

BOROUGH OF MEDFORD LAKES
County of Burlington

Report of Audit of Financial Statements

For the Year Ended December 31, 2008

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, 2008

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 statements 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, 2008 and 2007, 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, 2008. 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 asset account group, as required by N.J.A.C. 5:30-5.6, 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.

As described in Note 1, 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 differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects on the financial statements of the requirement that the Borough prepare its financial statements in accordance with the accounting practices discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2008 and 2007, or the results of its operations and changes in fund balance for the years then ended.

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, 2008 and 2007, and the results of its operations and changes in fund balance - regulatory basis 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, 2008 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 17, 2009 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 federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 stated, 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 17, 2009

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, 2008, and have issued our report thereon dated March 17, 2009, 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 a regulatory 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. 5:30-5.6, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A 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 the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey such that there is more than a remote likelihood that a misstatement of the Borough's financial statements that is more than inconsequential will not be prevented or detected by the Borough's 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'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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough 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 is 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, which is described in the accompanying *Schedule of Findings and Questioned Costs* as finding no: #2008-1.

The Borough of Medford Lake's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Borough's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Borough, 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 17, 2009

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$ 4,462,609.67	\$ 4,446,718.50
Cash - Tax Collector	A-5	18,676.56	20,097.36
Cash - Collector's Change Fund		300.00	300.00
Total		4,481,586.23	4,467,115.86
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	169,227.61	177,185.27
Revenue Accounts Receivable	A-7	36,518.12	18,902.92
Due from Capital Fund	C	122.51	
Due from Animal Control	B	381.96	1,866.72
Due from Other Trust Fund	B	2,699.59	2,276.09
Total		208,949.79	200,231.00
Deferred Charges:			
Emergency Authorization	A-12	310,000.00	300,000.00
Total Regular Fund		5,000,536.02	4,967,346.86
Federal and State Grant Fund:			
Cash - Treasurer	A-4	123,730.80	77,915.48
Federal and State Grants Receivable	A-13	329,500.00	247,696.25
Total Federal and State Grant Fund		453,230.80	325,611.73
Total		\$ 5,453,766.82	\$ 5,292,958.59

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, A-8	\$ 212,717.49	\$ 198,895.50
Reserve for Encumbrances	A-3, A-8	193,309.37	201,986.13
Accounts Payable	A-8	42,516.00	
Reserve for Flood Emergency		131,454.92	212,789.83
Reserve for Revaluation Program		150,000.00	
Reserve for Tax Map		10,000.00	
Due State of New Jersey per Chapter 20 PL 1971	A-9	8,418.61	9,918.61
Tax Overpayments			9,452.56
Prepaid Taxes	A-5, A-6	70,664.22	54,066.58
Reserve for Tax Sale Premiums		17,500.00	16,500.00
Due to Trust Other Fund	B	36,000.00	30,000.00
Due State of New Jersey:			
Construction Code Fees		664.00	863.00
Marriage License Fees		75.00	200.00
Due County for Added Taxes	A-4, A-6	7,400.00	7,599.38
Regional High School Tax Payable	A-11	1,614,802.75	1,296,906.33
Local District School Tax Payable	A-10	1,238,611.78	1,301,011.23
Total Liabilities		3,734,134.14	3,340,189.15
Reserve for Receivables and Other Assets	A	208,949.79	200,231.00
Fund Balance	A-1	1,057,452.09	1,426,926.71
Total Regular Fund		5,000,536.02	4,967,346.86
Federal and State Grant Fund:			
Unappropriated Reserves	A-14	9,321.60	7,614.07
Due to Capital Fund	C	50,000.00	50,000.00
Appropriated Reserves	A-15	393,909.20	267,997.66
Total Federal and State Grant Fund		453,230.80	325,611.73
Total		\$ 5,453,766.82	\$ 5,292,958.59

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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 707,500.00	\$ 1,001,268.00
Miscellaneous Revenue Anticipated	1,020,266.83	1,257,035.23
Receipts from Delinquent Taxes	177,185.27	101,092.54
Receipts from Current Taxes	12,031,269.44	11,729,755.03
Nonbudget Revenues	50,016.99	54,752.80
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	192,143.94	222,084.15
Tax Premium canceled	366.64	2,633.42
Federal and State Grants - Appropriated Reserves Canceled	295.00	
Interfunds Liquidated		4,296.39
Total Revenue and Other Income Realized	<u>14,179,044.11</u>	<u>14,372,917.56</u>
Expenditures:		
Operations Within "CAPS":		
Salaries and Wages	1,493,850.00	1,538,660.00
Other Expenses	1,442,330.00	1,240,465.00
Deferred Charges and Statutory Expenditures Within "CAPS"	138,900.00	123,900.00
Operations Excluded from "CAPS":		
Other Expenses	201,493.06	159,553.95
Capital Improvements Excluded from "CAPS"	560,000.00	927,000.00
Municipal Debt Service Excluded from "CAPS"	304,839.78	306,127.50
Deferred Charges Excluded from "CAPS"	200,000.00	150,000.00
Local District School Tax	5,380,282.00	5,052,699.00
Regional High School Tax	2,395,438.68	2,512,027.83
County Taxes	1,876,485.21	1,885,703.61
Due County for Added Taxes	7,400.00	7,599.38
Tax Overpayments refunded		6,625.51
Total	<u>14,001,018.73</u>	<u>13,910,361.78</u>
Excess in Revenues	178,025.38	462,555.78
Adjustment to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>160,000.00</u>	
Statutory Excess to Fund Balance	338,025.38	462,555.78
Fund Balance January 1	<u>1,426,926.71</u>	<u>1,965,638.93</u>
Total	1,764,952.09	2,428,194.71
Decreased by Utilization as Anticipated Revenue	<u>707,500.00</u>	<u>1,001,268.00</u>
Balance December 31,	<u>\$ 1,057,452.09</u>	<u>\$ 1,426,926.71</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, 2008

	<u>BUDGET</u>	<u>SPECIAL NJS 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Fund Balance Anticipated	\$ 707,500.00		\$ 707,500.00	
Miscellaneous Revenues:				
Licenses:				
Alcohol	800.00		1,008.00	\$ 208.00
Fees and Permits - Other	9,500.00		11,033.97	1,533.97
Fines and Costs - Municipal Court	80,000.00		78,333.27	(1,666.73)
Interest and Costs on Taxes	30,000.00		39,928.61	9,928.61
Interest on Investments and Deposits	153,000.00		188,791.87	35,791.87
Cellular Tower Rental	92,700.00		103,435.05	10,735.05
Consolidated Municipal Property Tax Relief Aid	110,063.00		110,063.00	
Energy Receipts Taxes	263,320.00		263,320.00	
Uniform Construction Code Fees	53,000.00		46,325.00	(6,675.00)
Miscellaneous Revenues Offset with Appropriations:				
Municipal Alliance Grant	10,500.00		10,500.00	
Recycling Tonnage Grant	2,697.25		2,697.25	
Body Armor Grant	935.23		935.23	
Drunk Driving Enforcement Fund	1,981.59		1,981.59	
NJ Transportation Safe Street Grant	150,000.00		150,000.00	
Make It Click	2,000.00	\$ 4,000.00	6,000.00	
Clean Communities	5,913.99		5,913.99	
Total	<u>966,411.06</u>	<u>4,000.00</u>	<u>1,020,266.83</u>	<u>49,855.77</u>
Receipts from Delinquent Taxes	167,500.00		177,185.27	9,685.27
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	<u>2,656,065.21</u>		<u>2,839,566.76</u>	<u>183,501.55</u>
Budget Totals	4,497,476.27	4,000.00	4,744,518.86	<u>\$ 243,042.59</u>
Nonbudget Revenues			<u>.50,016.99</u>	
Total	<u>\$ 4,497,476.27</u>	<u>\$ 4,000.00</u>	<u>\$ 4,794,535.85</u>	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2008Analysis of Realized Revenue**Allocation of Current Tax Collections:**

Revenue from Collections	\$ 12,031,269.44
Allocated to School and County Taxes	9,509,605.89
Balance for Support of Municipal Budget Appropriations	2,521,663.55
Add Appropriation - Reserve for Uncollected Taxes	317,903.21
Amount for Support of Municipal Budget Appropriations	<u>\$ 2,839,566.76</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	<u>\$ 177,185.27</u>
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Fees and Permits - Other:

Fire Safety Fees	\$ 6,192.97
Tax Search Officer	30.00
Historic Commission Permits	55.00
Fire Arm Permits	156.00
Planning/Zoning Permits	1,200.00
Street Opening Permits	3,400.00
Total	<u>\$ 11,033.97</u>

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:	
Cable TV Franchise Fee	\$ 18,218.70
	<u>18,218.70</u>

Collected - Treasurer

Police Accident Reports	\$ 1,056.50	
Photocopies	1,512.25	
Assessor's List	190.00	
Raffle license	160.00	
Duplicate Bills	151.00	
Refunds	28,395.97	
Miscellaneous	332.57	
	<u>31,798.29</u>	
Total Treasurer		<u>\$ 50,016.99</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, 2008

