

CITY OF LINWOOD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2009

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**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

PO Box 548, Mays Landing, NJ 08330
609-625-0999 FAX 609-625-2421

A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of Linwood, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the City of Linwood, New Jersey, as of December 31, 2009 and 2008, the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2009. These financial statements are the responsibility of the City of Linwood's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Length of Service Awards Program of the City of Linwood has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the City's financial statements.

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

Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare and present its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Linwood as of December 31, 2009 and 2008 or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above, with the exception of the Length of Service Awards Program, present fairly, in all material respects, the financial position - regulatory basis of the various funds and account groups of the City of Linwood, New Jersey as of December 31, 2009 and 2008 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statements of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2009 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2010 on our consideration of the City of Linwood's internal control structure 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* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the City of Linwood. The supplemental information, as listed in the table of contents, is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Alliance of Governmental Auditors

Alliance of Governmental Auditors, LLC
Certified Public Accountants

April 2, 2010

EXHIBIT A - CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$2,247,149	361,268
Clerk		1,915	711
Change Fund		350	350
Investments		0	1,369,222
		<u>2,249,414</u>	<u>1,731,551</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	269,751	241,960
Tax Title Liens Receivable	A-6	7,336	4,782
Property Acquired for Taxes-Assessed Valuation		37,387	37,387
Sewer Rents Receivable	A-7	23,765	18,824
Sewer Liens Receivable		470	0
Revenue Accounts Receivable			
Municipal Court	A-8	15,268	12,984
Due From:			
Dog Fund	B	1,695	134
Other Trust Funds	B	101	980
Grant Fund	A	153,684	9,769
General Capital Fund		0	230,778
		<u>509,457</u>	<u>557,598</u>
Deferred Charges:			
Emergency Authorization		<u>250,000</u>	<u>0</u>
		<u>3,008,871</u>	<u>2,289,149</u>
Federal and State Grant Fund:			
State Grants Receivable	A-10	<u>534,285</u>	<u>179,539</u>
		<u>534,285</u>	<u>179,539</u>
		<u>\$3,543,156</u>	<u>2,468,688</u>

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$275,083	247,477
Reserve for Encumbrances		386,560	146,622
Taxes Collected in Advance		271,784	282,132
Tax Overpayments		3,214	4,196
Prepaid Sewer Rents		328,615	309,810
Due to State of New Jersey -			
Construction Training Fees		1,450	1,001
Veterans and Senior Citizens		5,869	6,692
Marriage License Fees		225	325
Burial Fee		10	140
Reserve for Building Aid Allowance-Schools		47,180	45,237
Emergency Note Payable		250,000	0
Local School District Taxes Payable		72,671	0
Due to County-Added Taxes	A	18,510	14,457
		<u>1,661,171</u>	<u>1,058,089</u>
Reserves for Receivables and Other Assets	A	509,457	557,598
Fund Balance	A-1	838,243	673,462
		<u>3,008,871</u>	<u>2,289,149</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		152,543	536
Due to Current Fund	A	153,684	9,769
Reserve for State Grants			
Appropriated	A-11	225,643	163,266
Unappropriated	A-12	2,415	5,966
		<u>534,285</u>	<u>179,537</u>
		<u>\$3,543,156</u>	<u>2,468,686</u>

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

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$455,363	762,612
Miscellaneous Revenue Anticipated	A-2	5,144,196	2,897,591
Receipts from Delinquent Taxes	A-2	237,542	252,318
Receipts from Current Taxes	A-2	26,768,111	26,022,597
Non Budget Revenue	A-2	23,491	34,087
Other Credits to Income:			
Interfund Returned		0	32,980
Cancellation of Prior Year Liabilities		6,132	9,267
Unexpended Balance of Approp Reserves	A-9	205,572	272,379
		<u>32,840,407</u>	<u>30,283,831</u>
Total Income			
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	4,095,183	3,806,719
Other Expenses	A-3	4,953,884	5,041,140
Deferred Charges and Statutory			
Expenditures	A-3	891,633	359,289
Capital Improvements	A-3	182,500	190,532
Municipal Debt Service	A-3	2,204,012	953,167
Local District School Debt Service	A-3	1,436,910	1,463,119
County Tax		3,402,369	3,227,229
County Share of Added Taxes		18,510	14,457
Local District School Tax		10,078,557	9,907,391
Regional School Tax		5,052,803	4,828,710
Cancellation of Prior Year Revenue		11,499	0
Interfund Created		142,403	230,978
		<u>32,470,263</u>	<u>30,022,731</u>
Total Expenditures			
Excess in Revenue		<u>370,144</u>	<u>261,100</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,
(CONTINUED)**

	Ref.	<u>2009</u>	<u>2008</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		<u>250,000</u>	<u>0</u>
Statutory Excess to Fund Balance		620,144	261,100
Fund Balance January 1	A	<u>673,462</u>	<u>1,174,974</u>
		1,293,606	1,436,074
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>455,363</u>	<u>762,612</u>
Balance December 31	A	<u><u>\$838,243</u></u>	<u><u>673,462</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$455,363		455,363	
Miscellaneous Revenues:					
Section A: Local Revenues					
Licenses:					
Other	A-8	42,000		39,895	(2,105)
Fines and Costs:					
Municipal Court	A-8	180,000		216,490	36,490
Interest and Costs on Taxes	A-8	59,000		66,207	7,207
Interest on Investments and Deposits	A-8	30,000		32,131	2,131
Sewer Use Charges	A-7	1,074,900		1,070,586	(4,314)
City of Northfield - Share of Sewer Rents Collected	A-8	5,100		5,100	0
Parking Permits	A-8	8,000		8,280	280
Planning and Zoning Fees and Permits	A-8	12,000		8,139	(3,861)
Total Section A		1,411,000	0	1,446,828	35,828
Section B: State Aid Without Offsetting Appropriations					
Consolidated Municipal Property Tax Relief Act	A-8	98,028		98,028	
Energy Receipts Tax	A-8	599,756		599,756	
Supplemental Energy Receipts Tax	A-8	20,768		20,768	
Building Aid Allowance for Schools - State Aid	A-8	200,549		200,549	
Reserve for 2008 Building Aid	A-8	45,237		45,237	
Total Section B		964,338	0	964,338	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Section C: Dedicated Uniform Construction Code Fees Offset with Appropriations (NJS 40A:4-36 & NJAC 5:23-4.17)					
Uniform Construction Code Fees	A-8	138,000		163,666	25,666
Total Section C		138,000	0	163,666	25,666
Section F: Special Items of General Revenue Anticipated with Prior Written Consent of Dir. of Local Government Services - Public and Private Revenues offset with Appropriations:					
NJ Transportation Trust Fund Authority Act	A-10	150,000		150,000	
Drunk Driving Enforcement Fund	A-10	2,729		2,729	
Clean Communities Program	A-10	11,892	3,018	14,910	
Safe Routes to Schools Program	A-10	10,000	160,000	170,000	
Municipal Alliance on Alcohol and Drug Abuse	A-10	11,470		11,470	
Body Armor	A-10	2,045		2,045	
Community Development Block Grant	A-10	22,316		22,316	
Atlantic County Open Space Belhaven Park	A-10	143,749		143,749	
Total Section F		354,201	163,018	517,219	0
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items:					
Uniform Fire Fees	A-8	15,350		14,707	(643)
Tax Abatement	A-8	229,665		353,412	123,747
Bell Atlantic Nynex Tower	A-8	44,000		51,526	7,526
Reserve for Payment of Note		1,369,222		1,369,222	0
Due from General Capital Fund		230,778		230,778	0
Capital Fund Surplus		32,500		32,500	0
Total Section G		1,921,515	0	2,052,145	130,630

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues	A-1	4,789,054	163,018	5,144,196	192,124
Receipts from Delinquent Taxes	A-1:A-2	233,971		237,542	3,571
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	7,190,998		7,320,086	129,088
b) Addition to Local District School Tax		1,191,125		1,191,125	
Total Amount to Be Raised by Taxes		<u>8,382,123</u>	<u>0</u>	<u>8,511,211</u>	<u>129,088</u>
Budget Totals		13,860,511	163,018	14,348,312	324,783
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			23,491	23,491
	Ref.	A-3	A-3	<u>14,371,803</u>	<u>348,274</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$26,768,111
Allocated to:		
School, County Taxes		<u>18,552,239</u>
Balance for Support of Municipal Budget Appropriations		8,215,872
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>295,339</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>8,511,211</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	237,542
Tax Title Lien Collections	A-6	<u>0</u>
		<u><u>\$237,542</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONCLUDED)**

Ref.

