

BOROUGH OF MEDFORD LAKES
County of Burlington

Report of Audit of Financial Statements

For the Year Ended December 31, 2006

BOROUGH OF MEDFORD LAKES
COUNTY OF BURLINGTON

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BOROUGH OF MEDFORD LAKES

PART I

Report of Audit of Financial Statements

For the Year Ended December 31, 2006

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey

We have audited the accompanying statement of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2006 and 2005, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis for the year ended December 31, 2006. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the general fixed assets account group, as required by N.J.A.C. 5:31-5.6, Accounting for Governmental Fixed Assets, because a record of general fixed assets was not maintained by the Borough. The amount that should be recorded in the general fixed assets account group is not known.

The financial statements previously referred to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statements do not represent financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The more significant of these practices are described in Note 1 to the financial statements.

In our opinion, because of the requirement that the Borough prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly the financial position of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2006 and 2005, or the results of its operations and changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Furthermore, in our opinion, except for the effect on the financial statements of the omission described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2006 and 2005, and the results of its operations and changes in fund balance of such funds for the years then ended, and the revenues - regulatory basis, and expenditures - regulatory basis of the various funds, for the year ended December 31, 2006 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2007 on our consideration of the Borough of Medford Lakes, County of Burlington, State of New Jersey'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 compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Medford Lake's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State of New Jersey's Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is not a required part of the financial statements. In addition, the supplementary financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
March 30, 2007

INVERSO & STEWART, LLC

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Registered Municipal Accountants**

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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

The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey

We have audited the financial statements (regulatory basis) of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 30, 2007, which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but were prepared on an other comprehensive basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our report, our opinion was qualified because the financial statements did not include the general fixed assets account group as required by N.J.A.C. 5:31-5.6, Accounting for Governmental Fixed Assets. 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 compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Medford Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Medford Lake'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Borough of Medford Lake's financial statements that is more than inconsequential will not be prevented or detected by the Borough's internal control. We consider deficiency #2006-1 described in the accompanying *Schedule of Findings and Questioned Costs* to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Borough of Medford Lake's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe all of the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Medford Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described as finding #2006-1 in the accompanying *Schedule of Findings and Questioned Costs*.

This report is intended solely for the information and use of the management of the Borough of Medford Lakes, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
March 30, 2007

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>Reference</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$ 5,030,925.45	\$ 4,008,481.43
Cash - Tax Collector	A-5	17,595.87	42,788.78
Cash - Collector's Change Fund		<u>300.00</u>	<u>300.00</u>
Total		<u>5,048,821.32</u>	<u>4,051,570.21</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	101,092.54	102,028.70
Revenue Accounts Receivable	A-7	22,344.19	22,381.47
Due from Animal Control	B	1,487.31	
Due from Other Trust Fund	B	<u>7,723.66</u>	<u>3,125.85</u>
Total		<u>132,647.70</u>	<u>127,536.02</u>
Deferred Charges:			
Emergency Authorization	A-12	<u>450,000.00</u>	<u>600,000.00</u>
Total Regular Fund		<u>5,631,469.02</u>	<u>4,779,106.23</u>
Federal and State Grant Fund:			
Cash - Treasurer	A-4	64,982.26	120,271.52
Federal and State Grants Receivable	A-13	<u>265,002.32</u>	<u>40,922.08</u>
Total Federal and State Grant Fund		<u>329,984.58</u>	<u>161,193.60</u>
Total		<u>\$ 5,961,453.60</u>	<u>\$ 4,940,299.83</u>

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>Reference</u>	<u>2006</u>	<u>2005</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, A-8	\$ 218,248.16	\$ 311,992.60
Reserve for Encumbrances	A-3, A-8	172,040.28	92,442.96
Reserve for Flood Emergency		293,382.03	347,019.89
Due State of New Jersey per Chapter 20 PL 1971	A-9	8,816.57	7,171.96
Tax Overpayments		9,777.56	
Prepaid Taxes	A-5, A-6	48,761.91	59,336.76
Reserve for Tax Sale Premiums		16,512.12	42,504.08
Due to Trust Other Fund	B	24,000.00	18,000.00
Due to General Capital Fund	C	372,635.97	1,586.63
Due State of New Jersey:			
Construction Code Fees		774.00	
Marriage License Fees		125.00	100.00
Due County for Added Taxes	A-4, A-6	1,569.26	3,713.33
Regional High School Tax Payable	A-11	1,201,101.78	1,156,576.23
Local District School Tax Payable	A-10	1,165,437.75	908,852.25
Total Liabilities		3,533,182.39	2,949,296.69
Reserve for Receivables and Other Assets	A	132,647.70	127,536.02
Fund Balance	A-1	1,965,638.93	1,702,273.52
Total Regular Fund		5,631,469.02	4,779,106.23
Federal and State Grant Fund:			
Unappropriated Reserves	A-14	8,288.04	853.98
Appropriated Reserves	A-15	321,696.54	160,339.62
Total Federal and State Grant Fund		329,984.58	161,193.60
Total		\$ 5,961,453.60	\$ 4,940,299.83

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

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 525,000.00	\$ 435,000.00
Miscellaneous Revenue Anticipated	1,617,097.22	1,322,889.34
Receipts from Delinquent Taxes	103,097.17	129,476.40
Receipts from Current Taxes	11,378,682.69	10,792,681.87
Nonbudget Revenues	182,156.31	68,715.98
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	281,530.22	255,351.45
Prior Year Tax Overpaymentys Canceled		6,231.10
Federal and State Grants - Appropriated Reserves Canceled	75,899.39	
Interfunds Liquidated	<u>4,991.68</u>	<u>138,701.51</u>
Total Revenue and Other Income Realized	<u>14,168,454.68</u>	<u>13,149,047.65</u>
Expenditures:		
Operations Within "CAPS":		
Salaries and Wages	1,495,983.00	1,447,472.77
Other Expenses	728,569.92	705,576.42
Deferred Charges and Statutory Expenditures Within "CAPS"	134,700.00	117,450.00
Operations Excluded from "CAPS":		
Other Expenses	863,167.17	553,992.28
Capital Improvements Excluded from "CAPS"	410,000.00	376,500.00
Municipal Debt Service Excluded from "CAPS"	306,638.38	313,263.76
Deferred Charges Excluded from "CAPS"	200,000.00	204,000.00
Local District School Tax	5,081,552.00	4,868,381.00
Regional High School Tax	2,320,418.73	2,231,367.44
County Taxes	1,828,158.95	1,670,153.96
Due County for Added Taxes	1,569.26	3,713.33
Tax Overpayments refunded	9,331.86	
Total	<u>13,380,089.27</u>	<u>12,491,870.96</u>
Excess in Revenues	788,365.41	657,176.69
Fund Balance January 1	<u>1,702,273.52</u>	<u>1,480,096.83</u>
Total	2,490,638.93	2,137,273.52
Decreased by Utilization as Anticipated Revenue	<u>525,000.00</u>	<u>435,000.00</u>
Balance December 31,	<u>\$ 1,965,638.93</u>	<u>\$ 1,702,273.52</u>

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

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2006

	<u>BUDGET</u>	<u>SPECIAL NJS 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Fund Balance Anticipated	\$ 525,000.00		\$ 525,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcohol	800.00		1,008.00	\$ 208.00
Fees and Permits - Other	8,000.00		11,034.72	3,034.72
Fines and Costs - Municipal Court	85,000.00		91,489.09	6,489.09
Interest and Costs on Taxes	20,000.00		35,086.69	15,086.69
Interest on Investments and Deposits	95,000.00		295,996.99	200,996.99
Consolidated Municipal Property Tax Relief Aid	175,374.00		175,374.00	
Energy Receipts Taxes	228,599.00		228,599.00	
Supplemental Energy Receipts Tax	6,097.00		6,097.00	
Legislative Initiative Block Grant	19,524.00		19,524.00	
Homeland Security	25,000.00		25,000.00	
Extraordinary Aid	250,000.00		250,000.00	
Uniform Construction Code Fees	48,000.00		58,435.00	10,435.00
Cellular Tower Rental	82,000.00		97,435.56	15,435.56
Miscellaneous Revenues Offset with Appropriations:				
Municipal Alliance Grant	10,500.00		10,500.00	
Smart Future Grant		\$ 48,000.00	48,000.00	
Body Armor Grant	853.98		853.98	
Recycling Tonnage Grant		2,163.19	2,163.19	
NJ Transportation Safe Street Grant	125,000.00		125,000.00	
First Act 2004 Grant	85,500.00		85,500.00	
Statewide Livable Communities Grant	50,000.00		50,000.00	
Total	<u>1,315,247.98</u>	<u>50,163.19</u>	<u>1,617,097.22</u>	<u>251,686.05</u>
Receipts from Delinquent Taxes	99,000.00		103,097.17	4,097.17
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	<u>2,391,651.96</u>		<u>2,537,826.79</u>	<u>146,174.83</u>
Budget Totals	4,330,899.94	50,163.19	4,783,021.18	<u>\$ 401,958.05</u>
Nonbudget Revenues			<u>182,156.31</u>	
Total	<u>\$ 4,330,899.94</u>	<u>\$ 50,163.19</u>	<u>\$ 4,965,177.49</u>	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2006Analysis of Realized Revenue**Allocation of Current Tax Collections:**

Revenue from Collections	\$ 11,378,682.69
Allocated to School and County Taxes	<u>9,081,698.94</u>
Balance for Support of Municipal Budget Appropriations	2,296,983.75
Add Appropriation - Reserve for Uncollected Taxes	<u>240,843.04</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 2,537,826.79</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u><u>\$ 103,097.17</u></u>
----------------------------	-----------------------------

Fees and Permits - Other:

Fire Safety Fees	\$ 6,411.47
Tax Search Officer	2.25
Historic Commission Permits	160.00
Fire Arm Permits	56.00
Planning/Zoning Permits	2,405.00
Street Opening Permits	<u>2,000.00</u>
Total	<u><u>\$ 11,034.72</u></u>

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:	
Cable TV Franchise Fee	\$ 15,384.65
	<u>15,384.65</u>

Collected - Treasurer

Police Accident Reports	\$ 1,025.50	
Photocopies	3,455.50	
Assessor's List	380.00	
Raffle license	120.00	
2% Administrative Fee	1,278.55	
Trash Can sale	770.00	
State Inspection Fines	3,172.50	
Insurance Refund	20,120.44	
Southern NJ 2006	2,377.00	
Restitution	200.00	
Election Rental	2,035.00	
Refunds	130,362.72	
Miscellaneous	<u>1,474.45</u>	
		<u>166,771.66</u>
Total Treasurer		<u><u>\$ 182,156.31</u></u>

