERVES FOR****FEDERAL AND STATE GRANTS**

	<b><u>Balance Dec. 31, 2011</u></b>	<b><u>Transfer To 2012 Budget Appropriations</u></b>	<b><u>Receipts</u></b>	<b><u>Balance Dec. 31, 2012</u></b>
Municipal Court Education and				
Alcohol Rehabilitation	\$ 301.64	301.64	593.59	593.59
Recycling Tonnage	<u>1,447.81</u>	<u>1,447.81</u>	<u>1,406.62</u>	<u>1,406.62</u>
	<u>\$ 1,749.45</u>	<u>1,749.45</u>	<u>2,000.21</u>	<u>2,000.21</u>
<b>Ref.</b>	A	A-16	A-4	A

BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH

TRUST FUND

Exhibit B-1

SCHEDULE OF CASH - CHECKING

	<u>Ref.</u>	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2011	B	\$ 4,546.70	159,280.40
Increased by:			
Dog Receipts	B-2	982.40	
State Fees	B-3	129.60	
Unemployment Insurance	B-4		31,316.93
Developer's Account	B-5		11,708.50
Interfund - Current	B		36.00
Assessments Receivable	B-11		2,370.00
Various Trusts	B-8		40.00
Recreation	B-9		7,444.42
Public Defender	B-10		936.50
		<u>1,112.00</u>	<u>53,852.35</u>
		5,658.70	213,132.75
Decreased by:			
Dog	B-2	264.00	
State Fees	B-3	130.80	
Unemployment Insurance	B-4		62,564.50
Developer's Account	B-5		34,711.50
Law Enforcement	B-6		1,829.54
Recreation	B-9		6,989.70
		<u>394.80</u>	<u>106,095.24</u>
Balance December 31, 2012	B	\$ 5,263.90	107,037.51

**TRUST FUND****SCHEDULE OF RESERVE FOR DOG EXPENDITURES**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	B	\$ 4,545.50
Increased by:		
Fees Collected	B-1	<u>982.40</u>
		5,527.90
Decreased by:		
Disbursements	B-1	<u>264.00</u>
Balance December 31, 2012	B	<u><u>\$ 5,263.90</u></u>

**SCHEDULE OF DOG FEES DUE STATE****Exhibit B-3**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	B	\$ 1.20
Increased by:		
Fees Collected	B-1	<u>129.60</u>
		130.80
Decreased by:		
Payments to State	B-1	<u>130.80</u>
Balance December 31, 2012	B	<u><u>\$ -</u></u>

**SCHEDULE OF RESERVE - UNEMPLOYMENT INSURANCE****Exhibit B-4**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	B	\$ 80,266.94
Increased by:		
Fees Collected	B-1	<u>31,316.93</u>
		111,583.87
Decreased by:		
Disbursements	B-1	<u>62,564.50</u>
Balance December 31, 2012	B	<u><u>\$ 49,019.37</u></u>

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****TRUST FUND****Exhibit B-5****SCHEDULE OF RESERVE FOR DEVELOPERS ACCOUNT**

Balance December 31, 2011	<b><u>Ref.</u></b> B	\$ 31,066.53
Increased by:		
Builders Deposits	B-1	<u>11,708.50</u>
		42,775.03
Decreased by:		
Disbursements	B-1	<u>34,711.50</u>
Balance December 31, 2012	B	<u><u>\$ 8,063.53</u></u>

**SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND****Exhibit B-6**

Balance December 31, 2011	<b><u>Ref.</u></b> B	\$ 1,829.54
Decreased by:		
Disbursements	B-1	<u>1,829.54</u>

**SCHEDULE OF RESERVE FOR PARK RESTORATION****Exhibit B-7**

Balance December 31, 2011 and 2012	<b><u>Ref.</u></b> B	<u><u>\$ 3,249.23</u></u>
------------------------------------	-------------------------	---------------------------



**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

**TRUST FUND**

Exhibit B-8

**SCHEDULE OF RESERVE - VARIOUS TRUST FUNDS**

	<b><u>Ref.</u></b>	<b><u>Total</u></b>	<b><u>Tax Sale Premiums</u></b>	<b><u>P.O.A.A.</u></b>	<b><u>Accumulated Sick Leave</u></b>	<b><u>Third Party Pay</u></b>
Balance December 31, 2011	B	\$ 13,224.53	12,700.00	96.00	100.00	328.53
Increased by:						
Receipts	B	40.00		40.00		
		40.00	-	40.00	-	-
Balance December 31, 2012	B	\$ 13,264.53	12,700.00	136.00	100.00	328.53