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
GENERAL APPROPRIATIONS:						
Operations Within "CAPS":						
General Government						
General Administration:						
Salaries and Wages	\$ 93,100.00	\$ 99,800.00	\$ 98,108.60	\$ 1,691.40		
Other Expenses	26,600.00	26,600.00	19,367.27	2,441.97	4,790.76	
Mayor and Council:						
Salaries and Wages	5,100.00	5,100.00	5,100.00			
Other Expenses	700.00	700.00	251.81	165.00	283.19	
Borough Clerk:						
Salaries and Wages	40,000.00	33,300.00	31,649.53		1,650.47	
Other Expenses	20,000.00	20,000.00	18,379.20	496.70	1,124.10	
Financial Administration:						
Salaries and Wages	50,600.00	50,600.00	49,711.48		888.52	
Other Expenses	2,450.00	2,450.00	347.30	462.32	1,640.38	
Audit Services:						
Other Expenses	23,000.00	23,000.00	23,000.00			
Computerized Data Processing:						
Other Expenses	8,000.00	8,000.00	7,247.00		753.00	
Collection of Taxes:						
Salaries and Wages	19,500.00	19,500.00	19,397.32		102.68	
Other Expenses	3,000.00	3,000.00	849.78	278.25	1,871.97	
Assessment of Taxes:						
Salaries and Wages	17,500.00	17,500.00	17,355.00		145.00	
Other Expenses	1,500.00	1,500.00	1,016.57		483.43	
Cost of Revaluation (NJSA 40A:4-53)		150,000.00	150,000.00			
Revision of Tax Map (NJSA 40A:4-53)		10,000.00	10,000.00			
Legal Services & Costs:						
Other Expenses	35,000.00	35,000.00	25,000.00	5,000.00		
General Government						
Engineering Services:						
Other Expenses	19,000.00	19,000.00	13,008.25	2,250.00	3,741.75	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
General Government						
Historic Preservation Commission:						
Salaries and Wages	\$ 2,850.00	\$ 2,850.00	\$ 2,833.22	\$	16.78	
Other Expenses	200.00	200.00			200.00	
Land Use Administration:						
Planning Board:						
Salaries & Wages	8,700.00	5,700.00	5,274.82		425.18	
Other Expenses	9,500.00	9,500.00	6,309.87		3,190.13	
Insurance:						
Liability Insurance	169,000.00	169,000.00	167,961.86		1,038.14	
Employees Group Insurance	333,000.00	326,800.00	279,378.38	\$ 20,781.49	26,640.13	
Unemployment Compensation	1,200.00	1,200.00	711.22		488.78	
Surety Bond Premiums	3,200.00	3,200.00	3,013.15		186.85	
Public Safety:						
Police:						
Salaries and Wages	748,000.00	748,000.00	737,893.53		10,106.47	
Other Expenses	40,000.00	40,000.00	31,161.38	3,259.10	5,579.52	
Office of Emergency Management:						
Salaries and Wages	5,500.00	5,500.00	1,923.03		3,576.97	
Other Expenses	800.00	800.00	193.16	198.50	408.34	
Aid to Volunteer Ambulance Companies:						
Other Expenses	15,000.00	15,000.00	13,767.81	1,186.55	45.64	
Fire Department:						
Other Expenses	58,800.00	58,800.00	39,557.31	12,098.59	7,144.10	
Fire Official:						
Salaries & Wages	13,000.00	13,000.00	12,259.98		740.02	
Other Expenses	1,500.00	1,500.00	540.80	30.00	929.20	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Borough Prosecutor:						
Salaries and Wages	\$ 6,300.00	\$ 6,300.00	\$ 3,150.00	\$ 3,150.00	-	
Public Works:						
Streets & Roads:						
Salaries and Wages	350,000.00	335,000.00	320,468.37		\$ 14,531.63	
Other Expenses	53,000.00	53,000.00	37,868.53	5,912.66	9,218.81	
Solid Waste Collection:						
Salaries & Wages	61,000.00	62,000.00	61,596.42		403.58	
Other Expenses	52,750.00	52,750.00	40,978.38	2,600.00	9,171.62	
Public Buildings and Grounds:						
Other Expenses	15,000.00	15,000.00	7,363.13	4,581.49	3,055.38	
Vehicle Maintenance:						
Other Expenses	57,500.00	57,500.00	37,592.75	9,617.26	10,289.99	
Health & Human Services:						
Environmental						
Salaries & Wages	3,800.00	3,800.00	3,686.28		113.72	
Uniform Construction Code:						
Construction Code Official:						
Salaries and Wages	36,000.00	36,000.00	35,235.20		764.80	
Other Expenses	24,000.00	24,000.00	18,817.30	186.25	4,996.45	
Zoning Code Enforcement Officer:						
Salaries and Wages	7,900.00	9,900.00	9,151.25		748.75	
Other Expenses	500.00	500.00			500.00	
Accumulated Sick Leave Compensation						
Salaries and Wages	6,000.00	6,000.00	6,000.00			
Municipal Court:						
Salaries and Wages	34,000.00	34,000.00	28,322.63		5,677.37	
Other Expenses	5,730.00	11,130.00	3,247.75	6,431.81	1,450.44	
Public Defender						
Other Expenses	1,700.00	1,700.00			1,700.00	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Operations Within "CAPS" (Continued)						
Utility Expenses and Bulk Purchases:						
Electricity	\$ 30,000.00	\$ 30,000.00	\$ 22,953.55	\$ 3,900.00	\$ 3,146.45	
Street Lighting	9,000.00	9,000.00	6,913.80	1,329.00	757.20	
Telephone	17,000.00	17,000.00	12,610.82		4,389.18	
Natural Gas	12,000.00	12,000.00	5,153.31	1,807.89	5,038.80	
Gasoline	60,000.00	85,000.00	67,320.54	7,000.00	10,679.46	
Printing & Postage	4,700.00	5,900.00	5,848.32		51.68	
Landfill/Solid Waste Disposal Costs:						
Landfill Fees	152,500.00	142,100.00	114,237.94	12,000.00	15,862.06	
Total Operations - Within "CAPS"	2,775,680.00	2,935,680.00	2,641,084.90	107,164.83	187,430.27	
Contingent	500.00	500.00		60.00	440.00	
Total Operations Including Contingent - within "CAPS"	2,776,180.00	2,936,180.00	2,641,084.90	107,224.83	187,870.27	
Detail:						
Salaries and Wages	1,508,850.00	1,493,850.00	1,449,116.66	3,150.00	41,583.34	
Other Expenses	1,267,330.00	1,442,330.00	1,191,968.24	104,074.83	146,286.93	
Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS":						
STATUTORY EXPENDITURES:						
Contribution to:						
Social Security System (O.A.S.I.)	134,000.00	134,000.00	111,758.70		22,241.30	
Employee Pension (R.S. 43:833)	2,900.00	2,900.00	2,715.48		184.52	
Defined Contribution Retirement Fund	2,000.00	2,000.00			2,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	138,900.00	138,900.00	114,474.18		24,425.82	
Total General Appropriations - For Municipal Purposes Within "CAPS"	2,915,080.00	3,075,080.00	2,755,559.08	107,224.83	212,296.09	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Budget After Modification	Paid or Charged	Expended		Unexpended Balance Canceled
	Budget				Encumbered	Reserved	
Operations Excluded from "CAPS":							
Police and Fireman's Retirement System	\$ 106,800.00	\$	106,800.00	106,753.00	\$	47.00	
Public Employees Retirement System	58,165.00		58,165.00	58,164.80		0.20	
Recycling Tax	5,800.00		5,800.00	5,800.00			
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	935.23		935.23	935.23			
Recycling Tonnage Grant	2,697.25		2,697.25	2,697.25			
Clean Communities	5,913.99		5,913.99	5,913.99			
Drunk Driving Enforcement Fund	1,981.59		1,981.59	1,981.59			
Make It Click (NJSA 40A:4-87)	2,000.00		6,000.00	6,000.00			
Total Operations - Excluded From "CAPS"	197,493.06		201,493.06	201,445.86		47.20	
Detail:							
Salaries and Wages							
Other Expenses	197,493.06		201,493.06	201,445.86		47.20	
Capital Improvements - Excluded From "CAPS"							
Capital Improvement Fund	10,000.00		10,000.00	10,000.00			
Reserve for New Municipal Building	400,000.00		400,000.00	313,541.26	\$ 86,084.54	374.20	
NJ Transportation Trust Fund	150,000.00		150,000.00	150,000.00			
Total Capital Improvements - Excluded From "CAPS"	560,000.00		560,000.00	473,541.26	86,084.54	374.20	

(Continued)

BOROUGH OF MEDFORD LAKES
CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modification		Encumbered	Reserved	
Municipal Debt Service - Excluded From "CAPS"						
Payment of Bond Principal	\$ 235,000.00	\$ 235,000.00	\$ 235,000.00			
Interest on Bonds	72,000.00	72,000.00	69,839.78			\$ 2,160.22
Total Municipal Debt Service - Excluded From "CAPS"	307,000.00	307,000.00	304,839.78			2,160.22
Deferred Charges - Municipal - Excluded From "CAPS"						
Special Emergency Authorizations	150,000.00	150,000.00	150,000.00			
Deferred Charges to Future Taxation Unfunded	50,000.00	50,000.00	50,000.00			
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"	1,264,493.06	1,268,493.06	1,179,826.90	\$ 86,084.54	\$ 421.40	2,160.22
Subtotal General Appropriations	4,179,573.06	4,343,573.06	3,935,385.98	193,309.37	212,717.49	2,160.22
Reserve for Uncollected Taxes	317,903.21	317,903.21	317,903.21			
TOTAL GENERAL APPROPRIATIONS	\$ 4,497,476.27	\$ 4,661,476.27	\$ 4,253,289.19	\$ 193,309.37	\$ 212,717.49	\$ 2,160.22
Analysis of Budget After Modification:						
Original Budget		\$ 4,497,476.27				
Special Emergency 40A:4-53		160,000.00				
Appropriation by 40A: 4-87		4,000.00				
Total		<u>\$ 4,661,476.27</u>				
Analysis of Expended - Paid or Charged:						
Due to Trust Funds:						
Reserve for Compensated Absences			\$ 6,000.00			
Reserve for Federal and State Grants			180,728.06			
Reserve for Revulsion Program			150,000.00			
Reserve for Tax Map Revision			10,000.00			
Deferred Charges - Emergency			150,000.00			
Reserve for Uncollected Taxes			317,903.21			
Disbursed			3,438,657.92			
Total			<u>\$ 4,253,289.19</u>			