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

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Budget After Modification	Paid or Charged	Expended		Unexpended Balance Canceled
	Budget				Encumbered	Reserved	
GENERAL APPROPRIATIONS:							
<i>Operations Within "CAPS":</i>							
General Government							
General Administration:							
Salaries and Wages	\$ 40,500.00	\$ 43,000.00	\$ 39,119.92	\$ 3,880.08			
Other Expenses	28,000.00	26,500.00	11,713.50	13,713.51			
Mayor and Council:							
Salaries and Wages	5,100.00	5,100.00	4,250.00	850.00			
Other Expenses	500.00	500.00	482.50	17.50			
Borough Clerk:							
Salaries and Wages	48,230.00	48,230.00	47,669.00	561.00			
Other Expenses	24,000.00	24,000.00	16,696.94	6,092.71			
Financial Administration:							
Salaries and Wages	64,900.00	64,900.00	64,846.00	54.00			
Other Expenses	2,700.00	2,700.00	1,286.54	1,278.46			
Audit Services:							
Other Expenses	21,000.00	21,000.00	21,000.00				
Computerized Data Processing:							
Other Expenses	10,000.00	10,000.00	6,025.00	3,975.00			
Collection of Taxes:							
Salaries and Wages	13,000.00	11,500.00	10,412.33	1,087.67			
Other Expenses	4,000.00	4,000.00	1,822.03	2,031.47			
Assessment of Taxes:							
Salaries and Wages	16,300.00	16,300.00	16,211.00	89.00			
Other Expenses	2,850.00	2,850.00	951.80	1,898.20			
Legal Services & Costs:							
Salaries and Wages	26,000.00	26,000.00	26,000.00				
Other Expenses	5,000.00	8,000.00	5,397.05	2,275.95			
General Government							
Engineering Services:							
Other Expenses	6,000.00	6,000.00	2,078.61	3,286.39			

(Continued)

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Budget After Modification	Paid or Charged	Expended		Unexpended Balance Canceled
	Budget				Encumbered	Reserved	
Operations Within "CAPS" (Continued)							
General Government							
Historic Preservation Commission:							
Salaries and Wages	\$ 2,650.00	\$ 2,650.00	\$ 2,645.50	\$ 4.50			
Other Expenses	475.00	475.00		475.00			
Land Use Administration:							
Planning Board:							
Salaries & Wages	4,850.00	4,850.00	4,803.50	46.50			
Other Expenses	6,000.00	6,400.00	1,696.60	6.80	4,696.60		
Insurance:							
Unemployment Compensation	1,000.00	1,000.00	784.14	215.86			
Surety Bond Premiums	2,100.00	2,100.00	1,861.00	239.00			
Public Safety:							
Police:							
Salaries and Wages	738,260.00	724,860.00	698,546.29	26,313.71			
Other Expenses	45,600.00	55,600.00	19,652.25	32,315.12			
Office of Emergency Management:							
Salaries and Wages	6,500.00	2,000.00	1,549.74	450.26			
Other Expenses	665.00	665.00	535.99	15.23	113.78		
Aid to Volunteer Ambulance Companies:							
Other Expenses	15,000.00	15,000.00	5,831.37	7,377.59			
Fire Department:							
Other Expenses	55,500.00	55,500.00	40,100.28	1,943.55	13,456.17		
Public Safety:							
Fire Official:							
Salaries & Wages	12,843.00	11,843.00	11,073.00	770.00			
Other Expenses	1,500.00	1,500.00	332.35	56.65	1,111.00		
Borough Prosecutor:							
Salaries & Wages	6,100.00	6,100.00	5,980.00	120.00			

(Continued)

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Public Works:						
Streets & Roads:						
Salaries and Wages	\$ 391,050.00	\$ 391,050.00	\$ 361,194.13		\$ 29,855.87	
Other Expenses	70,370.00	67,070.00	31,178.76	\$ 16,398.16	19,493.08	
Solid Waste Collection:						
Salaries & Wages	57,000.00	57,000.00	54,328.31		2,671.69	
Other Expenses	48,150.00	54,150.00	28,447.56	21,683.95	4,018.49	
Public Buildings and Grounds:						
Other Expenses	23,500.00	15,300.00	6,762.48	583.93	7,953.59	
Vehicle Maintenance:						
Other Expenses	55,000.00	63,800.00	50,162.53	9,239.86	4,397.61	
Health & Human Services:						
Environmental						
Salaries & Wages	3,650.00	3,650.00	3,614.00		36.00	
Parks & Recreation:						
Senior Citizens Program:						
Other Expenses	2,500.00	2,500.00			2,500.00	
Uniform Construction Code:						
Construction Code Official:						
Salaries and Wages	31,650.00	32,050.00	32,014.38		35.62	
Other Expenses	9,184.92	9,184.92	3,989.39	204.43	4,991.10	
Zoning Code Enforcement Officer:						
Salaries and Wages	4,825.00	6,325.00	5,967.73		357.27	
Other Expenses	500.00	500.00			500.00	
Municipal Court:						
Salaries and Wages	29,700.00	29,700.00	26,954.47		2,745.53	
Other Expenses	7,800.00	7,800.00	3,393.04	466.33	3,940.63	
Public Defender						
Salaries and Wages	2,875.00	2,875.00			2,875.00	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations			Expended		Unexpended Balance <u>Canceled</u>
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Utility Expenses and Bulk Purchases:						
Electricity	\$ 20,000.00	\$ 20,000.00	\$ 11,495.25	\$ 4,279.60	\$ 4,225.15	
Street Lighting	9,000.00	9,000.00	4,378.42	2,092.02	2,529.56	
Telephone	16,000.00	16,000.00	12,016.46	460.66	3,522.88	
Natural Gas	12,000.00	12,000.00	5,700.44	2,274.91	4,024.65	
Gasoline	53,000.00	54,500.00	40,932.15	10,207.14	3,360.71	
Printing & Postage	5,000.00	8,500.00	7,964.46		535.54	
Landfill/Solid Waste Disposal Costs:						
Landfill Fees	144,000.00	144,000.00	105,780.73	32,978.74	5,240.53	
Accumulated Sick Leave Compensation	6,000.00	6,000.00	6,000.00			
Total Operations - Within "CAPS"	<u>2,220,077.92</u>	<u>2,224,077.92</u>	<u>1,873,628.92</u>	<u>157,880.28</u>	<u>192,568.72</u>	
Contingent	475.00	475.00	120.00	60.00	295.00	
Total Operations Including Contingent - within "CAPS"	<u>2,220,552.92</u>	<u>2,224,552.92</u>	<u>1,873,748.92</u>	<u>157,940.28</u>	<u>192,863.72</u>	
Detail:						
Salaries and Wages	1,512,183.00	1,495,963.00	1,423,179.30		72,803.70	
Other Expenses	708,369.92	728,569.92	450,569.62	157,940.28	120,060.02	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS":						
STATUTORY EXPENDITURES:						
Contribution to:						
Social Security System (O.A.S.I.)	136,000.00	132,000.00	111,574.56		20,425.44	
Employee Pension (R.S. 43:833)	2,700.00	2,700.00	2,593.32		106.68	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>138,700.00</u>	<u>134,700.00</u>	<u>114,167.88</u>		<u>20,532.12</u>	
Total General Appropriations - For Municipal Purposes Within "CAPS"	<u>2,359,252.92</u>	<u>2,359,252.92</u>	<u>1,987,916.80</u>	<u>157,940.28</u>	<u>213,395.84</u>	

(Continued)

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operations Excluded from "CAPS":						
Insurance:						
Liability Insurance	\$ 156,000.00	\$ 156,000.00	\$ 155,102.27		\$ 897.73	
Employee Group Health Insurance	295,000.00	295,000.00	277,050.61	\$ 14,100.00	3,849.39	
Police and Fireman's Retirement System	50,700.00	50,700.00	50,600.40		99.60	
Public Employees Retirement System	17,250.00	17,250.00	17,244.40		5.60	
Public and Private Programs Offset By Revenues:						
Municipal Alliance for Alcoholism and Drug Abuse						
State Share	10,500.00	10,500.00	10,500.00			
Borough Share	2,700.00	2,700.00	2,700.00			
Body Armor Grant	853.98	853.98	853.98			
Assistance to Firefighters Grant (NJSA 40A:4-87)	90,000.00	90,000.00	90,000.00			
Recycling Tonnage Grant		2,163.19	2,163.19			
Statewide Livable Communities	50,000.00	50,000.00	50,000.00			
NJ Transportation Safe Streets to School	140,000.00	140,000.00	140,000.00			
Smart Future Planning Grant		48,000.00	48,000.00			
Total Operations - Excluded From "CAPS"	813,003.98	863,167.17	844,214.85	14,100.00	4,852.32	
Detail:						
Salaries and Wages						
Other Expenses	813,003.98	863,167.17	844,214.85	14,100.00	4,852.32	
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund	35,000.00	35,000.00	35,000.00			
Reserve for Flood Recovery	375,000.00	375,000.00	375,000.00			
	410,000.00	410,000.00	410,000.00			

(Continued)

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal	\$ 215,000.00	\$ 215,000.00	\$ 215,000.00			\$ 1,161.62
Interest on Bonds	92,800.00	92,800.00	91,638.38			
Total Municipal Debt Service - Excluded From "CAPS"	307,800.00	307,800.00	306,638.38			1,161.62
Deferred Charges - Municipal - Excluded From "CAPS"						
Special Emergency Authorizations	150,000.00	150,000.00	150,000.00			
Deferred Charges to Future Taxation Unfunded - Ordinance No. 487	30,145.83	30,145.83	30,145.83			
Ordinance No. 488	19,854.17	19,854.17	19,854.17			
Total Deferred Charges - Municipal - Excluded From "CAPS"	200,000.00	200,000.00	200,000.00			
Total General Appropriations for Municipal Purposes Excluded From "CAPS"	1,730,803.98	1,780,987.17	1,760,853.23	14,100.00	\$4,852.32	1,161.62
Subtotal General Appropriations	4,090,056.90	4,140,220.09	3,748,770.03	172,040.28	218,248.16	1,161.62
Reserve for Uncollected Taxes	240,843.04	240,843.04	240,843.04			
TOTAL GENERAL APPROPRIATIONS	\$ 4,330,899.94	\$ 4,381,063.13	\$ 3,989,613.07	\$ 172,040.28	\$ 218,248.16	\$ 1,161.62

Analysis of Budget After Modification:

Original Budget	\$ 4,330,899.94
Appropriation by 40A: 4-87	50,163.19
Total	<u>\$ 4,381,063.13</u>

Analysis of Expended - Paid or Charged:

Due to Trust Fund:	
Reserve for Compensated Absences	\$ 6,000.00
Reserve for Federal and State Grants	344,217.17
Due to Capital Fund:	375,000.00
Deferred Charges - Emergency	150,000.00
Reserve for Uncollected Taxes	240,843.04
Disbursed	<u>2,873,552.86</u>
Total	<u>\$ 3,989,613.07</u>

BOROUGH OF MEDFORD LAKES

TRUST FUND

Statement of Assets, Liabilities, Reserves, and Fund Balance - Regulatory Basis
December 31, 2006 and 2005

<u>ASSETS</u>	<u>Reference</u>	<u>2006</u>	<u>2005</u>
Animal Control Fund:			
Cash - Treasurer	B-1	\$ 8,266.31	\$ 7,207.74
Other Funds:			
Cash - Treasurer	B-1	136,218.62	81,105.37
Due from Current Fund	A	24,000.00	18,000.00
Total Other Funds		160,218.62	99,105.37
Total		\$ 168,484.93	\$ 106,313.11
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Department of Health		\$ 24.00	\$ 174.80
Due to Current Fund	A	1,487.31	
Reserve for Animal Control Fund Expenditures	B-2	6,755.00	7,032.94
Total Animal Control Fund		8,266.31	7,207.74
Other Funds:			
Due to Current Fund	A	7,723.66	3,125.85
Reserve for Unemployment Compensation Trust	B-5	11,038.82	12,336.58
Reserve for Street Opening Deposits		6,850.00	6,850.00
Reserve for Planning and Zoning Escrow Deposits	B-4	77,352.65	40,976.97
Reserve for Public Defender Fund	B-6	454.06	1,538.56
Reserve for Special Law Enforcement Fund	B-8	1,736.07	1,606.07
Reserve for Compensated Absences	B-7	24,000.00	18,000.00
Reserve for Flood Relief Fund			741.34
Payroll Deductions Payable	B-3	31,063.36	13,930.00
Total Other Funds		160,218.62	99,105.37
Total		\$ 168,484.93	\$ 106,313.11