Analysis of Non-Budget Revenue

Other Miscellaneous:

Sewer Connection Fees	7,400	
Accident Reports	1,567	
Administration Fees - Senior Citizens & Veterans	1,949	
Copies & Specs	3,293	
Payroll Agent and Taxes	6,630	
Miscellaneous	2,652	

23,491

A-1:A-2

\$23,491

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
GENERAL GOVERNMENT:							
Administrative & Executive Other Expenses	3,544	3,544	3,298		246		
Mayor and Council: Salaries and Wages	65,936	65,936	65,935		1		
Municipal Clerk Salaries And Wages Other Expenses	114,061 49,313	114,061 49,313	113,994 36,459	2,049	67 10,805		
Elections Other Expenses	6,345	6,345	3,789	21	535	2,000	
Financial Administration Salaries and Wages Other Expenses	124,081 9,208	124,081 9,208	124,081 6,893		2,315		
Audit Service	26,500	26,500	26,500				
Assessment of Taxes Salaries and Wages Other Expenses	26,230 1,980	26,230 1,980	26,230 1,541	11	428		
Collection of Taxes Salaries and Wages Other Expenses	117,678 7,850	117,828 7,850	117,827 6,465		1 1,385		
Paying Agent Fees	1,650	1,650	1,500		150		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Municipal Prosecutor Other Expenses	18,411	18,411	15,960	1,451	1,000		
Legal Services and Costs Other Expenses	205,000	550,000	262,104	234,000	3,896	50,000	
Engineering Services and Costs Other Expenses	35,000	35,000	23,465	1,710	9,825		
Public Buildings and Grounds Other Expenses	37,400	37,400	20,002	1,912	10,986	4,500	
Municipal Land Use Law (N.J.S.A. 40:55D-1) Planning Board Salaries and Wages Other Expenses	9,353 29,900	9,353 29,900	9,353 23,178	3,870	0 2,852		
Board of Adjustment Salaries and Wages Other Expenses	9,353 10,675	9,353 10,675	9,352 6,974	175	1 3,526		
Shade Tree Other Expenses	400	400	0		400		
Other Insurance Workmens Compensation Insurance Employee Group Insurance	120,208 234,301 997,816	120,208 234,301 997,816	117,656 234,301 874,369	1,092	1,460 12,421	55,000	
PUBLIC SAFETY: Uniform Fire Safety Act Salaries and Wages Other Expenses	8,520 6,830	8,520 6,830	8,520 3,678	1,161	0 1,991		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Fire							
Salaries and Wages	245,962	248,027	248,027		0		
Other Expenses:							
Lease of Fire House	20	20			20		
Miscellaneous Other Expense	39,750	39,750	31,341	7,971	438		
Aid to Volunteer fire Companies Operation and Maintenance	18,150	18,150	18,150		0		
Police							
Salaries and Wages	2,267,856	2,240,981	2,160,847		70,134	10,000	
Other Expenses	92,650	92,650	65,524	26,977	149		
Communication							
Salaries and Wages	1,794	1,794	1,794		0		
Other Expenses	14,380	19,029	14,451	4,570	8		
Emergency Management Service							
Salaries and Wages	3,015	3,015	3,014		1		
Other Expenses	1,700	1,700	384	66	1,250		
Ambulance contract	152,978	82,489	82,489		0		
Municipal Court							
Salaries and Wages	89,684	89,684	68,259		1,425	20,000	
Other Expenses	14,350	14,350	12,228	306	1,816		
Public Defender							
Other Expenses	2,400	2,400	1,020		1,380		
STREETS AND ROADS:							
Road Repairs and Maintenance							
Salaries and Wages	881,493	876,993	875,441		1,552		
Other Expenses	139,700	139,700	119,831	12,788	7,081		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
SANITATION:							
Sewer System							
Salaries and Wages							
Finance and Administration	4,953	4,953	4,953		0		
Other Expenses:							
Finance and Administration	8,181	8,181	8,030		151		
Operation and Maintenance	138,141	138,141	105,060	27,744	5,337		
Landfill- Tipping Fees	471,930	471,930	431,930		2,585	37,415	
Municipal Services Act	24,000	24,000	21,405		95	2,500	
HEALTH AND WELFARE:							
Animal Control Service (Dog Regulation)	9,600	9,600	8,800		800		
Contractual							
Senior Citizen's Center	4,500	4,500	223		277	4,000	
Other Expenses							
RECREATION AND EDUCATION:							
Parks and Playgrounds	7,816	7,816	7,221		595		
Salaries and Wages	30,050	30,050	23,547	1,182	5,321		
Other Expenses							
Historian	500	500	480		20		
Other Expenses							
STATE UNIFORM CONSTRUCTION CODE							
Construction Official	175,775	175,775	174,033		42	1,700	
Salaries and Wages	7,667	7,667	5,489	28	2,150		
Other Expenses							

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations			Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
UNCLASSIFIED:							
Utilities							
Gasoline	85,000	85,000	47,672		37,328		
Electricity	114,000	114,000	104,457	289	9,254		
Telephone and Telegraph	34,000	34,000	33,338		662		
Natural Gas	55,000	54,700	36,414		8,286	10,000	
Street lighting	117,360	117,360	97,336	575	9,449	10,000	
Fire Hydrant Service	64,000	64,300	58,953		5,347		
Water and Sewer	7,000	7,000	4,127	586	2,287		
Public Access Channel 2	500	500	500		0		
Accumulated Leave							
Salaries and Wages	2,483	2,483	2,483		0		
TOTAL OPERATIONS WITHIN "CAPS"	7,605,881	7,855,881	7,022,675	386,560	239,531	207,115	0
Contingent	1,000	1,000			1,000		
TOTAL OPERATIONS INCLUDING CONTINGENT	7,606,881	7,856,881	7,022,675	386,560	240,531	207,115	0
Detail:							
Salaries and Wages	4,156,043	4,126,883	4,021,364	0	73,819	31,700	0
Other Expenses	3,450,838	3,729,998	3,001,311	386,560	166,712	175,415	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None		0					
Statutory Expenditures:							
Contribution to:							
Public Employees Retirement System	188,484	188,484	178,130		10,354		
Social Security	317,625	317,625	309,366		8,259		
Police and Fire Retirement System	375,294	375,294	375,294				
Defined Contribution Retirement Program	230	230	230				
Unemployment Compensation Insurance	10,000	10,000	9,717		283		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	891,633	891,633	872,737	0	18,896	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,498,514	8,748,514	7,895,412	386,560	259,427	207,115
OPERATIONS - EXCLUDED FROM "CAPS"						
Maintenance of Free Public Library Other Expenses	420,564	420,564	420,564			
Atlantic County Sewerage Authority Share of Costs	564,420	564,420	564,420			
City of Northfield's Share of Sewer Rents	8,680	8,680	8,680			
Recycling Tax	8,050	8,050	8,050			
Length of Service Awards Program	15,000	15,000			15,000	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Streets & Roads O/E	10,000	10,000	9,844		156	
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc) Landfill Tipping Fees	2,500	2,500	2,000		500	

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Total Other Operations - Excluded from "CAPS"	1,029,214	1,029,214	1,013,558	0	15,656	0	0
Public and Private Programs Offset by Revenues							
Municipal Alliance - Alcoholism and Drug Abuse							
Grant Share	11,470	11,470	11,470				
Local Share	2,868	2,868	2,868				
Clean Communities Program	11,892	14,910	14,910				
Body Armor Fund	2,045	2,045	2,045				
Drunk Driving Enforcement Fund	2,729	2,729	2,729				
Open Space Belhaven Park	143,749	143,749	143,749				
Safe Routes to Schools	10,000	170,000	170,000				
Community Development Block Grant	22,316	22,316	22,316				
Total Public and Private Programs Offset by Revenue	207,069	370,087	370,087	0	0	0	0
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	1,236,283	1,399,301	1,383,645	0	15,656	0	0
Detail:							
Salaries and Wages	0	0	0	0	0	0	0
Other Expenses (Including Contingent)	1,236,283	1,399,301	1,383,645	0	15,656	0	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
Capital Improvement Fund	32,500	32,500	32,500				
New Jersey Transportation Trust Fund	150,000	150,000	150,000				
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	182,500	182,500	182,500	0	0	0	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	250,000	250,000	250,000				
Payment of Bond Anticipation Notes and Capital Notes	1,397,694	1,397,694	1,397,694				
Interest on Bonds	321,900	321,900	321,900				
Interest on Notes	99,637	99,637	92,686			6,951	
Green Trust Loan Program: Loan Repayments for Principal and Interest	18,786	18,786	18,786				
NJEIT Loan Principal and Interest	122,947	122,947	122,946			1	
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	2,210,964	2,210,964	2,204,012	0	0	6,952	0
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"							
None		0	0				
TOTAL DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"	0	0	0	0	0	0	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,629,747	3,792,765	3,770,157	0	15,656	6,952	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONCLUDED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"							
Type 1 District School Debt Service							
Payment of Bond Principal	745,000	745,000	745,000				
Interest on Bonds	249,517	249,517	249,517				
Interest on Notes	6,622	6,622	6,622				
Principal and Interest on Loans	435,772	435,772	435,771			1	
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	1,436,911	1,436,911	1,436,910	0	0	1	0
SUBTOTAL GENERAL APPROPRIATIONS	13,565,172	13,978,190	13,102,479	386,560	275,083	214,068	0
Reserve for Uncollected Taxes	295,339	295,339	295,339				
TOTAL GENERAL APPROPRIATIONS	\$13,860,511	14,273,529	13,397,818	386,560	275,083	214,068	0
A-2			A-1	A	A:A-1		A
Budget							
Emergency Authorization		13,860,511					
Appropriations by 40A:4-87		250,000					
		163,018					
		<u>\$14,273,529</u>					

