

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE

BOROUGH OF HELMETTA

**51 Main Street
Helmetta, New Jersey 08828**

FOR THE YEAR ENDED DECEMBER 31, 2012

Presented by

**Denise Jawidzik
Chief Financial Officer
Borough of Helmetta**

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE

BOROUGH OF HELMETTA

**51 Main Street
Helmetta, New Jersey 08828**

FOR THE YEAR ENDED DECEMBER 31, 2012

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INTRODUCTORY SECTION



BOROUGH OF HELMETTA

51 Main Street, Helmetta, New Jersey 08828

June 20, 2013

TO: The Honorable Mayor and Council Members

RE: Comprehensive Annual Financial Report for the
Year Ended December 31, 2012

The Comprehensive Annual Financial Report for the Borough of Helmetta, County of Middlesex, State of New Jersey, is submitted herewith and includes financial statements and supplemental schedules. I believe that it is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the Borough of Helmetta as measured by the financial activity of its various funds and account groups; and that all disclosures necessary to enable the reader to gain maximum understanding of the Borough's financial affairs have been included.

The Comprehensive Annual Financial Report (CAFR) is presented in four (4) sections: Introductory, Financial, Statistical, and Auditor's Comments and Recommendations. The Introductory Section includes this transmittal letter, the Borough's Organizational Chart and a Roster of Officials. The Financial Section includes the annual financial statements and individual fund financial schedules, as well as the Independent Auditors' Report. The Statistical Section includes selected financial, economic and demographic information, generally presented on a multi-year basis. Responsibility for completeness and clarity of the report, including disclosures, rests with the Chief Financial Officer and ultimately with the Mayor and Council. The fourth and final section is prepared by the Independent Auditor and contains their required annual comments and recommendations, if any, to the Mayor and Council. The Mayor and Council are required to adopt a plan of action on the implementation of any audit recommendations.

The financial statements have been audited by Gerard Stankiewicz, CPA, RMA of Samuel Klein and Company, Certified Public Accountants, whose opinion is expressed in the Financial Section. Please note that the Independent Auditors' Report is unqualified and states that the financial statements are presented fairly in conformity with the basis of accounting as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

PRESENT AND FUTURE CHALLENGES

During the 2012 calendar year, the Borough of Helmetta has made progress in a number of operational and financial areas; however, this administration is clearly aware of the issues and problems that continue to demand our attention and improvement. While we take pride in the accomplishments of the past year, we are mindful of the issues that continue to face us.

CURRENT FUND

In 2012, our Current Fund, which encompasses the general government functions of the Borough, had revenues of \$2,263,871.18, exclusive of fund balance, expenditures of \$2,225,062.82 and an increase of \$12,706.59 in fund balance at year-end. The Current Fund revenues increased approximately 4.06% or \$97,234.14 over 2011. Below is a comparison of the Current Fund revenues.

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Local Sources:				
Fund Balance Utilized	\$ 246,000.00	\$ 246,000.00		
Current Tax Revenue	1,234,602.56	1,180,064.52	\$ 54,538.04	4.62 %
Delinquent Tax Revenue	86,149.56	111,556.44	(25,406.88)	(22.77)
Miscellaneous Revenue				
Anticipated	276,689.00	286,117.70	(9,428.70)	(3.30)
Interlocal Agreements				
Animal Control/Shelter	356,119.50	169,350.02	186,769.48	110.29
Board of Education Surplus		77,000.00	(77,000.00)	(100.00)
Non-Budget Revenues	43,347.32	70,928.65	(27,581.33)	(38.89)
Other Credits to Income	<u>110,518.00</u>	<u>64,461.10</u>	<u>46,056.90</u>	<u>71.45</u>
Total Revenues from Local Sources	\$ 2,353,425.94	\$ 2,205,478.43	\$ 147,947.51	6.71 %
State Aid	142,271.00	142,271.00		
State Grants	<u>14,174.24</u>	<u>47,543.86</u>	<u>(33,369.62)</u>	<u>(70.19)</u>
Total Current Fund Revenues	\$ <u><u>2,509,871.18</u></u>	\$ <u><u>2,395,293.29</u></u>	\$ <u><u>114,577.89</u></u>	<u><u>4.78 %</u></u>

1. Current and Delinquent Taxes - These are the collections on taxes levied on all property owners residing in the Borough.
2. State Aid, Federal and State Grants - This represents funds received from the State of New Jersey or the Federal Government in the form of grants or direct aid.
3. Miscellaneous Revenues Anticipated - This represents all of the miscellaneous revenues of the Borough including fees, fines, licenses, interest and other direct charges, except those detailed separately above.
4. Non Budget Revenue and Other Credits - These are items that are not budgeted as revenue items, however, are included in the overall revenue.

CURRENT FUND (CONTINUED)

The increase in expenditures in 2012 over 2011 was approximately 2.89%, most of which is attributed to increases interlocal services agreement related to the animal shelter and is detailed as follows:

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
General Government	\$ 199,012.00	\$ 234,950.00	\$ (35,938.00)	(15.30) %
Land Use	7,400.00	13,900.00	(6,500.00)	(46.76)
Insurance	192,000.00	176,925.00	15,075.00	8.52
Public Safety	525,038.17	529,152.00	(4,113.83)	(0.78)
Public Works	370,880.96	352,180.00	18,700.96	5.31
Health and Human Services	35,535.00	43,478.00	(7,943.00)	(18.27)
Parks and Recreation	15,000.00	15,000.00		
Utilities	106,500.00	107,800.00	(1,300.00)	(1.21)
Uniform Construction Code	5,300.00	5,200.00	100.00	1.92
Interlocal Agreement-Animal Shelter	261,125.00	108,900.00	152,225.00	139.78
Contingent	500.00	500.00		
Deferred Charges and Statutory Expenditures	164,420.00	182,883.00	(18,463.00)	(10.10)
Grant Programs	14,174.24	47,543.86	(33,369.62)	(70.19)
Capital Improvements	60,000.00	79,000.00	(19,000.00)	(24.05)
Municipal Debt Service	109,341.00	110,834.00	(1,493.00)	(1.35)
Reserve for Uncollected Taxes	158,836.45	154,315.00	4,521.45	2.93
Total Current Fund Expenditures	\$ <u>2,225,062.82</u>	\$ <u>2,162,560.86</u>	\$ <u>62,501.96</u>	<u>2.89</u> %

WATER FUND

Our Water Utility Operating Fund generated operating revenues of \$499,033.74, exclusive of fund balance, and incurred operating expenses of \$520,674.00, resulting in a decrease in fund balance of \$21,640.26. The decrease in operating expenses from 2012 to 2011 was 3.18%. The water utility has 11 commercial customers, 876 residential customers and 4 sprinkler system customers. The following schedule summarizes revenues and expenses for 2012 and 2011:

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Revenues</u>				
Fund Balance	\$ 64,674.00	\$ 87,777.00	\$ (23,103.00)	(26.32) %
Rents	373,438.85	390,767.82	(17,328.97)	(4.43)
Cell Tower Revenue	69,765.09	64,582.12	5,182.97	8.03
Other Credits to Income:				
Non-Budget Revenue	3,428.90	4,159.97	(731.07)	(17.57)
Unexpended Balance of				
Appropriation Reserves and				
Reserve for Encumbrances	50,712.75	20,342.97	30,369.78	149.29
Current Appropriations Canceled	1,688.15	926.29	761.86	82.25
	<u>\$ 563,707.74</u>	<u>\$ 568,556.17</u>	<u>\$ (4,848.43)</u>	<u>(0.85) %</u>
<u>Expenditures</u>				
Operating	\$ 348,304.00	\$ 364,100.00	\$ (15,796.00)	(4.34) %
Capital Improvements	15,000.00	15,000.00		
Debt Service	146,464.00	146,032.00	432.00	0.30
Deferred Charges and				
Statutory Expenditures	10,906.00	12,645.00	(1,739.00)	(13.75)
	<u>\$ 520,674.00</u>	<u>\$ 537,777.00</u>	<u>\$ (17,103.00)</u>	<u>(3.18) %</u>

SEWER FUND

Our Sewer Utility Operating Fund generated operating revenues of \$449,502.92, exclusive of fund balance, and incurred operating expenses of \$449,310.00, resulting in an increase in fund balance of \$192.92. The increase in operating expenses from 2012 to 2011 was .35%. The sewer utility has 41 commercial customer units and 871 residential customer units. The following schedule summarizes revenues and expenses for 2012 and 2011:

	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Revenues</u>				
Fund Balance	\$ 39,310.00	\$ 57,745.00	\$ (18,435.00)	(31.92) %
Rents	416,039.00	411,095.60	4,943.40	1.20
Other Credits to Income:				
Unexpended Balance of				
Appropriation Reserves	22,878.79	40,821.93	(17,943.14)	(43.95)
Non-Budget Revenue	10,585.13	10,265.68	319.45	3.11
	<u>\$ 488,812.92</u>	<u>\$ 519,928.21</u>	<u>\$ (31,115.29)</u>	<u>(5.98) %</u>
<u>Expenditures</u>				
Operating	\$ 420,304.00	\$ 415,100.00	\$ 5,204.00	1.25 %
Capital Improvements	18,000.00	20,000.00	(2,000.00)	(10.00)
Deferred Charges and				
Statutory Expenditures	11,006.00	12,645.00	(1,639.00)	(12.96)
	<u>\$ 449,310.00</u>	<u>\$ 447,745.00</u>	<u>\$ 1,565.00</u>	<u>0.35 %</u>

For the foreseeable future, our elected and appointed leaders will have to deal with the need to reduce tax rates, and the need for new development that would help share the tax burden. The governing body and the administration will have to introduce new ideas and creative solutions to solve this problem.

The remainder of this transmittal letter will provide greater details relating to our progress during 2012 and some of our plans for the future.

STATUTORY AUTHORITY

The Borough is organized and administered in accordance with the provisions of New Jersey State Law and consists of an elected Mayor and a six (6) member Council responsible for providing all basic governmental services, except education, to its 2,178 local residents.

The Borough, pursuant to law, has the authority to levy taxes and issue debt.

In accordance with accounting principals generally accepted in the U.S.A., as prescribed by the Governmental Accounting Standards Board, the Borough, for reporting purposes, is considered an independent government entity.

MAJOR ACTIVITIES AFFECTING BUDGET/FINANCIAL CONDITIONS

The Borough is negotiating contracts for animal shelter services with several neighboring municipalities in an effort to generate revenue for sources other than property taxes. In addition, interlocal agreements were made with several additional municipalities for animal control services, increasing the revenue generated by the Borough.

ACCOUNTABILITY ON 2012 INITIATIVES

- ◆ We have increased the number of interlocal agreements that have a direct impact on our financial goals.
- ◆ The reconstruction for John Street is in progress.
- ◆ The Helmetta Regional Animal Shelter which opened in May of 2011 is fully functional.