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

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>Reference</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>			
Cash	C-2	\$ 2,447,919.03	\$ 1,966,029.39
State Aid Receivable	C-4	19,431.22	851,915.36
Deferred Charges to Future Taxation:			
Funded	C-8	1,811,000.00	2,026,000.00
Unfunded	C-5	8,333,389.96	8,094,389.96
Due from Current Fund	A	<u>372,635.97</u>	<u>1,586.63</u>
Total		<u>\$ 12,984,376.18</u>	<u>\$ 12,939,921.34</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-8	\$ 1,811,000.00	\$ 2,026,000.00
Contracts Payable		8,020,616.24	707,593.20
EDA Loan Payable	C-2	1,726,963.38	
Improvement Authorizations:			
Funded	C-7	1,063,104.65	1,875,469.33
Unfunded	C-7	262,833.10	7,875,000.00
Capital Improvement Fund	C-6	23,707.76	4,707.76
Reserve for Purchase of Public Works Dept. Equipment	C-3	42,000.00	42,000.00
Reserve for Purchase of Fire Equipment	C-3	5,000.00	5,000.00
Reserve for Flood Cost			375,000.00
Fund Balance	C-1	<u>29,151.05</u>	<u>29,151.05</u>
Total		<u>\$ 12,984,376.18</u>	<u>\$ 12,939,921.34</u>

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

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

**Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2006**

Balance December 31, 2006 and 2005

\$ 29,151.05

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>Reference</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	D-5	\$ 499,400.24	\$ 396,472.27
Receivables with Full Reserves:			
Sewer Service Charges Receivable	D-7	52,040.04	44,651.21
Deferred Charges:			
Emergency Authorizations (40A:4-47)		<u>140,000.00</u>	<u>140,000.00</u>
Total Operating Fund		<u>551,440.28</u>	<u>581,123.48</u>
Capital Fund:			
Cash - Treasurer	D-5	80,927.51	260,748.99
Fixed Capital	D-9	4,054,550.97	4,054,550.97
Fixed Capital Authorized & Uncompleted	D-10	1,560,000.00	1,000,000.00
Due from Sewer Utility Operating Fund	D	<u>5,616.76</u>	<u>137,746.46</u>
Total Capital Fund		<u>5,701,095.24</u>	<u>5,453,046.42</u>
Total		<u>\$ 6,252,535.52</u>	<u>\$ 6,034,169.90</u>

(Continued)

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>Reference</u>	<u>2006</u>	<u>2005</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	D-4, D-8	\$ 25,340.62	\$ 52,001.04
Accounts Payable	D-4	38,416.97	42,912.05
Prepaid Sewer Service Charges	D-5, D-7	31,285.47	27,422.91
Sewer Rent Overpayments		2.27	
Due to Sewer Utility Capital Fund	D	5,616.76	137,746.46
Accrued Interest on Bonds and Notes		40,671.43	44,821.35
Total		141,333.52	304,903.81
Reserve for Receivables	D	52,040.04	44,651.21
Fund Balance	D-1	358,066.72	231,568.46
Total Operating Fund		551,440.28	581,123.48
Capital Fund:			
Serial Bonds	D-12	1,192,000.00	1,397,000.00
Bond Anticipation Notes Payable	D-13	1,000,000.00	1,000,000.00
Improvement Authorization			
Unfunded	D-11	546,142.07	143,566.57
Reserve for Amortization	D-15	2,862,550.97	2,657,550.97
Capital Improvement Fund	D-14	100,402.20	100,402.20
Capital Fund Balance	D-2	154,526.68	154,526.68
Total Capital Fund		5,701,095.24	5,453,046.42
Total		\$ 6,252,535.52	\$ 6,034,169.90

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 30,867.32	\$ 122,808.00
Sewer Service Charges	1,021,537.96	1,003,656.82
Miscellaneous	46,457.92	39,365.44
Sewer Utility Capital Fund Balance	154,526.68	
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>67,176.62</u>	<u>30,144.77</u>
Total Revenues	<u>1,320,566.50</u>	<u>1,195,975.03</u>
Expenditures:		
Operating	683,045.66	809,000.00
Capital Improvement Fund		31,500.00
Debt Service	308,008.36	307,091.13
Deferred Charges and Statutory Expenditures	<u>172,146.90</u>	<u>33,000.00</u>
Total Expenditures	<u>1,163,200.92</u>	<u>1,180,591.13</u>
Excess in Revenues	157,365.58	15,383.90
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year		<u>140,000.00</u>
Statutory Excess to Fund Balance	157,365.58	155,383.90
Fund Balance January 1	<u>231,568.46</u>	<u>198,992.56</u>
	388,934.04	354,376.46
Decreased by Utilization by Sewer Utility Operating Budget	<u>30,867.32</u>	<u>122,808.00</u>
Fund Balance Balance December 31	<u>\$ 358,066.72</u>	<u>\$ 231,568.46</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Statement of Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2006 and 2005

Balance December 31, 2005	\$ 154,526.68
Decreased by:	
Appropriated to 2006 Budget Revenue	154,526.68
	<hr/>
Balance December 31, 2006	<u><u>\$ -</u></u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2006

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Fund Balance	\$ 30,867.32	\$ 30,867.32	
Sewer Utility Capital Fund Balance	154,526.68	154,526.68	
Sewer Service Charges	<u>1,003,656.00</u>	<u>1,021,537.96</u>	<u>\$ 17,881.96</u>
Total	1,189,050.00	1,206,931.96	17,881.96
Miscellaneous	<u> </u>	<u>46,457.92</u>	<u>46,457.92</u>
Total	<u>\$ 1,189,050.00</u>	<u>\$ 1,253,389.88</u>	<u>\$ 64,339.88</u>

Analysis of Realized Revenues

Sewer Service Charges:

Consumer Accounts Receivable:

Collections - 2006

\$ 994,115.05

Prepayments Applied

27,422.91

Total

\$ 1,021,537.96

Miscellaneous:

Sewer Late Fee Charges

\$ 8,261.21

Interest Earned on Investments

30,983.73

Sump Pump Fees

1,925.00

Miscellaneous

5,287.98

Total

\$ 46,457.92

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

BOROUGH OF MEDFORD LAKES
SEWER UTILITY OPERATING FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2006

	Appropriations		Paid or Charged	Expended Encumbrances Payable	Reserved	Unexpended Balance Canceled
	Budget	Budget After Modification				
Operating:						
Salaries and Wages	\$ 310,000.00	\$ 296,000.00	\$ 283,245.66			\$ 12,754.34
Other Expenses	385,800.00	399,800.00	346,518.86	\$ 38,416.97	\$ 14,864.17	
Debt Service:						
Payment of Bond Principal	205,000.00	205,000.00	205,000.00			
Interest on Bonds	78,000.00	78,000.00	71,806.75			6,193.25
Interest on Notes	35,000.00	35,000.00	31,201.61			3,798.39
Deferred Charges:						
Emergency Authorizations	140,000.00	140,000.00	140,000.00			
Statutory Expenditures:						
Public Employees Retirement System	2,250.00	2,250.00				2,250.00
Social Security System	32,000.00	32,000.00	21,523.55		10,476.45	
Unemployment Compensation						
Insurance						
(N.J.S.A. 43:21-3 et. seq.)	1,000.00	1,000.00	146.90			853.10
Total	\$ 1,189,050.00	\$ 1,189,050.00	\$ 1,099,443.33	\$ 38,416.97	\$ 25,340.62	\$ 25,849.08

Analysis of Paid or Charged:

Interest on Bonds and Notes	\$ 103,008.36
Deferred Charges - Unfunded - Emergency	140,000.00
Disbursed	856,434.97
Total	\$ 1,099,443.33

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

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Medford Lakes is located in the western portion of Burlington County, New Jersey approximately 30 miles southeast of the City of Philadelphia, Pennsylvania. The present population according to the 2000 census is 4,882.

The Borough of Medford Lakes was incorporated in 1939 and operates under the provisions of the Municipal Manager's Act of Chapter 113 of the 1923 Laws of New Jersey, as amended. Under this act the Borough is governed by a three member Borough Council. At least one councilmember is elected every two years to a four year term. At its reorganization the council selects a mayor and appoints a professionally qualified Manager. The Council is the legislative body of the Borough, while the Mayor acts as the Chief Executive Officer. The Borough Manager monitors the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units – The Borough of Medford Lakes had no component units as defined by Governmental Accounting Standards Board Statement No. 14.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough of Medford Lakes contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Borough of Medford Lakes accounts for its financial transactions through the use of separate funds which are described as follows.

Current Fund - The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

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

Budgets and Budgetary Accounting - The Borough of Medford Lakes must adopt an annual budget for its current fund and sewer utility operating fund in accordance with the N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to the adopted budgets, if any, are detailed in the statements of revenues and expenditures.

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets and Budgetary Accounting (Cont'd) - An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Borough of Medford Lakes requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to 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 statements of assets, liabilities, reserves and fund balances.

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6 differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000 the maximum amount allowed by the Circular.

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

General Fixed Assets (Cont'd)

Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

No depreciation of general fixed assets is recorded.

The Borough did not comply with N.J.A.C. 5:30-5.6, "Accounting for Governmental Fixed Assets".

Utility Fixed Assets - Property and equipment purchased by the Sewer Utility Fund are recorded in the utility capital account at cost and are adjusted for dispositions and abandonment. The amounts shown do not represent replacement cost or current value. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements and contributed capital. Depreciation is not recorded on these fixed assets.

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

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

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

Fund Balance - Fund Balance included in the current and utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year end and recorded as liabilities, except for amounts which may be canceled 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.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenues from Federal and State grants are realized when anticipated as such in the Borough's budget. Receivables for property taxes and sewer rents are recorded with offsetting reserves on the statement of assets, liabilities reserves and fund balance of the Borough's Current Fund and Sewer Utility Operating Fund, respectively; 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.

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the Medford Lakes Borough School District, the Lenape Regional High School District and the County of Burlington. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Borough is responsible for levying, collecting and remitting school taxes for the Medford Lakes Borough School District and the Lenape Regional High School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2005 and decreased by the amount deferred at December 31, 2006.

County Taxes - The Borough is responsible for levying, collecting and remitting county taxes for the County of Burlington. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Outstanding encumbrances are offset by an account entitled "Reserve for Encumbrances". The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Expenditures - 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 provided on the accrual basis.