See Accompanying Notes to Financial Statements

**CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (CONTINUED)**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-11	\$520,087
Reserve for Uncollected Taxes		295,339
Disbursed	A-4	<u>12,582,392</u>
		<u><u>\$13,397,818</u></u>

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EXHIBIT B - TRUST FUNDS

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TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Animal Control Fund			
Cash	B-1	17,886	15,566
		<u>17,886</u>	<u>15,566</u>
 LOSAP (unaudited)			
Investment		76,461	59,866
		<u>76,461</u>	<u>59,866</u>
 Other Funds:			
Cash - Treasurer	B-1	194,712	193,894
Prepaid Payroll Taxes		44,522	94
		<u>239,234</u>	<u>193,988</u>
Total		<u><u>\$333,581</u></u>	<u><u>269,420</u></u>

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

<u>Liabilities, Reserves, and Fund Balance</u>		<u>2009</u>	<u>2008</u>
Animal Control Fund			
Due to Current Fund	B-3	1,695	134
Due to State of New Jersey	B-4	4	0
Reserve for Cat Fund	B-5	9,850	9,280
Reserve for Dog Fund	B-2	6,337	6,152
		<u>17,886</u>	<u>15,566</u>
LOSAP (unaudited)			
Reserve for LOSAP		<u>76,461</u>	<u>59,866</u>
		<u>76,461</u>	<u>59,866</u>
Other Funds:			
Due to Current Fund	A	101	980
Cash Deficit		46,149	0
Reserves for:			
POAA		18	2
Surety		89,082	88,304
Planning and Zoning Escrows		42,315	38,184
Street Openings		9,496	31,475
Accumulated Absences		7,560	7,538
Arboretum maintenance		500	0
Bike Path Beautification	B-6	3,760	1,865
Law Enforcement	B-7	368	3,120
Police Bequest Account	B-7	555	555
Recycling	B-8	10,151	6,150
Drug Alliance	B-11	7,211	5,960
Tax Title Lien Redemption	B-10	1,200	3
Public Defender	B-9	50	50
Development Fees		17,338	6,543
Uniform Fire Safety Fees		3,380	3,259
		<u>239,234</u>	<u>193,988</u>
Total		<u><u>\$333,581</u></u>	<u><u>269,420</u></u>

See Accompanying Notes to Financial Statements

EXHIBIT C - GENERAL CAPITAL FUND

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GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Cash	C-2	\$2,118,311	3,673,940
Deferred Charges to Future Taxation:			
Funded	C-4	16,836,318	17,491,191
Unfunded	C-5	3,954,223	4,734,417
Due from School - Grant		62,712	62,712
		<u>22,971,564</u>	<u>25,962,260</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Due to Current Fund	A	0	230,778
Bond Anticipation Notes	C-8	3,954,143	4,734,284
General Serial Bonds	C-9	7,845,000	8,095,000
Green Trust Loan Payable	C-10	177,640	192,648
School Serial Bonds	C-11	5,962,000	6,707,000
School Loans	C-12	1,621,472	2,026,841
NJ Environmental Infrastructure			
Trust Loans	C-13	355,206	469,702
Reserve for Payment of Notes		0	1,369,222
Reserve for School Grant		62,712	62,712
Improvement Authorizations:			
Funded	C-7	3,719	258,008
Unfunded	C-7	2,180,624	1,556,990
Capital Improvement Fund	C-6	94,255	27,751
Encumbrances Payable		527,545	198,123
Fund Balance	C-1	187,248	33,201
		<u>\$22,971,564</u>	<u>\$25,962,260</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2009 and 2008 in the amounts \$875,080 and \$133, respectively.

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Balance at beginning of the year	C	\$33,201	1,883
Increased by:			
Premium on Bond Anticipation Notes		12,953	11,376
Funded Improvement Authorizations			
Canceled	C-7	<u>173,594</u>	<u>19,942</u>
		219,748	33,201
Decreased by:			
Realized in 2009 Municipal Budget	A-2	<u>32,500</u>	<u>0</u>
Balance at the end of the year	C	<u><u>\$187,248</u></u>	<u><u>33,201</u></u>

EXHIBIT G - GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2009</u>	<u>2008</u>
General Fixed Assets:		
Land	\$1,220,177	1,100,177
Buildings	5,887,539	5,406,290
Machinery and Equipment	<u>4,819,988</u>	<u>4,762,951</u>
Total General Fixed Assets	<u><u>11,927,704</u></u>	<u><u>11,269,418</u></u>
Investment in General Fixed Assets	<u><u>\$11,927,704</u></u>	<u><u>11,269,418</u></u>

See Accompanying Notes to Financial Statements

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Linwood include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Linwood, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Bellhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

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

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

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Fixed assets with an original cost of less than \$500 are not capitalized.

No depreciation has been provided for in the financial statements.

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2009.

	Balance as of <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/09</u>
Land	\$1,100,177	120,000		1,220,177
Buildings and Impr	5,406,290	481,249		5,887,539
Furniture, Fixtures & Equip	4,762,951	57,037		4,819,988
Total	<u>\$11,269,418</u>	<u>658,286</u>	<u>0</u>	<u>11,927,704</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. A ten (10) day grace period is permitted provided a resolution has been adopted by the City Council. NJSA 54:4-67 permits municipalities to charge interest on delinquent balances at a rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount of taxes in excess of \$1,500. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Capitalization of Interest -- It is the policy to the City of Linwood to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basic Financial Statements – GASB 34 prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. GAAP prescribes that the financial statements must be presented on an entity wide basis including all funds exclusive of fiduciary funds and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2009 and 2008 statutory budgets included a reserve for uncollected taxes in the amount of \$295,339 and \$256,358, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2009 and 2008 statutory budgets was \$455,363 and \$762,612 respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2009 and 2008 calendar years:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Police		
Salaries and Wages	(26,810)	(20,000)
Legal Services and Costs		
Other Expenses	95,000	83,530
Emergency Medical Services	(70,489)	
Gasoline	0	20,000
Employee Group Health	0	(78,000)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2009 calendar year, City Council approved a budget insertion in the amount of \$160,000 for the Safe Routes to Schools Program. During the 2008 calendar year, no significant budget insertions were approved by City Council.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. During the 2009 calendar year, City Council approved an emergency authorization in the amount of \$250,000 for Legal Services and Costs, Other Expenses. The City Council authorized no emergency appropriations in the 2008 calendar year.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2009 and 2008 calendar years:

	<u>2009</u>	<u>2008</u>
Legal Services and Costs		
Other Expenses	50,000	
Employee Group Insurance	55,000	
Municipal Court		
Salaries and Wages	20,000	
Landfill – Tipping Fees	37,415	
Type I District School Debt Service		
Payment on Bond Anticipation Notes		25,000

Note 3: INVESTMENTS

As of December 31, 2009 and 2008, the municipality had investments totaling \$0 and \$1,369,222, respectively.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

During the years ended December 31, 2009 and 2008 the City held investments in Bond Anticipation Notes of the City School District in the amount of \$0 and \$1,369,222, respectively.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 19, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2009 and 2008 amounted to \$76,461 and \$59,866, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is not yet available.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$0 of the municipality's bank balance of \$4,534,650 was exposed to custodial credit risk. As of December 31, 2008, \$0 of the municipality's bank balance of \$4,190,917 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2009 consisted of the following:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
General	8,757,350		379,504	8,377,846	386,938
School	8,733,841		1,150,369	7,583,472	1,195,368
Comp. Absences	852,435	26,050		878,485	-
Total	<u>\$ 18,343,626</u>	<u>26,050</u>	<u>1,529,873</u>	<u>16,839,803</u>	<u>1,582,306</u>

As of December 31, 2009, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 13.

Summary of Municipal Debt

Long-term debt as of December 31, 2009 consisted of the following:

\$6,950,000 General Obligations Bonds dated July 1, 2003 for various improvements in the City with a balance due on December 31, 2009 of \$6,470,000. The bonds are payable annually on July 15 with interest paid semi-annually on January 15 and July 15. Interest rates vary from 4% to 4.5%. The final payment is due July 15, 2023. Bonds maturing on or after 7/15/14 are redeemable at the option of the City in whole or in part on any date on or after 7/15/13.

\$2,020,000 General Obligations Bonds dated September 15, 2005 for various improvements in the City with a balance due on December 31, 2009 of \$1,375,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.25% to 3.625%. The final payment is due August 1, 2016.

\$148,500 Green Trust Loan dated December 22, 1997 for Construction of a bike path in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2009 of \$70,382. The bonds are payable semiannually on March 22 and September 22. Interest is calculated at 2%. The final payment is due March 22, 2018.