PROSPECTS FOR THE FUTURE

- ◆ Improvements to the municipal building will continue in 2013.
- ◆ The Borough has received grants from the NJ Department of Transportation to reconstruct various roads.
- ◆ The Borough continues to seek and obtain grants from the County of Middlesex to use for public area improvements.
- ◆ The Borough continues to seek additional sources of revenue to offset the decreases in state aid experienced over the past several years.
- ◆ Due to a Planning Board decision, the Borough was sued by the redeveloper of the Helmetta Snuff Mill in 2011. Decision was made in favor of the Borough; however, the redeveloper filed an appeal. In 2012, the parties reached an agreement and development is expected to begin. Final Planning Board approval has been received; continuation is anticipated in Fall 2013.
- ◆ The Borough has received a grant from Middlesex County to construct a Recreation Pavilion in Helmetta Lake Park and other park improvements.

LOCAL ECONOMIC EVENTS

For 2012, the Borough continued to demonstrate important indicators of continued financial strength as follows:

During 2012, total real estate tax revenues increased by \$54,538.04 or 4.62% to \$1,234,602.56. The current collection rate (cash basis) of real estate tax revenue (an important indicator of fiscal health) was 97.64% in 2012. Although, the Borough has maintained a stable collection rate, certain taxpayers were unable to remit their taxes on a current basis.

Revenues from other sources remained relatively flat in 2012. Assessed values decreased to \$187,786,600.

CASH MANAGEMENT

Bank balances are insured up to \$250,000.00 in the aggregate by the Federal Deposit Insurance Corporation for each bank. In addition, the State of New Jersey Unit Deposit Protection Act insures the remaining balance of funds on deposit in registered depositories. At December 31, 2012, all cash funds on deposit were in registered depositories and were covered by these insurers.

During 2012, idle funds were invested with the intent of maximizing interest earnings with sweep accounts maintained by the Borough's main depository.

ACCOUNTING AND BUDGET INFORMATION

Accounting

The Borough maintains an on-line, real-time computerized accounting system to record all financial transactions.

In developing and evaluating the Borough's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived; and (2) the evaluation of costs and benefits requires estimates and judgment by management.

Management of the Borough is responsible for establishing and maintaining an adequate internal control structure.

Budget

The local budget law for the State of New Jersey requires every local unit to adopt an Operating Budget in the form required by the Division of Local Government Services (the "Division"), Department of Community Affairs of the State of New Jersey. Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division prior to final adoption. The Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director is required to review the adequacy of such appropriations, unless a specific amount is required by law. The review function, focusing on anticipated revenues, serves to protect the solvency of all local units.

Section 5:30-4 of the New Jersey Administrative Code provides that every local unit that proposes to spend \$25,000.00 or more on capital equipment, construction or improvements must prepare a Capital Budget. If the Borough's population exceeds 10,000, the Capital Program shall include by title all projects anticipated for the budget year and the five succeeding years, with the estimated costs and the anticipated financing by sources and amounts.

A Capital Budget Section included with the Annual Budget does not in itself confer any authorization to raise or expend funds. Rather, it is a document used as part of the local unit's planning and management program. Specific authorization to expend funds for purposes described in the Capital Budget must be granted separately, through the adoption of a bond ordinance, by appropriating funds from the Capital Improvement Fund, or other lawful means.

The budget of the Borough is categorized into appropriations by function. Each appropriation represents a service program or division within the Borough. Funds are appropriated to each of the budget lines by the Mayor and Council in accordance with procedures prescribed by the State of New Jersey Local Budget Law.

Distinct appropriations are required for "salaries and wages" and for "other expenses". The Borough delineates each appropriation into subaccounts by budget codes.

The Borough Administrator and Chief Financial Officer monitor expenditures throughout the fiscal year to ensure that spending remains within the amounts of funds authorized. Budget modifications are processed in the last two months of the year to transfer funds from one area to another as needed.

DEBT ADMINISTRATION

The authorized bonded indebtedness of municipalities in the State of New Jersey is limited by statute to an amount equal to 3½% of their equalized value. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain railroad property within its boundaries as annually determined by the State Board of Taxation.

The Borough has managed its debt well and has outstanding debt equal to .717% of its equalized value. Debt Service averaged \$102,882 for the last three years.

RISK MANAGEMENT

The Borough banded together with other municipalities to form the Middlesex County Municipal Joint Insurance ("JIF") and the New Jersey Municipal Excess Liability Funds. These Funds procure insurance on a pooled basis, generally self-insuring the initial level of loss for workers' compensation, property, general liability, automobile and employee dishonesty. The Funds provide their members with risk management services, including the defense of and settlement of claims and establish reasonable and necessary loss reduction and prevention procedures to be followed by the members.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Administration Department and the Finance Department. I would also like to express my appreciation to Gerard Stankiewicz, CPA, RMA of Samuel Klein and Company for their help and assistance in preparation of the Borough's CAFR.

Respectfully submitted,

Denise Jawidzik

Denise Jawidzik
Chief Financial Officer

BOROUGH OF HELMETTA

ROSTER OF OFFICIALS

DECEMBER 31, 2012

Governing Body

Nancy Martin, Mayor
Vincent Ascioia, Council President (effective May 23, 2012)
Sewell Peckham, Council President (through April, 20, 2012)
Robert Janeczek, Councilman
Peter Karczewski, Councilman
Joseph Perez, Councilman
Patrick Smith, Councilman
Chris Slavicek, Councilman (effective May 23, 2012)

Other Officials

Sandra Bohinski, Borough Clerk, Registrar of Vital Statistics
Denise Jawidzik, Tax Collector
Lori Russo, Chief Financial Officer
Joseph Kotora, Fire Official
Edward Herman, Magistrate
Susan Slavicek, Court Administrator
Paul Granick, Prosecutor
Carol Feig, Water Revenue Collector and Sewer Revenue Collector

BOROUGH OF HELMETTA
CONSULTANTS AND ADVISORS

DECEMBER 31, 2012

AUDIT FIRM

Gerard Stankiewicz of
Samuel Klein and Company
36 West Main Street
Suite 303
Freehold, New Jersey 07728

ATTORNEY

Gluck Walrath, LLP
428 River View Plaza
Trenton, NJ 08611

BOND COUNSEL

Gluck Walrath, LLP
428 River View Plaza
Trenton, NJ 08611

BOROUGH ENGINEER

Remington, Vernick & Vena
3 Jocama Blvd
Suite 300-400
Old Bridge, NJ 08857

OFFICIAL DEPOSITORIES

TD Bank

PNC Bank

Wells Fargo

New Jersey Cash Management Fund

FINANCIAL SECTION

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Helmetta
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

Report on the Financial Statements

We have audited the financial statements – regulatory basis of the various funds and account groups of the Borough of Helmetta, County of Middlesex, State of New Jersey as of December 31, 2012, and the related statement of operations and change in fund balance – regulatory basis for the year then ended, the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and the related notes to the financial statements for the year ended then.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements – regulatory basis, in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements – regulatory basis, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and auditing standards prescribed by the Division of Local Government Service, 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 from material misstatement.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements – regulatory basis, the financial statements are prepared by the Borough on a basis of the financial reporting provisions of the regulatory basis of the accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of Jersey which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the United States Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Helmetta, County of Middlesex, State of New Jersey as of December 31, 2012, and change in financial position or cash flows thereof for the year then ended.

Basis for Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. The LOSAP financial activities are included in the Borough's Trust Fund, and represent 24.63% and 20.93% of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2012 and 2011.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements, we do not express an opinion of the LOSAP financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements – regulatory basis been audited, the financial statements referred to above present fairly, in all material respects the financial statements – regulatory basis of the various funds and account groups of the Borough of Helmetta, County of Middlesex, State of New Jersey, as of December 31, 2012, and the results of its operations and change in fund balance of such funds – regulatory basis for the year then ended, and the revenues – regulatory basis, expenditures – regulatory basis of the various funds and account groups for the year ended December 31, 2012 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.

Other Matters

Report on Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements – regulatory basis referred to in the first paragraph as a whole. The supplemental 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 and is not a required part of the above financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing the reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, on our consideration of the Borough of Helmetta's internal control over financial reporting and on 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* in considering the Borough of Helmetta's internal control over financial reporting and compliance.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
June 20, 2013

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC 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 Helmetta
County of Middlesex
State of New Jersey

To the Honorable Mayor and Members of the Borough Council:

We have audited, in accordance with the 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Helmetta (herein referred to as “the Borough”), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements, and have issued our report thereon dated June 20, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements – regulatory basis, we considered the Borough’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough’s internal control.

**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 (CONTINUED)**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

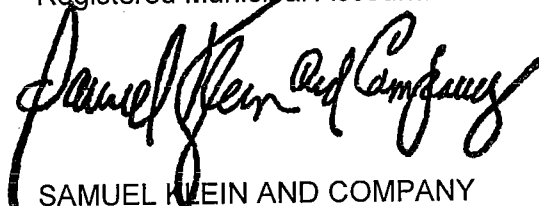
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements - regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to the management of the Borough in the "General Comments and Recommendations" section of this report.

This report is intended solely for the information of the governing body, management and 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.



Gerard Stankiewicz
Certified Public Accountant
Registered Municipal Accountant #431



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
June 20, 2013

GENERAL-PURPOSE FINANCIAL STATEMENTS

BOROUGH OF HELMETTA
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNTS - REGULATORY BASIS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

	Governmental Funds			Trust Funds		Utilities		General Fixed Asset Account	Totals	
	Current	General Capital		Funds	Operating	Capital	2012		2011	
Cash and Cash Equivalents	\$ 1,057,913.10	\$ 651,416.94	\$ 200,827.90	\$ 242,751.95	\$ 165,271.92		\$ 2,318,181.81	\$ 2,280,100.87		
Intergovernmental Accounts Receivable	3,788.42	247,636.54					251,424.96	436,683.03		
Receivables and Other Assets:										
Delinquent Property Taxes	96,081.15			64,472.43			96,081.15	86,149.60		
Consumer Accounts Receivable							64,472.43	65,600.56		
Property Acquired for Taxes - Assessed Valuation								8,800.00		
Other Accounts Receivable	8,800.00						42,215.59	27,784.17		
Interfunds Receivable	42,215.59			452.05			3,471.45	26,688.25		
Due from Municipal Court	3,019.40							250.50		
Deferred Charges	45,800.00	1,670,000.00					1,715,800.00	1,863,111.74		
Fixed Capital							5,088,757.83	5,088,757.83		
Fixed Assets							\$ 5,162,363.94	5,162,363.94		
Grant Fund:										
Cash and Cash Equivalent	42,275.76						42,275.76	36,397.23		
Grants Receivable	5,000.00						5,000.00	10,000.00		
Total Assets and Other Debits	\$ 1,304,893.42	\$ 2,569,053.48	\$ 200,827.90	\$ 307,676.43	\$ 5,254,029.75	\$ 5,162,363.94	\$ 14,798,844.92	\$ 14,933,828.34		

See Notes to Financial Statements.