Long-Term Debt - Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital and Sewer Utility Capital Funds. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit is the risk that, in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough’s formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41. et seq. and included in its cash management plan. The Borough shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). As of December 31, 2006 the Borough’s bank balance of \$8,373,603.81 was insured or collateralized as follows:

Insured by depository insurance	\$ 300,000.00
Collateralized under GUDPA	<u>8,073,603.81</u>
Total	<u>\$ 8,373,603.81</u>

NOTE 3. PROPERTY TAXES

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

<u>Comparative Schedule of Tax Rates</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Tax Rate	<u>\$ 4.941</u>	<u>\$ 4.686</u>	<u>\$ 4.376</u>	<u>\$ 4.240</u>	<u>\$ 3.955</u>
Apportionment of Tax Rate:					
Municipal	1.030	.969	.875	.851	.808
County	.788	.720	.648	.643	.639
Local School	2.124	2.035	1.990	1.931	1.748
Regional High School	.992	.962	.863	.815	.760

<u>Assessed Valuation</u>	<u>Amount</u>
2006	\$ 232,243,414
2005	231,932,824
2004	231,695,655
2003	230,887,334
2002	230,262,165

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 3. PROPERTY TAXES (CONT'D)

Comparison of Tax Levies and Collections

<u>Year Ended</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2006	\$ 11,486,995	\$ 11,378,683	99.06 %
2005	10,896,959	10,792,682	99.04
2004	10,159,606	10,030,279	98.73
2003	9,818,241	9,688,484	98.67
2002	9,134,464	9,037,996	98.94

Delinquent Taxes and Tax Title Liens

<u>Year Ended</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2006	-0-	\$ 101,092	\$ 101,092	.88 %
2006	-0-	102,029	102,029	.93
2004	-0-	126,722	126,722	1.25
2003	-0-	125,117	125,117	1.27
2002	-0-	89,079	89,079	.97

NOTE 4. SEWER UTILITY LEVY

The following is a five year comparison of sewer utility charges (rent) and collections for the current and previous four years.

<u>Year</u>	<u>Balance Jan. 1,</u>	<u>Sewer Levy</u>	<u>Total</u>	<u>Cash Collections</u>	<u>Percentage</u>
2006	\$ 44,651	\$ 1,028,927	\$ 1,073,578	\$ 1,021,538	95.15 %
2005	49,472	998,837	1,048,309	1,003,657	95.74
2004	36,357	938,407	974,764	925,294	94.92
2003	36,460	883,002	919,462	883,104	96.04
2002	53,576	879,408	932,984	896,524	96.09

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 5. FUND BALANCES APPROPRIATED

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

<u>Current Fund</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2006	\$ 1,965,639	\$ 763,768	38.85 %
2005	1,702,273	525,000	30.84
2004	1,480,097	435,000	29.38
2003	576,091	275,000	47.73
2002	672,380	325,000	48.33

<u>Sewer Utility Operating Fund</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2006	\$ 358,067	\$ 74,023	20.67 %
2005	231,568	30,867	13.32
2004	198,993	122,808	61.71
2003	248,828	150,703	60.56
2002	296,630	150,029	50.58

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balances as of December 31, 2006:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 9,210.97	\$ 396,635.97
Trust Fund:		
Animal Control Fund		1,487.31
Other Funds	24,000.00	7,723.66
General Capital Fund	372,635.97	
Sewer Utility:		
Operating Fund		5,616.76
Capital Fund	5,616.76	
	<u>\$ 411,463.70</u>	<u>\$ 411,463.70</u>

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 7. PENSION PLANS

Description of Plans - The Borough contributes to two cost-sharing multiple-employer defined benefit pension plans, which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division): the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43.3B, for the PERS and N.J.S.A. 43A:16A and 43:3B for the PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625.

Contribution Requirements - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System are required to contribute 5% of their annual covered salary. In accordance with Chapter 204, P.L. of 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. The Borough is billed annually for its normal contribution plus any accrued liability.

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

Public Employees Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
2006	\$ 33,811	\$ 9,300	\$ 43,111	\$ 25,867	\$ 17,244
2005	27,376	380	27,756	22,205	5,551
2004	18,242		18,242	18,242	0

Police and Firemen's Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
2006	\$ 62,743	\$ 21,591	\$ 84,334	\$ 33,734	\$ 50,600
2005	49,485	6,780	56,265	33,759	22,506
2004	41,077		41,077	32,861	8,216

Under the provisions of Chapter 108, P.L. 2003 the Borough's share of the total normal contribution and accrued liability will increase approximately 20% per year until the Borough is paying 100% of the total normal contribution and accrued liability.

State statute provides that any employee who is not a member of, and was not required by law at the time of appointment, or at any time thereafter, to become a member of a contributory retirement system, may at the discretion of the employer, be retired and granted a pension paid directly to the employee by the Borough. The calculation of the amount of pension to be paid by the Borough on an annual basis is determined by state statute. The Borough has one employee currently receiving pension payments pursuant to this statute. The Borough's share of pension costs for this employee was \$2,593 in 2006 and \$2,548 in 2005.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 8. COMPENSATED ABSENCES

All Borough police officers are entitled to paid sick leave and vacation days in various amounts as outlined in the negotiated agreement. Unused sick leave may be accumulated and carried forward to the subsequent year, and, upon retirement the employee may be compensated for accumulated unused sick leave. Vacation days not used during the year may not be accumulated and carried forward, unless granted specific approval by Council. Benefits paid in any future years are calculated in accordance with the formulas outlined in the negotiated agreements.

The Borough does not accrue expenses related to compensated absences. However, it is estimated that, at December 31, 2006, accrued benefits for compensated absences are valued at \$333,878.41.

The Borough has established a Compensated Absences Trust Fund to set aside funds for the future payments of compensated absences. At December 31, 2006 the balance of the fund is \$24,000.00.

NOTE 9. DEFERRED COMPENSATION SALARY ACCOUNT

The Borough offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

NOTE 10. JOINT INSURANCE POOL

The Borough is a member of the Camden County Municipal Joint Insurance Fund. The Fund provides its members with the various insurance policies. Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Borough's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund provides the Borough with the following coverage:

- Property – Blanket Building and Grounds
- Boiler and Machinery
- Workers Compensation Insurance
- General and Automobile Liability
- Environmental Legal Liability
- Excess Crime Policy

The Fund publishes its own financial report for the year ended December 31, 2006, which may be obtained from Camden County Municipal Joint Insurance Fund, Park 80 West Plaza One, Saddle Brook, New Jersey 07663.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 11. NEW JERSEY UNEMPLOYMENT COMPENSATION ISURANCE

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

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2006	\$ 20	\$ 2,793	\$ 4,111	\$ 11,039
2005	19	2,878	852	12,337
2004	20	1,324	2,852	10,292
2003	52	2,610	5,765	11,800
2002	195	0	8,712	14,903

NOTE 12. CAPITAL DEBT

Summary of Municipal Debt

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Issued:			
General Bonds and Notes	\$ 1,811,000	\$ 2,026,000	\$ 2,236,000
Sewer Utility Bonds and Notes	2,192,000	2,397,000	2,602,000
Total Debt Issued	<u>4,003,000</u>	<u>4,423,000</u>	<u>4,838,000</u>
Authorized But Not Issued:			
General Bonds and Notes	8,333,390	8,094,390	440,464
Sewer Utility Bonds and Notes	<u>560,000</u>		
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 12,896,390</u>	<u>\$ 12,517,390</u>	<u>\$ 5,278,464</u>

Serial Bonds are authorized in accordance with State law. All bonds are retired in serial installments within the statutory period of usefulness. Serial Bonds payable at December 31, 2006 consisted of the following issues:

<u>Purpose</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
General Obligation Bonds of 2002	07/01/2009	2.50% - 5.00%	\$ 1,811,000
Sewer Utility Bonds of 1984	07/01/2009	9.70%	44,000
Sewer Utility Bonds of 1992	07/01/2012	5.375%	<u>1,148,000</u>
Total			<u>\$ 3,003,000</u>

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 12. CAPITAL DEBT (CONT'D)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with required method of setting up the Annual Debt Statement and indicates a statutory net debt of .55%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 5,338,000	\$ 5,338,000	
Regional High School District Debt	3,106,210	3,106,210	
Sewer Utility Debt	2,752,000	2,752,000	
General Debt	<u>10,144,390</u>	<u>7,875,000</u>	<u>\$ 2,269,390</u>
 Total	 <u>\$ 21,340,600</u>	 <u>\$ 19,071,210</u>	 <u>\$ 2,269,390</u>

Net Debt, \$2,269,390 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2, as amended, \$409,006,042 equals .55%.

Equalized Valuation Basis:

2004	\$ 364,831,810
2005	412,847,497
2006	<u>449,338,819</u>
 Average	 <u>\$ 409,006,042</u>

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

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 14,315,211
Net Debt	<u>2,269,390</u>
 Remaining Borrowing Power	 <u>\$ 12,045,821</u>

**Calculation of "Self-Liquidating Purpose"
Sewer Utility Per N.J.S.A. 40A:2-45**

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Charges for the Year	\$ 1,320,566
Deductions:	
Operating and Maintenance Costs	\$ 855,193
Debt Service Costs	<u>308,008</u>
	<u>1,163,201</u>
 Excess in Revenue	 <u>\$ 157,365</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 12. CAPITAL DEBT (CONT'D)

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Serial Bonds Payable

<u>Calendar Year</u>	<u>General</u>		<u>Sewer</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 225,000	\$ 82,014	\$ 205,000	\$ 65,973	\$ 577,987
2008	235,000	70,764	205,000	54,305	565,069
2009	245,000	59,014	204,000	42,638	550,652
2010	260,000	48,601	190,000	31,068	529,669
2011	270,000	38,201	190,000	20,855	519,056
2012-14	576,000	37,432	198,000	10,623	822,055
Total	\$ 1,811,000	\$ 336,026	\$ 1,192,000	\$ 225,462	\$ 3,564,488

Bond Anticipation Notes Payable

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

As of December 31, 2006, the Borough had \$1,000,000 in outstanding sewer utility capital bond anticipation notes maturing on October 17, 2007 and bearing an interest rate of 3.74%.

NOTE 13. SCHOOL TAXES

Local District School Tax has been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund Liabilities as follows:

	<u>Local District School Tax</u>		<u>Regional High School Tax</u>	
	<u>Balance Dec. 31, 2006</u>	<u>Balance Dec. 31, 2005</u>	<u>Balance Dec. 31, 2006</u>	<u>Balance Dec. 31, 2005</u>
Balance of Tax	\$ 2,132,127.56	\$ 2,025,542.06	\$ 1,492,913.27	\$ 1,448,387.72
Deferred	966,689.81	1,116,689.81	291,811.49	291,811.49
Tax Payable	\$ 1,165,437.75	\$ 908,852.25	\$ 1,201,101.78	\$ 1,156,576.23

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2006**

NOTE 14. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2006, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following funds:

	Balance December 31, <u>2006</u>	2007 Budget <u>Appropriation</u>	Balance to Succeeding <u>Years</u>
Current Fund:			
Special Emergency	\$ 450,000	\$ 150,000	\$ 300,000

The appropriations in the 2007 Budget as introduced are not less than that required by the statutes.