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH****TRUST FUND****Exhibit B-9****SCHEDULE OF RESERVE FOR RECREATION**

Balance December 31, 2011	<b><u>Ref.</u></b> B	\$ 13,818.93
Increased by:		
Receipts	B-1	<u>7,444.42</u>
		21,263.35
Decreased by:		
Disbursements	B-1	<u>6,989.70</u>
Balance December 31, 2012	B	<u><u>\$ 14,273.65</u></u>

**SCHEDULE OF RESERVE FOR PUBLIC DEFENDER****Exhibit B-10**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	B	\$ 676.70
Increased by:		
Receipts	B-1	<u>936.50</u>
Balance December 31, 2012	B	<u><u>\$ 1,613.20</u></u>

BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH

TRUST FUND

Exhibit B-11

SCHEDULE OF ASSESSMENTS RECEIVABLE

<u>Number</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
2006-2	Sidewalks - Westra Street	12/6/2006	\$ 2,370.00	2,370.00	-
		Ref.	B	B-1	B

**GENERAL CAPITAL FUND****Exhibit C-2****SCHEDULE OF CASH - CHECKING**

Balance December 31, 2011	<u>Ref.</u> C		\$ 116,654.66
Increased by:			
Capital Improvement Fund	C-6	135,000.00	
Current Fund	C-3	<u>296,862.69</u>	
			<u>431,862.69</u>
			548,517.35
Decreased by:			
Current Fund		58,657.69	
Improvement Authorizations	C-5	<u>336,438.33</u>	
			<u>395,096.02</u>
Balance December 31, 2012	C		<u><u>\$ 153,421.33</u></u>

## BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH

## GENERAL CAPITAL FUND

## SCHEDULE OF CASH AND INVESTMENTS

Description	Balance Dec. 31, 2011	Receipts	Disbursements	From	To	Balance Dec. 31, 2012
Fund Balance	\$ 37.03					37.03
Capital Improvement Fund	23,250.00	135,000.00		128,435.00		29,815.00
Due From Assessment Fund	(17,554.00)					(17,554.00)
Grants Receivable	(82,321.46)					(82,321.46)
Interfund Current		296,862.69	58,657.69	75,000.00	1,795.00	165,000.00
<b>Improvement Authorizations</b>						
342 Borough Facilities	204.95					204.95
349 Bridlemere Avenue	(1.36)					(1.36)
357 Fernmere Avenue	(5,757.38)					(5,757.38)
374 Sewer Pump System	877.49					877.49
375 Sewer System	(8,500.00)					(8,500.00)
383 Windermere Avenue	30,027.12					30,027.12
2005-1 Borough Equipment	6,363.67					6,363.67
2009-04 Grasmere Ave.	27,543.36		27,543.36			-
2006-13 & 387 Sanitation Truck	5,240.13					5,240.13
2006-15 Bendernere Avenue	3,775.54					3,775.54
2007-7 Bendernere Avenue	62,200.75					62,200.75
2010-6 Grasmere Ave-Phase II	90,760.62		79,258.80	1,795.00		9,706.82
2010-6 Pick Up Truck	2,634.75					2,634.75
2010-6 Town Hall-Roof & Gutters	1,330.00		1,330.00			-
2010-6 Sound Recorder	347.00					347.00
2010-6 Sewer Infiltration Study	30.25					30.25
2011-4 Tennis Courts	(52,902.00)		14,600.30		75,000.00	7,497.70
2011-4 Telephone Equipment	2,904.70		512.27			2,392.43
2011-4 Sewer Improvements	19,100.00		14,140.00			4,960.00
2011-4 Costs	6,563.50		3,770.00			2,793.50
2011-4 Copier	500.00					500.00
2012-5 Grasmere Ave-Phase III				108,685.00		108,685.00
2012-5 Road Repairs				2,000.00		2,000.00
2012-5 Boro Hall				750.00		750.00
2012-5 Park Improvements				1,175.00		1,175.00
2012-5 Computers			2,918.60	200.00		(2,718.60)
2012-5 Loader			165,000.00	8,250.00		(156,750.00)
2012-5 Costs			23,816.25	2,190.00		(21,626.25)
2012-6 Grasmere Ave. Assessments				4,250.00		4,250.00
2012-6 Costs			3,548.75		935.00	(2,613.75)
	\$ 116,654.66	431,862.69	395,096.02	205,230.00	205,230.00	153,421.33
Ref.	C	C-2	C-2			C