BOROUGH OF MEDFORD LAKES

TRUST FUND

Statement of Assets, Liabilities, Reserves, and Fund Balance - Regulatory Basis
December 31, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash - Treasurer	B-1	\$ 8,287.03	\$ 7,129.44
Other Funds:			
Cash - Treasurer	B-1	84,818.72	64,849.33
Due from Current Fund	A	36,000.00	30,000.00
Total Other Funds		120,818.72	94,849.33
Total		\$ 129,105.75	\$ 101,978.77
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Department of Health		\$ 4.20	
Due to Current Fund	A	381.96	\$ 1,866.72
Reserve for Animal Control Fund Expenditures	B-2	7,900.87	5,262.72
Total Animal Control Fund		8,287.03	7,129.44
Other Funds:			
Due to Current Fund	A	2,699.59	2,276.09
Reserve for Unemployment Compensation Trust	B-5	7,504.73	10,618.23
Reserve for Street Opening Deposits		7,500.00	5,250.00
Reserve for Environmental Commission		220.37	271.40
Reserve for Planning and Zoning Escrow Deposits	B-4	38,968.85	31,845.85
Reserve for Public Defender Fund	B-6	1,677.06	684.06
Reserve for Special Law Enforcement Fund	B-8	1,903.44	1,903.44
Reserve for Compensated Absences	B-7	36,000.00	30,000.00
Payroll Deductions Payable	B-3	24,344.68	12,000.26
Total Other Funds		120,818.72	94,849.33
Total		\$ 129,105.75	\$ 101,978.77

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, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>			
Cash	C-2	\$ 3,542,791.42	\$ 2,341,506.56
State Aid Receivable	C-4	19,431.22	19,431.22
Deferred Charges to Future Taxation:			
Funded	C-8	9,254,565.36	1,586,000.00
Unfunded	C-5	487,140.87	8,333,389.96
Due from Federal & State Grant Fund	A	50,000.00	50,000.00
		<hr/>	<hr/>
Total		<u>\$ 13,353,928.87</u>	<u>\$ 12,330,327.74</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-8	\$ 1,351,000.00	\$ 1,586,000.00
Encumbrances Payable	C-3	106,332.82	1,387,895.00
Due to Current Fund	A	122.51	
EDA Loan Payable	C-9	7,903,565.36	7,903,565.36
Improvement Authorizations:			
Funded	C-7	716,301.17	783,998.36
Unfunded	C-7	165,287.41	246,161.26
Capital Improvement Fund	C-6	4,957.76	707.76
Reserve for Purchase of Public Works Dept. Equipment	C-3	33,595.00	42,000.00
Reserve for Purchase of Fire Equipment	C-3	5,000.00	5,000.00
Reserve for Flood Recovery Cost	C-3	156,361.26	375,000.00
Reserve for Payment of Debt Service Costs	C-3	2,536,405.58	
Fund Balance	C-1	375,000.00	
		<hr/>	<hr/>
Total		<u>\$ 13,353,928.87</u>	<u>\$ 12,330,327.74</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, 2008

Balance December 31, 2007	\$ -
Increased by Reserve for Flood Recovery Costs Canceled	<u>375,000.00</u>
Balance December 31, 2008	<u><u>\$ 375,000.00</u></u>

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, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	D-5	\$ 601,282.56	\$ 585,570.74
Receivables with Full Reserves:			
Sewer Service Charges Receivable	D-7	75,157.44	81,003.23
		<hr/>	<hr/>
Total Operating Fund		<u>676,440.00</u>	<u>666,573.97</u>
Capital Fund:			
Cash - Treasurer	D-5	23,723.35	71,018.91
Fixed Capital	D-9	4,054,550.97	4,054,550.97
Fixed Capital Authorized & Uncompleted	D-10	1,560,000.00	1,560,000.00
Due from Sewer Utility Operating Fund	D	3,506.04	4,409.43
		<hr/>	<hr/>
Total Capital Fund		<u>5,641,780.36</u>	<u>5,689,979.31</u>
Total		<u>\$ 6,318,220.36</u>	<u>\$ 6,356,553.28</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, 2008 and 2007

	<u>Reference</u>	<u>2008</u>	<u>2007</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	D-4, D-8	\$ 63,942.85	\$ 71,344.13
Encumbrances Payable	D-4, D-8	84,392.60	41,037.48
Prepaid Sewer Service Charges	D-5, D-7	31,430.59	37,647.89
Sewer Rent Overpayments		465.73	50.00
Due to Sewer Utility Capital Fund	D	3,506.04	4,409.43
Accrued Interest on Bonds and Notes		<u>26,245.58</u>	<u>34,063.02</u>
Total		209,983.39	188,551.95
Reserve for Receivables	D	75,157.44	81,003.23
Fund Balance	D-1	<u>391,299.17</u>	<u>397,018.79</u>
Total Operating Fund		<u>676,440.00</u>	<u>666,573.97</u>
Capital Fund:			
Serial Bonds	D-12	782,000.00	987,000.00
Bond Anticipation Notes Payable	D-13	888,000.00	950,000.00
Improvement Authorization			
Funded	D-11	42,000.00	47,848.95
Unfunded	D-11	533,926.14	534,276.14
Reserve for Amortization	D-15	3,272,550.97	3,067,550.97
Deferred Reserve for Amortization	D-16	112,000.00	50,000.00
Capital Improvement Fund	D-14	10,553.25	52,553.25
Capital Fund Balance	D-2	<u>750.00</u>	<u>750.00</u>
Total Capital Fund		<u>5,641,780.36</u>	<u>5,689,979.31</u>
Total		<u>\$ 6,318,220.36</u>	<u>\$ 6,356,553.28</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 Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 177,450.00	\$ 74,023.00
Sewer Service Charges	1,076,524.66	1,040,677.90
Miscellaneous	31,798.04	43,563.02
Other Credits to Income:		
Interfunds Liquidated	903.39	1,009.60
Unexpended Balance of Appropriation Reserves	<u>53,528.93</u>	<u>36,412.25</u>
Total Revenues	<u>1,340,205.02</u>	<u>1,195,685.77</u>
Expenditures:		
Operating	793,900.00	701,800.00
Debt Service	347,024.64	351,660.70
Deferred Charges and Statutory Expenditures	<u>27,550.00</u>	<u>29,250.00</u>
Total Expenditures	<u>1,168,474.64</u>	<u>1,082,710.70</u>
Excess in Revenues	171,730.38	112,975.07
Fund Balance January 1	<u>397,018.79</u>	<u>358,066.72</u>
	568,749.17	471,041.79
Decreased by Utilization by Sewer Utility Operating Budget	<u>177,450.00</u>	<u>74,023.00</u>
Fund Balance Balance December 31	<u>\$ 391,299.17</u>	<u>\$ 397,018.79</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, 2008 and 2007

Balance December 31, 2008 and 2007

\$ 750.00

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, 2008

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Fund Balance	\$ 177,450.00	\$ 177,450.00	
Sewer Service Charges	<u>1,021,000.00</u>	<u>1,076,524.66</u>	<u>\$ 55,524.66</u>
Total	1,198,450.00	1,253,974.66	55,524.66
Miscellaneous	<u> </u>	<u>31,798.04</u>	<u>31,798.04</u>
Total	<u>\$ 1,198,450.00</u>	<u>\$ 1,285,772.70</u>	<u>\$ 87,322.70</u>

Analysis of Realized Revenues

Sewer Service Charges:	
Consumer Accounts Receivable:	
Collections - 2008	\$ 1,038,876.77
Prepayments Applied	<u>37,647.89</u>
Total	<u>\$ 1,076,524.66</u>
Miscellaneous:	
Sewer Late Fee Charges	\$ 18,512.47
Interest Earned on Investments	9,706.40
Connection Fees	1,000.00
Sump Pump Fees	1,650.00
Miscellaneous	<u>929.17</u>
Total	<u>\$ 31,798.04</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 Expenditures -- Regulatory Basis
For the Year Ended December 31, 2008

	Appropriations		Paid or Charged	Expended Encumbrances Payable	Reserved	Unexpended Balance Canceled
	Budget	Budget After Modification				
Operating:						
Salaries and Wages	\$ 294,000.00	\$ 244,000.00	\$ 223,901.33		\$ 20,098.67	
Other Expenses	499,900.00	549,900.00	431,210.95	\$ 84,392.60	34,296.45	
Debt Service:						
Payment of Bond Principal	205,000.00	205,000.00	205,000.00			
Payment of Note Principal	62,000.00	62,000.00	62,000.00			
Interest on Bonds	75,000.00	75,000.00	48,471.75			\$ 26,528.25
Interest on Notes	35,000.00	35,000.00	31,552.89			3,447.11
Statutory Expenditures:						
Public Employees Retirement System	2,300.00	2,300.00			2,300.00	
Social Security System	25,000.00	25,000.00	17,888.72		7,111.28	
Unemployment Compensation						
Insurance						
(N.J.S.A. 43:21-3 et. seq.)	250.00	250.00	113.55		136.45	
Total	\$ 1,198,450.00	\$ 1,198,450.00	\$ 1,020,139.19	\$ 84,392.60	\$ 63,942.85	\$ 29,975.36

Analysis of Paid or Charged:

Interest on Bonds and Notes Disbursed	\$ 80,024.64
Total	<u>\$ 1,020,139.19</u>

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

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

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 and sewer utility funds 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.

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.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

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

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.

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.

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

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

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

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.

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 are recorded with offsetting reserves on the statement of assets, liabilities reserves and fund balance of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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, 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, 2006 and decreased by the amount deferred at December 31, 2008.

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.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

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

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.

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 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). Of the Borough's bank balance of \$8,892,441.29 as of December 31, 2008, \$356,032.70 was insured by the Federal Deposit Insurance Corporation, \$8,536,408.59 was collateralized under the Governmental Unit Deposit Protection Act.