BOROUGH OF HELMETTA
COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE -
ALL FUND TYPES AND ACCOUNTS - REGULATORY BASIS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

	Governmental Funds			Utilities		General Fixed Asset Account	Totals	
	Current	General Capital	Trust Funds	Operating	Capital		2012	2011
LIABILITIES, RESERVES AND FUND BALANCE								
Liabilities and Reserves:								
Appropriation Reserves	\$ 228,083.23			\$ 47,185.97			\$ 275,269.20	\$ 226,212.51
Other Liabilities and Reserves	533,951.13	212,002.11	197,806.10	20,307.27	127,672.29		1,091,738.90	1,228,915.63
Improvement Authorizations		658,520.33					658,520.33	692,584.98
Interfunds Payable			3,019.40	452.05			3,471.45	26,688.25
Intergovernmental Accounts Payable			2.40				2.40	253.80
Bond Anticipation Notes		1,670,000.00					1,771,000.00	1,969,000.00
USDA Loan					101,000.00		1,267,039.84	1,284,734.60
Reserve for Receivables and Other Assets	150,116.14			64,472.43			214,588.57	215,022.58
Reserve for Amortization							2,491,663.29	2,476,185.36
Deferred Reserve for Amortization							1,229,054.70	1,166,054.70
Grant Fund:								
Reserve for Encumbrances	5,322.00						5,322.00	10,771.15
Unappropriated/Appropriated Reserves	41,953.76						41,953.76	35,626.08
Total Liabilities and Reserves	\$ 959,426.26	\$ 2,540,522.44	\$ 200,827.90	\$ 132,417.72	\$ 5,216,430.12		\$ 9,049,624.44	\$ 9,332,049.64
Equity and Other Credits:								
Fund Balance	\$ 345,467.16	28,531.04		175,258.71	37,599.63		586,856.54	598,274.14
Investment in General Fixed Assets						\$ 5,162,363.94	5,162,363.94	5,003,504.56
Total Equity and Other Credits	\$ 345,467.16	\$ 28,531.04		\$ 175,258.71	\$ 37,599.63		\$ 5,749,220.48	\$ 5,601,778.70
Total Liabilities, Reserves and Fund Balance	\$ 1,304,893.42	\$ 2,569,053.48	\$ 200,827.90	\$ 307,676.43	\$ 5,254,029.75		\$ 14,798,844.92	\$ 14,933,828.34

See Notes to Financial Statements.

BOROUGH OF HELMETTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CURRENT, SEWER UTILITY AND WATER UTILITY OPERATING FUNDS - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Current Fund		Utility Operating Funds		Variance Favorable/ (Unfavorable)
	Final Budget	Actual	Final Budget	Actual	
Revenues:					
Fund Balance Anticipated	\$ 246,000.00	\$ 246,000.00	\$ 103,984.00	\$ 103,984.00	
Rents			800,000.00	789,477.85	\$ (10,522.15)
Miscellaneous Revenues	263,685.16	276,689.00	66,000.00	69,765.09	3,765.09
Interlocal Service Agreements - Animal Shelter	272,384.05	356,119.50			
State Aid	142,271.00	142,271.00			
Grants	14,174.24	14,174.24			
	\$ 938,514.45	\$ 1,035,253.74	\$ 969,984.00	\$ 963,226.94	\$ (6,757.06)
Receipts from Delinquent Taxes	80,000.00	86,149.56			6,149.56
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	1,194,548.37	1,234,602.56			40,054.19
Including Reserve for Uncollected Taxes					
Budget Totals	\$ 2,213,062.82	\$ 2,356,005.86	\$ 969,984.00	\$ 963,226.94	\$ (6,757.06)
Non-budget Revenues		87,379.32		14,014.03	14,014.03
Unexpended Balance of Appropriation Reserves		59,610.99		73,591.54	73,591.54
Current Appropriations Canceled		6,875.01		1,688.15	1,688.15
Taxes Allocated to School and County	4,004,951.34	3,906,514.51			(98,436.83)
Total Revenues	\$ 6,218,014.16	\$ 6,416,385.69	\$ 969,984.00	\$ 1,052,520.66	\$ 82,536.66

See Notes to Financial Statements.

BOROUGH OF HELMETTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CURRENT, SEWER UTILITY AND WATER UTILITY OPERATING FUNDS - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Current Fund		Variance Favorable/ (Unfavorable)	Utility Operating Funds		Variance Favorable/ (Unfavorable)
	Final Budget	Actual		Final Budget	Actual	
Expenditures:						
Current:						
Within "CAPS":						
General Government	\$ 199,012.00	\$ 199,012.00				
Land Use	7,400.00	7,400.00				
Insurance	184,160.00	184,160.00				
Public Safety	493,773.17	493,773.17				
Public Works	312,950.00	312,950.00				
Health and Human Services	13,910.00	13,910.00				
Park and Recreation	15,000.00	15,000.00				
Utilities and Bulk Purchases	106,500.00	106,500.00				
Uniform Construction Code	5,300.00	5,300.00				
Contingent	500.00	500.00				
Expenditures	140,247.00	140,247.00				
Excluded from "CAPS":						
Insurance	7,840.00	7,840.00				
Public Safety	31,265.00	31,265.00				
Public Works	57,930.96	57,930.96				
Interlocal Agreement-Animal Shelter	261,125.00	261,125.00				
Health and Human Services	21,625.00	21,625.00				
Grants	14,174.24	14,174.24				
Operating				\$ 767,008.00	\$ 767,008.00	
Capital Improvements	60,000.00	60,000.00		35,000.00	35,000.00	
Debt Service	109,341.00	109,341.00		146,464.00	146,464.00	
Deferred Charges and Statutory						
Expenditures	24,173.00	24,173.00		21,512.00	21,512.00	
Reserve for Uncollected Taxes	158,836.45	158,836.45				
Total Budget Expenditures	\$ 2,225,062.82	\$ 2,225,062.82		\$ 969,984.00	\$ 969,984.00	

See Notes to Financial Statements.

BOROUGH OF HELMETTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CURRENT, SEWER UTILITY AND WATER UTILITY OPERATING FUNDS - REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Current Fund		Variance Favorable/ (Unfavorable)	Utility Operating Funds		Variance Favorable/ (Unfavorable)
	Final Budget	Actual		Final Budget	Actual	
Expenditures (Continued):						
County and School Taxes	\$ 4,004,951.34	\$ 3,906,514.51	\$ 98,436.83			
Other Expenses		38,101.77	(38,101.77)			
Total Expenditures	\$ 6,230,014.16	\$ 6,169,679.10	\$ 60,335.06	\$ 969,984.00	\$ 969,984.00	
Excess in Revenues over Expenditures	\$ (12,000.00)	\$ 246,706.59	\$ 258,706.59	\$ 82,536.66	\$ 82,536.66	
Adjustment to Income Before Fund Balance:						
Expenditures included above which are by						
Statute Deferred Charges to Budgets of						
Succeeding Years	12,000.00	12,000.00				
Statutory Excess to Fund Balance	\$ 258,706.59	\$ 258,706.59	\$ (258,706.59)	\$ 82,536.66	\$ 82,536.66	
Fund Balance, January 1, 2012		332,760.57	332,760.57	196,706.05	196,706.05	
	\$ 591,467.16	\$ 591,467.16	\$ 74,053.98	\$ 279,242.71	\$ 279,242.71	
Decreased by:						
Utilization as Anticipated Revenue	\$ 246,000.00	\$ 246,000.00	\$ (246,000.00)	\$ 103,984.00	\$ 103,984.00	
	\$ 246,000.00	\$ 246,000.00	\$ (246,000.00)	\$ 103,984.00	\$ 103,984.00	
Fund Balance, December 31, 2012	\$ 345,467.16	\$ 345,467.16	\$ 320,053.98	\$ 175,258.71	\$ 175,258.71	

See Notes to Financial Statements.

BOROUGH OF HELMETTA
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

<u>BALANCE, DECEMBER 31, 2011</u>	\$ 33,424.72
<u>DECREASED BY</u>	
Cancellation of Grant - Unfunded	<u>4,893.68</u>
<u>BALANCE, DECEMBER 31, 2012</u>	\$ <u>28,531.04</u>

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

	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<u>BALANCE, DECEMBER 31, 2011</u>	\$ 11,249.08	\$ 24,133.72	\$ 35,382.80
<u>INCREASED BY</u>			
Cancellation of Excess BAN Proceeds	<u> </u>	<u>2,216.83</u>	<u>2,216.83</u>
<u>BALANCE, DECEMBER 31, 2012</u>	<u>\$ 11,249.08</u>	<u>\$ 26,350.55</u>	<u>\$ 37,599.63</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Reporting Entity - The Borough of Helmetta is located in Middlesex County, just outside the City of New Brunswick and approximately 37 miles south of New York City. The population, according to the 2010 census, is 2,178.

The Borough of Helmetta operates under the Borough form of government. The governing body consists of a Mayor and six Council members. All action is passed by a majority or, when required, a 2/3 vote of Council. The Mayor votes only in the event of a tie. The Mayor has veto power over all ordinances passed by the Borough Council. This veto can be overridden by a two-thirds (2/3) vote of the Council.

- B. Description of Funds - The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for establishing governmental accounting and financial reporting principles. However, the accounting policies of the Borough conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These principles are regulatory basis, which differs from accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds and an account which differs from GAAP.

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Fund - The records of receipts, disbursement and custodianship of monies in accordance with the purpose for which each reserve was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Trust Other Fund and Length of Service Awards Programs (LOSAP).

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Utilities Funds - Water and Sewer Utilities are treated as separate entities. Each maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Payroll Trust Fund - Net salaries, certain payroll deductions and social security contributions of municipal and utility operations are deposited into bank accounts of the Payroll Fund. Other deductions are retained by the operating funds and paid directly there from. A Payroll Fund does not exist under GAAP.

Capital Asset Account - This account reflects estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting".

- C. Basis of Accounting - The accounting principles and practices prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, differ in certain respects from accounting principles generally accepted in the United States of America. The accounting system is maintained on the modified accrual basis with certain exceptions. Significant accounting policies in New Jersey are summarized as follows:

Property Taxes and Other Revenue - Property Taxes and other revenue are realized when collected in cash or approved by regulation for accrual from certain sources of the State of New Jersey and the Federal Government. Accruals of taxes and other revenue are otherwise deferred as to realization by the establishment of offsetting reserve accounts. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenue - Federal and State grants, entitlements or shared revenue received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough of Helmetta's budget. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Expenditures - Expenditures for general and utility operations are generally recorded on the accrual basis. Unexpended appropriation balances, except for amounts, which may have been canceled by the governing body or by statutory regulation, are automatically recorded as liabilities at December 31st of each year, under the title of "Appropriation Reserves".

Grant appropriations are charged upon budget adoption to create spending reserves.

Budgeted transfers to the Capital Improvement Fund are recorded as expenditures to the extent permitted by law.

Expenditures from Trust and Capital Funds are recorded upon occurrence and charged to accounts statutorily established for specific purposes.