NOTE 15. LITIGATION

The Borough participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

The Borough is a defendant in several legal proceedings that are in various stages of litigation. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Borough's counsel and Borough's management that resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

SUPPLEMENTAL EXHIBITS

CURRENT FUND

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Treasurer
For the Year Ended December 31, 2006

	<u>CURRENT FUND</u>	<u>FEDERAL AND STATE GRANT FUND</u>
Balance December 31, 2005	\$ 4,008,481.43	\$ 120,271.52
Receipts:		
Taxes Receivable	\$ 11,360,160.22	
Prepaid 2006 Taxes	48,761.91	
Revenue Accounts Receivable	1,274,578.96	
Interest on Delinquent Taxes	35,086.69	
Tax Overpayments	15,134.69	
Due from State of New Jersey - Senior Citizens and Veterans Deductions	63,927.49	
Due to State of New Jersey:		
Marriage License Fees	600.00	
DCA Training Fees	2,659.00	
Federal and State Grants Receivable		\$ 105,370.99
Miscellaneous Revenue Not Anticipated	166,771.66	
Due to Trust Other Fund	1,041.02	
Appropriated Federal & State Grants Canceled	75,899.39	
Matching Funds for State Grants		22,200.00
Total Receipts	<u>13,044,621.03</u>	<u>127,570.99</u>
Total Funds Available	<u>17,053,102.46</u>	<u>247,842.51</u>
Disbursements:		
2006 Appropriations	2,873,552.86	
Matching Funds for State Grants	22,200.00	
County Taxes Payable	1,828,158.95	
Due County for Added Taxes	3,713.33	
Refund of Tax Overpayments	14,663.99	
Due to State of New Jersey:		
Marriage License Fees	600.00	
DCA Training Fees	1,885.00	
Local District School Tax	4,824,966.50	
Regional High School Tax	2,275,893.18	
2005 Appropriation Reserves and		
Reserve for Encumbrances	122,905.34	
Reserve for Flood Costs	53,637.86	
Reserve for Federal and State Grant Funds:		
Appropriated		106,960.86
Appropriated Canceled		75,899.39
Total Disbursements	<u>12,022,177.01</u>	<u>182,860.25</u>
Balance December 31, 2006	<u>\$ 5,030,925.45</u>	<u>\$ 64,982.26</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Collector
For the Year Ended December 31, 2006

Balance December 31, 2005		\$ 42,788.78
Receipts:		
Tax Sale Premiums	\$ 24,611.56	
Interest Earned	799.05	
Total Receipts	<hr/>	<hr/> 25,410.61
Total Funds Available		68,199.39
Disbursements:		
Refund of Tax Premiums		<hr/> 50,603.52
Balance December 31, 2006		<hr/> <u>\$ 17,595.87</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2006

Year	Balance December 31, 2005	Added Taxes	2006 Levy	Collections by Cash		State Share of Senior Citizen and Veterans Deductions Allowed	Canceled	Balance December 31, 2006
				2005	2006			
2005	\$ 102,028.70	\$ 1,463.02		\$ 103,097.17			\$ 394.55	
2006	102,028.70	1,463.02	\$ 11,486,995.54	\$ 59,336.76	103,097.17 11,257,063.05	\$ 62,282.88	7,220.31	\$ 101,092.54
Total	\$ 102,028.70	\$ 1,463.02	\$ 11,486,995.54	\$ 59,336.76	\$ 11,360,160.22	\$ 62,282.88	\$ 7,614.86	\$ 101,092.54

ANALYSIS OF PROPERTY TAX LEVY

Tax Yield:	
General Purpose Tax	\$ 11,414,362.41
Added and Omitted Taxes (54:4-63.1 et. seq.)	9,883.13
Senior Citizens and Veterans Deductions Allowed	
Per Original Levy	62,750.00
Total	\$ 11,486,995.54

Tax Levy:

Local District School Tax (Abstract)	\$ 4,931,552.00
Regional High School District Tax (Abstract)	2,320,418.73
County Taxes:	
County Tax (Abstract)	\$ 1,523,605.63
County Library Tax (Abstract)	138,845.41
County Open Space Tax (Abstract)	165,707.91
Amount Due County for Added Taxes (54:4-63.1 et. seq.)	1,569.26
Local Tax for Municipal Purposes	2,391,651.96
Additional Tax Levies	13,644.64
Total	\$ 11,486,995.54

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Revenue Accounts Receivable
For the Year Ended December 31, 2006

	Balance December 31, <u>2005</u>	Accrued in <u>2006</u>	<u>Collected</u>	Balance December 31, <u>2006</u>	<u>Remarks</u>
Borough Clerk:					
Alcohol Licenses		\$ 1,008.00	\$ 1,008.00		
Historic Commission Permits		160.00	160.00		
Street Opening Permits		2,000.00	2,000.00		
Firearm Permits		56.00	56.00		
Zoning Permits		2,405.00	2,405.00		
Borough Clerks Account					
Tax Search Fees		2.25	2.25		
Fire Official - Uniform Fire Safety -					
Fees and Permits		6,411.47	6,411.47		
Construction Official -					
Fees and Permits		58,435.00	58,435.00		
Energy Receipt Taxes		228,599.00	228,599.00		
Extraordinary Aid			250,000.00		
Supplemental Energy Receipts Tax		6,097.00	6,097.00		
Legislative Initiative Block Grant		19,524.00	19,524.00		
Consolidated Municipal Property Tax Relief		175,374.00	175,374.00		
Homeland Security		25,000.00	25,000.00		
Municipal Court - Fines and Costs	\$ 6,996.82	90,631.88	91,489.09	\$ 6,139.61	Dec. Receipts
Interest on Investments and					
Bank Deposits		295,996.99	295,996.99		
Rental of Cell Tower Space		97,435.56	97,435.56		
Cable TV Franchise Fees	15,384.65	16,204.58	15,384.65	16,204.58	2006 Allotment
Total	\$ 22,381.47	\$ 1,025,340.73	\$ 1,275,378.01	\$ 22,344.19	

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2005 Appropriation Reserves
For The Year Ended December 31, 2006

	Balance December 31, 2005		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Salaries and Wages:					
General Administration	\$ 3,373.04		\$ 3,373.04		\$ 3,373.04
Mayor and Council	1,700.00		1,700.00		1,700.00
Borough Clerk	59.96		59.96		59.96
Financial Administration	600.82		600.82		600.82
Collection of Taxes	0.12		0.12		0.12
Assessment of Taxes	11.96		11.96		11.96
Legal Services	5,000.00		5,000.00		5,000.00
Historic Preservation Commission	354.92		354.92		354.92
Planning Board	682.76		682.76		682.76
Police	49,813.85		49,813.85	\$ 14,318.20	35,495.65
Office of Emergency Management	176.00		176.00		176.00
Fire Official	51.24		51.24		51.24
Borough Prosecutor	42.04		42.04		42.04
Streets and Roads	15,294.60		15,294.60		15,294.60
Solid Waste Collection	15,503.74		15,503.74		15,503.74
Environmental	29.96		29.96		29.96
Construction Official	500.76		500.76		500.76
Zoning Code Enforcement	96.80		96.80		96.80
Other Expenses:					
General Administration	12,448.24	\$ 769.99	13,218.23	613.94	12,604.29
Mayor and Council	63.57		63.57		63.57
Borough Clerk	12,491.15	300.00	12,791.15	73.95	12,717.20
Financial Administration	973.49		973.49		973.49
Computerized Data Processing	5,283.07		5,283.07		5,283.07
Assessment of Taxes	2,345.89		2,345.89	13.65	2,332.24
Collection of Taxes	816.53		816.53	47.20	769.33
Engineering Services	2,588.03		2,588.03		2,588.03
Historic Preservation Commission	454.00		454.00		454.00
Planning Board	723.37		723.37	15.75	707.62
Insurance	961.55		961.55		961.55
Police	13,247.79	15,975.14	29,222.93	16,561.22	12,661.71
Office of Emergency Management	21.04	66.44	87.48	53.56	33.92
Aid to Volunteer Ambulance Companies	464.61	1,514.02	1,978.63	1,727.52	251.11
Fire	19,802.25	13,209.71	33,011.96	11,472.28	21,539.68
Fire Official	1,164.61		1,164.61		1,164.61
Streets and Roads	19,340.36	10,361.81	29,702.17	20,879.63	8,822.54
Solid Waste Collection	7,203.21	11,000.00	18,203.21	12,947.47	5,255.74
Public Buildings and Grounds	12,872.09	400.00	13,272.09	1,610.50	11,661.59
Vehicle Maintenance	2,392.00	13,369.70	15,761.70	11,441.89	4,319.81
Forward	208,949.42	66,966.81	275,916.23	91,776.76	184,139.47

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2005 Appropriation Reserves
For The Year Ended December 31, 2006

	Balance December 31, 2005		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Forward	\$ 208,949.42	\$ 66,966.81	\$ 275,916.23	\$ 91,776.76	\$ 184,139.47
Other Expenses (Cont'd):					
Construction Code Official	3,961.80	558.89	4,520.69	567.45	3,953.24
Zoning Code Enforcement	712.50		712.50		712.50
Utilities	23,763.01	10,338.35	34,101.36	18,230.57	15,870.79
Landfill Fees	2,665.61	14,578.91	17,244.52		17,244.52
Contingent	355.00		355.00	60.00	295.00
Social Security System	9,996.66		9,996.66		9,996.66
Employee Pension	2.28		2.28		2.28
Salaries and Wages - Outside CAP:					
Municipal Court	3,041.38		3,041.38		3,041.38
Public Defender	2,560.00		2,560.00		2,560.00
Other Expenses - Outside CAP:					
Municipal Court	2,509.11		2,509.11	560.47	1,948.64
Insurance	53,475.83		53,475.83	11,710.09	41,765.74
Total	\$ 311,992.60	\$ 92,442.96	\$ 404,435.56	\$ 122,905.34	\$ 281,530.22

BOROUGH OF MEDFORD LAKES

CURRENT FUND

**Schedule of Due State of New Jersey-
Senior Citizen and Veterans' Deductions
For the Year Ended December 31, 2006**

<hr/>		
Balance December 31, 2005		\$ 7,171.96
Increased by:		
Cash Received	\$ 63,927.49	
		<u>63,927.49</u>
Total		71,099.45
Decreased by:		
Accrued in 2006:		
Senior Citizens Deductions Per Billings	18,500.00	
Veterans Deductions Per Billings	44,250.00	
Senior Citizens and Veteran Deductions Allowed by Collector	<u>1,500.00</u>	
Total	64,250.00	
Less Disallowed by Collector:		
Senior Citizen's and Veteran Deductions	<u>1,967.12</u>	
		<u>62,282.88</u>
Balance December 31, 2006		<u>\$ 8,816.57</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Local District School Tax Payable
For the Year Ended December 31, 2006

<hr/>		
Balance December 31, 2005		
School Tax Payable	\$ 908,852.25	
School Tax Deferred	<u>1,116,689.81</u>	\$ 2,025,542.06
Increased by:		
Levy - School Year July 1, 2006 to June 30, 2007		<u>4,931,552.00</u>
Total		6,957,094.06
Decreased by:		
Payments		<u>4,824,966.50</u>
Balance December 31, 2006:		
School Tax Payable	1,165,437.75	
School Tax Deferred	<u>966,689.81</u>	<u>\$ 2,132,127.56</u>
2006 Liability for Local District School Tax:		
Tax Paid		\$ 4,824,966.50
Tax Payable December 31, 2006		<u>1,165,437.75</u>
Total		5,990,404.25
Less:		
Tax Payable December 31, 2005		<u>908,852.25</u>
Amount Charged to 2006 Operations		<u>\$ 5,081,552.00</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

**Schedule of Regional High School Tax Payable
For the Year Ended December 31, 2006**

<hr/>		
Balance December 31, 2005		
School Tax Payable	\$ 1,156,576.23	
School Tax Deferred	<u>291,811.49</u>	\$ 1,448,387.72
Increased by:		
Levy - School Year July 1, 2006 to June 30, 2007		<u>2,320,418.73</u>
Total		3,768,806.45
Decreased by:		
Payments		<u>2,275,893.18</u>
Balance December 31, 2006:		
School Tax Payable	1,201,101.78	
School Tax Deferred	<u>291,811.49</u>	<u>\$ 1,492,913.27</u>
2006 Liability for Local District School Tax:		
Tax Paid		\$ 2,275,893.18
Tax Payable December 31, 2006		<u>1,201,101.78</u>
Total		3,476,994.96
Less:		
Tax Payable December 31, 2005		<u>1,156,576.23</u>
Amount Charged to 2006 Operations		<u>\$ 2,320,418.73</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Deferred Charges
 N.J.S. 40A:4-55 Special Emergency
 For the Year Ended December 31, 2006