**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

**GENERAL CAPITAL FUND**

Exhibit C-4

**SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ordinance Number	Description	Balance Dec. 31, 2011	2012 Authorizations	Decreased by Budget Appropriations	Balance Dec. 31, 2012	Bond Anticipation Notes	Unexpended Improvement Authorization	Expended Improvement Authorization
02-5	349 Bridlemere Avenue	\$ 1.36			1.36			1.36
03-13	357 Fernmere Avenue	8,702.49			8,702.49		2,945.11	5,757.38
05-09	374 Sump Pump System	260.23			260.23		260.23	
06-08	375 Sewer System	19,149.11			19,149.11		10,649.11	8,498.00
06-12	383 Sidewalks & Curbs	36,140.00			36,140.00	41,100.00		
	387 Sanitation Truck	77,617.00			63,481.00	63,481.00		
2005-1	Borough Equipment	63,100.00		14,136.00	47,876.00	40,480.00	6,363.67	103,233.00
2006-02	Various Improvements	75,458.00		15,224.00	55,846.00	55,846.00		
2006-13	Sanitation Truck	6,529.00		19,612.00	6,529.00	7,075.00		
2006-15	Bendermere Avenue	54,417.00		5,284.00	49,133.00	49,133.00		
2007-7	Bendermere Avenue	76,054.00		12,468.00	63,586.00	63,586.00		
2011-4	Various Improvements	75,000.00			75,000.00	75,000.00		
2012-5	Various Improvements		328,050.00		328,050.00		259,565.15	68,484.85
2012-6	Grasmere Ave Sidewalks		98,515.00		98,515.00		98,515.00	
		<u>\$ 492,428.19</u>	<u>426,565.00</u>	<u>66,724.00</u>	<u>852,269.19</u>	<u>395,701.00</u>	<u>378,298.27</u>	<u>185,974.59</u>

Ref.

C

C-5

C-7

C

C-7

C-5

C-5

## GENERAL CAPITAL FUND

## SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Description	Balance Dec. 31, 2011		2012 Authorizations	Accounts Payable Cancelled	Expended	Balance Dec. 31, 2012	
		Funded	Unfunded				Funded	Unfunded
342	Borough Facilities	\$ 204.95					204.95	
357	Fennere Avenue		2,945.11					2,945.11
374	Sump Pump System		1,137.72					1,137.72
375	Sewer System		10,649.11					10,649.11
383	Sidewalks and Curbs		31,917.12					31,917.12
2005-1	Equipment		6,363.67					6,363.67
2007-07	Bendermere Avenue		65,976.29					65,976.29
2006-13	Sanitation Truck		5,240.13					5,240.13
2009-04	Grasmere Avenue				(1,795.00)			
2010-6	Grasmere Avenue-Phase 11	27,543.36				27,543.36		
2010-6	Pick Up Truck	90,760.62				79,258.80		
2010-6	Town Hall-Roof and Gutters	2,634.75					2,634.75	
2010-6	Sound Recorder	1,330.00				1,330.00		
2010-6	Sewer Infiltration Study	347.00						
2011-2	Tennis Courts	30.25						
2011-4	Telephone Equipment		22,098.00					22,098.00
2011-4	Sewer Improvements		2,904.70					2,904.70
2011-4	Costs		11,884.23					11,884.23
2011-4	Copier		6,563.50					6,563.50
2012-5	Various		500.00					500.00
2012-6	Grasmere Ave Sidewalks			451,300.00		191,734.85		
				103,700.00		3,548.75		
				555,000.00				
		\$ 130,066.70	168,179.58		(1,795.00)	336,438.33	4,853.20	510,159.75
		C	C	C-3	C-3	C-2	C	C
Ref.								
	Capital Improvement Fund			\$ 128,435.00				
	Deferred Charges Unfunded			426,565.00				
				\$ 555,000.00				