Budget Appropriations for interest on General Capital Long-Term Debt is raised on the cash basis and is not accrued on the records; interest on Utility Debt is raised on the accrual basis and so recorded.

GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - As of January 1, 1986 all local units were required by Technical Accounting Directive No. 85-1, as promulgated by the Division of Local Government Services, to maintain an encumbrance accounting system. The directive states that contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated sick, vacation and compensatory pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Acquired for Taxes - Property Acquired for Taxes (Foreclosed Property) is recorded in the Current Fund at the assessed valuation during the year when such property was acquired by deed or foreclosure and is offset by a corresponding reserve account. GAAP requires such property to be recorded in the capital assets account group at market value on the date of acquisition.

Interfund Accounts Receivable - Interfund Accounts Receivable in the Current Fund are generally recorded with offsetting reserves, which are established by charges to operations. Collections are recognized as income in the year that the receivables are realized. Interfund Accounts Receivable of all other funds are recorded as accrued and are not offset with reserve accounts. Interfund Accounts Receivable of one fund are offset with Interfund Accounts Payable of the opposite fund. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - Materials and supplies purchased by all funds are recorded as expenditures.

An annual inventory of materials and supplies for the Water and Sewer utilities is required, by regulation, to be prepared by Borough personnel for inclusion on the Water and Sewer Utility Operating Fund balance sheets. Annual charges in valuations, offset with a Reserve Account, are not considered as affecting results of operations. Materials and supplies of other funds are not inventoried nor included on their respective balance sheets.

Fixed Assets

General - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from GAAP, the Borough has developed a fixed asset accounting and reporting system.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available. Depreciation on utility fixed assets should also be recorded.

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

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Assets (Continued)

General (Continued)

Acquisition of land, buildings, machinery, equipment and other capital assets are recorded on a perpetual fixed asset record.

Vehicles, furniture, equipment and other items are reflected at replacement values at time of inventory preparation. Additions to the established fixed assets are valued at cost.

Depreciation of assets is not recorded as an operating expense of the Borough.

Utilities - Capital acquisitions, including utility infrastructure costs of the Water and Sewer Utilities, are recorded at cost upon purchase or project completion in the Fixed Capital account of the utilities. The Fixed Capital Accounts are adjusted for dispositions or abandonments. The accounts include moveable fixed assets of the Utility but are not specifically identified and are considered as duplicated in the Fixed Asset Group of Accounts. The duplication is considered as insignificant on its effect on the financial statements taken as a whole.

Utility improvements that may have been constructed by developers are not recorded as additions to Fixed Capital.

Fixed Capital of the Utilities are offset by accumulations in Amortization Reserve Accounts. The accumulations represent costs of fixed assets purchased with budgeted funds or acquired by gift as well as grants, developer contributions or liquidations of related bonded debt and other liabilities incurred upon fixed asset acquisition.

The Fixed Capital Accounts reflected herein are recorded in the records of the municipality and do not necessarily reflect the true condition of such Fixed Capital. The records consist of a control account only. Detailed records are not maintained.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Volunteer Length of Service Award Plan (LOSAP)

The Borough has established a volunteer Length of Service Award Plan ("LOSAP")("Plan") to ensure retention of the Borough's volunteer fire department. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a "Length of service award plan under section 457(e)11 of the Internal Revenue Code". The LOSAP financial statements have not been nor are they required to be audited.

Total Columns on Combined Statements - Total columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

- D. **Basic Financial Statements** - The GASB Codification also defines the financial statements of a governmental unit be presented in the general-purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Note 2. **CASH, CASH EQUIVALENTS AND INVESTMENTS**

A. **Cash and Cash Equivalents**

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

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

A. Cash and Cash Equivalents (Continued)

In addition, by regulation of the Division of Local Government Services, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

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

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

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

B. Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies.

C. Risk Category

As of December 31, 2012, the Borough had funds on deposit in checking and statement savings accounts. The amount of the Borough's Cash and Cash Equivalents on deposit as of December 31, 2012 was \$2,618,439.11. These funds constitute "deposits with financial institutions" as defined by GASB No. 3 as amended by GASB No. 40. There were no securities categorized as Investments as defined by GASB Statement No. 3 as amended by No. 40.

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and is calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy for the current year is based on one-half of the prior year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency as billed prior to the end of the fiscal year. The penalty so fixed shall not exceed 6% of the amount of the delinquency with respect to each most recent fiscal year only. The resolution also sets a grace period of ten days before interest is calculated.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 3. **TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)**

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes became in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

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.

Comparative Schedule of Tax Rates

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	\$ 2.713	\$ 2.091	\$ 2.033	\$ 2.003	\$ 1.965
Apportionment of Tax Rate:					
Municipal	0.635	0.469	0.450	0.439	0.442
County:					
Regular	0.370	0.308	0.284	0.276	0.262
Open Space	0.034	0.031	0.021	0.031	0.031
Local School	1.674	1.283	1.278	1.257	1.230

Assessed Valuation

2012	\$ 188,045,609.00
2011	247,034,781.00
2010	247,741,799.00
2009	249,929,840.00
2008	249,543,139.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2012	\$ 5,102,564.03	\$ 4,982,280.62	97.64%
2011	5,168,794.33	5,031,235.47	97.34%
2010	5,041,253.55	4,918,987.79	97.57%
2009	5,007,190.19	4,908,722.72	98.03%
2008	4,917,217.04	4,843,764.39	98.51%

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 3. TAXES AND TAX TITLE LIENS RECEIVABLE (CONTINUED)

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2012	\$ None	\$ 96,081.15	\$ 96,081.15	1.88%
2011	None	86,149.60	86,149.60	1.67%
2010	None	111,556.44	111,556.44	2.22%
2009	None	93,632.54	93,632.54	1.87%
2008	None	69,129.87	69,129.87	1.41%

Note 4. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2012	\$ 8,800.00
2011	8,800.00
2010	8,800.00
2009	8,800.00
2008	8,800.00

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 5. **UTILITY RECEIVABLES AND COLLECTIONS**

The Borough operates a Sewer Utility and a Water Utility for the benefit of its residents.

Comparison of Sewer Utility Levies and Collections

The Borough's Sewer Utility Customers are billed quarterly based on a fixed unit fee basis.

<u>Year</u>	<u>Levy **</u>	<u>Cash Collections *</u>
2012	\$ 416,007.55	\$ 416,039.00
2011	415,763.56	411,095.60
2010	361,520.77	354,223.44
2009	359,748.60	357,396.66
2008	357,385.78	355,627.30

* Cash collections include amounts that were levied in prior years.

** Rate increase effective for 2008 and 2010.

Comparison of Water Utility Levies and Collections

The Borough's Water Utility Customers are billed based on usage on a quarterly basis.

<u>Year</u>	<u>Levy **</u>	<u>Cash Collections *</u>
2012	\$ 372,342.17	\$ 373,438.85
2011	386,339.59	390,767.82
2010	364,243.55	355,062.12
2009	358,635.67	354,678.56
2008	350,575.72	350,343.78

* Cash collections include amounts that were levied in prior years.

** Rate increase effective for 2008 and 2010.

Any unpaid levies are subject to the same provision as unpaid taxes under the provision of the New Jersey Statutes.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 6. **FUND BALANCES APPROPRIATED**

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

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Transferred to Current Fund as Revenue in Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund</u>				
2012	\$ 345,467.16	\$ 246,000.00	N/A	71.21%
2011	332,760.57	246,000.00	N/A	73.93%
2010	340,519.20	246,000.00	N/A	72.24%
2009	341,316.02	235,000.00	N/A	68.85%
2008	321,746.32	225,000.00	N/A	69.93%
<u>Sewer Utility Operating Fund</u>				
2012	\$ 127,227.78	\$ 41,148.00	\$ None	32.34%
2011	127,034.86	39,310.00	None	30.94%
2010	112,596.65	57,745.00	None	51.28%
2009	115,677.12	73,050.00	None	63.15%
2008	78,619.30	33,900.00	None	43.12%
<u>Water Utility Operating Fund</u>				
2012	\$ 48,030.93	\$ 21,024.00	\$ None	43.77%
2011	69,671.19	64,674.00	None	92.83%
2010	126,669.02	87,777.00	None	69.30%
2009	128,127.25	97,670.00	None	76.23%
2008	148,475.56	109,437.00	None	73.71%

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. **MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or as required by the issuance of bonds.

Summary of Municipal Debt (Excluding Current and Operating Debt)

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Issued:			
General:			
Bonds and Notes	\$ 1,670,000.00	\$ 1,805,000.00	\$ 980,000.00
Water Utility:			
Notes and Loans	1,368,039.84	1,448,734.60	1,528,617.89
Sewer Utility:			
Bonds and Notes	<u>None</u>	<u>None</u>	<u>None</u>
Total Issued	<u>\$ 3,038,039.84</u>	<u>\$ 3,253,734.60</u>	<u>\$ 2,508,617.89</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	\$ None	\$ None	\$ 905,000.00
Water Utility:			
Bonds and Notes	None	None	None
Sewer Utility:			
Bonds and Notes	<u>None</u>	<u>None</u>	<u>None</u>
Total Authorized But Not Issued	<u>\$ None</u>	<u>\$ None</u>	<u>\$ 905,000.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 3,038,039.84</u>	<u>\$ 3,253,734.60</u>	<u>\$ 3,413,617.89</u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. **MUNICIPAL DEBT (CONTINUED)**

Summary of Statutory Debt Condition, Annual Debt Statement

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicated a statutory net debt of .717%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Consolidated School District	None	None	None
Sewer Utility	None	None	None
Water Utility	\$ 1,368,039.84	\$ 1,368,039.84	None
General	<u>1,670,000.00</u>	<u>None</u>	<u>\$ 1,670,000.00</u>
	<u>\$ 3,038,039.84</u>	<u>\$ 1,368,039.84</u>	<u>\$ 1,670,000.00</u>

Net Debt \$1,670,000 divided by Equalized Valuation basis per N.J.S. 40A:2-2 As Amended, \$232,777,808 equals .717%. The Annual Debt Statement has been filed.

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

3½% of Equalized Valuation Basis (Municipal)	\$ 8,147,223.28
Net Debt	<u>1,670,000.00</u>
Remaining Borrowing Power	<u>\$ 6,477,223.28</u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. **MUNICIPAL DEBT (CONTINUED)**

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

Cash Receipts from Fees, Rents and Other Charges for the Year	\$ 465,933.75
Deduction:	
Operating and Maintenance Costs	<u>431,310.00</u>
Excess in Revenue	<u><u>\$ 34,623.75</u></u>

There being an excess in revenue for the sewer utility, the fund was self-liquidating and therefore, for purposes of the annual debt statement and resultant net debt calculation, all the related debt is deductible.

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

Cash Receipts from Fees, Rents and Other Charges for the Year	\$ 511,232.11
Deductions:	
Operating and Maintenance Costs	\$ 359,210.00
Debt Service	<u>144,775.85</u>
Total Deductions	<u>503,985.85</u>
Excess in Revenue	<u><u>\$ 7,246.26</u></u>

There being an excess in revenue for the water utility, the fund was self-liquidating and therefore, for purposes of the annual debt statement and resultant net debt calculation, all the related debt is deductible.