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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Tax Rate	<u>\$ 5.225</u>	<u>\$ 5.110</u>	<u>\$ 4.941</u>	<u>\$ 4.686</u>	<u>\$ 4.376</u>
Apportionment of Tax Rate:					
Municipal	1.141	1.099	1.030	.969	.875
County	.808	.815	.788	.720	.648
Local School	2.247	2.113	2.124	2.035	1.990
Regional High School	1.029	.992	.992	.962	.863

<u>Assessed Valuation</u>	<u>Amount</u>
2008	\$ 233,569,538
2007	232,075,420
2006	232,243,414
2005	231,932,824
2004	231,695,655

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

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>
2008	\$ 12,206,120	\$ 12,031,269	98.56 %
2007	11,908,392	11,729,755	98.49
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

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>
2008	-0-	\$ 169,228	\$ 169,228	1.38 %
2007	-0-	177,185	177,185	1.48
2006	-0-	101,092	101,092	.88
2005	-0-	102,029	102,029	.93
2004	-0-	126,722	126,722	1.25

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>
2008	\$ 81,003	\$ 1,070,679	\$ 1,151,682	\$ 1,076,525	93.47 %
2007	52,040	1,069,641	1,121,681	1,040,678	92.78
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

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>
2008	\$ 1,057,452	\$ 600,000 *	56.74 %
2007	1,426,927	707,500	49.58
2006	1,965,639	763,768	38.85
2005	1,702,273	525,000	30.84
2004	1,480,097	435,000	29.38

* As introduced in the 2009 budget

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 5. FUND BALANCES APPROPRIATED (CONT'D)

<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>
2008	\$ 391,299	\$ 239,200 *	44.69%
2007	397,019	177,450	44.69
2006	358,067	74,023	20.67
2005	231,568	30,867	13.32
2004	198,993	122,808	61.71

* As introduced in the 2009 budget

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, 2008:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current Fund	\$ 3,204.06	\$ 36,000.00
Federal and State Grant Fund		50,000.00
Trust Fund:		
Animal Control Fund		381.96
Other Funds	36,000.00	2,699.59
General Capital Fund	50,000.00	122.51
Sewer Utility:		
Operating Fund		3,506.04
Capital Fund	3,506.04	
	<u>\$ 92,710.10</u>	<u>\$ 92,710.10</u>

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.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 7. PENSION PLANS (CONT'D)

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 were required to contribute 5% of their annual covered salary for the period January 1, 2008 to June 30, 2008. Effective July 1, 2008 the contribution rate increased to 5.5% 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 Borough</u>
2008	\$ 41,062	\$ 31,644	\$ 72,706	\$ 14,541	\$ 58,165
2007	34,215	17,767	51,982	20,793	31,189
2006	33,811	9,300	43,111	25,867	17,244

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 Borough</u>
2008	\$ 69,456	\$ 37,297	\$ 106,753		\$ 106,753
2007	70,461	32,637	103,098	\$ 20,620	82,478
2006	62,743	21,591	84,334	33,734	50,600

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 \$2,715 in 2008 and \$2,715 in 2007.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the Borough provides post employment health care benefits, at its cost, to Borough retirees who; 1) have retired after twenty-five (25) years or more of service in a State or locally administered retirement system and a period of service of up to ten (10) years with the Borough at the time of retirement or 2) have retired and reached the age of sixty-two (62) years or older with at least fifteen (15) years of service with the Borough.

Health insurance, dental coverage and prescription coverage are provided for the retirees and their dependants.

The Borough funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During the year 2008, there were two (2) retired employees who received this benefit resulting in the payment of \$13,371.24 in related health care premiums.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 9. 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 has established a Compensated Absences Trust Fund to set aside funds for the future payments of compensated absences. At December 31, 2008, the balance of the fund was \$36,000.00. It is estimated that, at December 31, 2008, accrued benefits for compensated absences are valued at \$357,268.98.

NOTE 10. 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 11. 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, 2008, 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, 2008**

NOTE 12. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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 two years:

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2008	\$ 13	\$ 2,473	\$ 5,600	\$ 7,505
2007	17	2,880	3,318	10,618
2006	20	2,793	4,111	11,039

NOTE 13. CAPITAL DEBT

Summary of Municipal Debt

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Issued:			
General Bonds and Notes	\$ 1,351,000	\$ 1,586,000	\$ 1,811,000
Sewer Utility Bonds and Notes	1,670,000	1,937,000	2,192,000
EPA Loans	7,903,565		
Total Debt Issued	<u>10,924,565</u>	<u>3,523,000</u>	<u>4,003,000</u>
Authorized But Not Issued:			
General Bonds and Notes	487,141	8,333,390	8,333,390
Sewer Utility Bonds and Notes	560,000	560,000	560,000
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,971,706</u>	<u>\$ 12,416,390</u>	<u>\$ 12,896,390</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, 2008 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%	\$ 1,351,000
Sewer Utility Bonds of 1984	07/01/2009	9.70%	14,000
Sewer Utility Bonds of 1992	07/01/2012	5.375%	<u>768,000</u>
Total			<u>\$ 10,036,565</u>

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 13. 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 .39%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 4,750,000	\$ 4,750,000	
Regional High School District Debt	2,716,580	2,716,580	
Sewer Utility Debt	2,230,000	2,230,000	
General Debt	9,741,706	7,875,000	\$ 1,866,706
Total	\$ 19,438,286	\$ 17,571,580	\$ 1,866,706

Net Debt, \$1,866,706 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2, as amended, \$474,122,403 equals .39%.

Equalized Valuation Basis:

2006	\$ 449,338,819
2007	481,323,230
2008	491,705,161
Average	\$ 474,122,403

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

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 16,594,284
Net Debt	1,866,706
Remaining Borrowing Power	\$ 14,727,578

**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	\$ 1,340,205
Deductions:	
Operating and Maintenance Costs	\$ 821,450
Debt Service Costs	347,025
	1,168,475
Excess in Revenue	\$ 171,730

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, 2008**

NOTE 13. CAPITAL DEBT (CONT'D)

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

Serial Bonds Payable

Calendar Year	General		Sewer		Total
	Principal	Interest	Principal	Interest	
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	285,000	24,701	198,000	10,623	518,324
2013	291,000	12,731			303,731
Total	<u>\$ 1,351,000</u>	<u>\$ 183,248</u>	<u>\$ 782,000</u>	<u>\$ 105,184</u>	<u>\$ 2,421,432</u>

EDA Loan Payable

The Borough has received \$7,903,565 in two separate loan proceeds from the State of New Jersey Department of Environmental Protection Loan Program. All loans have a stated interest rate of 2.00% with a final maturity on September 15, 2026. The repayment schedule of this debt is as follows:

Calendar Year	Principal	Interest	Total
2009	\$ 189,715	\$ 79,036	\$ 268,751
2010	385,140	152,361	537,501
2011	392,881	144,620	537,501
2012	400,778	136,723	537,501
2013	408,833	128,667	537,500
2014-18	2,170,785	516,718	2,687,503
2019-23	2,397,897	289,606	2,687,503
2024-26	<u>1,557,536</u>	<u>54,966</u>	<u>1,612,502</u>
Total	<u>\$ 7,903,565</u>	<u>\$ 1,502,697</u>	<u>\$ 9,406,262</u>

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, 2008, the Borough had \$888,000 in outstanding sewer utility capital bond anticipation notes maturing on October 14, 2009 and bearing an interest rate of 2.70%.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 14. 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:

	Local District School Tax Balance Dec. 31, 2008	Balance Dec. 31, 2007	Regional High School Tax Balance Dec. 31, 2008	Balance Dec. 31, 2007
Balance of Tax	\$ 2,281,492.56	\$ 2,117,701.04	\$ 1,530,423.27	\$ 1,588,717.82
Deferred	<u>666,689.81</u>	<u>816,689.81</u>	<u>291,811.49</u>	<u>291,811.49</u>
Tax Payable	<u>\$ 1,614,802.75</u>	<u>\$ 1,301,011.23</u>	<u>\$ 1,238,611.78</u>	<u>\$ 1,296,906.33</u>

NOTE 15. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2008, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following funds:

	Balance December 31, 2008	2009 Budget Appropriation	Balance to Succeeding Years
Current Fund:			
Special Emergency	\$ 150,000	\$ 150,000	
Revaluation Program	150,000	30,000	\$ 120,000
Revision of Tax Map	<u>10,000</u>	<u>2,000</u>	<u>8,000</u>
Total	<u>\$ 310,000</u>	<u>\$ 182,000</u>	<u>\$ 128,000</u>

The appropriations in the 2009 Budget as introduced are not less than that required by the statutes.

NOTE 16. 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.