**GENERAL CAPITAL FUND****SCHEDULE OF CAPITAL IMPROVEMENT FUND**

	<b><u>Ref.</u></b>	
Balance December 31, 2011	C	\$ 23,250.00
Increased by:		
Budget Appropriations	C-3	<u>135,000.00</u>
Decreased By:		
Appropriated to Finance Improvement Authorizations	C-5	<u>128,435.00</u>
Balance December 31, 2012	C	<u><u>\$ 29,815.00</u></u>



**BOROUGH OF INTERLAKE - COUNTY OF MONMOUTH**

Exhibit C-7

**GENERAL CAPITAL FUND**

**SCHEDULE OF BOND ANTICIPATION NOTES**

<u>Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Issued</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
2006-2, Roads & Sidewalks	5/12/07	4/27/11	4/26/12	1.10%	\$ 76,208.00		20,362.00	55,846.00
2006-12-383	5/12/07	4/27/11	4/26/12	1.10%	34,250.00	6,850.00		41,100.00
2006-12-387	5/12/07	4/27/11	4/26/12	1.10%	76,542.00		13,061.00	63,481.00
2006-15 Bendemere Ave.	5/12/07	4/27/11	4/26/12	1.10%	57,917.00		8,784.00	49,133.00
2005-1 Various Equipt.	5/12/07	4/27/11	4/26/12	1.10%	63,600.00		23,120.00	40,480.00
2007-7 Rendemere Ave.	4/30/08	4/27/11	4/26/12	1.10%	76,179.00			63,586.00
2006-13 Sanitation Truck	12/29/06	4/27/11	4/26/12	1.10%	2,729.00	4,346.00		7,075.00
2011-4	4/26/12	4/26/12	4/26/13	1.10%		75,000.00		75,000.00
					<u>\$ 387,425.00</u>	<u>\$ 86,196.00</u>	<u>77,920.00</u>	<u>395,701.00</u>
				<b>Ref.</b>	C	C-4	C	
				Paid Through the Budget			\$ 66,724.00	

**BOROUGH OF INTERLAKEN - COUNTY OF MONMOUTH**

**Exhibit C-8**

**GENERAL CAPITAL FUND**

**SCHEDULE OF DUE FROM ASSESSMENT TRUST**

	<b><u>Ref.</u></b>	
Balance December 31, 2011 and 2012	C	<u><u>\$ 17,554.00</u></u>

GENERAL CAPITAL FUNDSCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Exhibit C-9

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance Dec. 31, 2011</u>	<u>2012 Authorization</u>	<u>Notes Issued</u>	<u>Balance Dec. 31, 2012</u>
349	Bridlemere Avenue	\$ 1.36			1.36
357	Fermere Avenue	8,702.49			8,702.49
374	Sump Pump Collection System	260.23			260.23
375	Sewer System	19,149.11			19,149.11
383	Windermere Avenue	1,890.00			1,890.00
2007-7	Rendermere Avenue	37,500.00			37,500.00
2011-04	Various	75,000.00		75,000.00	
2012-5	Various		328,050.00		328,050.00
2012-6	Grasmere Ave Sidewalks		98,515.00		98,515.00
		<u>\$ 142,503.19</u>	<u>426,565.00</u>	<u>75,000.00</u>	<u>494,068.19</u>
<b>Ref.</b>		C	C-5	C-7	C

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**PART III**

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

**AND ON COMPLIANCE AND OTHER MATTERS**

**YEAR ENDED DECEMBER 31, 2012**

# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

Telecopier:  
 (732) 280-8888

e-mail:  
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100  
 P.O. Box 1409  
 Wall, New Jersey 07719-1409  
 (732) 681-4990

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

### **AND ON COMPLIANCE AND OTHER MATTERS BASED ON**

### **AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN**

### **ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members  
 of the Board of Commissioners  
 Borough of Interlaken  
 County of Monmouth  
 Interlaken, New Jersey 07712

We have audited the consolidated financial statements of the Borough of Interlaken (the "Borough"), as of and for the year ended December 31, 2012, and have issued our report thereon dated April 15, 2013. Our report disclosed that, as described in Note 1 to the regulatory basic 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in accordance with audit requirements prescribed by the Division.