Long-Term Debt

As of December 31, 2012 the Borough has no serial bonds outstanding.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. MUNICIPAL DEBT (CONTINUED)

Bond Anticipation Notes

Outstanding Bond Anticipation Notes (BAN's) are summarized as follows:

	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Amount</u>	<u>Payment Required First</u>	<u>Final</u>
General Capital Fund	1.37%	2010	\$ 795,000.00	2013	2022
	2.08%	2011	<u>875,000.00</u>	2014	2023
			<u>\$ 1,670,000.00</u>		
Water Utility Capital Fund	2.71%	2009	<u>\$ 101,000.00</u>	2012	2020
TOTAL			<u>\$ 1,771,000.00</u>		

Subsequent Event

On May 17, 2013, the Borough renewed the BAN's for the General Capital Fund for one (1) year and had budgeted in 2012 a pay down of \$80,000.00, resulting in a \$1,590,000.00 BAN at .94% due on May 16, 2014.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. **MUNICIPAL DEBT (CONTINUED)**

USDA Loan – Water Utility Capital Fund

The Borough has a \$1,400,000.00 loan from the United States Department of Agriculture (USDA) for construction of a new water tower at 4.75% interest commencing April 1, 2004 with semi-annual payments of \$39,256.00. Final maturity is October 1, 2043. Repayment for the next five (5) years and every five (5) years thereafter is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Next five (5) years:</u>			
4/1/2013	\$ 9,163.80	\$ 30,092.20	\$ 39,256.00
10/1/2013	9,381.44	29,874.56	39,256.00
4/1/2014	9,604.25	29,651.75	39,256.00
10/1/2014	9,832.35	29,423.65	39,256.00
4/1/2015	10,065.87	29,190.13	39,256.00
10/1/2015	10,304.94	28,951.06	39,256.00
4/1/2016	10,549.68	28,706.32	39,256.00
10/1/2016	10,800.23	28,455.77	39,256.00
4/1/2017	11,056.74	28,199.26	39,256.00
10/1/2017	11,319.34	27,936.66	39,256.00
	<u>102,078.64</u>	<u>290,481.36</u>	<u>392,560.00</u>
<u>Thereafter:</u>			
4/1/2018	11,588.17	27,667.83	39,256.00
10/1/2018	11,863.39	27,392.61	39,256.00
4/1/2019	12,145.15	27,110.85	39,256.00
10/1/2019	12,433.59	26,822.41	39,256.00
4/1/2020	12,728.89	26,527.11	39,256.00
10/1/2020	13,031.20	26,224.80	39,256.00
4/1/2021	13,340.69	25,915.31	39,256.00
10/1/2021	13,657.54	25,598.46	39,256.00
4/1/2022	13,981.90	25,274.10	39,256.00
10/1/2022	14,313.97	24,942.03	39,256.00
	<u>129,084.49</u>	<u>263,475.51</u>	<u>392,560.00</u>
4/1/2023	14,653.93	24,602.07	39,256.00
10/1/2023	15,001.96	24,254.04	39,256.00
4/1/2024	15,358.26	23,897.74	39,256.00
10/1/2024	15,723.02	23,532.98	39,256.00
4/1/2025	16,096.44	23,159.56	39,256.00
10/1/2025	16,478.73	22,777.27	39,256.00
4/1/2026	16,870.10	22,385.90	39,256.00
10/1/2026	17,270.76	21,985.24	39,256.00
4/1/2027	17,680.94	21,575.06	39,256.00
10/1/2027	18,100.86	21,155.14	39,256.00
	<u>\$ 163,235.00</u>	<u>\$ 229,325.00</u>	<u>\$ 392,560.00</u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. MUNICIPAL DEBT (CONTINUED)

USDA Loan – Water Utility Capital Fund (Continued)

Date	Principal	Interest	Total
4/1/2028	\$ 18,530.76	\$ 20,725.24	\$ 39,256.00
10/1/2028	18,970.87	20,285.13	39,256.00
4/1/2029	19,421.42	19,834.58	39,256.00
10/1/2029	19,882.68	19,373.32	39,256.00
4/1/2030	20,354.90	18,901.10	39,256.00
10/1/2030	20,838.33	18,417.67	39,256.00
4/1/2031	21,333.24	17,922.76	39,256.00
10/1/2031	21,839.90	17,416.10	39,256.00
4/1/2032	22,358.60	16,897.40	39,256.00
10/1/2032	22,889.61	16,366.39	39,256.00
	<u>206,420.31</u>	<u>186,139.69</u>	<u>392,560.00</u>
4/1/2033	23,433.24	15,822.76	39,256.00
10/1/2033	23,989.78	15,266.22	39,256.00
4/1/2034	24,559.54	14,696.46	39,256.00
10/1/2034	25,142.83	14,113.17	39,256.00
4/1/2035	25,739.97	13,516.03	39,256.00
10/1/2035	26,351.29	12,904.71	39,256.00
4/1/2036	26,977.14	12,278.86	39,256.00
10/1/2036	27,617.84	11,638.16	39,256.00
4/1/2037	28,273.77	10,982.23	39,256.00
10/1/2037	28,945.27	10,310.73	39,256.00
	<u>261,030.67</u>	<u>131,529.33</u>	<u>392,560.00</u>
4/1/2038	29,632.72	9,623.28	39,256.00
10/1/2038	30,336.50	8,919.50	39,256.00
4/1/1939	31,056.99	8,199.01	39,256.00
10/1/1939	31,794.59	7,461.41	39,256.00
4/1/2040	32,549.72	6,706.28	39,256.00
10/1/2040	33,322.77	5,933.23	39,256.00
4/1/2041	34,114.19	5,141.81	39,256.00
10/1/2041	34,924.40	4,331.60	39,256.00
4/1/2042	35,753.85	3,502.15	39,256.00
10/1/2042	36,603.01	2,652.99	39,256.00
	<u>330,088.74</u>	<u>62,471.26</u>	<u>392,560.00</u>
4/1/2043	37,472.33	1,783.67	39,256.00
10/1/2043	37,629.66	893.70	38,523.36
	<u>\$ 75,101.99</u>	<u>\$ 2,677.37</u>	<u>\$ 77,779.36</u>
Total	<u>\$ 1,267,039.84</u>	<u>\$ 1,166,099.52</u>	<u>\$ 2,433,139.36</u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 7. **MUNICIPAL DEBT (CONTINUED)**

Bonds and Notes Authorized But Not Issued

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

General Capital Fund	\$	None
Sewer Utility Capital Fund		None
Water Utility Capital Fund		<u>None</u>
Total		<u><u>None</u></u>

Note 8. **DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012 the following deferred charges are shown on Balance Sheets of various funds:

	<u>Balance December 31, 2012</u>	<u>2013 Budget Appropriation</u>	<u>Balance to be Raised in Budgets of Succeeding Year</u>
Current Fund:			
Emergency Authorization per NJSA 40A:4-46	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Special Emergency: per NJSA 40A:4-53 - Revaluation of Real Property	\$ 28,000.00	7,000.00	21,000.00
per NJSA 55A:4-57 - Update Master Plan	<u>\$ 5,800.00</u>	<u>2,900.00</u>	<u>2,900.00</u>
	<u>\$ 45,800.00</u>	<u>\$ 21,900.00</u>	<u>\$ 35,900.00</u>

The appropriations in the 2013 budget are not less than that required by statute.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 9. CONSOLIDATED/DEFERRED LOCAL PAYABLE SCHOOL DISTRICT TAXES

The Consolidated/Local School District Taxes were raised on the school year basis and liability deferred for the local school district (currently dissolved) by statute, resulting in school tax payable set forth in liabilities computed as follows.

On July 1, 2009 the Local School District by Executive Order of the Governor was merged into the Local School District of a neighboring town forming a Consolidated School District. The amount payable is a combination of the two (2) liabilities. A determination was made by the NJDCA that the deferred school taxes of the dissolved local school district would not have to be raised at this time. The Borough of Helmetta has elected to defer local school taxes as follows:

	Consolidated/Local School District Taxes Balance, December 31		Increase/ (Decrease)
	<u>2012</u>	<u>2011</u>	
Balance of Tax - Consolidated	\$ 1,309,454.98	\$ 1,585,480.30	\$ (276,025.32)
Deferred - Local	<u>945,000.00</u>	<u>945,000.00</u>	<u>None</u>
Payable	<u>\$ 364,454.98</u>	<u>\$ 640,480.30</u>	<u>\$ (276,025.32)</u>

In the event that the State of New Jersey determines that a method other than local real estate taxes will be utilized to finance school district operations and, in the event that the annual school tax levy decreases to a level that is significant lower than the present deferral, then the Borough may need to finance the deferred school taxes through the annual municipal budget process.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 10. PENSION PLANS

Description of Systems

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Pension Fund (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) are considered cost sharing multiple-employer plans. The PERS and PFRS issue a publicly available financial report that includes financial statements and required supplementary information and separate actuarial valuations. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. Members are eligible for retirement at age sixty with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five (5) years of service or any five fiscal years of membership that provide the largest benefit to the member or the member's beneficiary. Early retirement is available to those under age sixty with twenty-five or more years of credited service. Anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 10. PENSION PLANS (CONTINUED)

Description of Systems (Continued)

Police and Firemen's Retirement System

The Police and Firemen's Retirement System (PFRS) was established July 1, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011 made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 10. PENSION PLANS (CONTINUED)

Significant Legislation (Continued)

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contributions Required to be Made

Employee contributions for 2012 were 6.5% through June 30, 2012 and 6.64% thereafter of the employee's base wages for PERS and ten percent (10%) for employee base wages for PFRS. Employer's contributions are actuarially determined annually by the Division of Pensions. The Borough's contributions to the plan for the past three (3) years are as follows:

PERS				
<u>Year</u>	<u>Borough</u>			<u>Employees</u>
	<u>Normal</u>	<u>Accrued</u>	<u>Net Cost</u>	
2012	\$ 11,026.00	\$ 22,052.00	\$ 33,078.00	\$ 22,992.05
2011	11,026.00	20,623.00	31,649.00	19,366.49
2010	11,342.00	18,073.00	29,415.00	16,045.96

PFRS				
<u>Year</u>	<u>Borough</u>			<u>Employees</u>
	<u>Normal</u>	<u>Accrued</u>	<u>Net Cost</u>	
2012	\$ 32,503.00	\$ 27,310.00	\$ 59,813.00	\$ 27,139.79
2011	32,503.00	18,075.00	50,578.00	23,851.78
2010	29,604.00	18,202.00	47,806.00	24,918.81

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 10. PENSION PLANS (CONTINUED)

Post Employment Retirement Benefits

The Public Employees Retirement System and Police and Firemen's Retirement System provide certain post employment retirement benefits.