NOTE 17. LOAN AGREEMENT

On November 2, 2006 the Borough of Medford Lakes (Borough) approved a loan agreement with the State of New Jersey, Department of Environmental Protection (State) whereby, the Borough acts as a co-borrower with the State for a loan in an amount not to exceed \$2,245,000 to be made to the Medford Lakes Colony (MLC) a not-for-profit corporation located in the Borough of Medford Lakes. The terms of the agreement are such that the Borough agrees to complete the dredging and lake restoration project and to reimburse the State in accordance with the terms and conditions set forth in the loan agreement, in the event of a default on the part of the MLC. The dredging and lake restoration project has been completed by the MLC. The final loan amount borrowed by the Medford Lakes Colony is \$2,171,451.50 and has a 2% interest rate with a maturity date of January 13, 2027. As of the date of this report the MLC has not defaulted on its loan obligation.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2008**

NOTE 18. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Borough of Medford Lakes authorized additional Bonds and Notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Replacement of Sewer Plant Equipment	03/25/09	<u>\$300,000</u>

SUPPLEMENTAL EXHIBITS

CURRENT FUND

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Treasurer
For the Year Ended December 31, 2008

	<u>CURRENT FUND</u>	<u>FEDERAL AND STATE GRANT FUND</u>
Balance December 31, 2007	\$ 4,446,718.50	\$ 77,915.48
Receipts:		
Taxes Receivable	\$ 12,095,888.13	
Prepaid 2009 Taxes	70,664.22	
Revenue Accounts Receivable	820,463.86	
Interest on Delinquent Taxes	39,928.61	
Tax Overpayments	16,304.27	
Due from State of New Jersey - Senior Citizens and Veterans Deductions	57,000.00	
Due to State of New Jersey:		
Marriage License Fees	400.00	
DCA Training Fees	1,890.00	
Federal and State Grants Receivable		\$ 89,719.18
Miscellaneous Revenue Not Anticipated	31,798.29	
Interfund Receivables	100,334.92	
Adjustment to Balance	662.26	
Matching Funds for State Grants		2,405.00
Total Receipts	<u>13,235,334.56</u>	<u>92,124.18</u>
Total Funds Available	17,682,053.06	170,039.66
Disbursements:		
2008 Appropriations	3,438,657.92	
Matching Funds for State Grants	2,405.00	
County Taxes Payable	1,876,485.21	
Due County for Added Taxes	7,599.38	
Refund of Tax Overpayments	23,409.65	
Due to State of New Jersey:		
Marriage License Fees	525.00	
DCA Training Fees	2,246.00	
Local District School Tax	5,066,490.48	
Regional High School Tax	2,453,733.23	
2007 Appropriation Reserves and		
Reserve for Encumbrances	166,221.69	
Interfund Payables	100,334.92	
Reserve for Flood Emergency	81,334.91	
Reserve for Federal and State Grant Funds: Appropriated		46,308.86
Total Disbursements	<u>13,219,443.39</u>	<u>46,308.86</u>
Balance December 31, 2008	<u>\$ 4,462,609.67</u>	<u>\$ 123,730.80</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Collector
For the Year Ended December 31, 2008

Balance December 31, 2007		\$ 20,097.36
Receipts:		
Tax Sale Premiums	\$ 20,730.62	
Interest Earned	327.66	
Total Receipts		<u>21,058.28</u>
Total Funds Available		<u>41,155.64</u>
Disbursements:		
Refund of Tax Premiums Redeemed	21,711.16	
Transfer to Current Fund	767.92	
		<u>22,479.08</u>
Balance December 31, 2008		<u>\$ 18,676.56</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2008

Year	Balance December 31, 2007	Added Taxes	2008 Levy	2007	2008	State Share of Senior Citizen and Veterans Deductions Allowed	Balance December 31, 2008
2007	\$ 177,185.27	\$ 1,000.00		\$ 178,185.27			
2007	177,185.27	1,000.00		178,185.27			
			\$ 12,206,119.74	\$ 54,066.58	11,917,702.86	\$ 59,500.00	\$ 5,622.69
Total	\$ 177,185.27	\$ 1,000.00	\$ 12,206,119.74	\$ 54,066.58	\$ 12,095,888.13	\$ 59,500.00	\$ 5,622.69

ANALYSIS OF PROPERTY TAX LEVY

	Tax Yield:	
Local District School Tax (Abstract)	General Purpose Tax	\$ 12,098,270.76
Regional High School District Tax (Abstract)	Added and Omitted Taxes (54:4-63.1 et. seq.)	47,598.98
County Taxes:	Senior Citizens and Veterans Deductions Allowed	60,250.00
County Tax (Abstract)	Per Original Levy	
County Library Tax (Abstract)		
County Open Space Tax (Abstract)		
Amount Due County for Added Taxes (54:4-63.1 et. seq.)		
Local Tax for Municipal Purposes		
Additional Tax Levies		
Total	Total	\$ 12,206,119.74

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Revenue Accounts Receivable
For the Year Ended December 31, 2008

	Balance December 31, <u>2007</u>	Accrued in <u>2008</u>	<u>Collected</u>	Balance December 31, <u>2008</u>	<u>Remarks</u>
Borough Clerk:					
Alcohol Licenses		\$ 1,008.00	\$ 1,008.00		
Historic Commission Permits		55.00	55.00		
Street Opening Permits		3,400.00	3,400.00		
Firearm Permits		91.00	91.00		
Zoning Permits		200.00	200.00		
Planning Permits		1,000.00	1,000.00		
Borough Clerks Account					
Tax Search Fees		30.00	30.00		
Fire Official - Uniform Fire Safety -					
Fees and Permits		6,192.97	6,192.97		
Construction Official - Fees and Permits		46,325.00	46,325.00		
Energy Receipt Taxes		257,223.00	257,223.00		
Supplemental Energy Receipts Tax		6,097.00	6,097.00		
Consolidated Municipal Property Tax Relief		110,063.00	110,063.00		
Municipal Court - Fines and Costs	\$ 3,667.64	79,044.77	78,333.27	\$ 4,379.14	Dec. Receipts
Interest on Investments and					
Bank Deposits		188,791.87	188,791.87		
Rental of Cell Tower Space		103,435.05	103,435.05		
Cable TV Franchise Fees	15,235.28	35,122.40	18,218.70	32,138.98	2008 Allotment
Total	\$ 18,902.92	\$ 838,079.06	\$ 820,463.86	\$ 36,518.12	

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2007 Appropriation Reserves
For The Year Ended December 31, 2008

	Balance December 31, 2007		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Salaries and Wages:					
General Administration	\$ 1,031.07		\$ 1,031.07		\$ 1,031.07
Borough Clerk	2,404.15		2,404.15	\$ 270.72	2,133.43
Financial Administration	5,338.12		5,338.12	498.96	4,839.16
Collection of Taxes	20.00		20.00		20.00
Assessment of Taxes	52.00		52.00		52.00
Legal Services	0.04		0.04		0.04
Historic Preservation Commission	78.70		78.70		78.70
Planning Board	70.14		70.14		70.14
Police	2,386.76		2,386.76		2,386.76
Office of Emergency Management	3,879.82		3,879.82		3,879.82
Fire Official	1,747.00		1,747.00		1,747.00
Borough Prosecutor	120.00		120.00		120.00
Streets and Roads	19,150.43		19,150.43	3,023.61	16,126.82
Solid Waste Collection	3,609.69		3,609.69	1,120.08	2,489.61
Environmental	116.50		116.50	66.72	49.78
Municipal Court	962.49		962.49		962.49
Construction Official	2,433.88		2,433.88		2,433.88
Zoning Code Enforcement	113.08		113.08		113.08
Public Defender	544.25		544.25		544.25
Other Expenses:					
General Administration	3,125.74	\$ 1,764.50	4,890.24	763.75	4,126.49
Mayor and Council	41.00		41.00		41.00
Borough Clerk	4,768.80	516.19	5,284.99	1,036.69	4,248.30
Financial Administration	1,239.47		1,239.47		1,239.47
Computerized Data Processing	1,143.00		1,143.00		1,143.00
Assessment of Taxes	871.07		871.07	19.45	851.62
Collection of Taxes	1,647.58	774.42	2,422.00	774.42	1,647.58
Audit Services	200.00		200.00		200.00
Legal Services	2,236.70	790.25	3,026.95	790.25	2,236.70
Engineering Services	1,292.24	13,696.14	14,988.38	14,628.89	359.49
Historic Preservation Commission	375.00		75.00		75.00
Planning Board	448.33	5,204.82	5,953.15	5,224.97	728.18
Insurance					
Unemployment Compensation	400.03		400.03		400.03
Employee Group	9,444.04	987.87	10,431.91	184.80	10,247.11
General Liability	397.89	180.00	577.89	180.00	397.89
Police	6,217.72	10,379.67	16,597.39	8,956.92	7,640.47
Office of Emergency Management	310.01	26.93	336.94	80.99	255.95
Aid to Volunteer Ambulance Companies	1,288.50	3,452.36	4,740.86	3,463.23	1,277.63
Fire	11,979.59	23,904.24	35,883.83	27,632.84	8,250.99
Fire Official	2,125.00		2,125.00	288.48	1,836.52
Streets and Roads	12,665.10	6,599.75	19,264.85	14,765.43	4,499.42
Solid Waste Collection	8,606.96	21,677.86	30,284.82	14,907.83	15,376.99
Public Buildings and Grounds	4,340.70	57,811.43	62,152.13	57,612.57	4,539.56
Vehicle Maintenance	18,244.17	15,674.67	33,918.84	18,781.78	15,137.06
Forward	137,466.76	163,441.10	300,907.86	175,073.38	125,834.48

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2007 Appropriation Reserves
For The Year Ended December 31, 2008

	<u>Balance December 31, 2007</u>		Balance After <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
	<u>Reserved</u>	<u>Encumbered</u>			
Forward	\$ 137,466.76	\$ 163,441.10	\$ 300,907.86	\$ 175,073.38	\$ 125,834.48
Other Expenses (Cont'd):					
Construction Code Official	5,204.29		5,204.29	29.82	5,174.47
Environmental					
Senior Citizen Program	2,500.00		2,500.00		2,500.00
Zoning Code Enforcement	500.00		500.00		500.00
Utilities	4,234.98	1,285.80	5,520.78	2,689.52	2,831.26
Street Lighting	2,242.56	660.31	2,902.87	1,339.31	1,563.56
Telephone	3,013.35	1,429.28	4,442.63	1,429.28	3,013.35
Printing and Postage	3,890.50	9.50	3,900.00	9.50	3,890.50
Landfill Fees	10,245.11	30,000.00	40,245.11	20,249.87	19,995.24
Natural Gas	5,474.02		5,474.02	1,382.15	4,091.87
Gasoline	10,146.20	5,000.00	15,146.20	6,104.27	9,041.93
Contingent	440.00		440.00		440.00
Social Security System	4,301.38		4,301.38	76.50	4,224.88
Employee Pension	243.68		243.68		243.68
Municipal Court	460.27	160.14	620.41	354.09	266.32
Other Expenses - Outside CAP:					
Matching Funds for Grants	8,500.00		8,500.00		8,500.00
Police and Fireman's Retirement System	21.60		21.60		21.60
Public Employees Retirement System	10.80		10.80		10.80
Total	<u>\$ 198,895.50</u>	<u>\$ 201,986.13</u>	<u>\$ 400,881.63</u>	<u>\$ 208,737.69</u>	<u>\$ 192,143.94</u>
			Cash Disbursed	166,221.69	
			Accounts Payable	<u>42,516.00</u>	
				<u>\$ 208,737.69</u>	