\$150,000 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2009 of \$107,258. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$237,500 New Jersey Environmental Infrastructure Trust Loan dated November 28, 2007 for the purchase of a public works vehicle. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2009 of \$181,000 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.20% to 3.32%. The final payment is due August 1, 2012.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

\$237,500 New Jersey Environmental Infrastructure Trust Loan dated November 28, 2007 for the purchase of a public works vehicle. Semiannual principal payments are due on February 1 and August 1, with a balance due on December 31, 2009 of \$174,206. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2012.

\$1,947,000 School Bonds dated July 1 1996 for school addition construction in the City with a balance due on December 31, 2009 of \$347,000. The bonds are payable annually on July 1 with interest paid semi-annually on January 1 and July 1. Interest is calculated at 5.45%. The final payment is due July 1, 2011.

\$1,510,000 School Bonds dated July 1, 2003 for school renovations, additions and improvements and real property acquisition with a balance due on December 31, 2009 of \$1,390,000. The bonds are payable annually on July 15 with interest paid semi-annually on January 15 and July 15. Interest rates vary from 4% to 4.2%. The final payment is due July 15, 2021.

\$4,740,000 School Refunding Bonds dated July 1, 2003 with a balance due on December 31, 2009 of \$1,905,000. The bonds are payable annually on May 15 and November 15. Interest rates vary from 2% to 3.125%. The final payment is due November 15, 2013. Bonds maturing on or after 7/15/14 are redeemable at the option of the City in whole or in part on any date on or after 7/15/13.

\$2,755,000 School Bonds dated September 15, 2005 for school renovations and upgrades with a balance due on December 31, 2009 of \$2,320,000. The bonds are payable annually on August 1 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.5% to 4.0%. The final payment is due August 1, 2024. Bonds maturing on or after 8/1/16 are redeemable at the option of the City in whole or in part on any date on or after 8/1/15.

\$7,702,000 School Loans dated August 18, 1993 with a balance due on December 31, 2009 of \$1,621,472. The loans are payable annually on July 15. Interest is calculated at 1.5%. The final payment is due July 15, 2013.

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

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	1,582,306	569,175	2,151,481
2011	1,581,728	522,806	2,104,534
2012	1,441,134	476,464	1,917,598
2013	1,316,618	438,411	1,755,029
2014	1,001,576	401,920	1,403,496
2015-2019	4,934,319	1,421,874	6,356,193
2020-2024	4,103,639	437,892	4,541,531
Total	<u>\$ 15,961,320</u>	<u>4,268,542</u>	<u>20,229,862</u>

As of December 31, 2009, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2009 and 2008, the City's total amount to be raised by taxation included \$1,191,125 and \$1,269,836, respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	<u>Year 2009</u>	<u>Year 2008</u>	<u>Year 2007</u>
Bonds & Notes Issued:			
General	\$12,101,211	11,891,634	11,536,541
School	7,814,250	10,333,841	11,484,210
Net Bonds & Notes Issued	<u>19,915,461</u>	<u>22,225,475</u>	<u>23,020,751</u>
Bonds & Notes Authorized But Not Issued:			
General	875,080	133	25,133
School	0	0	0
Net Bonds & Notes Authorized But Not Issued	<u>875,080</u>	<u>133</u>	<u>25,133</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$20,790,541</u>	<u>\$22,225,608</u>	<u>23,045,884</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.04%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$7,814,250	7,814,250	0
Regional School District Debt	15,864,053	15,864,053	0
General Debt	12,976,291	0	12,976,291
	<u>\$36,654,594</u>	<u>23,678,303</u>	<u>12,976,291</u>

Net Debt \$12,976,291 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,253,576,367 = 1.04%. The above information is in agreement with the Annual Debt Statement filed by the City.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$43,875,173
Net Debt	12,976,291
Remaining Borrowing Power	<u>\$30,898,882</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 6: BOND ANTICIPATION NOTES

The City has outstanding at December 31, 2009 the following bond anticipation notes:

<u>Bank</u>	<u>Balance</u> <u>12/31/08</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/09</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u>
Commerce Capital	\$616,155		616,155	0		
Sun National Bank	1,653,027	587,816		2,240,843	6/17/10	2.13%
Depository Trust Co.	1,095,880	617,420		1,713,300	9/16/10	3.00%
City of Linwood	1,369,222		1,369,222	0		
	<u>\$4,734,284</u>	<u>1,205,236</u>	<u>1,985,377</u>	<u>3,954,143</u>		

The City intends to permanently finance these notes during the 2010 calendar year.

Note 7: OPERATING LEASES

The City is leasing two (2) copy machines under operating leases. The total lease payments in 2009 and 2008 were \$10,904 and \$13,128 respectively. The term for both leases was 36 months and they will expire April 24, 2012. Future minimum payments under these leases, which provide for the option to purchase the equipment at the termination of the lease for the fair market value are:

<u>Year</u>	<u>Amount</u>
2010	\$9,792
2011	9,792
2012	3,264
	<u>\$22,848</u>

Note 8: FUND BALANCES APPROPRIATED

As of the date of this audit, the City has not introduced the 2010 Municipal Budget and the amount of fund balance appropriated has not been determined. Municipalities are permitted to appropriate the full amount of the fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2010 budget is \$588,243. The City anticipated surplus of \$455,363 in the 2009 Municipal Budget.

Note 9: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted to the respective district in the following amounts:

	<u>2009</u>	<u>2008</u>
Local School District	10,078,557	9,907,391
Regional High School District	5,052,803	4,828,710

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 10: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance <u>12/31/09</u>	Balance <u>12/31/08</u>
Prepaid Taxes	271,784	282,312
Cash Liability for Taxes Collected in Advance	<u>271,784</u>	<u>282,312</u>

Note 11: PENSION FUNDS

Description of Plans

Substantially all of the City’s employees are covered by the Public Employees’ Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Public Employees’ Retirement System

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

Police and Fireman’s Retirement System

The contribution policy for the Police and Fireman’s Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of new Jersey legislation. PERS provided for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 6.9% of covered payroll. The City's contributions to PERS for the years ended December 31, 2009, 2008 and 2007 were \$178,130, \$125,371, and \$89,413.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Note 12: POST-RETIREMENT BENEFITS

The New Jersey State Health Benefits Commission administers cost-sharing multiple-employer health care plans under the State Health Benefits Program and the School Employees' health plan. The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents. The City entered the SHBP effective September 1, 2008.

Members of the Public Employees' Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligible at age 60
Early Retirement	Eligible after 25 years of service
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	Eligible after 10 years of service
Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Members of the Police and Firemen’s Retirement System would generally qualify for coverage under the following criteria:

Service Retirement	Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000. Mandatory at age 65.
Service or Early retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service
Ordinary Disability Retirement	A member is eligible for Ordinary Disability Retirement if he/she has 4 years of service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A member is eligible upon total and permanent incapacitation from the performance of usual and available duties as a result of injury during the performance of regular duties.
Special Disability Retirement	A member is eligible for Special Disability Retirement if he/she has 5 years of credited service, is under age 55, and has received a heart transplant.

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/shbp.htm>.

The City of Linwood is a member of the SHBP and provides that its retirees will be covered for medical care. During 2009, \$874,369 was paid by the City for health care of employees and retirees. The amount paid for retirees was \$238,620. The amount paid during 2008 was \$1,116,815 for employees and \$82,310 for retirees. As indicated above, the City was not a member of the SHBP prior to September 1, 2008.

Note 13: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material. At December 31, 2009 and 2008, we have estimated this liability to be approximately \$878,485 and \$852,435, respectively. The realization of this liability may be affected by conditions that could preclude an employee from receiving full payment of the accrual.

Note 14: ECONOMIC DEPENDENCY

The City of Linwood is not economically dependent on any one business or industry within the City.

Note 15: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

The City has been named as a defendant in a pending litigation brought on by a developer requesting the City issue a certificate of completion with regard to a redevelopment project. The City is vigorously defending this case and as of the date of this audit any potential liability to the City is not known.

Note 16: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2009 and 2008 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2009 and 2008 was \$9,717 and \$9,512 respectively.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 17: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$14,950 and \$14,950 for 2009 and 2008 respectively.

Note 18: INTERFUND BALANCES

As of December 31, 2009, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 1,695	
Grant Fund	153,684	
Other Trust Funds	101	
Grant Fund:		
Current Fund		153,684
Trust Fund:		
Current Fund-		
Animal Control Fund		1,695
Other Trust Funds		101
	<u>\$ 155,480</u>	<u>155,480</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due from Other Trust Funds to the Current Fund is due to interest earned on bank accounts that has not yet been transferred. The amount due from the Grant Fund to the Current Fund is the result of unexpended grant reserves which have been drawn down from the funding agencies.

Note 19: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2009 and 2008 calendar years, the tax abatement program generated \$353,412 and \$229,665, respectively, in revenue for the City.