Early Retirement Incentive Program

The Borough is obligated to the Public Employees Retirement System (PERS) under the Early Retirement Incentive Program for additional amounts to be paid over a twenty-five year period from 1996 through 2021. This relates to an Early Retirement Program approved in 1995. The remaining obligations are as follows and will be funded annually in the operating budgets as part of the PERS appropriation.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$ 5,658.00	2018	\$ 7,485.00
2014	5,986.00	2019	7,916.00
2015	6,329.00	2020	8,371.00
2016	6,693.00	2021	8,852.00
2017	7,078.00		

Pension Reports

The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the pension plans and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Note 11 POST EMPLOYMENT RETIREMENT BENEFITS

In addition to the pension benefits described in Note 10, the Borough provides post retirement healthcare benefits for employees who retire with 25 years or more of service and their dependents. Benefits consist of full medical coverage as if the individuals were still employed, until they become eligible for Medicare, at which time Medicare becomes the primary insurer and the Borough plan becomes the secondary insurer.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Plan Description – New Jersey State Health Benefits Program (“NJSHBP”)

The NJSHBP as of July 1, 2011 had “local employees” statewide of 44,380 active and 18,864 retired for a total of 63,244 members. The Borough had eight (8) active and four (4) retired employees for a total of twelve (12).

The Borough contributes to the NJSHBP, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. NJSHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. NJSHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. In accordance with GASB’s 43 and 45, the NJSHBP has been determined to be a cost-sharing multiple-employer plan. Under GASB 45, the Borough is not required nor allowed to accrue reserves to fund the ultimate payment of the retirees health benefit obligation that is being earned.

The NJSHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the NJSHBP. The Borough authorized participation in the NJSHBP’s post-retirement benefit program.

The New Jersey State Health Benefits (“NJSHB”) Commission is the executive body established by statute to be responsible for the operation of the NJSHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the NJSHBP and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The NJSHB Commission sets the employer contribution rate based on the annual required contribution (ARC) of the employers as established in an annual rate recommendation report.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 11 **POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)**

Funding Policy (Continued)

Contributions to pay for the health premiums of participating retirees in the NJSHBP are billed to the Borough on a monthly basis. The number of employees covered and approximate cost for the past three years were as follows:

<u>Fiscal Year</u>	<u>Number of Employees</u>	<u>Employer's Cost</u>
2012	4	\$ 46,689.60
2011	4	41,913.45
2010	3	19,667.64

Note 12. **RISK MANAGEMENT**

Property and Liability Insurance

The Borough together with other governmental units is a member of the Middlesex County Municipal Joint Insurance Fund ("JIF"). The JIF, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. In addition, the JIF has obtained cost effective reinsurance and excess liability coverages for participant local units.

For the year ending December 31, 2012, the Fund provided the following types of coverages: Auto, General Liability, Workmen's Compensation, Property, Public Officials Liability, Boiler and Public Official Surety/Dishonesty coverage.

The Borough has contracted with the JIF for coverage and is subject to certain policy limits. The coverage is designed to minimize the impact of any potential losses to the Borough for matters that may have been caused or related to the Borough or its employees.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 12. RISK MANAGEMENT (CONTINUED)

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, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and prior two years:

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Interest</u> <u>Earned</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 1,750.07	\$ None	\$ 5,169.21	\$ 570.58
2011	109.17	None	4,441.89	3,989.72
2010	None	None	2,875.92	8,322.44

Note 13. INTERFUNDS RECEIVABLE AND PAYABLE

Interfunds receivable and payable balances at December 31, 2012 were as follows:

<u>Fund</u>	<u>Interfunds</u> <u>Receivable</u>	<u>Interfunds</u> <u>Payable</u>
Current	\$ 3,019.40	
Trust Other		\$ 158.70
Water Utility Operating	452.05	
Sewar utility Operating		452.05
Payroll		2,860.70
	<u>\$ 3,471.45</u>	<u>\$ 3,471.45</u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 14. SEGMENT INFORMATION FOR UTILITY OPERATING ENTERPRISE FUNDS

The Borough of Helmetta maintains two enterprise funds that provide water and sewer to the residents and businesses of the Borough. Segment information for the year ended December 31, 2012 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise (Utility) Fund</u>
Revenue and Other Income Realized:			
Operating Fund Balance Appropriated	\$ 64,674.00	\$ 39,310.00	\$ 103,984.00
Rents	373,438.85	416,039.00	789,477.85
Miscellaneous	<u>69,765.09</u>	<u> </u>	<u>69,765.09</u>
Budget Totals	\$ 507,877.94	\$ 455,349.00	\$ 963,226.94
Other Credits to Income:			
Non-budget Revenue	3,428.90	10,585.13	14,014.03
Unexpended Balance of Appropriation			
Reserves	50,712.75	22,878.79	73,591.54
Current Appropriation Canceled	<u>1,688.15</u>	<u> </u>	<u>1,688.15</u>
Total Revenues	\$ <u>563,707.74</u>	\$ <u>488,812.92</u>	\$ <u>1,052,520.66</u>
Expenditures:			
Operating	\$ 348,304.00	\$ 420,304.00	\$ 768,608.00
Capital Improvements	15,000.00	18,000.00	33,000.00
Debt Service	146,464.00		146,464.00
Deferred Charges and Statutory Expenditures	<u>10,906.00</u>	<u>11,006.00</u>	<u>21,912.00</u>
Total Expenditures	\$ <u>520,674.00</u>	\$ <u>449,310.00</u>	\$ <u>969,984.00</u>
Statutory Excess in Revenue	\$ 43,033.74	\$ 39,502.92	\$ 82,536.66
Fund Balance, January 1	<u>69,671.19</u>	<u>127,034.86</u>	<u>196,706.05</u>
	\$ <u>112,704.93</u>	\$ <u>166,537.78</u>	\$ <u>279,242.71</u>
Decreased by:			
Utilization as Anticipated Revenue	\$ <u>64,674.00</u>	\$ <u>39,310.00</u>	\$ <u>103,984.00</u>
	\$ <u>64,674.00</u>	\$ <u>39,310.00</u>	\$ <u>103,984.00</u>
Fund Balance, December 31	\$ <u><u>48,030.93</u></u>	\$ <u><u>127,227.78</u></u>	\$ <u><u>175,258.71</u></u>

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 15. DEFERRED COMPENSATION PLAN

The Borough of Helmetta offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The Plan, available to all municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" modified several provisions of Section 457 of the Internal Revenue Code. The most significant change in the law related to the ownership of the fund.

The Deferred Compensation Plan is administered by the Public Employees Benefits Service Company (PEBSCO).

Note 16. CONTINGENT LIABILITIES

A. Compensated Absences

PBA – Union Employees - The Borough has a contract with the Local P.B.A. that includes a provision for compensation for unused sick time upon retirement or termination as follows: If an officer is terminated from employment for reasons other than retirement, an officer shall be entitled to payment of fifty percent (50%) of accumulated sick time to a maximum of fifteen thousand dollars (\$15,000.00); payment shall be made at the rate of pay at which the time was earned. If an officer retires in accordance with the PFRS, the officer shall be entitled to payment of fifty percent (50%) of accumulated sick time to a maximum of fifteen thousand dollars (\$15,000.00); payment shall be made at the existing rate of pay. Officers hired after January 1, 2010 shall not be entitled to sick time payout.

Non-Union and Public Works Union Employees - The administrative policy and public works union contract of the Borough entitle employees to ten (10) sick days per calendar year and allows for a carryover with a maximum accumulation of 120 days. Employees who do not use all of their sick leave allowance may add their unused days to their allowance for the following year to a maximum of one hundred twenty (120) days. Upon retirement, or separation from service for any reason other than termination for cause, an employee will be paid for one-half of their total accumulated unused sick time to a maximum amount of twelve thousand dollars (\$12,000.00). The administrative policy and union contract also allow for a carryover of one-half of unused vacation days up to a maximum of eight (8) weeks.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 16. CONTINGENT LIABILITIES (CONTINUED)

A. Compensated Absences (Continued)

Liability - The Borough's total liability for sick time as of December 31, 2012 based on the policies and agreements, is \$109,833.33. This amount is not an immediate liability of the Borough and the likelihood of this amount becoming due and payable at any time in the near future is remote.

Termination Benefits - Employees upon termination for any reason are entitled to receive compensation in accordance with the Union Contracts, Borough policy, statute or a separate employment contract, and are not entitled to any other compensation. There is no liability required to be recognized in accordance with GASB#47 related to other termination benefits.

B. Litigation

There are no matters of litigation that would, in the result of an adverse opinion, have a material impact on the financial condition of the Borough.

C. Grants

The Borough of Helmetta participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

BOROUGH OF HELMETTA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012

Note 17. LENGTH OF SERVICE AWARDS PROGRAM

On November 3, 1999, the voters of the Borough approved a referendum authorizing the establishment of a Length of Service Awards Program (LOSAP). The LOSAP will provide tax-deferred income benefits to the active volunteer fire fighters who are eligible to participate.

The LOSAP funds are administered independently and distinct from the Borough and are subject to a review in accordance with the American Institute of Certified Public Accounts Standards for Accounting and Review Services. Participants are responsible for the direction of their investments within their individual accounts. A separate report as of December 31, 2012 revealed net position available for benefits of \$49,478.12. Contributions for the past three years are as follows:

	<u>Total</u>		<u>Per Member</u>
2012	\$ 8,000.00	estimate	\$ 400.00
2011	7,600.00	actual	400.00
2010	7,200.00	estimate	400.00

COMBINING AND INDIVIDUAL FUND AND
ACCOUNT STATEMENTS

CURRENT FUND

BOROUGH OF HELMETTA
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31, 2012 AND 2011

<u>ASSETS</u>	Balance December 31, <u>2012</u>	Balance December 31, <u>2011</u>
Current Fund:		
Cash and Cash Equivalents	\$ 1,057,913.10	\$ 1,194,804.23
Due from State of New Jersey - Ch. 20,P.L. 1971	3,788.42	3,288.42
Receivables and Other Assets with Full Reserves:		
Taxes Receivable	96,081.15	86,149.60
Property Acquired for Taxes - Assessed Valuation	8,800.00	8,800.00
Other Accounts Receivable:		
Revenue Accounts Receivable:		
Due from Municipal Court	7,133.22	10,440.42
Due from Animal Shelter	35,082.37	17,343.75
Interfunds Receivable:		
Due from General Capital Fund		25,000.00
Due from Trust Other Fund	158.70	167.94
Due from Payroll Fund	2,860.70	1,520.31
Deferred Charges	<u>45,800.00</u>	<u>57,973.00</u>
Total Current Fund	<u>\$ 1,257,617.66</u>	<u>\$ 1,405,487.67</u>
Grant Fund:		
Cash and Cash Equivalents	\$ 42,275.76	\$ 36,397.23
Grants Receivable	<u>5,000.00</u>	<u>10,000.00</u>
Total Grant Fund	<u>\$ 47,275.76</u>	<u>\$ 46,397.23</u>
Total Assets	<u>\$ 1,304,893.42</u>	<u>\$ 1,451,884.90</u>