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Due State of New Jersey-
Senior Citizen and Veterans' Deductions
For the Year Ended December 31, 2008

Balance December 31, 2007		\$ 9,918.61
Increased by:		
Cash Received	\$ 57,000.00	
Prior Year Senior Citizen and Veteran Deductions Disallowed	<u>1,000.00</u>	
Cash Received		<u>58,000.00</u>
Total		67,918.61
Decreased by:		
Accrued in 2007:		
Senior Citizens Deductions Per Billings	\$ 6,250.00	
Veterans Deductions Per Billings	41,750.00	
Senior Citizens and Veteran Deductions Allowed by Collector	<u>12,250.00</u>	
Total	60,250.00	
Less Disallowed by Collector:		
Senior Citizen's and Veteran Deductions	<u>750.00</u>	
		<u>59,500.00</u>
Balance December 31, 2008		<u><u>\$ 8,418.61</u></u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

**Schedule of Local District School Tax Payable
For the Year Ended December 31, 2008**

<hr/>		
Balance December 31, 2007:		
School Tax Payable	\$ 1,301,011.23	
School Tax Deferred	<u>816,689.81</u>	\$ 2,117,701.04
Increased by:		
Levy - School Year July 1, 2008 to June 30, 2009		<u>5,230,282.00</u>
Total		7,347,983.04
Decreased by:		
Payments		<u>5,066,490.48</u>
Balance December 31, 2008:		
School Tax Payable	1,614,802.75	
School Tax Deferred	<u>666,689.81</u>	<u>\$ 2,281,492.56</u>
2008 Liability for Local District School Tax:		
Tax Paid		\$ 5,066,490.48
Tax Payable December 31, 2008		<u>1,614,802.75</u>
Total		6,681,293.23
Less:		
Tax Payable December 31, 2007		<u>1,301,011.23</u>
Amount Charged to 2008 Operations		<u>\$ 5,380,282.00</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

**Schedule of Regional High School Tax Payable
For the Year Ended December 31, 2008**

<hr/>		
Balance December 31, 2007:		
School Tax Payable	\$ 1,296,906.33	
School Tax Deferred	<u>291,811.49</u>	\$ 1,588,717.82
Increased by:		
Levy - School Year July 1, 2008 to June 30, 2009		<u>2,395,438.68</u>
Total		3,984,156.50
Decreased by:		
Payments		<u>2,453,733.23</u>
Balance December 31, 2008:		
School Tax Payable	1,238,611.78	
School Tax Deferred	<u>291,811.49</u>	<u>\$ 1,530,423.27</u>
2008 Liability for Local District School Tax:		
Tax Paid		\$ 2,453,733.23
Tax Payable December 31, 2008		<u>1,238,611.78</u>
Total		3,692,345.01
Less:		
Tax Payable December 31, 2007		<u>1,296,906.33</u>
Amount Charged to 2008 Operations		<u>\$ 2,395,438.68</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, 2008

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2007</u>	<u>Increased In 2008</u>	<u>Decreased In 2008</u>	<u>Balance December 31, 2008</u>
7/22/04	Flood Damage	\$ 750,000.00	\$ 150,000.00	\$ 300,000.00		\$ 150,000.00	\$ 150,000.00
12/4/08	Revaluation Program	150,000.00	30,000.00		\$ 150,000.00		150,000.00
12/4/08	Tax Map	10,000.00	2,000.00		10,000.00		10,000.00
	Total	\$ 910,000.00	\$ 182,000.00	\$ 300,000.00	\$ 160,000.00	\$ 150,000.00	\$ 310,000.00

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2008

	Balance December 31, <u>2007</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance December 31, <u>2008</u>
State Grants:					
Municipal Alliance Grant	\$ 10,500.00	\$ 10,500.00	\$ 3,992.34	\$ 6,507.66	\$ 10,500.00
Clean Communities Grant		6,655.04	6,655.04		
Make It Click Grant		4,000.00	4,000.00		
Drunk Driving Enforcement Grant		934.34	934.34		
Recycling Grant		4,919.73	4,919.73		
Body Armor Grant		2,726.48	2,726.48		
NJ Trans. Safe Streets to School	185,786.25	150,000.00	40,786.25		295,000.00
Smart Future Award	48,000.00		24,000.00		24,000.00
Stormwater Grant	3,410.00		1,705.00	1,705.00	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 247,696.25</u>	<u>\$ 179,735.59</u>	<u>\$ 89,719.18</u>	<u>\$ 8,212.66</u>	<u>\$ 329,500.00</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, 2008**

	Balance December 31, <u>2007</u>	Federal and State Grant <u>Receivable</u>	Realized as Revenue <u>in 2008</u>	<u>Canceled</u>	Balance December 31, <u>2008</u>
State Grants:					
Body Armor Grant	\$ 935.23	\$ 2,726.48	\$ 935.23		\$ 2,726.48
Municipal Alliance Grant		10,500.00	10,500.00		
Clean Communities Grant		6,655.04	5,913.99		741.05
Drunk Driving Enforcement Grant	1,981.59	934.34	1,981.59		934.34
NJ Trans. Safe Streets to School		150,000.00	150,000.00		
Recycling Grant	2,697.25	4,919.73	2,697.25		4,919.73
Make It Click Grant	2,000.00	4,000.00	4,000.00	\$ 2,000.00	
	<u>7,614.07</u>	<u>179,735.59</u>	<u>176,028.06</u>	<u>2,000.00</u>	<u>9,321.60</u>
Total	\$ 7,614.07	\$ 179,735.59	\$ 176,028.06	\$ 2,000.00	\$ 9,321.60

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Reserve for Federal and State Grants - Appropriated
For the Year ended December 31, 2008

	Balance December 31, <u>2007</u>	Transferred from 2008 Budget <u>Appropriation</u>	<u>Canceled</u>	Paid or <u>Charged</u>	Balance December 31, <u>2008</u>
State Grants:					
Drunk Driving Enforcement Grant	\$ 4,707.86	\$ 1,981.59		\$ 599.99	\$ 6,089.46
Clean Communities Grant	20,308.78	5,913.99		4,979.60	21,243.17
Alcoholic Education Rehabilitation Fund	6,082.44				6,082.44
Body Armor Fund		935.23		935.23	
Municipal Alliance Grant	17,890.63	13,200.00	\$ 6,507.66	2,156.85	22,426.12
Make It Click		6,000.00	2,000.00	4,000.00	
Recycling Tonnage Grant	12,984.85	2,697.25		1,811.24	13,870.86
Comcast Technology Grant	12,500.00			10,025.00	2,475.00
Smart Future Award	42,424.39			21,564.50	20,859.89
NJ Safe Streets to School	151,098.71	150,000.00		236.45	300,862.26
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total State Grants	<u>\$ 267,997.66</u>	<u>\$ 180,728.06</u>	<u>\$ 8,507.66</u>	<u>\$ 46,308.86</u>	<u>\$ 393,909.20</u>

TRUST FUND

BOROUGH OF MEDFORD LAKES

TRUST FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2008

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2007	\$ 7,129.44	\$ 64,849.33
Receipts:		
Animal Control Fund:		
Borough Share	6,492.30	
State Share	754.20	
Due to Current Fund - Interest Earned:		
Planning and Zoning Professional Fees		578.18
Street Opening Deposits		832.71
Special Law Enforcement		33.11
Public Defender		15.63
Payroll Fund		360.31
Planning and Zoning Professional Fees - Deposits		9,842.95
Unemployment Compensation Insurance Trust		2,486.38
Street Opening Deposits		5,250.00
Environmental Commission		275.88
Public Defender Reserve		993.00
Payroll Fund:		
Net Payroll		1,158,727.65
Payroll Deductions Payable		1,014,493.17
Total Receipts	<u>7,246.50</u>	<u>2,193,888.97</u>
Total Funds Available	<u>14,375.94</u>	<u>2,258,738.30</u>
Disbursements:		
State of New Jersey:		
Department of Health	750.00	
Expenditures Under RS4:19-15.11	5,338.91	
Due to Current Fund:		
Street Opening Deposits		830.16
Planning and Zoning Escrow Deposits		566.28
Payroll Deductions Payable		1,002,148.75
Net Payroll		1,158,727.65
Unemployment Compensation Reserve Fund Expenditures		5,599.88
Environmental Commission		326.91
Street Opening Deposits Refunded		3,000.00
Planning and Zoning Escrow Deposits Refunded		2,719.95
Total Disbursements	<u>6,088.91</u>	<u>2,173,919.58</u>
Balance December 31, 2008	<u>\$ 8,287.03</u>	<u>\$ 84,818.72</u>

BOROUGH OF MEDFORD LAKES

ANIMAL CONTROL FUND

Schedule of Reserve for Animal Control Fund Expenditures
For the Year Ended December 31, 2008

Balance December 31, 2007		\$ 5,262.72
Increased by:		
Dog License Fees Collected	\$ 3,472.00	
Cat Licenses Collected	1,180.80	
Prepaid 2009 Licenses		
Miscellaneous	187.40	
Late Fees	1,500.00	
Interest Earned	<u>152.10</u>	
		<u>6,492.30</u>
Total		11,755.02
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Cash	5,338.91	
Statutory Excess Due to Current Fund	<u>(1,484.76)</u>	
		<u>3,854.15</u>
Balance December 31, 2008		<u>\$ 7,900.87</u>