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2005</u>	<u>Decreased In 2006</u>	<u>Balance December 31, 2006</u>
7/22/04	Flood Damage	\$ 750,000.00	\$ 150,000.00	\$ 600,000.00	\$ 150,000.00	\$ 450,000.00
	Total	<u>\$ 750,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 600,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ 450,000.00</u>

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2006

	Balance December 31, <u>2005</u>	<u>Accrued</u>	<u>Received</u>	Balance December 31, <u>2006</u>
State Grants:				
Municipal Alliance Grant	\$ 13,895.08	\$ 10,500.00	\$ 7,463.76	\$ 16,931.32
Clean Communities Grant		4,518.72	4,518.72	
Fire Act of 2004 Grant	16,496.00	85,500.00	82,339.00	19,657.00
Make It Click Grant		2,000.00	2,000.00	
Drunk Driving Enforcement Grant		990.27	990.27	
Recycling Grant		2,163.19	2,163.19	
Body Armor Grant		779.05	779.05	
Domestic Violence Grant	2,004.00			2,004.00
Statewide Livable Comm.		50,000.00		50,000.00
NJ Trans. Safe Streets to School		125,000.00		125,000.00
Smart Future Award		48,000.00		48,000.00
Stormwater Grant	8,527.00		5,117.00	3,410.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 40,922.08</u>	<u>\$ 329,451.23</u>	<u>\$ 105,370.99</u>	<u>\$ 265,002.32</u>

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Reserve for Federal and State Grants - Unappropriated
For the Year Ended December 31, 2006

	Balance December 31, <u>2005</u>	Federal and State Grant <u>Receivable</u>	Realized as Revenue in <u>2006</u>	Balance December 31, <u>2006</u>
State Grants:				
Body Armor Grant	\$ 853.98	\$ 779.05	\$ 853.98	\$ 779.05
Municipal Alliance Grant		10,500.00	10,500.00	
Clean Communities Grant		4,518.72		4,518.72
Drunk Driving Enforcement Grant		990.27		990.27
Fire Act of 2004 Grant		85,500.00	85,500.00	
Smart Future Award		48,000.00	48,000.00	
NJ Trans. Safe Streets to School		125,000.00	125,000.00	
Statewide Livable Communities		50,000.00	50,000.00	
Recycling Grant		2,163.19	2,163.19	
Make It Click Grant		2,000.00		2,000.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 853.98</u>	<u>\$ 329,451.23</u>	<u>\$ 322,017.17</u>	<u>\$ 8,288.04</u>

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Reserve for Federal and State Grants - Appropriated
For the Year ended December 31, 2006

	Balance December 31, <u>2005</u>	Transferred from 2006 Budget <u>Appropriation</u>	<u>Canceled</u>	<u>Disbursed</u>	Balance December 31, <u>2006</u>
State Grants:					
Drunk Driving Enforcement Grant	\$ 4,399.43			\$ 80.00	\$ 4,319.43
Clean Communities Grant	15,097.73			4,373.58	10,724.15
Alcoholic Education Rehabilitation Fund	7,311.44				7,311.44
Body Armor Fund	1,144.47	\$ 853.98			1,998.45
Municipal Alliance Grant	15,200.55	13,200.00		7,101.59	21,298.96
Make It Click	4,445.81				4,445.81
Recycling Tonnage Grant	12,375.55	2,163.19			14,538.74
Transportation Trust Fund	63,399.39		\$ 63,399.39		
Comcast Technology Grant	12,500.00		12,500.00		
Assistance to Firefighters Grant	17,788.75	90,000.00		87,504.86	20,283.89
Smart Future Award		48,000.00			48,000.00
Statewide Livable Communities		50,000.00			50,000.00
NJ Safe Streets to School		140,000.00		3,224.33	136,775.67
Buckle Up South Jersey Grant	2,000.00				2,000.00
Stormwater Regulation Grant	4,676.50			4,676.50	
Total State Grants	\$ 160,339.62	\$ 344,217.17	\$ 75,899.39	\$ 106,960.86	\$ 321,696.54

TRUST FUND

BOROUGH OF MEDFORD LAKES

EXHIBIT B-1

TRUST FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2006

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2005	\$ 7,207.74	\$ 81,105.37
Receipts:		
Animal Control Fund:		
Borough Share	8,429.25	
State Share	822.60	
Planning and Zoning Professional Fees:		
Escrow Deposits		53,977.53
Interest Earned		2,655.02
Unemployment Compensation Insurance Trust		2,813.07
Street Opening Deposits:		
Deposits		7,500.00
Interest Earned		353.55
Special Law Enforcement:		
Police Department		130.00
Interest Earned		83.37
Public Defender Reserve		
Deposits		1,790.50
Interest Earned		155.58
Payroll Fund:		
Net Payroll		1,239,323.29
Payroll Deductions Payable		905,132.24
Interest Earned		1,350.29
Total Receipts	<u>9,251.85</u>	<u>2,215,264.44</u>
Total Funds Available	<u>16,459.59</u>	<u>2,296,369.81</u>
Disbursements:		
State of New Jersey:		
Department of Health	822.60	
Expenditures Under RS4:19-15.11	7,370.68	
Payroll Deductions Payable		887,998.88
Net Payroll		1,239,323.29
Unemployment Compensation Reserve Fund Expenditures		4,110.83
Street Opening Deposits Refunded		7,500.00
Planning and Zoning Escrow Deposits		17,601.85
Public Defender Expenditures		2,875.00
Flood Relief Fund Reimbursements		741.34
Total Disbursements	<u>8,193.28</u>	<u>2,160,151.19</u>
Balance December 31, 2006	<u>\$ 8,266.31</u>	<u>\$ 136,218.62</u>

BOROUGH OF MEDFORD LAKES

ANIMAL CONTROL FUND

Schedule of Reserve for Animal Control Fund Expenditures
For the Year Ended December 31, 2006

<hr/>		
Balance December 31, 2005		\$ 7,032.94
Increased by:		
Dog License Fees Collected	\$ 3,521.00	
Cat Licenses Collected	1,260.40	
Miscellaneous	2,066.20	
Late Fees	1,130.00	
Interest Earned	451.65	
	<hr/>	
	8,429.25	
Prior Year Amount Due State of New Jersey - Canceled	150.80	
	<hr/>	
		8,580.05
Total		<hr/> <hr/> 15,612.99
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Cash	7,370.68	
Statutory Excess Due to Current Fund	1,487.31	
	<hr/>	
		8,857.99
Balance December 31, 2006		<hr/> <hr/> \$ 6,755.00

License Fees Collected

<u>Year:</u>		
2004	\$ 3,703.00	
2005	3,052.00	
	<hr/>	
Total		<hr/> <hr/> \$ 6,755.00

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

Schedule of Payroll Deductions Payable
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 13,930.00
Increased by:	
Payroll Deductions Received	<u>905,132.24</u>
Total	919,062.24
Decreased by:	
Payroll Deductions Disbursed	<u>887,998.88</u>
Balance December 31, 2006	<u><u>\$ 31,063.36</u></u>

Schedule of Reserve For Planning and Zoning Escrow Deposits
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 40,976.97
Increased by:	
2006 Deposits	<u>53,977.53</u>
Total	94,954.50
Decreased by:	
Disbursements	<u>17,601.85</u>
Balance December 31, 2006	<u><u>\$ 77,352.65</u></u>

A permanent list of individual account balances is on file in the Treasurer's office.

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

Schedule of Reserve For Unemployment Compensation Insurance Trust
For the Year Ended December 31, 2006

Balance December 31, 2005		\$ 12,336.58
Increased by:		
Interest Earned	\$ 19.95	
Employee Withholdings	<u>2,793.12</u>	
		<u>2,813.07</u>
Total		15,149.65
Decreased by:		
Due to State Department of Labor		<u>4,110.83</u>
Balance December 31, 2006		<u><u>\$ 11,038.82</u></u>

Schedule of Reserve For Public Defender Trust Fund
For the Year Ended December 31, 2006

Balance December 31, 2005		\$ 1,538.56
Increased by:		
Fees Collected		<u>1,790.50</u>
		3,329.06
Decreased by:		
Due to Current Fund - Reimbursement of Salary		<u>2,875.00</u>
Balance December 31, 2006		<u><u>\$ 454.06</u></u>

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

Schedule of Reserve For Compensated Absences
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 18,000.00
Increased by:	
Current Fund Budget Appropriation	<u>6,000.00</u>
Balance December 31, 2006	<u>\$ 24,000.00</u>

Schedule of Reserve For Special Law Enforcement Fund
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 1,606.07
Increased by:	
Police Department	<u>130.00</u>
	1,736.07
Decreased by:	
Disbursed	<u> </u>
Balance December 31, 2006	<u>\$ 1,736.07</u>

GENERAL CAPITAL FUND

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2006

Balance December 31, 2005		\$ 1,966,029.39
Receipts:		
Interest Earned on Investments	\$ 24,913.72	
EDA Loan Payable	1,726,963.38	
State Aid Receivable	832,484.14	
Capital Improvement Fund	35,000.00	
Deferred Charge Unfunded	50,000.00	
Contra Receipts with Disbursements	53.94	
		<u>2,669,415.18</u>
Total		4,635,444.57
Disbursements:		
Improvement Authorizations	2,166,508.54	
Due to Current Fund	20,963.06	
Contra Receipts with Disbursements	53.94	
		<u>2,187,525.54</u>
Balance December 31, 2006		<u>\$ 2,447,919.03</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Analysis of General Capital Cash and Investments
For the Year Ended December 31, 2006

Fund Balance		\$	29,151.05
Capital Improvement Fund			23,707.76
State Aid Receivable			(19,431.22)
Contracts Payable			8,020,616.24
EDA Loan Payable			1,726,963.38
Due from Current Fund			(372,441.97)
Due from Trust Other Fund			(194.00)
Reserve for Purchase of Public Works Dept. Equipment			42,000.00
Reserve for Purchase of Fire Equipment			5,000.00
Improvement Authorizations:			
Ordinance			
<u> Number</u>			
468	Multi-Purpose:		
	Improvements to Municipal Building		325,163.65
	Improvements to Public Works Department Building		714,000.00
488	Construction of Cell Tower		<u>(143,432.60)</u>
493	Acquisition of Police Utility Vehicle		<u>(25,957.36)</u>
511	Acquisition of Public Works Dept. Equipment		16,595.00
512	Construction of Dams		<u>(7,846,094.99)</u>
518	Acquisition of Police Utility Vehicle		<u>(28,051.91)</u>
518	Acquisition of Trash Truck		<u>(27,020.00)</u>
518	Various Road Improvements		7,346.00
			<hr/>
	Total	\$	<u>2,447,919.03</u>

Loan EDA ←

143,432.60
25,957.36
28,051.91
27,020.00
2,447,919.03

2004

BOROUGH OF MEDFORD LAKES

General Capital Fund

Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2006

	Balance December 31, <u>2005</u>	<u>Accrued</u>	<u>Received</u>	Balance December 31, <u>2006</u>
State Aid:				
Department of Environmental Protection - Construction of Dams	\$ 851,915.36		\$ 832,484.14	\$ 19,431.22
	<hr/>			
Total	<u>\$ 851,915.36</u>	<u>\$ -</u>	<u>\$ 832,484.14</u>	<u>\$ 19,431.22</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Deferred Charges to Future Taxation - Unfunded
For the Year Ended December 31, 2006