BOROUGH OF HELMETTA
CURRENT FUND
COMPARATIVE STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE - REGULATORY BASIS
AS OF DECEMBER 31, 2012 AND 2011

<u>LIABILITIES, RESERVES AND</u> <u>FUND BALANCE</u>	Balance December 31, <u>2012</u>	Balance December 31, <u>2011</u>
Current Fund:		
Liabilities:		
Appropriation Reserves	\$ 228,083.23	\$ 138,442.77
Prepaid Taxes	25,454.14	36,244.44
Tax Overpayments	181.88	
Accounts Payable	20,000.00	20,000.00
Reserve for Encumbrances	104,237.07	81,591.76
Consolidated District School Tax Payable	364,454.98	640,480.30
Due to State of New Jersey:		
Various		200.00
Various Reserves	<u>19,623.06</u>	<u>6,345.81</u>
	\$ 762,034.36	\$ 923,305.08
Reserve for Receivables and Other Assets	150,116.14	149,422.02
Fund Balance	<u>345,467.16</u>	<u>332,760.57</u>
Total Current Fund	\$ <u>1,257,617.66</u>	\$ <u>1,405,487.67</u>
Grant Fund:		
Reserve for Grants:		
Appropriated	\$ 38,158.78	\$ 30,118.20
Unappropriated	3,794.98	5,507.88
Reserve for Encumbrances	<u>5,322.00</u>	<u>10,771.15</u>
Total Grant Fund	\$ <u>47,275.76</u>	\$ <u>46,397.23</u>
Total Liabilities, Reserves and Fund Balance	\$ <u><u>1,304,893.42</u></u>	\$ <u><u>1,451,884.90</u></u>

BOROUGH OF HELMETTA
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Revenues and Other Income Realized:		
Fund Balance Utilized	\$ 246,000.00	\$ 246,000.00
Miscellaneous Revenues Anticipated	276,689.00	286,117.52
Interlocal Agreements - Animal Control/Shelter	356,119.50	169,350.20
State Aid	142,271.00	142,271.00
Grants	14,174.24	47,543.86
Surplus Anticipated from Helmetta Board of Education		77,000.00
Receipts from Delinquent Taxes	86,149.56	111,556.44
Amount to be Raised by Taxation for Support of Municipal Budget	1,234,602.56	1,180,064.52
Non-Budget Revenues	43,347.32	70,928.65
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves		
Lapsed and Encumbrances Canceled	59,610.99	38,260.67
Current Appropriations Canceled	6,875.01	25,004.41
Interfunds Liquidated	26,688.25	1,196.02
Taxes Allocated to School and County Taxes	3,906,514.51	4,005,485.95
Revenue Accounts Receivable - Returned	17,343.75	
	<hr/>	<hr/>
Total Income	\$ <u>6,416,385.69</u>	\$ <u>6,400,779.24</u>
Expenditures:		
Budget and Emergency Appropriations:		
Within "CAPS":		
General Government	\$ 199,012.00	\$ 234,850.00
Land Use	7,400.00	13,900.00
Insurance	184,160.00	163,133.00
Public Safety	493,773.17	498,782.00
Public Works	312,950.00	288,971.00
Health and Human Services	13,910.00	21,510.00
Park and Recreation	15,000.00	15,000.00
Utilities and Bulk Purchases	106,500.00	107,800.00
Uniform Construction Code	5,300.00	5,200.00
Contingent	500.00	500.00
Deferred Charges and Statutory Expenditures	140,247.00	124,983.00
Excluded from "CAPS":		
Insurance	7,840.00	13,792.00
Public Safety	31,265.00	30,370.00
Public Works	57,930.96	63,209.00
Interlocal Agreement-Animal Shelter	261,125.00	108,900.00

BOROUGH OF HELMETTA
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Expenditures (Continued):		
Budget and Emergency Appropriations (Continued):		
Excluded from "CAPS":		
Health and Human Services	\$ 21,625.00	\$ 21,968.00
Grants	14,174.24	47,543.86
Capital Improvements	60,000.00	79,000.00
Municipal Debt Service	109,341.00	110,834.00
Deferred Charges and Statutory	24,173.00	57,900.00
Reserve for Uncollected Taxes	158,836.45	154,315.00
County Taxes	758,901.52	833,986.71
County Added and Omitted Taxes	116.99	534.61
District School Taxes	3,147,496.00	3,170,964.63
Interfund Advanced	3,019.40	26,520.31
Revenue Accounts Receivable-Advanced	<u>35,082.37</u>	<u>17,343.75</u>
 Total Expenditures	 \$ <u>6,169,679.10</u>	 \$ <u>6,211,810.87</u>
 Excess to Fund Balance	 \$ 246,706.59	 \$ 188,968.37
 Add: Expenditures by Statute Deferred Charges to Budgeted Succeeding Years	 <u>12,000.00</u>	 <u>49,273.00</u>
 Statutory Excess to Fund Balance	 \$ 258,706.59	 \$ 238,241.37
 Fund Balance, January 1	 <u>332,760.57</u>	 <u>340,519.20</u>
	\$ 591,467.16	\$ 578,760.57
Decreased by:		
Utilized as Anticipated Revenue	<u>246,000.00</u>	<u>246,000.00</u>
 Fund Balance, December 31	 <u>\$ 345,467.16</u>	 <u>\$ 332,760.57</u>

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	Budget as <u>Modified</u>	Realized	Excess or (Deficit)
Surplus Anticipated	\$ <u>246,000.00</u>	\$ <u>246,000.00</u>	<u> </u>
Miscellaneous Revenues:			
Fees and Permits:			
Other	\$ 1,500.00	\$ 226.11	\$ (1,273.89)
Fines and Costs:			
Municipal Court	145,000.00	150,645.82	5,645.82
Interest and Costs on Taxes	<u>16,000.00</u>	<u>21,719.88</u>	<u>5,719.88</u>
	\$ <u>162,500.00</u>	\$ <u>172,591.81</u>	\$ <u>10,091.81</u>
State Aid Without Offsetting Appropriations:			
Energy Receipts Tax	\$ 114,250.00	\$ 114,250.00	
Consolidated Municipal Property Tax Relief Aid	<u>28,021.00</u>	<u>28,021.00</u>	
	\$ <u>142,271.00</u>	\$ <u>142,271.00</u>	
Special Items of Revenue Offset with Appropriations:			
Recycling Tonnage Grant	\$ 4,581.84	\$ 4,581.84	
Clean Communities Program	4,000.00	4,000.00	
Body Armor Replacement Fund	926.04	926.04	
Forest Service Volunteer Fire Assistance	<u>4,666.36</u>	<u>4,666.36</u>	
	\$ <u>14,174.24</u>	\$ <u>14,174.24</u>	

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	<u>Budget as</u>		<u>Realized</u>	<u>Excess or</u>
	<u>Modified</u>			<u>(Deficit)</u>
Special Items of Revenue with Prior Consent of the Director:				
Cable Television Fees	\$ 13,731.99	\$	13,731.99	
Cell Tower Fees	66,000.00		69,764.83	\$ 3,764.83
Uniform Fire Safety Act	852.80			(852.80)
JIF Insurance Settlement	20,600.37		20,600.37	
Zoning/Code Enforcement Contract- Borough of Spotswood	6,009.00		6,009.00	
Animal Control Contract - Borough of Spotswood	6,759.00		7,966.50	1,207.50
Animal Shelter Contract - Borough of Spotswood	3,000.00		5,390.00	2,390.00
Animal Control Contract - Borough of South River	14,603.00		15,163.00	560.00
Animal Shelter Contract - Borough of South River	6,000.00		6,920.00	920.00
Animal Control Contract - Borough of Sayreville	33,784.00		31,254.00	(2,530.00)
Animal Shelter Contract - Borough of Sayreville	31,000.00		20,435.45	(10,564.55)
Animal Control Contract - Township of Plainsboro	13,240.00		13,240.00	
Animal Shelter Contract - Township of Plainsboro	2,000.00		2,200.00	200.00
Animal Control Contract - Township of Cranbury	3,600.00		3,900.00	300.00
Animal Shelter Contract - Township of Cranbury	500.00		1,740.25	1,240.25
Animal Shelter Contract - Borough of Manalapan	34,800.00		26,860.00	(7,940.00)
Animal Control Contract - Borough of Milltown	5,500.00		5,535.00	35.00
Animal Shelter Contract - Borough of Milltown	1,000.00		2,740.00	1,740.00
Animal Control Contract - Township of East Brunswick	36,000.00		42,285.00	6,285.00
Animal Shelter Contract - Township of East Brunswick	22,000.00		23,416.75	1,416.75
Animal Control Contract - Township of Matawan	13,940.00		15,460.00	1,520.00
Animal Shelter Contract - Township of Matawan	1,000.00		2,261.50	1,261.50
Animal Shelter Contract - Township of Marlboro	9,200.00		11,055.00	1,855.00
Animal Shelter Contract - Township of East Brunswick	10,550.00		17,385.00	6,835.00
Animal Shelter Service Fees	17,899.05		68,914.55	51,015.50
Animal Control Contract - Borough of Jamesburg			880.00	880.00
Animal Control Contract - Township of Hazlet			8,874.00	8,874.00
Animal Shelter Contract - Township of Hazlet			1,447.00	1,447.00
Animal Control Contract - Township of Aberdeen			8,332.00	8,332.00
Animal Shelter Contract - Township of Aberdeen			2,625.50	2,625.50
Animal Shelter Contract - Township of North Brunswick			3,830.00	3,830.00
	<u>\$ 373,569.21</u>	<u>\$</u>	<u>460,216.69</u>	<u>\$ 86,647.48</u>
Receipts from Delinquent Taxes	<u>\$ 80,000.00</u>	<u>\$</u>	<u>86,149.56</u>	<u>\$ 6,149.56</u>

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	<u>Budget as Modified</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation for Support of Municipal Budget:			
Local Tax for Municipal Purposes	\$ <u>1,194,548.37</u>	\$ <u>1,234,602.56</u>	\$ <u>40,054.19</u>
Budget Totals	\$ 2,213,062.82	\$ 2,356,005.86	\$ 142,943.04
Non-Budget Revenue	_____	<u>43,347.32</u>	<u>43,347.32</u>
	<u>\$ 2,213,062.82</u>	<u>\$ 2,399,353.18</u>	<u>\$ 186,290.36</u>
Detail:			
Adopted Budget	\$ 2,213,062.82		
Added by N.J.S.A. 40A:4-87	_____		
	<u>\$ 2,213,062.82</u>		