Note 20: UNION CONTRACTS

As of December 31, 2009, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/08-12/31/11
PBA	Police	Superior Officers	1/1/08-12/31/11
IAFF	Firefighters	All uniformed firefighters	1/1/10-12/31/14
Teamsters	Other Police Employees	Dispatchers and Police Secretary	1/1/08-12/31/10
Teamsters	Public Works	All public works employees excluding Superintendent	1/1/08-12/31/10

Note 21: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

Note 22: SUBSEQUENT EVENTS

During 2010 the City authorized the following bond ordinance which increased the City's authorized debt:

<u>Ordinance #</u>	<u>Purpose</u>	<u>Total Appropriated</u>	<u>Debt Authorized</u>	<u>Date Introduced</u>
2010-8	Construction of a Clean Water Project	\$2,010,000	2,010,000	3/10/10

The above ordinance was adopted by City Council on March 24, 2010. As of the date of this audit report, the City had not issued debt for this purpose.

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SUPPLEMENTARY INFORMATION

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**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

PO Box 548, Mays Landing, NJ 08330
609-625-0999 FAX 609-625-2421

A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

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 City Council
City of Linwood, New Jersey

We have audited the financial statements - regulatory basis of the City of Linwood, New Jersey as of and for the year ended December 31, 2009, and have issued our report thereon dated April 2, 2010. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the City of Linwood, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Linwood, New Jersey's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements - regulatory basis but not for the purpose of expressing an opinion on the effectiveness of the City of Linwood's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Linwood's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies of material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the

accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness - #09-1.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Linwood, New Jersey in a separate letter dated April 2, 2010.

The City of Linwood's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the city of Linwood's response and, accordingly, we express no opinion on it.

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

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Alliance of Governmental Auditors

Alliance of Governmental Auditors, LLC
Certified Public Accountants

April 2, 2010

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/09	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/09	Total Cumulative State Expenditures
Federal									
Passed through State of New Jersey Department of Community Affairs									
Small Cities Block Grant	14.228	1/1/08-12/31/08	23,669	7,578	22,316	7,578		0	
Small Cities Block Grant	14.228	1/1/09-12/31/09	22,316		22,316	22,316		0	
Total Federal Funds				<u>7,578</u>	<u>22,316</u>	<u>29,894</u>	<u>0</u>	<u>0</u>	
State of New Jersey:									
Passed through:									
Department of Environmental Protection									
Clean Communities	4900-765-178920	1/1/09-12/31/09	14,910	0	14,910	10,470		4,440	10,470
Total Department of Environmental Protection				<u>0</u>	<u>14,910</u>	<u>10,470</u>	<u>0</u>	<u>4,440</u>	
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/07-12/31/07	1,104	190		21	(169)	0	935
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/08-12/31/08	2,044	82			(82)	0	1,962
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	2,729		2,729	1,381		1,348	1,381
Total Division of Motor Vehicles				<u>272</u>	<u>2,729</u>	<u>1,402</u>	<u>(251)</u>	<u>1,348</u>	
Department of Transportation									
Road Reconstruction	6320-480-601381-61	1/1/07-12/31/07	150,000	4,138				4,138	145,862
Reconstruction of Central Avenue	6320-480-601381-61	1/1/08-12/31/08	145,000	145,000		98,882		46,118	98,882
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/09-12/31/09	150,000		150,000			150,000	0
Safe Routes to Schools	6320-480-601381-61	1/1/09-12/31/09	170,000	149,138	170,000	5,014		164,986	5,014
Total Department of Transportation				<u>149,138</u>	<u>320,000</u>	<u>103,896</u>	<u>0</u>	<u>365,242</u>	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/07-12/31/07	1,895	106			(106)	0	1,789
Body Armor Fund	1020-718-066-1020-001	1/1/09-12/31/09	2,045		2,045	1,350		695	1,350
Total Division of Criminal Justice				<u>106</u>	<u>2,045</u>	<u>1,350</u>	<u>(106)</u>	<u>695</u>	
Total State Funds				<u>149,516</u>	<u>339,684</u>	<u>117,118</u>	<u>(357)</u>	<u>371,725</u>	
Total Federal and State Financial Assistance				<u>\$157,094</u>	<u>362,000</u>	<u>147,012</u>	<u>(357)</u>	<u>371,725</u>	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2009**

Note 1: BASIS OF PRESENTATION

The accompanying schedule of federal and state financial assistance includes the federal and state grant activity of the City of Linwood, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the City's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the City's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Expenditures per Schedule of Federal And State Awards	\$29,894	117,118	147,012
Add: Local Funding		152,023	152,023
Expenditures Reported in Basic Financial Statements	<u>\$29,894</u>	<u>269,141</u>	<u>299,035</u>

AUDIT FINDINGS AND RESPONSES

09-1. Criteria

The general ledger is required to be maintained in an accurate manner in order for City personnel to determine the financial status at any point in time.

Condition

Significant adjusting entries were not posted to the general ledger during the 2009 calendar year which resulted in incomplete financial information provided to City officials.

Cause

Finance office personnel had manually prepared many of the adjusting entries but did not post them to the general ledger prior to year end. As a result, City officials did not have sufficient information to properly monitor the financial condition of the City.

Effect

The City does not have sufficient information to accurately monitor financial activity throughout the year.

Recommendation

That all adjusting journal entries, including year-end entries, be posted to the general ledger in a timely manner.

Management Response

The Chief Financial Officer, who will be retiring in 2010, is currently training other office personnel in the day to day operations of the office. The above condition is the result of this learning process.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>	
Balance December 31, 2008			\$361,268
Increased by Receipts:			
Taxes Receivable	A-5	26,625,228	
Prepaid Taxes	A	271,784	
Sewer Rents Receivable	A-7	765,741	
Prepaid Sewer	A	328,615	
Revenue Accounts Receivable	A-8	1,873,554	
State of New Jersey -			
Senior Citizens and Veterans		97,470	
Reserve for Building Aid - Schools		47,180	
Marriage License Fees		975	
Burial Permit Fees		10	
Emergency Note		250,000	
Reserve for Payment of Note		1,369,222	
Interfunds		263,278	
Miscellaneous Revenue	A-2	23,491	
Redemption of Investment		1,369,222	
State Library Aid (R.S. 18:24A)		6,647	
Due to State - Construction Training Fees		7,149	
Due From Grant Fund	A-11	154,302	
		<u>33,453,868</u>	
			33,815,136
Decreased by Disbursements:			
2009 Appropriations	A-3	12,582,392	
2008 Appropriation Reserves	A-9	188,527	
State of New Jersey -			
Marriage License Fees		925	
Burial Permit Fees		30	
Due To Grant Funds - Reserves	A-11	299,035	
Prior Year Encumbrances - Grants		536	
Due to State - Construction Training Fees		7,498	
Petty Cash Fund		100	
County Taxes		3,402,369	
County Added Taxes		14,457	
Refunds		13,429	
Local District School Tax		10,005,886	
Regional High School Tax		5,052,803	
		<u>31,567,987</u>	
Balance December 31, 2009	A		<u>\$2,247,149</u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

YEAR	Balance Dec. 31, 2008	2009 Levy	Added Taxes	6% Penalty	Overpayments Created	Collections by Cash 2008	2009	Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2009
2007	9,195						9,195				0
2008	232,765		2,502				228,347		5,827	1,093	0
	241,960	0	2,502	0	0	0	237,542	0	5,827	1,093	0
2009		27,061,581				282,132	26,485,979		22,388	1,331	269,751
	<u>\$241,960</u>	<u>27,061,581</u>	<u>2,502</u>	<u>0</u>	<u>0</u>	<u>282,132</u>	<u>26,723,521</u>	<u>0</u>	<u>28,215</u>	<u>2,424</u>	<u>269,751</u>

Ref. A

A-6 A

Cash Collected	A-4	\$26,625,228
Senior Citizen & Veteran Allowances		<u>98,293</u>
		<u>\$26,723,521</u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF
PROPERTY TAX LEVY
(CONTINUED)**

Analysis of 2009 Property Tax Levy

Tax Yield		
General Property Tax		\$26,917,594
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>143,987</u>
		<u><u>27,061,581</u></u>
Tax Levy	<u>Ref.</u>	
Local District School Tax (Abstract)		10,078,557
Regional High School Tax (Abstract)		5,052,803
County Tax (Abstract)		3,402,369
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>18,510</u>
		18,552,239
Local Tax for Municipal Purposes	A-2	7,190,998
Addition to Local School Tax	A-2	1,191,125
Add: Additional Tax Levied		<u>127,219</u>
Local Tax for Municipal Purposes Levied		<u>8,509,342</u>
		<u><u>\$27,061,581</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2008	A		\$4,782
Increased by:			
Transfers from Taxes Receivable	A-5	2,424	
Interest and Costs Accrued on Sale of October 16, 2009		<u>130</u>	
			<u>2,554</u>
Balance December 31, 2009	A		<u><u>\$7,336</u></u>