License Fees Collected

<u>Year:</u>		
2007	\$ 5,058.20	
2006	<u>3,521.00</u>	
Total	<u>\$ 8,579.20</u>	

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

**Schedule of Payroll Deductions Payable
For the Year Ended December 31, 2008**

Balance December 31, 2007	\$ 12,000.26
Increased by:	
Payroll Deductions Received	<u>1,014,493.17</u>
Total	1,026,493.43
Decreased by:	
Payroll Deductions Disbursed	<u>1,002,148.75</u>
Balance December 31, 2008	<u><u>\$ 24,344.68</u></u>

**Schedule of Reserve For Planning and Zoning Escrow Deposits
For the Year Ended December 31, 2008**

Balance December 31, 2007	\$ 31,845.85
Increased by:	
2008 Deposits	<u>9,842.95</u>
Total	41,688.80
Decreased by:	
Disbursements	<u>2,719.95</u>
Balance December 31, 2008	<u><u>\$ 38,968.85</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, 2008

Balance December 31, 2007		\$ 10,618.23
Increased by:		
Interest Earned	\$ 13.32	
Employee Withholdings	<u>2,473.06</u>	
		<u>2,486.38</u>
Total		13,104.61
Decreased by:		
Due to State Department of Labor		<u>5,599.88</u>
Balance December 31, 2008		<u><u>\$ 7,504.73</u></u>

Schedule of Reserve For Public Defender Trust Fund
For the Year Ended December 31, 2008

Balance December 31, 2007		\$ 684.06
Increased by:		
Fees Collected		<u>993.00</u>
		1,677.06
Decreased by:		
Due to Current Fund - Reimbursement of Salary		<u> </u>
Balance December 31, 2008		<u><u>\$ 1,677.06</u></u>

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

Schedule of Reserve For Compensated Absences
For the Year Ended December 31, 2008

Balance December 31, 2007	\$ 30,000.00
Increased by:	
Due from Current Fund - Budget Appropriation	<u>6,000.00</u>
Balance December 31, 2008	<u>\$ 36,000.00</u>

Schedule of Reserve For Special Law Enforcement Fund
For the Year Ended December 31, 2008

Balance December 31, 2008 and 2007	<u>\$ 1,903.44</u>
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GENERAL CAPITAL FUND

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2008

Balance December 31, 2007		\$	2,341,506.56
Receipts:			
Interest Earned on Investments	\$	16,006.20	
Federal Emergency Management Aid		2,507,840.22	
Capital Improvement Fund - Budget Appropriation		10,000.00	
Due from Current Fund - Deferred Charge to Future Taxation Unfunded		<u>50,000.00</u>	
			<u>2,583,846.42</u>
Total			4,925,352.98
Disbursements:			
Improvement Authorizations		1,366,677.87	
Due to Current Fund		<u>15,883.69</u>	
			<u>1,382,561.56</u>
Balance December 31, 2008		\$	<u>3,542,791.42</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

**Analysis of General Capital Cash and Investments
For the Year Ended December 31, 2008**

Capital Improvement Fund	\$	4,957.76
Fund Balance		375,000.00
State Aid Receivable		(19,431.22)
Contracts Payable		106,332.82
Due to Current Fund		122.51
Reserve for Payment of Debt Service Costs		2,536,405.58
Due from Federal & State Grant Fund		(50,000.00)
Reserve for Flood Recovery Costs		156,361.26
Reserve for Purchase of Public Works Dept. Equipment		33,595.00
Reserve for Purchase of Fire Equipment		5,000.00
Improvement Authorizations:		
Ordinance		
<u>Number</u>		
468	Multi-Purpose:	
	Improvements to Municipal Building	50,060.29
	Improvements to Public Works Department Building	646,520.00
488	Construction of Cell Tower	(93,432.60)
493	Acquisition of Police Utility Vehicle	(25,957.36)
512	Construction of Dams	11,220.88
518	Acquisition of Police Utility Vehicle	(28,051.91)
518	Acquisition of Trash Truck	(87,949.00)
518	Various Road Improvements	(47,049.59)
534	Purchase of Public Works Dept. Equipment	5,000.00
550	Construction of Drainage Improvements	3,500.00
550	Acquisition of Utility Truck	(39,413.00)
Total		\$ 3,542,791.42

BOROUGH OF MEDFORD LAKES

General Capital Fund

Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2008

	Balance December 31, <u>2007</u>	<u>Accrued</u>	<u>Received</u>	Balance December 31, <u>2008</u>
State Aid:				
Department of Environmental Protection - Construction of Dams	\$ 19,431.22			\$ 19,431.22
<hr/>				
Total	\$ 19,431.22	\$ -	\$ -	\$ 19,431.22

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Deferred Charges to Future Taxation - Unfunded
For the Year Ended December 31, 2008

Ordinance Number	Improvement Description	Balance December 31, 2008	Analysis of Balance - December 31, 2008	
			Expenditures	Unexpended Improvement Authorizations
488	Construction of Cell Tower	\$ 93,432.60	\$ 93,432.60	
493	Acquisition of Police Utility Vehicle	25,957.36	25,957.36	
518	Multi-Purpose:			
	Acquisition of Police Utility Vehicle	28,051.91	28,051.91	
	Acquisition of Trash Truck	87,949.00	87,949.00	
	Various Road Improvements	142,500.00	47,049.59	\$ 95,450.41
550	Multi-Purpose:			
	Construction of Drainage Improv. To Mudjekeewis and Tontonava Trails	66,500.00		66,500.00
	Acquisition of Utility Truck	42,750.00	39,413.00	3,337.00
	Total	\$ 487,140.87	\$ 321,853.46	\$ 165,287.41
Improvement Authorizations Unfunded:				\$ 165,287.41
Less: Unexpended Proceeds of Bond Anticipation Notes Issued				
				<u>\$ 165,287.41</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Capital Improvement Fund
For the Year Ended December 31, 2008

Balance December 31, 2007	\$ 707.76
Increased by:	
2008 Budget Appropriation	<u>10,000.00</u>
Subtotal	10,707.76
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>5,750.00</u>
Balance December 31, 2008	<u>\$ 4,957.76</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of General Serial Bonds
For the Year Ended December 31, 2008

Purpose	Date of Issue	Amount of Original Issue	Maturity of Bonds Outstanding		Interest Rate	Balance December 31, 2007	Decreased by Paid by Budget	Balance December 31, 2008
			Date	Amount				
General Bonds of 2001	10/10/01	\$ 2,816,000	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%			
						\$ 1,586,000.00	\$ 235,000.00	\$ 1,351,000.00

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Bonds and Notes Authorized but not Issued
For the Year Ended December 31, 2008

Ordinance Number	Improvement Description	Balance December 31, 2007	2008 Appropriation	Funded by Budget Appropriation	Funded by EPA Loan	Canceled	Balance December 31, 2008
488	Construction of Cell Tower	\$ 143,432.60		50,000.00			\$ 93,432.60
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	Multi-purpose						
	Acquisition of Police Utility Vehicle	33,000.00				\$ 4,948.09	28,051.91
	Acquisition of Trash Truck	113,500.00				25,551.00	87,949.00
518	Various Road Improvements	142,500.00					142,500.00
550	Multi-purpose						
	Construction of Drainage Improv. To Mudjekeewis and Tontonava Trails		\$ 66,500.00				66,500.00
	Acquisition of Utility Truck		42,750.00				42,750.00
	Total	\$ 8,333,389.96	\$ 109,250.00	\$ 50,000.00	\$ 7,875,000.00	\$ 30,499.09	\$ 487,140.87

SEWER UTILITY FUND

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Cash - Collector/Treasurer
For the Year Ended December 31, 2008

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2007	\$ 585,570.74	\$ 71,018.91
Receipts:		
Sewer Service Charges Receivable	\$ 1,038,876.77	
Prepaid Sewer Rent	31,430.59	
Sewer Rent Overpayments	415.73	
Due from Sewer Utility Operating Fund		\$ 1,094.38
Miscellaneous Revenue	<u>31,798.04</u>	
Total Receipts	<u>1,102,521.13</u>	<u>1,094.38</u>
Total	1,688,091.87	72,113.29
Disbursements:		
2008 Appropriations	940,114.55	
Appropriation Reserves and Encumbrances Payable	58,852.68	
Interest on Bonds and Notes	87,842.08	
Due to Sewer Utility Operating Fund		190.99
Improvement Authorizations		<u>48,198.95</u>
Total Disbursements	<u>1,086,809.31</u>	<u>48,389.94</u>
Balance December 31, 2008	<u>\$ 601,282.56</u>	<u>\$ 23,723.35</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Analysis of Capital Cash
At December 31, 2008

Fund Balance	\$	750.00
Capital Improvement Fund		10,553.25
Due from Sewer Utility Operating Fund		(3,506.04)
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. 518 Construction and Repairs to Sewer Collection System		(12,333.43)
Ord. 548 Repairs to Sand Filter and Electric for Utility Project		42,000.00
Total		<u>\$ 23,723.35</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Schedule of Sewer Service Charges Receivable
For the Year Ended December 31, 2008

Balance December 31, 2007		\$ 81,003.23
Increased by:		
Sewer Billings		<u>1,070,678.87</u>
Total		1,151,682.10
Decreased by:		
2008 Collections	\$ 1,038,876.77	
Prepayments Applied	<u>37,647.89</u>	<u>1,076,524.66</u>
Balance December 31, 2008		<u>\$ 75,157.44</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of 2007 Appropriation Reserves
For the Year Ended December 31, 2008

	Balance December 31, 2007		Balance	Paid or	Balance
	Encumbrances	Reserves	After	Charged	Lapsed
	<u>Payable</u>	<u>Reserves</u>	<u>Transfers</u>		
Operating:					
Salaries and Wages		\$ 26,492.41	\$ 26,492.41		\$ 26,492.41
Other Expenses	\$ 41,037.48	37,059.06	78,096.54	\$ 58,852.68	19,243.86
Public Employees Retirement		2,250.00	2,250.00		2,250.00
Social Security System		4,702.42	4,702.42		4,702.42
Unemployment Compensation		840.24	840.24		840.24
Total	<u>\$ 41,037.48</u>	<u>\$ 71,344.13</u>	<u>\$ 112,381.61</u>	<u>\$ 58,852.68</u>	<u>\$ 53,528.93</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Fixed Capital
For the Year Ended December 31, 2008