Ordinance Number	Improvement Description	Balance December 31, 2006	Analysis of Balance - December 31, 2006	
			Expenditures	Unexpended Improvement Authorizations
488	Construction of Cell Tower	\$ 143,432.60	\$ 143,432.60	
493	Acquisition of Police Utility Vehicle	25,957.36	25,957.36	
512	Construction of Dams	7,875,000.00	7,846,094.99	\$ 28,905.01
518	Acquisition of Police Utility Vehicle	33,000.00	28,051.91	4,948.09
518	Acquisition of Trash Truck	113,500.00	27,020.00	86,480.00
518	Various Road Improvements	142,500.00		142,500.00
Total		\$ 8,333,389.96	\$ 8,070,556.86	\$ 262,833.10
Improvement Authorizations Unfunded:				\$ 262,833.10
Less: Unexpended Proceeds of Bond Anticipation Notes Issued				
				<u>\$ 262,833.10</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Capital Improvement Fund
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 4,707.76
Increased by:	
2006 Budget Appropriation	<u>35,000.00</u>
Subtotal	39,707.76
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>16,000.00</u>
Balance December 31, 2006	<u>\$ 23,707.76</u>

BOROUGH OF MEDFORD LAKES
GENERAL CAPITAL FUND

Schedule of Improvement Authorizations
For the Year Ended December 31, 2006

Ordinance Number	Improvement Description	Date	Ordinance Amount	2006 Authorizations		Capital Improvement Fund	Deferred Charges to Future Taxation Unfunded	Paid or Charged	Contracts Payable	Balance December 31, 2006	
				Funded	Unfunded					Funded	Unfunded
468	Multi-Purpose: Improvements to Municipal Building Improvements to Public Works Dept. Building	06/12/01	\$ 2,100,000	\$ 852,916.73				\$ 283,713.23	\$ 244,039.85	\$ 325,163.65	
511	Acquisition of Public Works Dept. Equipment	09/08/05	29,000	714,000.00						714,000.00	
512	Construction of Dams	09/08/05	8,846,561	16,585.00						16,585.00	
518	Multi-Purpose: Acquisition of Police Utility Vehicle Acquisition of Trash Truck Various Road Improvements	05/25/06	35,000 120,000 150,000	291,957.60	\$ 7,875,000.00			1,819,069.40	6,318,983.19		\$ 28,905.01
						\$ 2,000.00	\$ 33,000.00	30,051.91			4,948.09
						6,500.00	113,500.00	33,520.00			86,480.00
						7,500.00	142,500.00	154.00			142,500.00
						\$ 16,000.00	\$ 289,000.00	\$ 2,166,608.54	\$ 6,563,023.04	\$ 1,063,104.65	\$ 262,833.10
	Total			\$ 1,875,469.33	\$ 7,875,000.00	\$ 16,000.00	\$ 289,000.00	\$ 2,166,608.54	\$ 6,563,023.04	\$ 1,063,104.65	\$ 262,833.10

BOROUGH OF MEDFORD LAKES
 GENERAL CAPITAL FUND

Schedule of General Serial Bonds
 For the Year Ended December 31, 2006

Purpose	Date of Issue	Amount of Original Issue	Maturity of Bonds Outstanding December 31, 2004	Interest Rate	Balance December 31, 2005	Decreased by Paid by Budget	Balance December 31, 2006
General Bonds of 2001	10/10/01	\$ 2,816,000	\$ 225,000.00	5.000%			
			8/15/2007				
			8/15/2008	235,000.00	5.000%		
			8/15/2009	245,000.00	4.250%		
			8/15/2010	260,000.00	4.000%		
			8/15/2011	270,000.00	5.000%		
			8/15/2012	280,000.00	4.200%		
			8/15/2013	291,000.00	4.375%		
					\$ 2,026,000.00	\$ 215,000.00	\$ 1,811,000.00

**BOROUGH OF MEDFORD LAKES
GENERAL CAPITAL FUND**

**Statement of Bonds and Notes Authorized but not Issued
For the Year Ended December 31, 2006**

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance December 31, <u>2005</u>	2006 Appropriation	Funded by Budget Appropriation	Canceled	Balance December 31, <u>2006</u>
487	2003 Road Program	\$ 30,145.83		\$ 30,145.83		
488	Construction of Cell Tower	163,286.77		19,854.17		\$ 143,432.60
493	Acquisition of Police Utility Vehicle	25,957.36				25,957.36
512	Construction of Dams	7,875,000.00				7,875,000.00
518	Acquisition of Police Utility Vehicle		\$ 33,000.00			33,000.00
518	Acquisition of Trash Truck		113,500.00			113,500.00
518	Various Road Improvements		142,500.00			142,500.00
Total		\$ 8,094,389.96	\$ 289,000.00	\$ 50,000.00	\$ -	\$ 8,333,389.96

SEWER UTILITY FUND

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Cash - Collector/Treasurer
For the Year Ended December 31, 2006

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2005	\$ 396,472.27	\$ 260,748.99
Receipts:		
Sewer Service Charges Receivable	\$ 994,115.05	
Prepaid Sewer Rent	31,285.47	
Sewer Overpayments	115.45	
Due from Sewer Utility Operating Fund		\$ 145,044.07
Due to Sewer Utility Capital Fund	5,616.76	
Capital Fund Balance - Budgeted Revenue	154,526.68	
Miscellaneous Revenue	<u>46,457.92</u>	
Total Receipts	<u>1,232,117.33</u>	<u>145,044.07</u>
Total	1,628,589.60	405,793.06
Disbursements:		
2006 Appropriations	856,434.97	
Accounts Payable	27,736.47	
Interest on Bonds and Notes	107,158.28	
Due to Sewer Utility Operating Fund		12,914.37
Sewer Overpayments	113.18	
Due to Sewer Utility Capital Fund	137,746.46	
Capital Fund Balance - Budgeted Revenue		154,526.68
Improvement Authorizations	<u> </u>	<u>157,424.50</u>
Total Disbursements	<u>1,129,189.36</u>	<u>324,865.55</u>
Balance December 31, 2006	<u>\$ 499,400.24</u>	<u>\$ 80,927.51</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Analysis of Capital Cash
At December 31, 2006

Capital Improvement Fund	\$	100,402.20
Due from Sewer Utility Operating Fund		(5,616.76)
Bond Anticipation Note Payable		
Improvement Authorization:		
Ord. 501 Improvements to Sewer Treatment Plant, Bypass Line, Office Space & Public Walkway		142,992.57
Ord. 515 Acquisition of Sewer Collection Line Cleaning Equipment		(156,733.00)
Ord. 516 Construction and Repairs to Sewer Collection System		(117.50)
		<hr/>
Total	\$	<u>80,927.51</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Schedule of Sewer Service Charges Receivable
For the Year Ended December 31, 2006

Balance December 31, 2005		\$ 44,651.21
Increased by:		
Sewer Billings		<u>1,028,926.79</u>
Total		1,073,578.00
Decreased by:		
2006 Collections	\$ 994,115.05	
Prepayments Applied	<u>27,422.91</u>	<u>1,021,537.96</u>
Balance December 31, 2006		<u><u>\$ 52,040.04</u></u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of 2005 Appropriation Reserves
For the Year Ended December 31, 2006

	Balance December 31, 2005		Balance	Paid or	Balance
	Encumbrances	Reserves	After	Charged	Lapsed
	<u>Payable</u>	<u>Reserves</u>	<u>Transfers</u>	<u>Charged</u>	<u>Lapsed</u>
Operating:					
Salaries and Wages		\$ 28,267.88	\$ 28,267.88		\$ 28,267.88
Other Expenses	\$ 42,912.05	12,322.32	55,234.37	\$ 27,736.47	27,497.90
Social Security System		10,555.54	10,555.54		10,555.54
Unemployment Compensation					
Insurance		855.30	855.30		855.30
		<u>855.30</u>	<u>855.30</u>		<u>855.30</u>
Total	<u>\$ 42,912.05</u>	<u>\$ 52,001.04</u>	<u>\$ 94,913.09</u>	<u>\$ 27,736.47</u>	<u>\$ 67,176.62</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Fixed Capital
For the Year Ended December 31, 2006

	Balance December 31, <u>2005</u>	Increase By <u>Additions</u>	Less <u>Retirements</u>	Balance December 31, <u>2006</u>
Sewer Plant	\$ 3,805,239.65			\$ 3,805,239.65
Pumping Station and Structures	49,941.52			49,941.52
General Equipment	<u>199,369.80</u>			<u>199,369.80</u>
Total	<u><u>\$ 4,054,550.97</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,054,550.97</u></u>

NOTE - The Fixed Capital reported above is taken from the Municipal Records and does not necessarily show the true value.

BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND
Schedule of Fixed Capital Authorized and Uncompleted
For the Year Ended December 31, 2006

<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance Amount</u>	<u>Balance December 31, 2005</u>	<u>Deferred Charges to Future Revenue</u>	<u>Costs to Fixed Capital</u>	<u>Balance December 31, 2006</u>
Improvement to Sewer Treatment Plant, Bypass Line, Office space & Public Walkway	9/9/04	\$ 1,000,000.00	\$ 1,000,000.00			\$ 1,000,000.00
Acquisition of Sewer Collection Line Cleaning Equipment	1/26/06	160,000.00		\$ 160,000.00		160,000.00
Construction and Repairs to Sewer Collection Line	5/11/06	400,000.00		400,000.00		400,000.00
Total			<u>\$ 1,000,000.00</u>	<u>\$ 560,000.00</u>	<u>\$ -</u>	<u>\$ 1,560,000.00</u>

**BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND**

**Schedule of Improvement Authorizations
For the Year Ended December 31, 2006**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance Amount</u>	Balance December 31, 2005 <u>Unfunded</u>	2006 <u>Authorizations</u>	Paid or <u>Charged</u>	Balance December 31, 2006 <u>Unfunded</u>
501	Improvements to Treatment Plant, Construction of Bypass Line, Construction of Office Space, and Construction of Public Walkway	09/09/04	\$ 1,000,000	\$ 143,566.57		\$ 574.00	\$ 142,992.57
515	Acquisition of Sewer Collection Line Cleaning Equipment	1/26/2006	160,000		\$ 160,000.00	156,733.00	3,267.00
518	Construction and Repairs to Sewer Collection System	5/11/2006	400,000		400,000.00	117.50	399,882.50
				<u>\$ 143,566.57</u>	<u>\$ 560,000.00</u>	<u>\$ 157,424.50</u>	<u>\$ 546,142.07</u>

BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND

Schedule of General Serial Bonds
For the Year Ended December 31, 2006

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Bonds</u>	<u>Date</u>	<u>Maturities of Bonds Outstanding December 31, 2006</u>	<u>Interest Rate</u>	<u>Balance December 31, 2005</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance December 31, 2006</u>
General Bonds of 1984	07/01/84	\$275,000	7/1/07-08 7/1/09	\$ 15,000 14,000	9.70%	\$ 59,000.00	\$ 15,000.00	\$ 44,000.00
General Bonds of 1992	07/01/92	3,808,000	07/01/07-11 7/1/12	190,000 198,000	5.375%	1,338,000.00	190,000.00	1,148,000.00
Total						<u>\$ 1,397,000.00</u>	<u>\$ 205,000.00</u>	<u>\$ 1,192,000.00</u>

**BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND**

**Schedule of Bond Anticipation Notes
For the Year Ended December 31, 2006**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2005</u>	<u>Increased From Renewals</u>	<u>Decreased From Payment</u>	<u>Balance December 31, 2006</u>
501	Improvements to Treatment Plant, Construction of Bypass Line, Construction of Office Space, and Construction of Public Walkway	10/19/04	10/18/05 10/18/06	10/17/06 10/17/07	3.00% 3.74%	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Total						\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Capital Improvement Fund
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 100,402.20
Increased by - Budget Appropriation	
Total	<u>100,402.20</u>
Decreased by - 2006 Improvement Authorization	
Balance December 31, 2006	<u>\$ 100,402.20</u>

EXHIBIT D-15

Schedule of Reserve for Amortization
For the Year Ended December 31, 2006

Balance December 31, 2005	\$ 2,657,550.97
Increased by:	
Serial Bonds Paid by Operating Budget	<u>205,000.00</u>
Balance December 31, 2006	<u>\$ 2,862,550.97</u>

BOROUGH OF MEDFORD LAKES

PART II

Single Audit Section

For the Year Ended December 31, 2006

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

The Honorable Mayor and Members
of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey

Compliance

We have audited the compliance of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended December 31, 2006. The Borough's major state program is identified in the Summary of Auditor's Results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; and State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Medford Lake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough's compliance with those requirements.