**CURRENT FUND
SCHEDULE OF SEWER RENTS**

	<u>Ref.</u>		
Balance December 31, 2008	A		\$18,824
Increased by:			
Sewer Charges Levied in 2009			<u>1,081,217</u>
			1,100,041
Decreased by:			
Prepaid in 2008	A	309,810	
Transfers to Utility Liens		725	
Cash	A-4	<u>765,741</u>	
			<u>1,076,276</u>
Balance December 31, 2009	A		<u><u>\$23,765</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	Balance Dec. 31, 2008	Accrued in 2009	Collected by Treasurer	Balance Dec. 31, 2009
A-2		66,207	66,207	
A-2		163,666	163,666	
A-2		39,895	39,895	
A-2	12,984	218,774	216,490	15,268
A-2		8,280	8,280	
A-2		8,139	8,139	
A-2		599,756	599,756	
A-2		98,028	98,028	
A-2		20,768	20,768	
A-2		200,549	200,549	
A-2		14,707	14,707	
A-2		51,526	51,526	
A-2		353,412	353,412	
A-2		32,131	32,131	
	<u>12,984</u>	<u>1,875,838</u>	<u>1,873,554</u>	<u>15,268</u>
Ref.	A	Res.	A-4	A

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2008**

	Balance Dec. 31, 2008	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- expended
Municipal Clerk					
Other Expenses	9,752	9,752	4,657	5,095	
Financial Administration					
Other Expenses	3,030	3,030	253	2,777	
Audit Services	22,000	22,000	22,000	0	
Legal Services and Costs					
Other Expenses	36,225	36,225	34,083	2,142	
Engineering Services and Costs					
Other Expenses	335	335	190	145	
Public Buildings and Grounds					
Other Expenses	7,901	7,901	5,728	2,173	
Municipal Land Use Law(NJSA 40:55D-1)					
Planning Board					
Other Expenses	9,601	9,601	3,960	5,641	
Board of Adjustment					
Other Expenses	2,028	2,028	1,360	668	
Insurance					
Group Insurance for Employees	14,232	14,232	1,712	12,520	
Other Insurance	929	929	400	529	
Uniform Fire Safety Act					
Other Expenses	2,779	2,779	2,178	601	
Fire					
Other Expenses					
Miscellaneous Other Expenses	3,044	3,044	3,043	1	
Police					
Salaries and Wages	21,557	21,557	16,923	4,634	
Other Expenses	28,670	28,670	26,942	1,728	
Communications					
Other Expenses	1,497	1,497	1,496	1	
Emergency Management Services					
Other Expenses	1,019	1,019	924	95	
Ambulance Contract	16,354	16,354	15,748	606	
Municipal Court					
Other Expenses	350	350	276	74	
Public Defender					
Other Expenses	1,580	1,580	200	1,380	
Road Repairs and Maintenance					
Other Expenses	5,616	5,616	4,325	1,291	
Sewer System					
Other Expenses					
Operation and Maintenance	32,448	32,448	10,662	21,786	
Animal Control Services					
Contractual	735	735	735	0	
Parks and Playgrounds					
Other Expenses	9,434	9,434	6,106	3,328	
Senior Citizen's Center					
Other Expenses	1,586	1,586	997	589	
Construction Official					
Other Expenses	5,848	5,848	326	5,522	
Utilities					
Electricity	2,279	2,279	2,250	29	
Street Lighting	13,930	13,930	4,062	9,868	
Telephone and Telegraph	4,397	4,397	2,030	2,367	
Accumulated Leave					
Salaries and Wages	5	5	5	0	
Defined Contribution Retirement Program	325	325	6	319	
LOSAP	23,000	23,000	14,950	8,050	
Other Accounts - No Changes	111,613	111,613		111,613	
	<u>\$394,099</u>	<u>394,099</u>	<u>188,527</u>	<u>205,572</u>	<u>0</u>

A-4

A-1

**STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Grant</u>	Balance Dec. 31, 2008	Transferred from 2009 Budget Revenues	Received	Canceled	Balance Dec. 31, 2009
State of New Jersey:					
New Jersey Transportation Trust Fund					
Reconstruction of Central Avenue	\$145,000	150,000	108,750		36,250
Reconstruction of Maple Avenue		14,910	14,910		150,000
Clean Communities Program		2,045	2,045		
Body Armor		2,729	2,729		
Drunk Driving Enforcement					
Federal:					
Community Development Block Grant - 2008	23,339		23,339		22,316
Community Development Block Grant - 2009		170,000			170,000
Safe Routes to Schools					
County:					
Atlantic County Drug Alliance - 2008	10,700		6,080	4,620	11,470
Atlantic County Drug Alliance - 2009		11,470			
Open Space Belhaven Park		143,749			143,749
Verizon Osprey Nesting Grant	500				500
	<u>\$179,539</u>	<u>517,219</u>	<u>157,853</u>	<u>4,620</u>	<u>534,285</u>
Ref.	A	A-2	A-4	A	A

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	Balance Dec. 31, 2008	Transferred from 2009 Budget Appropriations	Expended	Encumbered	Canceled	Balance Dec. 31, 2009
State of New Jersey:						
Body Armor Grant - 2007	106				106	695
Body Armor Grant - 2009		2,045	1,350			
Clean Communities Grant - 2009		14,910	10,470	4,437		3
New Jersey Transportation Trust Fund						
2007 Road Reconstruction	4,138					4,138
Reconstruction of Central Avenue	145,000		98,882			46,118
Reconstruction of Maple Avenue		150,000		147,791		2,209
Safe Routes to Schools		170,000	5,014	285		164,701
Drunk Driving Enforcement Fund - 2007	190		21		169	
Drunk Driving Enforcement Fund - 2008	82				82	
Drunk Driving Enforcement Fund - 2009		2,729	1,381	30		1,318
Federal:						
Community Development Block Grant - 2008	7,578		7,578			
Community Development Block Grant - 2009		22,316	22,316			
County:						
Atlantic County Drug Alliance- County 2007						
Atlantic County Drug Alliance- Local 2007						
Atlantic County Drug Alliance- County 2008	4,275				4,275	
Atlantic County Drug Alliance- Local 2008	1,500				1,500	
Atlantic County Drug Alliance- County 2009		11,470	6,493			4,977
Atlantic County Drug Alliance- Local 2009		2,868	1,781			1,087
Open Space Belhaven Park		143,749	143,749			
Verizon Osprey Nesting Grant	397					397
	<u>\$163,266</u>	<u>520,087</u>	<u>299,035</u>	<u>152,543</u>	<u>6,132</u>	<u>225,643</u>

Ref.

A

A-3

A-4

A

See Accompanying Auditor's Report

**STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR FEDERAL AND STATE GRANTS**

<u>Grant</u>	Balance Dec. 31, 2008	Transferred to	2009 Budget Appropriations	Received	Balance Dec. 31, 2009
Drunk Driving Enforcement Fund	\$2,729		2,729	2,415	2,415
Body Armor Grant	2,045		2,045		
Clean Communities	1,192		1,192		
	<u>5,966</u>		<u>5,966</u>	<u>2,415</u>	<u>2,415</u>
Ref.	A		A-11	A-4	A

See Accompanying Auditor's Report

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Ref.	Animal Control	Other
Balance December 31, 2008	B	15,566	193,894
Increased by Receipts:			
Dog License Fees	B-2	3,176	
Cat License Fees	B-5	570	
Dog License Fees - State Share	B-4	710	
Bike Path Beautification	B-6		4,300
Bequest - Law Enforcement Fund	B-7		150
Municipal Recycling Receipts	B-8		8,244
Tax Premiums	B-10		1,200
Municipal Drug Alliance	B-11		1,887
Street Openings			12,551
Payroll Withholdings			2,318,844
Fire Safety			135
Arboretum Donations			500
Surety Deposits			21,208
Developer's Escrow			8,854
POAA			16
Development Fees			11,708
Accumulated Absences			2,505
Due Current		114	118
		4,570	2,392,220
		20,136	2,586,114
Decreased by Disbursements:			
Dog Fund Expenditures	B-2	1,442	
Due to Current Fund	B-3	102	
Due to State of New Jersey	B-4	706	
Cat License Expenditures	B-5		
Reserve for Bike Path Beautification	B-6		2,405
Law Enforcement Expenditures	B-7		2,902
Municipal Recycling Expenditures	B-8		4,243
Tax Premiums	B-10		3
Municipal Drug Alliance	B-11		636
Street Openings			34,463
Payroll Withholdings			2,303,293
Accumulated Absences			2,482
Fire Safety			14
POAA			1,226
Developer's Escrow			914
Surety Deposits			24,314
Payments to Current Fund			14,507
		2,250	2,391,402
Balance December 31, 2009	B	17,886	194,712
Analysis of Balance:			
Payroll Agency			1,609
Accumulated Absences			7,560
Developer's Escrow			113,605
Development Fees			17,338
Surety Deposits			17,824
Bike Path Beautification			3,760
Law Enforcement			923
Street Openings			9,562
Public Defender			50
Recycling			10,151
Municipal Alliance			7,211
Tax Title Lien Redemptions			1,200
Arboretum			500
POAA			18
Uniform Fire Safety			3,401
			194,712