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
GENERAL GOVERNMENT FUNCTIONS						
General Administration:						
Salaries and Wages	\$ 13,500.00	\$ 13,500.00	\$ 13,499.79		\$ 0.21	
Other Expenses	500.00	500.00			500.00	
Mayor and Council:						
Other Expenses	4,500.00	4,500.00	4,185.00		315.00	
Other Expenses - School Board Oversight	1,500.00	1,500.00	400.00		1,100.00	
Other Expenses - Website Creating	1,500.00	1,500.00	1,500.00			
Municipal Clerk:						
Salaries and Wages	18,000.00	18,000.00	17,336.72		663.28	
Other Expenses	7,000.00	7,000.00	4,570.48	\$ 1,557.66	\$ 871.86	
Elections:						
Other Expenses	1,000.00	1,000.00	700.08		299.92	
Financial Administration:						
Salaries and Wages	28,712.00	25,712.00	24,832.62		879.38	
Other Expenses	16,000.00	17,500.00	16,310.78	333.50	855.72	
Bank Service Charges	3,400.00	1,900.00	1,485.64		414.36	
Audit Services:						
Other Expenses	8,900.00	8,900.00	8,900.00			
Revenue Administration (Collection of Taxes):						
Salaries and Wages	20,000.00	20,000.00	18,601.23		1,398.77	
Other Expenses	5,000.00	5,000.00	4,777.54	222.46		
Tax Assessment Administration:						
Salaries and Wages	12,000.00	12,000.00	11,646.44		353.56	
Other Expenses	3,500.00	3,500.00	3,010.90	335.25	153.85	
Legal Services and Costs:						
Other Expenses	55,000.00	55,000.00	39,065.75		15,934.25	
Engineering Services and Costs:						
Other Expenses	2,000.00	2,000.00	1,040.00		960.00	
LAND USE ADMINISTRATION						
Municipal Land Use Law (N.J.S.A. 44D-1):						
Planning Board:						
Salaries and Wages	2,700.00	2,700.00	2,646.54		53.46	
Other Expenses	4,700.00	4,700.00	4,396.80		303.20	
INSURANCE						
Liability Insurance	23,000.00	23,000.00	22,741.13		258.87	
Worker's Compensation	26,500.00	26,500.00	26,332.80		167.20	
Employee Group Insurance (Health)	134,160.00	133,160.00	124,109.89		9,050.11	
Unemployment Insurance	1,000.00	1,500.00	1,500.00			

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	Canceled
PUBLIC SAFETY FUNCTIONS						
Police:						
Salaries and Wages	\$ 380,000.00	\$ 358,000.00	\$ 331,195.60		\$ 26,804.40	
Other Expenses:						
Miscellaneous Other Expenses						
Office of Emergency Management:	20,000.00	43,000.00	22,953.14	\$ 19,938.63	108.23	
Other Expenses	100.00	100.00			100.00	
Fire:						
Other Expenses	24,000.00	43,009.79	18,643.23	24,366.56		
Other Expenses - Hurricane Damages	20,600.37	1,590.58	1,590.58			
Fire Prevention Bureau:						
Salaries and Wages	3,700.00	3,700.00	3,669.12		30.88	
Other Expenses	1,010.00	1,010.00	794.85		215.15	
Uniform Fire Safety Act:						
Other Expenses	852.80	852.80			852.80	
First Aid Organization - Contribution	2,000.00	2,000.00	2,000.00			
Municipal Prosecutor:						
Other Expenses	5,000.00	5,000.00	4,400.00	400.00	200.00	
Municipal Court:						
Salaries and Wages	36,000.00	32,000.00	27,856.78		4,143.22	
Other Expenses	3,000.00	3,500.00	2,739.67		760.33	
Public Defender (P.L. 1997, C.256):						
Other Expenses	10.00	10.00			10.00	
PUBLIC WORKS FUNCTIONS						
Road Repairs and Maintenance:						
Salaries and Wages	100,000.00	100,000.00	95,685.47		4,314.53	
Other Expenses	12,000.00	12,000.00	9,871.73	1,819.93	308.34	
Hurricane Sandy (Emergency)						
Solid Waste Collection:						
Garbage and Trash Removal:						
Other Expenses	50,000.00	47,500.00	42,514.60		4,985.40	
Recycling (Chap. 74 P.L. 1987):						
Salaries and Wages	5,900.00	5,900.00	5,306.38		593.62	
Other Expenses	250.00	750.00	235.48		514.52	
Public Buildings and Grounds:						
Other Expenses	17,000.00	17,000.00	13,679.17		703.89	
Vehicle Maintenance:						
Other Expenses - Public Works	15,000.00	15,000.00	5,147.39	2,457.69	7,394.92	
Other Expenses - Police Vehicle	7,500.00	9,500.00	7,437.67	400.00	1,662.33	
Other Expenses - Lease/Acquire Vehicles	30,000.00	30,000.00	24,746.96	3,500.00	1,753.04	

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

PUBLIC WORKS FUNCTIONS (CONTINUED)

Reimbursement to Qualified Communities:

Condominium Act:

Trash Removal
Street Lighting
Snow and Leaf Removal

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
\$	\$ 54,000.00	\$ 54,000.00			\$ 54,000.00	
	7,900.00	7,900.00			7,900.00	
	1,400.00	1,400.00			1,400.00	

HEALTH AND HUMAN SERVICES FUNCTIONS

Board of Health:

Salaries and Wages
Public Health Service (N.J.S. 40:13-1):
Kiddle Keep-Well Camp
South County Day Care
Animal Control Services (Dog Regulation):
Salaries and Wages
Other Expenses

10.00	10.00				10.00	
350.00	350.00	\$	350.00			
250.00	250.00		250.00			
7,800.00	7,800.00		6,587.60		1,212.40	
5,500.00	5,500.00	\$	2,544.55	\$ 300.00	2,655.45	

PARK AND RECREATION FUNCTIONS

Recreation:

Salaries and Wages
Other Expenses
Senior Citizens:
Other Expenses
Parks:
Other Expenses

1,000.00	1,000.00				1,000.00	
7,500.00	7,500.00		5,810.58	69.26	1,620.16	
1,500.00	1,500.00				1,500.00	
5,000.00	5,000.00		697.00	2,150.12	2,152.88	

UTILITY EXPENSES AND BULK PURCHASES

Electricity
Street Lighting
Telephone
Natural Gas
Diesel Fuel
Gasoline
Postage
Copier Expense
Office Supplies

19,000.00	19,000.00		16,511.34		2,488.66	
22,000.00	21,000.00		17,013.02		3,986.98	
12,500.00	12,500.00		12,335.13		164.87	
12,500.00	12,500.00	\$	4,714.67		7,785.33	
3,000.00	4,000.00		2,760.46	858.27	381.27	
22,500.00	27,500.00		21,801.95	2,182.83	3,515.22	
5,000.00	5,500.00		5,219.72	280.28		
4,000.00	4,000.00		3,168.60	59.15	772.25	
500.00	500.00		477.73		22.27	

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

UNIFORM CONSTRUCTION CODE - APPROPRIATIONS
OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):

Construction Official (Chief Admin. of Enforcement
Enforcement Agency):
Salaries and Wages

Accumulated Sick Leave Reserve

Total Operations within "CAPS"

CONTINGENT

Total Operations Including Contingent -
within "CAPS"

Detail:

Salaries and Wages

Other Expenses (Including Contingent)

DEFERRED CHARGES AND STATUTORY EXPENDITURES -
MUNICIPAL WITHIN "CAPS"

Statutory Expenditures:

Contribution to:

Public Employees' Retirement System

Social Security System (O.A.S.I.)

Police and Firemen's Retirement System of NJ

PERS - Early Retirement Incentive Program

Total Deferred Charges and Statutory

Expenditures - Municipal within "CAPS"

Total General Appropriations for Municipal

Purposes within "CAPS"

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
	\$ 5,200.00	\$ 5,200.00	\$ 5,000.06		\$ 199.94	
	<u>100.00</u>	<u>100.00</u>				
	\$ 1,326,505.17	\$ 1,338,005.17	\$ 1,087,575.36	\$ 67,673.53	\$ 182,756.28	
	<u>500.00</u>	<u>500.00</u>			<u>500.00</u>	
	\$ 1,327,005.17	\$ 1,338,505.17	\$ 1,087,575.36	\$ 67,673.53	\$ 183,256.28	
	\$ 644,022.00	\$ 615,022.00	\$ 572,449.35	\$ 400.00	\$ 42,172.65	
	<u>682,983.17</u>	<u>723,483.17</u>	<u>515,126.01</u>	<u>67,273.53</u>	<u>141,083.63</u>	
	\$ 23,024.00	\$ 23,024.00	\$ 23,024.00			
	<u>49,000.00</u>	<u>49,500.00</u>	<u>49,500.00</u>			
	<u>62,371.00</u>	<u>62,371.00</u>	<u>62,371.00</u>			
	<u>5,352.00</u>	<u>5,352.00</u>	<u>5,352.00</u>			
	\$ 139,747.00	\$ 140,247.00	\$ 140,247.00			
	\$ 1,466,752.17	\$ 1,478,752.17	\$ 1,227,822.36	\$ 67,673.53	\$ 183,256.28	

BOROUGH OF HELMETTA
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Canceled</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
INSURANCE:						
Employee Group Insurance (Health)	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00			
PUBLIC SAFETY:						
Length of Service Awards Program	8,000.00	8,000.00			\$ 8,000.00	
Interlocal Municipal Service Agreements:						
Borough of Spotswood:						
Police:						
Radio Dispatching Services						
Animal Control:	23,265.00	23,265.00	23,265.00			
Salaries and Wages						
Zoning/Code Enforcement	5,325.00	5,325.00	5,000.06		324.94	
Sanitation:						
Garbage and Trash Removal:	41,430.96	41,430.96	41,430.96			
Middlesex County Board of Health	16,300.00	16,300.00	16,287.36		12.64	
County of Middlesex - Curbside Recycling Program	16,500.00	16,500.00	14,627.32		1,872.68	
Interlocal Animal Control / Shelter:						
Salaries and Wages	166,200.00	166,200.00	144,146.00		22,054.00	
Other Expenses	94,925.00	94,925.00	77,363.38	\$ 8,759.04	8,802.58	
Veterinary Expenses						
Total Interlocal Municipal Service Agreements	\$ 363,945.96	\$ 363,945.96	\$ 322,120.08	\$ 8,759.04	\$ 33,066.84	
OPERATIONS - EXCLUDED FROM "CAPS" (CONTINUED)						
Public and Private Programs Offset by Revenues:						
Body Armor Replacement Fund	\$ 926.04	\$ 926.04	\$ 926.04			
Alcohol Education and Rehabilitation						
Clean Communities Program	4,000.00	4,000.00	4,000.00			
Recycling Tonnage Grant	4,581.84	4,581.84	4,581.84			
Forest Services Volunteer Fire Assistance	4,666.36	4,666.36	4,666.36			
Total Public and Private Programs Offset by Revenues	\$ 14,174.24	\$ 14,174.24	\$ 14,174.24			
Total Operations - Excluded from "CAPS"	\$ 393,960.20	\$ 393,960.20	\$ 344,134.32	\$ 8,759.04	\$ 41,066.84	
Detail:						
Salaries and Wages	\$ 171,525.00	\$ 171,525.00	\$ 149,146.06		\$ 22,378.94	
Other Expenses	222,435.20	222,435.20	194,988.26	\$ 8,759.04	18,687.90	