In our opinion, the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the fiscal year ended December 31, 2006.

Internal Control Over Compliance

The management of the Borough of Medford Lakes is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Borough of Medford Lakes, the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Public School Accountant

Marlton, New Jersey
March 30, 2007

BOROUGH OF MEDFORD LAKES

Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2006

State Grantor/Program Title	State CMIS Number	Program or Award Amount	Program Funds Received	Grant Period From To	Balance December 31, 2005	Revenue Recognized	Disbursements or Expenditures	Cancelled	Balance December 31, 2006
Department of Law and Public Safety									
Assistance to Firefighters Program	EMW-2004-FG-18215	\$ 85,500.00	\$ 55,843.00	1/1/06					
Assistance to Firefighters Program	EMW-2004-FG-18215	48,600.00	48,600.00	1/1/05	\$ 17,788.75	\$ 90,000.00	\$ 69,716.11		\$ 20,283.99
Domestic Violence Training Grant	100-042-4800-353	2,004.00	2,004.00	1/1/05			17,788.75		
Body Armor Grant	1020-718-066	779.05	779.05	1/1/06	1,998.45	779.05			
Special Emergency Management	Not Available	2,405.72	2,405.72	1/1/04					
Drunk Driving Enforcement Grant	1110-448-31020-50	990.27	990.27	1/1/06	4,399.43	990.27	80.00		2,777.50
					24,186.63	91,769.32	87,584.86		5,309.70
									28,371.09
Department of Transportation									
NJ Transportation Trust Fund Authority Act									
Safe Streets to Schools	Not Available	125,000.00		1/1/06		140,000.00	3,224.33		136,775.67
Hiawatha, Algonquin, Chippewa and Minnetonka Trails and Aetna Way	6320-480-1395-61	67,000.00	67,000.00	1/1/04	63,399.39	140,000.00	3,224.33	\$ 63,399.39	136,775.67
					63,399.39	140,000.00	3,224.33	63,399.39	136,775.67
Department of Treasury									
Municipal Alliance Grant	2000-475-995120-60	10,500.00		1/1/06		13,200.00			13,200.00
Municipal Alliance Grant	2000-475-995120-60	10,500.00	4,068.68	1/1/05	13,200.00		5,101.04		8,098.96
Municipal Alliance Grant	2000-475-995120-60	10,500.00	10,500.00	1/1/04	2,000.55		2,000.55		
					15,200.55	13,200.00	7,101.59		21,298.96
					7,311.44				7,311.44
Department of Health									
Alcoholic Education Rehabilitation Fund	098-9735-760-001-00			1/1/05					
						48,000.00			48,000.00
						50,000.00			50,000.00
						12,500.00		12,500.00	50,000.00
						98,000.00		12,500.00	98,000.00

(Continued)

BOROUGH OF MEDFORD LAKES

Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2006

State Grantor/Program Title	State GMIS Number	Program or Award Amount	Program Funds Received	Grant Period From To	Balance December 31, 2005	Revenue Recognized	Disbursements or Expenditures	Balance December 31, 2006
Department of Highway Traffic Safety								
Click It or Ticket	OP04-45-02-42	\$ 4,000.00	\$ 4,000.00	1/1/05 12/31/05	\$ 4,445.81			\$ 4,445.81
Buckle Up South Jersey	OP05-45-03-79	2,000.00	2,000.00	1/1/06 12/31/06	2,000.00	2,000.00		4,000.00
					6,445.81	2,000.00		8,445.81
Department of Environmental Protection								
Clean Communities	042-4900-765-004-60	4,518.72	4,518.72	1/1/06 12/31/06	15,097.73	4,518.72	4,373.58	15,242.87
Gypsy Moth Suppression Program	Not Available			1/1/05 12/31/05				
Stormwater Regulation Grant	Not Available	6,822.00	6,822.00	1/1/05 12/31/05	4,676.50		4,676.50	
Construction of Dams	042-4895-118-VVVV-6120	971,561.00	952,129.78	1/1/05 12/31/06	8,166,957.60		8,138,052.59	28,905.01
Recycling Tonnage Grant	042-4900-765-004-60	2,163.19	2,163.19	1/1/06 12/31/06	12,375.55	2,163.19		14,538.74
					8,199,107.38	6,681.91	8,147,102.67	58,686.62
Total State Awards					\$ 8,328,151.20	\$ 351,651.23	\$ 8,245,013.45	\$ 75,899.39
								\$ 356,899.59

Analysis of Balance at December 31, 2006:

Current Fund:	
Reserve for Federal and State Grants - Unappropriated	\$ 8,288.04
Reserve for Federal and State Grants - Appropriated	321,696.54
General Capital Fund:	
Ordinance #512 - Construction of Dams	28,905.01
Total	\$ 356,899.59

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

Borough of Medford Lakes
Notes to Schedule of Expenditures of State Financial Assistance
December 31, 2006

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance present the activity of all state financial assistance programs of the Borough of Medford Lakes, County of Burlington, State of New Jersey. The Borough is defined in the Note 1 to the Borough's financial statements. All state financial assistance received directly from state agencies, as well as state financial assistance passed through other government agencies, are included on the schedule of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance is presented using the modified accrual basis of accounting as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is described in the Notes to the Financial Statements, Note 1.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Expenditures from awards are reported in the Borough's financial statements as follows:

<u>Fund</u>	<u>State</u>
Current Fund	\$ 106,960.86
Capital Fund	<u>8,138,052.59</u>
Total Financial Assistance	<u>\$ 8,245,013.45</u>

NOTE 4. MAJOR PROGRAMS

Major programs are identified in the "Summary of Auditor's Results" section of the Schedule of Findings and Questioned Costs.

**BOROUGH OF MEDFORD LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2006**

Section 1 -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Qualified

Internal control over financial reporting:

1) Material weaknesses identified? X yes X no

2) Were reportable conditions identified that were not considered to be a material weakness? yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

THIS SECTION IS NOT APPLICABLE - NO FEDERAL SINGLE AUDIT

Dollar threshold used to distinguish between Type A and Type B programs:

Auditee qualified as low-risk auditee? yes no

Type of auditor's report on compliance for major programs:

Internal Control over major programs:

1) Material weaknesses identified? yes no

2) Were reportable conditions identified that were not considered to be a material weakness? yes none reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>

(Continued)

BOROUGH OF MEDFORD LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
For the Year Ended December 31, 2006

Section 1 -- Summary of Auditor's Results (Cont'd)

State Financial Assistance

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

Auditee qualified as low-risk auditee? yes X no

Type of auditor's report on compliance for major programs: Unqualified

Internal Control over major programs:

1) Material weaknesses identified? yes X no

2) Were reportable conditions identified that were not considered to be a material weakness? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
042-4895-118-XXXX-6120	Construction of Dams

BOROUGH OF MEDFORD LAKES
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Section 2 - Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding #2006-1

Condition:

The Borough did not maintain a general fixed assets inventory in accordance with the N.J.A.C. 5:30-5.6 issued by the Division of Local Government Services. Additions and deletions for 2005 and 2006 were not entered or removed from the fixed asset list.

Criteria or specific requirement:

N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets requires all government units to have and maintain a fixed asset accounting and reporting system. The requirements include taking a physical inventory, valuing physical inventory, setting up property records, managing property records and reporting fixed assets in the financial records.

Cause:

The Borough does not possess the necessary funds to establish and maintain a record of general fixed assets and believes that if the State of New Jersey requires this item, then the State should pay the expenses.

Effect:

A lack of effective controls exists over the accounting for general fixed assets of the Borough.

Recommendation:

A current record of general fixed assets should be developed and maintained to provide effective controls over Borough assets.

BOROUGH OF MEDFORD LAKES
Schedule of Findings and Questioned Cost
For the Year Ended December 31, 2006

Section 3 - Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB's Circular 04-04.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

No findings and or questioned costs.

BOROUGH OF MEDFORD LAKES
Summary Schedule of Prior Year Audit Findings
as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal and state grant awards that are required to be reported in accordance with *Government Auditing Standards* and New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

Finding #2005-1

Condition:

The Borough did not maintain a general fixed assets inventory in accordance with the N.J.A.C. 5:30-5.6 issued by the Division of Local Government Services. Additions and deletions for 2005 were not entered or removed from the fixed asset list.

Current Status:

This condition remains unchanged as reported in Finding #2006-1.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

No prior year audit findings were noted.

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2006:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Timothy S. Casey	Mayor		
Gary F. Woodend	Councilman		
Paul Weiss	Councilman		
Richard Knight	Borough Manager, Borough Clerk, Tax Search Clerk, Secretary to Board of Health		(B)
Donna Condo	Chief Financial Officer	\$ 150,000	(A)
Sharon DeViney	Tax Collector	175,000	(A)
Sherri Rockhill	Administrative Clerk and Utility Rent Collector	150,000	(A)
Mark McIntosh	Deputy Borough Clerk		(B)
Rosa Henry	Court Administrator	75,000	(C)
Dennis McInerney	Municipal Magistrate	75,000	(C)
Colleen H. Guarrera	Deputy Court Administrator	75,000	(C)
Thomas Heck	Construction Code Official		(B)
Douglas Kolton	Assessor		
Alaimo Associates	Engineer		
Peter Lang	Solicitor		

All Bonds were examined and properly executed.

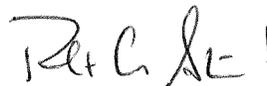
- (A) Selective Insurance Company - Separate Surety Bond.
- (B) The Borough has a Crimes Policy - Excess Public Officials Bond in the amount of \$1,000,000 subject to a \$500 deductible with the Burlington County Municipal Joint Insurance Fund. This policy covers all employees, except those with separate surety bond coverage.
- (C) Selective Insurance Company - Blanket Bond for Municipal Court Employees

ACKNOWLEDGMENT

We express our appreciation for the assistance and courtesies extended to us by the Borough Officials during the course of our audit.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountant



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

March 30, 2007