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

	<u>Ref.</u>		
Balance December 31, 2008	B		\$6,152
Increased by:			
Dog License Fees Collected	B-1		<u>3,176</u>
			9,328
Decreased by:			
Expenditures	B-1	1,442	
Excess Due to Current Fund	B-3	<u>1,549</u>	
			<u>2,991</u>
Balance December 31, 2009	B		<u><u>\$6,337</u></u>

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2008	<u>\$3,455</u>
2007	<u>2,882</u>
	<u><u>\$6,337</u></u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) CURRENT FUND - DOG LICENSE FUND

	<u>Ref.</u>		
Balance December 31, 2008	B		\$134
Increased by:			
Excess Due Current Fund	B-2	1,549	
Interest Due Current Fund		<u>114</u>	
			<u>1,663</u>
Decreased by:			1,797
Payments	B-1		<u>102</u>
Balance December 31, 2009	B		<u><u>\$1,695</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH

	<u>Ref.</u>		
Balance December 31, 2008	B		\$0
Increased by:			
2009 State License Fees	B-1		<u>710</u>
			710
Decreased by:			
Disbursements to the State	B-1		<u>706</u>
Balance December 31, 2009	B		<u><u>\$4</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR CAT REGISTRATIONS**

	<u>Ref.</u>	
Balance December 31, 2008		\$9,280
Increased by:		
Cat License Fees Collected	B-1	<u>570</u>
Balance December 31, 2009	B	<u><u>\$9,850</u></u>

**SCHEDULE OF RESERVE FOR BIKE PATH BEAUTIFICATION
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2008	B	\$1,865
Increased by:		
Contributions for Trees and Benches	B-1	<u>4,300</u>
		6,165
Decreased by:		
Disbursements	B-1	<u>2,405</u>
Balance December 31, 2009	B	<u><u>\$3,760</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUNDS

	<u>Ref.</u>	
Balance December 31, 2008	B	\$3,675
Increased by:		
Bequest Received	B-1	150
		3,825
Decreased by:		
Law Enforcement Expenditures	B-1	2,902
Balance December 31, 2009	B	\$923
Balance consists of:		
Law Enforcement Trust Fund		368
Police Bequest Account		555
		\$923

**SCHEDULE OF RESERVE FOR RECYCLING TRUST
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2008	B	\$6,150
Increased by:		
Municipal Recycling Receipts	B-1	<u>8,244</u>
		14,394
Decreased by:		
Recycling Expenditures	B-1	<u>4,243</u>
Balance December 31, 2009	B	<u><u>\$10,151</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC DEFENDER
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2008	B	\$50
No activity during 2009		<u> </u>
Balance December 31, 2009	B	<u><u>\$50</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2008	B	\$3
Increased by Receipts:		
Tax Title Lien Redemptions Collected	B-1	<u>1,200</u>
		1,203
Decreased by:		
Tax Title Lien Redemptions Returned	B-1	<u>3</u>
Balance December 31, 2009	B	<u><u>\$1,200</u></u>

**SCHEDULE OF RESERVE FOR DRUG ALLIANCE
OTHER TRUST FUNDS**

	<u>Ref.</u>	
Balance December 31, 2008	B	\$5,960
Increased by:		
Drug Alliance Receipts	B-1	<u>1,887</u>
		7,847
Decreased by:		
Program Expenditures	B-1	<u>636</u>
Balance December 31, 2009	B	<u><u>\$7,211</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>		
Balance December 31, 2008	C		\$3,673,940
Increased by:			
Budget Appropriation:			
Capital Improvement Fund	C-6	32,500	
Deferred Charges to Future			
Taxation - Unfunded	C-5	133	
Premium Received on Notes		12,953	
Bond Anticipation Notes	C-8	<u>617,420</u>	
			<u>663,006</u>
			4,336,946
Decreased by:			
Improvement Authorizations	C-7	586,135	
Payment of Bond Anticipation Notes	C-8	1,369,222	
Budget Appropriations			
Capital Surplus	C-1	230,778	
Due to Current Fund	C-1	<u>32,500</u>	
			<u>2,218,635</u>
Balance December 31, 2009	C		<u><u>\$2,118,311</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>		
Balance December 31, 2008	C		\$17,491,191
Increased by:			
Improvement Authorization - Ord 7-09 Clean Water Project	C-7		<u>875,000</u>
			18,366,191
Decreased by:			
Municipal Bonds	C-9	250,000	
School Bonds	C-11	745,000	
School Loans	C-12	405,369	
Green Trust Loan	C-10	15,008	
Environmental Infrastructure Trust Loans	C-13	<u>114,496</u>	
			<u>1,529,873</u>
Balance December 31, 2009	C		<u><u>\$16,836,318</u></u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2008	Improvement Authorization	Funded by Budget Appropriation	Authorizations Canceled	Balance Dec. 31, 2009	Analysis of Balance December 31, 2009	
							Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
12-04	Various Improvements	133		133		0		
10-05	(e) Purchase Computer Equipment School Improvements	341,268		110,490		230,778	230,778	0
13-06	(f) Pipe Project (f) Classroom Upgrades (a) Improvements to Building and Recreation Areas (b) Improvements to Roads (c) Purchase of CAD System for Police Dept. (d) Purchase of 2 Dodge Durango Trucks (e) Purchase of Public Works Equipment (f) Purchase of Trash Truck Purchase of Public Works Trucks	1,258,732		1,258,732		0		
11-07	Various Improvements	11,541		28,339		11,541	11,541	
14-07	(a) Public Safety Equipment (b) Public Works Equipment (c) Office Equipment and Computers (d) Dodge Durangos for Police Department (e) Tractor for Public Works Department (e) Pick Up Truck for Public Works (f) Improvements to Bldg & Grounds (g) Improvements to Roads Purchase of Fire Truck	85,864				85,864	85,864	
15-07	Various Improvements	63,646				63,646	63,646	
14-08	(a) Improvements to Bldg and Grounds (b) Various Public Safety Equipment (c) Public Works Generator (d) Purchase of Various Vehicles (e) Improvements to Roadways	43,981				43,981	43,981	
11-09	(a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	42,556				42,556	42,556	
		46,318				46,318	46,318	
		142,350				142,350	142,350	
		573,758				573,758	573,758	
		288,962				288,962	288,962	
		788,306				788,306	788,306	
		248,900				248,900	248,900	
		57,456				57,456	57,456	
		45,220				45,220	45,220	
		46,318				46,318	46,318	
		142,350				142,350	142,350	
		573,758				573,758	573,758	
		518,700				518,700	518,700	
		66,892				66,892	66,892	72
		31,908				31,908	31,908	8
		<u>\$4,734,417</u>		<u>1,397,694</u>	<u>0</u>	<u>3,954,223</u>	<u>3,954,143</u>	<u>80</u>
		C	C-3:C-7		C-7	C	C-8	

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

Balance December 31, 2008	<u>Ref.</u> C		\$27,751
Increased by:			
Improvement Authorizations Cancelled	C-7	66,504	
Budget Appropriation	A-3:C-2	<u>32,500</u>	
			<u>99,004</u>
			126,755
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-7		<u>32,500</u>
Balance December 31, 2009	C		<u><u>\$94,255</u></u>

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2008		2009 Authorizations		Paid or Charged	Prior Year Encumbered	Encumbered	Canceled	Adjusted	Transferred	Balance Dec. 31, 2009	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charge to Future Taxation							Funded	Unfunded
9-02	Various Improvements	4/10/02	3,100,000					60,759		3,075	118,290				
	(d) Building Improvements			182,124											
10-03	Various Improvements	4/9/03	1,591,250												
	(c) Sewer Equipment			14,020											
	(f) Improvements to Roads			2,882								(8,651)			
12-04	Various Improvements	5/12/04	822,501						(73)		73				
	(d) Roadway Improvements									187					
	(f) Sewer System Improvements			187											
9-05	Various Improvements	5/11/05	1,120,995					18,885	(10,397)		46,740				
	(f) Purchase Utility Vehicle and Equipment			55,228				5,549	(17,086)						
10-05	School Improvements	5/11/05	4,356,000					21,150		11,537					
	(a) HVAC				54,748										33,598
	(g) Nurses Suite			1,088				68,000						1,088	57,072
	(i) Roofing Project			125,072											
13-06	Various Improvements	5/24/06	648,585						(3,702)	3,702	47				
	(b) Improvements to Roads														
	(e) Purchase of Public Works Equipment			47											
14-07	Various Improvements	5/9/07	1,478,028					1,933		2,695	13,176				
	a. Public Safety Equipment			15,109				335		26,086					6,503
	b. Public Works Equipment			29,116				19,044	(5,000)	3,225					
	c. Office Equipment and Computers			23,772				16,560	(16,560)						
	d. Dodge Durango for Police Department			8,744				335			8,409				
	e. Tractor for Public Works Department			19,167				21,616	(22,875)	1,594	18,832				26,064
	f. Pick Up Truck for Public Works			26,399				85,922	(74,563)	22,752					442,222
	h. Improvements to Bldg & Grounds			476,333											
	g. Improvements to Roads			7						7					
15-07	Purchase of Fire Truck	5/23/07	262,000					8,651							
14-08	Improvements to Bldg and Grounds	8/13/08	910,634					43,606	(5,726)	505					15,824
	b Various Public Safety Equipment			2,479				5,726		12,998					10,212
	c Public Works Generator			30,982											30,982
	d Purchase of Various Vehicles			97,009				59,362	(40,222)	161,559					77,869
	e Improvements to Roadways			569,819				93,009	(1,919)						317,170
7-09	Clean Water Project - NEIF	3/25/09	875,000					12,207							862,793
11-09	Various General Improvements	6/24/09	650,000							294,709					223,859
	(a) Improvements to Roads & Drainage			27,300				27,432							66,892
	(b) Purchase of Trash Truck			3,521				890							9,564
	(c) Purchase of Public Safety Equipment			1,679				14,829		9,194					
				32,500				586,135	(198,123)	527,545	240,098	0	0	3,719	2,180,624
				C	C	C-6	C-4; C-5	C-2	Capital Improvement Fund	C-6	C	C	C		
									Capital Surplus	C-1					
										66,504					
										173,594					
										<u>240,098</u>					