### **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 of 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.

**Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all efficiencies 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 consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's consolidated 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. We noted certain matters that we reported to management of the Borough in the comments and recommendations section of this report and in a separate letter dated April 15, 2013.

This report is intended solely for the information and use of the Borough's management, the Borough Council, others within the organization, the Division, and 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.

***Robert A. Hulsart and Company***  
Independent Auditors

April 15, 2013

**BOROUGH OF INTERLAKEN**

**COUNTY OF MONMOUTH**

**PART IV**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2012**

## **GENERAL COMMENTS**

### **Scope of Audit**

The audit covered the financial transactions of the Treasurer, Chief Financial Officer, Tax Collector, the activities of the Mayor and Council and the records of the various outside departments.

The audit did not and could not determine the character of services rendered for which payments had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

Cash balances were reconciled with independent certifications obtained directly from the depositories.

The accrued and realized revenues for the various Borough Departments as shown on the Statement of Revenue and Schedule of Revenue Accounts Receivable are presented as recorded in the Borough records.

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any material or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate amount set forth in, or the amount calculated by the governor pursuant to, Section 3 of P.L. 1971, c. 198 (c.40A:11-2), except by contract or agreement". Effective July 1, 2010, the public contracts law was amended to change the bid threshold to \$26,000.00 and \$36,000.00 if there is a certified purchasing agent. Effective January 1, 2012, if there is no Qualified Purchasing Agent the bid threshold was adjusted to \$17,500.00 and \$2,625.00 for quotes.

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

Where expenditures of \$2,625.00 or more are made on applicable items, the governing body has the responsibility of securing quotations as defined under the statute, or higher if the municipality has a qualified purchasing agent (\$5,400.00 with a qualified purchasing agent).

The minutes indicate that bids were requested by public advertising where applicable on the items examined.

Contracts for professional services, which were on file, were examined and appointments were advertised according to statute.



### **Collection of Interest on Delinquent Taxes and Assessments**

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

The governing body on January 4, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes:

**“BE IT RESOLVED** that upon the recommendations of the Borough Tax Collector”:

1. Taxes shall be collected quarterly on February 1, May 1, August 1 and November 1, 2012.
2. There shall be a ten (10) day grace period on the quarterly taxes, after which unpaid taxes will be charged interest back to the due date.
3. Interest shall be charged and calculated at the rate of eight (8)% per annum on the first \$1,500.00 of the delinquency, and eighteen (18)% per annum on any amount in excess of \$1,500.00 to be calculated from the date the tax is payable until the date the actual payment is received.
4. There shall be a six (6)% penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year. Delinquency is defined to mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters.

It appears from an examination of the collector’s record that interest was collected in accordance with the foregoing resolutions.

### **Delinquent Taxes and Tax Title Liens**

The last tax sale held on October 3, 2005 was complete.

Inspection of tax sale certificates on file revealed that all certificates were available for audit.

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

<b><u>Year</u></b>	<b><u>Number of Liens</u></b>
2012	None
2011	None
2010	None

### **Verification of Delinquent Taxes and Other Charges**

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

<b><u>Type</u></b>	<b><u>Number Mailed</u></b>
Payment of 2013 & 2012 Taxes	14
Delinquent Taxes	2

### **Fixed Assets**

The Borough contracted with L.L. Annum Co. to inventory its fixed assets during the year. The amounts shown on Exhibit F appear to accurately reflect the proper inventory balances for the Borough.

### **Unemployment Insurance**

The Borough elected to adopt the reimbursement plan for unemployment insurance as provided by statute. These funds were deposited in a trust savings account to be held specifically until needed for any claims presented. The Borough has contributed an additional 1% of all eligible salaries paid to this trust account. This account had a balance of \$49,019.37 at December 31, 2012. Unemployment withholdings are turned over to the State. Excess claims paid are billed by the State to the Borough and paid from the trust account.

### **Prior Year Recommendations**

None

### **Current Year Recommendations**

None

### **Appreciation**

We desire to express our appreciation for the assistance and courtesies rendered by the officials and employees during the course of the audit.

\*\*\*\*\*

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