	Balance December 31, <u>2007</u>	Increase By <u>Additions</u>	Less <u>Retirements</u>	Balance December 31, <u>2008</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>\$ 4,054,550.97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,054,550.97</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, 2008**

<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance</u> <u>Amount</u>	<u>Balance</u> <u>December 31,</u> <u>2007</u>	<u>Deferred</u> <u>Charges to</u> <u>Future</u> <u>Revenue</u>	<u>Costs to</u> <u>Fixed</u> <u>Capital</u>	<u>Balance</u> <u>December 31,</u> <u>2008</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>\$ 1,560,000.00</u>	<u>\$ -</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, 2008**

Ordinance Number	Improvement Description	Date	Ordinance Amount	Balance December 31, 2007		2008 Authorizations Capital Improvement Fund	Paid or Charged	Balance December 31, 2008	
				Funded	Unfunded			Funded	Unfunded
501	Improvements to Treatment Plant, Construction of Bypass Line, Construction of Office Space, and Construction of Public Walkway	09/09/04	\$ 1,000,000	\$	142,992.57			\$	142,992.57
515	Acquisition of Sewer Collection Line Cleaning Equipment	1/26/2006	160,000		3,267.00				3,267.00
518	Construction and Repairs to Sewer Collection System	5/11/2006	400,000		388,016.57		\$ 350.00		387,666.57
538	Municipal Building Improvements	10/11/2007	47,849	\$ 47,848.95			47,848.95		
548	Repairs to Sand Filter and Electric for Utility Projects	5/8/2008	42,000			\$ 42,000.00		\$ 42,000.00	
				\$ 47,848.95	\$ 534,276.14	\$ 42,000.00	\$ 48,198.95	\$ 42,000.00	\$ 533,926.14

BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND

Schedule of General Serial Bonds
For the Year Ended December 31, 2008

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Bonds</u>	<u>Date</u>	<u>Maturities of Bonds Outstanding December 31, 2008</u>	<u>Interest Rate</u>	<u>Balance December 31, 2007</u>	<u>Decreased by Budget Appropriation</u>	<u>Balance December 31, 2008</u>
General Bonds of 1984	07/01/84	\$275,000	07/01/09	\$ 14,000	9.70%	\$ 29,000.00	\$ 15,000.00	\$ 14,000.00
General Bonds of 1992	07/01/92	3,808,000	07/01/09-11 07/01/12	190,000 198,000	5.375%	958,000.00	190,000.00	768,000.00
Total						<u>\$ 987,000.00</u>	<u>\$ 205,000.00</u>	<u>\$ 782,000.00</u>

BOROUGH OF MEDFORD LAKES
SEWER UTILITY CAPITAL FUND

Schedule of Bond Anticipation Notes
For the Year Ended December 31, 2008

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance December 31, 2007	Increased	Decreased	Balance December 31, 2008
501	Improvements to Treatment Plant, Construction of Bypass Line, Construction of Office Space, and Construction of Public Walkway	10/19/04	10/18/07 10/15/08	10/15/08 10/14/09	3.54% 2.70%	\$ 950,000.00	\$ 888,000.00	\$ 950,000.00	\$ 888,000.00
Total						\$ 950,000.00	\$ 888,000.00	\$ 950,000.00	\$ 888,000.00
						Renewals	\$ 888,000.00	\$ 888,000.00	
						Paid by Budget Appropriation		62,000.00	
							\$ 888,000.00	\$ 950,000.00	

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Capital Improvement Fund
For the Year Ended December 31, 2008

Balance December 31, 2007	\$ 52,553.25
Increased by - Budget Appropriation	<u> </u>
Total	52,553.25
Decreased by - 2008 Improvement Authorization	<u>42,000.00</u>
Balance December 31, 2008	<u><u>\$ 10,553.25</u></u>

Schedule of Reserve for Amortization
For the Year Ended December 31, 2008

Balance December 31, 2007	\$ 3,067,550.97
Increased by:	
Serial Bonds Paid by Operating Budget	<u>205,000.00</u>
Balance December 31, 2008	<u><u>\$ 3,272,550.97</u></u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Deferred Reserve for Amortization
For the Year Ended December 31, 2008

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance December 31, 2007</u>	<u>Paid From Operating Budget - Notes</u>	<u>Transfer to Reserve For Amortization</u>	<u>Balance December 31, 2008</u>
501	Improvement to Treatment Plant, Construction of Bypass Line, Construction of Office Space and Construction of Public Walkway	10/19/04	\$ 50,000.00	\$ 62,000.00		\$ 112,000.00
			<u>\$ 50,000.00</u>	<u>\$ 62,000.00</u>	<u>\$ -</u>	<u>\$ 112,000.00</u>

EXHIBIT D-17

Schedule of Bond Anticipation Notes Authorized But Not Issued
For the Year Ended December 31, 2008

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2007</u>	<u>2008 Authorization</u>	<u>Notes Issued</u>	<u>Balance December 31, 2008</u>
515	Acquisition of Sewer Collection Line Cleaning Equipment	\$ 160,000.00			\$ 160,000.00
518	Construction and Repairs to Collection System	400,000.00			400,000.00
		<u>\$ 560,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,000.00</u>

BOROUGH OF MEDFORD LAKES

PART II

Single Audit Section

For the Year Ended December 31, 2008

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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Marlton, New Jersey 08053
(856) 983-2244
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-Member of-
American Institute of CPAs
New Jersey Society of CPAs

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

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* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Borough's major federal programs are 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 each of its major federal 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; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, 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 federal 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 each of its major federal programs for the year ended December 31, 2008.

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 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 program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the management, the governing body 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 17, 2009

BOROUGH OF MEDFORD LAKES

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period From To</u>	<u>Balance December 31 2007</u>	<u>Revenue Recognized</u>	<u>Disbursements or Expenditures</u>	<u>Balance December 31, 2008</u>
Department of Homeland Security Passed thru the Dept. of Law and Public Safety Division of State Police Public Assistance Grant	97.036	\$ 2,507,840.22	\$ 2,507,840.22	08/18/04 12/31/08		\$ 2,507,840.22	\$ 2,507,840.22	(1)
Total Federal Awards						\$ 2,507,840.22	\$ 2,507,840.22	\$ -

(1) Note - Expenditures were incurred during the period 8/18/04 and 12/31/08 to replace dams that were damaged by an excess amount of rainfall during the period 7/12/04 to 7/23/04. Expenditures were tested during the calendar year audits ending 12/31/04, 12/31/05, 12/31/06, 12/31/07 and 12/31/08 with no items of noncompliance noted.

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

**Borough of Medford Lakes
Notes to Schedule of Expenditures of Federal Awards
December 31, 2008**

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal 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 federal financial assistance received directly from state agencies, as well as federal financial assistance passed through other government agencies, are included on the schedule of federal awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards 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>Federal</u>
Capital Fund	\$ 2,507,840.22
Total Financial Assistance	<u>\$ 2,507,840.22</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

PART III

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

**BOROUGH OF MEDFORD LAKES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008**

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? yes X no

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

Noncompliance material to financial statements noted? X yes no

Federal Awards

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 OMB Circular A-133 (section .510(a))? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grant

BOROUGH OF MEDFORD LAKES
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, 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 #2008-1

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.

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.

View of Responsible Official and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of the corrective action plan.

BOROUGH OF MEDFORD LAKES
Schedule of Findings and Questioned Cost
For the Year Ended December 31, 2008

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

No findings and or questioned costs.

STATE AWARDS

A state single audit was not required.

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

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standard*, OMB Circular A-133 and New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

Finding #2007-1

Condition:

The Borough did not maintain a general fixed assets inventory in accordance with N.J.A.C. 5:30-5.6 issued by the Division of Local Government Services.

Current Status:

The condition remains unchanged as reported in Finding #2008-1.

Planned Corrective Action:

The Borough will comply with the requirements contained in N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets when funds become available.

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, 2008:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Paul G. Weiss, Esq.	Mayor		
Timothy S. Casey	Councilman		
Gregory C. Lackey	Councilman		
Geoffrey D. Urbanik	Borough Manager, Borough Clerk, Tax Search Clerk, Secretary to Board of Health	\$ 1,000,000	(A)
Mark J. McIntosh	Acting Borough Clerk	1,000,000	(A)
Donna A. Condo	Chief Financial Officer	1,000,000	(A)
Sharon Deviney	Tax Collector	1,000,000	(A)
Sherrri Rockhill	Administrative Clerk and Utility Rent Collector	1,000,000	(A)
Jodie Termi	Court Administrator	1,000,000	(A)
James M. Vodges, III	Municipal Magistrate	1,000,000	(A)
Colleen Guarrera	Deputy Court Administrator	1,000,000	(A)
Thomas Heck	Construction Code Official	1,000,000	(A)
Douglas Kolton	Assessor		
Alaimo Associates	Engineer		
Peter Lange, Jr.	Solicitor		

All Bonds were examined and properly executed.

(A) The Borough has a Crime Policy - Excess Public Officials Bond in the amount of \$1,000,000 subject to a \$1,000 deductible with the Camden County Municipal Joint Insurance Fund. This policy covers all 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 17, 2009

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

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standard*, OMB Circular A-133 and New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

Finding #2007-1

Condition:

The Borough did not maintain a general fixed assets inventory in accordance with N.J.A.C. 5:30-5.6 issued by the Division of Local Government Services.

Current Status:

The condition remains unchanged as reported in Finding #2008-1.

Planned Corrective Action:

The Borough will comply with the requirements contained in N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets when funds become available.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

No prior year audit findings were noted.