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2008	Increased	Paid	Balance Dec. 31, 2009
10-05	School Improvements	-	-	-	1,369,222		1,369,222	0
10-05	School Improvements	9/17/08	9/16/10	3.00%	230,778			230,778
13-06	Various General Improvements	6/26/06	6/17/10	2.13%	616,155		28,339	587,816
14-07	Various General Improvements	6/25/07	6/17/10	2.13%	1,404,127			1,404,127
15-07	Various General Improvements	6/25/07	6/17/10	2.13%	248,900			248,900
14-08	Various General Improvements	9/18/08	9/16/10	3.00%	865,102			865,102
11-09	Various General Improvements	9/17/09	9/16/10	3.00%		617,420		617,420
Ref.					<u>\$4,734,284</u>	<u>617,420</u>	<u>1,397,561</u>	<u>3,954,143</u>
					C	C-2		C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Balance December 31, 2008	<u>Ref.</u> C	\$77,907
Decreased by:		
Principal Paid by Budget Appropriation	C-2	<u>7,525</u>
Balance December 31, 2009	C	<u><u>70,382</u></u>

Purpose	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2009	
			Date	Amount
Construction of Bike Path	12/22/97	148,500	3/22/2010	3,819
			9/22/2010	3,857
			3/22/2011	3,895
			9/22/2011	3,934
			3/22/2012	3,974
			9/22/2012	4,014
			3/22/2013	4,054
			9/22/2013	4,094
			3/22/2014	4,135
			9/22/2014	4,176
			3/22/2015	4,218
			9/22/2015	4,261
			3/22/2016	4,303
			9/22/2016	4,346
			3/22/2017	4,390
9/22/2017	4,434			
3/22/2018	<u>4,478</u>			
				<u><u>\$70,382</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Balance December 31, 2008	Ref.	
	C	\$114,741
Decreased by:		
Loan payments	C-4	7,483
Balance December 31, 2009	C	107,258

			Maturities of Loans Outstanding December 31, 2009	
Purpose	Date of Issue	Amount of Original Issue	Date	Amount
Lighting at All Wars Memorial Park	7/09/2003	150,000	01/15/10	3,798
			07/15/10	3,836
			01/15/11	3,874
			07/15/11	3,913
			01/15/12	3,952
			07/15/12	3,991
			01/15/13	4,031
			07/15/13	4,072
			01/15/14	4,112
			07/15/14	4,153
			01/15/15	4,195
			07/15/15	4,237
			01/15/16	4,279
			07/15/16	4,322
			01/15/17	4,365
			07/15/17	4,409
			01/15/18	4,453
			07/15/18	4,498
			01/15/19	4,543
			07/15/19	4,588
01/15/20	4,634			
07/15/20	4,680			
01/15/21	4,727			
07/15/21	4,774			
01/15/22	4,822			
				\$ 107,258

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2009			Int. Rate	Balance Dec. 31, 2008	Issued 2009	Decreased Paid 2009	Balance Dec. 31, 2009
			Date	Amount						
School Bonds	7/1/96	1,947,000	7/1/10	175,000		5.450%	497,000		150,000	347,000
			7/1/11	172,000		5.450%				
School Bonds (Refunding)	7/1/2004	4,740,000	11/15/10	480,000		3.000%	2,370,000		465,000	1,905,000
			11/15/11	470,000		3.000%				
			11/15/12	485,000		3.000%				
			11/15/13	470,000		3.125%				
School Bonds	7/1/2004	1,510,000	7/15/10-13	20,000		4.100%	1,410,000		20,000	1,390,000
			7/15/14	140,000		4.100%				
			7/15/15	145,000		4.100%				
			7/15/16	155,000		4.100%				
			7/15/17	160,000		4.100%				
			7/15/18	165,000		4.100%				
			7/15/19	175,000		4.100%				
			7/15/20	180,000		4.100%				
7/15/21	190,000		4.200%							
School Bonds	9/15/2005	2,755,000	8/01/10	115,000		3.500%	2,430,000		110,000	2,320,000
			8/01/11	120,000		3.500%				
			8/01/12	125,000		3.500%				
			8/01/13	130,000		3.500%				
			8/01/14	135,000		3.750%				
			8/01/15	140,000		3.750%				
			8/01/16	145,000		3.750%				
			8/01/17	155,000		3.750%				
			8/01/18	160,000		4.000%				
			8/01/19	165,000		4.000%				
			8/01/20	170,000		4.000%				
			8/01/21	180,000		4.000%				
			8/01/22	185,000		4.000%				
			8/01/23	195,000		4.000%				
8/01/24	200,000		4.000%							
							<u>\$6,707,000</u>	<u>0</u>	<u>745,000</u>	<u>5,962,000</u>
							C		C-4	C
							Ref.			

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL LOANS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2009			Int. Rate	Balance Dec. 31, 2008	Paid by Budget Appropriation	Balance Dec. 31, 2009
			Date	Amount	Decreased				
School Loan	8/18/93	4,118,500	7/15/09-13	216,764	1.50%	\$1,083,810	216,764	867,046	
School Loan	8/18/93	132,000	7/15/09-13	6,947	1.50%	34,740	6,947	27,793	
School Loan	8/18/93	3,451,500	7/15/09-13	181,658	1.50%	908,291	181,658	726,633	
						<u>\$2,026,841</u>	<u>405,369</u>	<u>1,621,472</u>	
					Ref.	C	C-4	C	

See Accompanying Auditor's Report

CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

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GENERAL COMMENTS

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate \$29,000 except by contract or agreement."

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$29,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

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

Reconstruction of Central Avenue, ADA Curb Ramp Improvements, Construction of Arboretum.

Our examination of expenditures did not reveal payments in excess of \$29,000 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 5, 2009, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED by the City Council of the City of Linwood, in accordance with N.J.S.A. 54:4-67, which authorizes the Governing Body to fix the rate of interest to be charged, in the City of Linwood, for the nonpayment of taxes and assessments, said rate of interest shall be and is hereby fixed at eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount in excess of \$1,500 and allows for an additional penalty of 6% to be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year. There will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order."

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on October 16, 2009 and was complete,

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

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2009	2	1
2008	2	0
2007	2	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2009 and 2010 Taxes	15
Delinquent Taxes	4
Payment of 2009 and 2010 Sewer Charges	14
Municipal Court	15

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2009	\$27,061,581	26,768,111	98.92%
2008	26,292,679	26,022,597	98.97%
2007	25,216,157	24,932,106	98.87%
2006	24,451,439	24,108,356	98.60%
2005	22,963,746	22,718,623	98.93%

Comparative Schedule of Tax Rate Information

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Tax Rate	3.449	3.361	3.243	3.186	3.030
Apportionment of Tax Rate:					
Municipal	0.921	0.891	0.822	0.792	0.733
County	0.436	0.414	0.419	0.442	0.429
Local School	1.444	1.436	1.392	1.346	1.273
Regional High School	0.647	0.620	0.61	0.607	0.595
Assessed Valuation	780,446,294	778,584,511	773,023,780	759,035,835	751,545,247

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2009	\$7,336	269,751	277,087	1.02%
2008	4,782	241,960	246,742	0.94%
2007	4,577	256,669	261,246	1.07%
2006	4,379	302,899	307,278	1.34%
2005	4,185	247,179	251,364	1.21%

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

RECOMMENDATIONS

That all adjusting journal entries, including year-end entries, be posted to the general ledger in a timely manner.

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

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

Very truly yours,

Robert E. Swartz, CPA

Robert E. Swartz, CPA
Registered Municipal Accountant
No. 319

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC