

CITY OF LINWOOD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

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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, 2010 and 2009, the related statements of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2010. 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 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 affect on the financial statement of the variances between the prescribed basis of accounting and the 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 its financial statements on the basis of accounting discussed in the third 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, 2010 and 2009 or the results of its operations for the year then ended.

However, in our opinion, the financial statement 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, 2010 and 2009, and the results of operations and changes in fund balance – regulatory basis of such funds for the year 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, 2010 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2011 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 audit was performed for the purpose of forming an opinion on the financial statements of the City of Linwood, New Jersey taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are 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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

May 25, 2011

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>2010</u>	<u>2009</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$1,650,229	2,247,149
Clerk		363	1,915
Change Fund		350	350
Petty Cash		100	0
		<u>1,651,042</u>	<u>2,249,414</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	372,862	269,751
Tax Title Liens Receivable	A-6	5,216	7,336
Property Acquired for Taxes-Assessed Valuation		37,387	37,387
Sewer Rents Receivable	A-7	29,115	23,765
Sewer Liens Receivable		0	470
Revenue Accounts Receivable			
Municipal Court	A-8	11,109	15,268
Due From:			
Dog Fund	B	1,135	1,695
Other Trust Funds	B	101	101
Grant Fund	A	127,864	153,684
		<u>584,789</u>	<u>509,457</u>
Deferred Charges:			
Emergency Authorization		<u>0</u>	<u>250,000</u>
		<u>2,235,831</u>	<u>3,008,871</u>
Federal and State Grant Fund:			
Cash		138,201	0
State Grants Receivable	A-10	366,365	534,285
		<u>504,566</u>	<u>534,285</u>
		<u>\$2,740,397</u>	<u>3,543,156</u>

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$294,310	275,083
Reserve for Encumbrances		234,596	386,560
Taxes Collected in Advance		223,437	271,784
Prepaid Sewer Rents		330,005	328,615
Tax Overpayments		8,955	3,214
Overpaid Sewer Rents		1,990	0
Due to State of New Jersey -			
Construction Training Fees		2,150	1,450
Veterans and Senior Citizens		7,162	5,869
Marriage License Fees		100	225
Burial Fee		0	10
Reserve for Building Aid Allowance-Schools		0	47,180
Emergency Note Payable		0	250,000
Local School District Taxes Payable		0	72,671
Due to County-Added Taxes	A	6,135	18,510
		<u>1,108,840</u>	<u>1,661,171</u>
Reserves for Receivables and Other Assets	A	584,789	509,457
Fund Balance	A-1	542,202	838,243
		<u>2,235,831</u>	<u>3,008,871</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		9,501	152,543
Due to Current Fund	A	127,864	153,684
Reserve for State Grants			
Appropriated	A-11	353,568	225,643
Unappropriated	A-12	13,633	2,415
		<u>504,566</u>	<u>534,285</u>
		<u>\$2,740,397</u>	<u>3,543,156</u>

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$475,000	455,363
Miscellaneous Revenue Anticipated	A-2	3,426,707	5,144,196
Receipts from Delinquent Taxes	A-2	272,094	237,542
Receipts from Current Taxes	A-2	28,062,608	26,768,111
Non Budget Revenue	A-2	14,001	23,491
Other Credits to Income:			
Interfund Returned		25,839	0
Cancellation of Prior Year Liabilities		1,092	6,132
Unexpended Balance of Approp Reserves	A-9	198,661	205,572
		<u>32,476,002</u>	<u>32,840,407</u>
Total Income			
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	3,975,246	4,095,183
Other Expenses	A-3	4,679,327	4,953,884
Deferred Charges and Statutory Expenditures	A-3	1,166,461	891,633
Capital Improvements	A-3	208,998	182,500
Municipal Debt Service	A-3	819,068	2,204,012
Local District School Debt Service	A-3	1,449,209	1,436,910
County Tax		3,718,007	3,402,369
County Share of Added Taxes		6,135	18,510
Local District School Tax		10,518,382	10,078,557
Regional School Tax		5,756,210	5,052,803
Cancellation of Prior Year Revenue		0	11,499
Interfund Created		0	142,403
		<u>32,297,043</u>	<u>32,470,263</u>
Total Expenditures			
Excess in Revenue		<u>178,959</u>	<u>370,144</u>

See Accompanying Notes to Financial Statements

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

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		0	250,000
Statutory Excess to Fund Balance		178,959	620,144
Fund Balance January 1	A	<u>838,243</u>	<u>673,462</u>
		1,017,202	1,293,606
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>475,000</u>	<u>455,363</u>
Balance December 31	A	<u><u>\$542,202</u></u>	<u><u>838,243</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$475,000		475,000	
Miscellaneous Revenues:					
Section A: Local Revenues					
Licenses:					
Other	A-8	39,000		41,023	2,023
Fines and Costs:					
Municipal Court	A-8	215,000		219,157	4,157
Interest and Costs on Taxes	A-8	55,000		68,064	13,064
Interest on Investments and Deposits	A-8	32,000		41,163	9,163
Sewer Use Charges	A-7	1,074,900		1,082,719	7,819
Parking Permits	A-8	8,200		7,055	(1,145)
Planning and Zoning Fees and Permits	A-8	8,000		11,150	3,150
Total Section A		1,432,100	0	1,470,331	38,231
Section B: State Aid Without Offsetting Appropriations					
Consolidated Municipal Property Tax Relief Act	A-8	46,459		46,459	
Energy Receipts Tax	A-8	525,149		525,149	
Building Aid Allowance for Schools - State Aid	A-8	213,968		211,763	
Reserve for 2008 Building Aid	A-8	47,180		47,180	
Total Section B		832,756	0	830,551	0
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	156,150		131,320	(24,830)
Total Section C		156,150	0	131,320	(24,830)

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
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	190,000		190,000	
Drunk Driving Enforcement Fund	A-10	3,660		3,660	
Clean Communities Program	A-10	14,291		14,291	
Safe Routes to Schools Program	A-10	608		608	
Municipal Alliance on Alcohol and Drug Abuse	A-10	11,470		11,470	
Body Armor	A-10	1,013		1,013	
Community Development Block Grant	A-10	22,500		22,500	
FEMA Grant #1873	A-10	21,324		21,324	
FEMA Grant #1889	A-10	28,187		28,187	
Garden State Historic Preservation Trust	A-10	18,000		18,000	
Clean Air Cool Planet	A-10		2,500	2,500	
Total Section F		311,053	2,500	313,553	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	14,707		13,043	(1,664)
Tax Abatement	A-8	471,200		498,951	27,751
Bell Atlantic Nynex Tower	A-8	51,500		53,090	1,590
Capital Fund Surplus		113,000		113,000	
Due from Alliance Trust Fund		2,868		2,868	
Total Section G		653,275	0	680,952	27,677

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues	A-1	3,385,334	2,500	3,426,707	41,078
Receipts from Delinquent Taxes	A-1:A-2	250,073		272,094	22,021
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	7,492,773		7,186,250	(306,523)
b) Addition to Local District School Tax		1,188,209		1,188,209	
Total Amount to Be Raised by Taxes		<u>8,680,982</u>	<u>0</u>	<u>8,374,459</u>	<u>(306,523)</u>
Budget Totals		12,791,389	2,500	12,548,260	(243,424)
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			14,001	14,001
	Ref.	A-3	A-3	<u>12,562,261</u>	<u>(229,423)</u>

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$28,062,608
Allocated to:		
School, County Taxes		<u>19,998,734</u>
Balance for Support of Municipal Budget Appropriations		8,063,874
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>310,585</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>8,374,459</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	269,751
Tax Title Lien Collections	A-6	<u>2,343</u>
		<u><u>\$272,094</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONCLUDED)**

Ref.

Analysis of Non-Budget Revenue

Other Miscellaneous:

Sewer Connection Fees	1,850
Miscellaneous Permits and Licenses	1,518
Auctions	1,613
Administration Fees - Senior Citizens & Veterans	1,866
Copies & Specs	2,107
Tax Lists and Costs	1,507
Miscellaneous	3,540

14,001

A-1:A-2

\$14,001

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over-expended
	Budget	Budget After Modification		Encumbered	Reserved		
GENERAL GOVERNMENT:							
Administrative & Executive Other Expenses	3,600	3,600	3,116	484			
Mayor and Council: Salaries and Wages	65,935	65,935	65,826	109			
Municipal Clerk Salaries And Wages	116,148	116,148	112,998	3,150			
Other Expenses	48,851	48,851	23,185	1,631	14,535	9,500	
Elections Other Expenses	6,500	6,500	3,387	613		2,500	
Financial Administration Salaries and Wages	125,521	125,521	114,225	1,296		10,000	
Other Expenses	8,008	8,008	4,999	550	2,459		
Audit Service	26,500	26,500	26,500				
Collection of Taxes Salaries and Wages	118,838	118,838	115,605	3,233			
Other Expenses	7,560	7,560	6,958	11	591		
Assessment of Taxes Salaries and Wages	27,542	27,542	27,124	418			
Other Expenses	2,080	2,080	1,683	179	218		
Paying Agent Fees	1,500	1,500	1,500				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Municipal Prosecutor Other Expenses	8,000	8,000	7,333		667		
Legal Services and Costs Other Expenses	175,000	175,000	151,539	630	12,831	10,000	
Engineering Services and Costs Other Expenses	30,000	30,000	15,592		14,408		
Public Buildings and Grounds Other Expenses	37,500	37,500	18,678	3,146	10,676	5,000	
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	9,180 11,551		173 7,949		
Board of Adjustment Salaries and Wages Other Expenses	9,180 10,260	9,280 10,260	9,188 3,075	495	92 6,690		
Shade Tree Other Expenses	400	400	95		305		
Other Insurance Workmens Compensation Insurance Employee Group Insurance	113,856 261,343 980,529	113,856 261,343 981,129	101,461 261,343 914,543	1,983 66,586	10,412		
PUBLIC SAFETY: Uniform Fire Safety Act Salaries and Wages Other Expenses	8,520 6,187	8,520 6,187	8,520 4,037	2,150			

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification		Encumbered	Reserved		
Fire							
Salaries and Wages	272,137	275,137	273,712		1,425		
Other Expenses:							
Lease of Fire House	20	20			20		
Miscellaneous Other Expense	39,670	39,670	21,692	17,634	344		
Aid to Volunteer fire Companies Operation and Maintenance	6,000	6,000	6,000				
Police							
Salaries and Wages	2,190,567	2,179,817	2,032,019		47,798	100,000	
Other Expenses	91,500	91,500	56,400	28,572	6,528		
Communication							
Salaries and Wages	1,794	1,794	1,794				
Other Expenses	14,076	14,076	9,501	4,568	7		
Emergency Management Service							
Salaries and Wages	2,997	3,047	3,007		40		
Other Expenses	1,700	1,700	542	1,158			
Municipal Court							
Salaries and Wages	60,526	60,526	58,082	2,444			
Other Expenses	14,350	14,350	8,345	5,706	299		
Public Defender							
Other Expenses	1,600	1,600	480		1,120		
STREETS AND ROADS:							
Road Repairs and Maintenance							
Salaries and Wages	893,524	893,524	880,510		13,014		
Other Expenses	140,000	140,000	122,781	15,760	1,459		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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	4,861	4,861	4,861				
Other Expenses:							
Finance and Administration	8,433	8,433	6,961		1,472		
Operation and Maintenance	145,048	148,048	116,711	19,433	11,904		
Landfill- Tipping Fees	471,930	471,930	390,391	35,396	6,143	40,000	
Municipal Services Act	24,000	24,000	20,966		34	3,000	
HEALTH AND WELFARE:							
Animal Control Service (Dog Regulation)	10,000	10,000	8,800		1,200		
Contractual							
Senior Citizen's Center	500	500	480		20		
Other Expenses							
RECREATION AND EDUCATION:							
Parks and Playgrounds	7,816	7,816	7,656		160		
Salaries and Wages	30,050	30,050	21,668	4,118	4,264		
Other Expenses							
Historian	500	500	0		500		
Other Expenses							
STATE UNIFORM CONSTRUCTION CODE							
Construction Official	177,582	177,582	172,736		4,846		
Salaries and Wages	7,331	7,331	4,769	959	1,603		
Other Expenses							

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
UNCLASSIFIED:							
Utilities							
Gasoline	85,000	85,000	58,457	4,871	21,672		
Electricity	104,000	104,000	97,426	3,876	2,698		
Telephone and Telegraph	34,000	34,000	31,765	1,679	556		
Natural Gas	55,000	55,000	36,784	120	18,096		
Street lighting	112,360	112,360	103,060	150	9,150		
Fire Hydrant Service	64,500	64,500	58,505		5,995		
Water and Sewer	6,500	6,500	5,946		554		
Public Access Channel 2	500	500	500				
Accumulated Leave							
Salaries and Wages	5	5	5				
TOTAL OPERATIONS WITHIN "CAPS"	7,318,988	7,314,988	6,646,553	234,205	254,230	180,000	0
Contingent	1,000	1,000			1,000		
TOTAL OPERATIONS INCLUDING CONTINGENT	7,319,988	7,315,988	6,646,553	234,205	255,230	180,000	0
Detail:							
Salaries and Wages	4,092,846	4,085,246	3,897,048	2,444	75,754	110,000	0
Other Expenses	3,227,142	3,230,742	2,749,505	231,761	179,476	70,000	0

DEFERRED CHARGES AND STATUTORY EXPENDITURES:

Deferred Charges:

None

Statutory Expenditures:

Contribution to:

Public Employees Retirement System	170,845	170,845	158,540		12,305	
Public Employees Retirement System - ERI	24,352	24,352	24,352			
Social Security	317,352	320,352	314,401		5,951	
Police and Fire Retirement System	350,462	350,462	350,462			

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Police and Fire Retirement System - ERI	38,150	38,150	38,150				
Defined Contribution Retirement Program	500	500	476		24		
Unemployment Compensation Insurance	10,800	11,800	11,132		668		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	912,461	916,461	897,513	0	18,948	0	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,232,449	8,232,449	7,544,066	234,205	274,178	180,000	0
OPERATIONS - EXCLUDED FROM "CAPS"							
Maintenance of Free Public Library Other Expenses	419,526	419,526	419,526				
Atlantic County Sewerage Authority Share of Costs	571,406	571,406	571,406				
City of Northfield's Share of Sewer Rents	8,680	8,680	8,680				
Recycling Tax	8,500	8,500	8,109	391			
Group Insurance for Employees	64,471	64,471	64,471				
Contribution to: Public Employees' Retirement System Police and Firemen's Retirement System	5,211 1,870	5,211 1,870	5,211 1,870				
Length of Service Awards Program	15,000	15,000			15,000		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Streets & Roads O/E	10,000	10,000	5,963		4,037		
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc) Landfill Tipping Fees	2,500	2,500	2,000		500		
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc) Municipal Clerk O/E	1,000	1,000	405		595		
Dispatch Services - Interlocal Service Agreement	284,000	284,000	284,000				
Total Other Operations - Excluded from "CAPS"	1,392,164	1,392,164	1,371,641	391	20,132	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	14,291	14,291	14,291				
Body Armor Fund	1,013	1,013	1,013				
Drunk Driving Enforcement Fund	3,660	3,660	3,660				
FEMA Grant #1873	21,324	21,324	21,324				
FEMA Grant #1889	28,187	28,187	28,187				
Safe Routes to Schools	608	608	608				
Community Development Block Grant	22,500	22,500	22,500				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Garden State Historic Preservation Trust	18,000	18,000	18,000				
Clean Air Cool Plant		2,500	2,500				
Total Public and Private Programs Offset by Revenue	123,921	126,421	126,421	0	0	0	0
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	1,516,085	1,518,585	1,498,062	391	20,132	0	0
Detail:							
Salaries and Wages	0	0	0	0	0	0	0
Other Expenses (Including Contingent)	1,516,085	1,518,585	1,498,062	391	20,132	0	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
Capital Improvement Fund	18,998	18,998	18,998				
New Jersey Transportation Trust Fund	190,000	190,000	190,000				
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	208,998	208,998	208,998	0	0	0	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	255,000	255,000	255,000				
Interest on Bonds	312,750	312,750	312,750				
Interest on Notes	110,283	110,283	109,306			977	
Green Trust Loan Program:							
Loan Repayments for Principal and Interest	18,787	18,787	18,786			1	
NJEIT Loan Principal and Interest	127,095	127,095	123,226			3,869	
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	823,915	823,915	819,068	0	0	4,847	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(CONTINUED)**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-11	\$316,421
Deferred Charges		\$250,000
Reserve for Uncollected Taxes		310,585
Disbursed	A-4	<u>11,539,008</u>
		12,416,014
Appropriation Refunds		<u>336,026</u>
		<u><u>\$12,079,988</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>2010</u>	<u>2009</u>
Animal Control Fund			
Cash	B-1	18,003	17,886
		<u>18,003</u>	<u>17,886</u>
 LOSAP (unaudited)			
Investment		88,132	76,461
		<u>88,132</u>	<u>76,461</u>
 Other Funds:			
Cash - Treasurer	B-1	272,841	194,712
Prepaid Payroll Taxes		0	44,522
		<u>272,841</u>	<u>239,234</u>
Total		<u><u>\$378,976</u></u>	<u><u>333,581</u></u>

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

<u>Liabilities, Reserves, and Fund Balance</u>		<u>2010</u>	<u>2009</u>
Animal Control Fund			
Due to Current Fund	B-3	1,135	1,695
Due to State of New Jersey	B-4	0	4
Reserve for Cat Fund	B-5	10,237	9,850
Reserve for Dog Fund	B-2	6,631	6,337
		<u>18,003</u>	<u>17,886</u>
LOSAP (unaudited)			
Reserve for LOSAP		<u>88,132</u>	<u>76,461</u>
		<u>88,132</u>	<u>76,461</u>
Other Funds:			
Due to Current Fund	A	101	101
Cash Deficit		2,901	46,149
Reserves for:			
POAA		28	18
Surety		42,063	89,082
Planning and Zoning Escrows		121,005	42,315
Street Openings		15,088	9,496
Accumulated Absences		37,772	7,560
Arboretum maintenance		3,872	500
Bike Path Beautification	B-6	3,981	3,760
Law Enforcement	B-7	3,238	368
Police Bequest Account	B-7	555	555
Recycling	B-8	9,966	10,151
Drug Alliance	B-11	5,594	7,211
Tax Title Lien Redemption	B-10	100	1,200
Public Defender	B-9	50	50
Development Fees		22,985	17,338
Uniform Fire Safety Fees		3,542	3,380
		<u>272,841</u>	<u>239,234</u>
Total		<u><u>\$378,976</u></u>	<u><u>333,581</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>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash	C-2	\$1,283,527	2,118,311
Deferred Charges to Future Taxation:			
Funded	C-4	18,709,011	16,836,318
Unfunded	C-5	2,888,223	3,954,223
Due from School - Grant		62,712	62,712
		<u>22,943,473</u>	<u>22,971,564</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-8	0	3,954,143
General Serial Bonds	C-9	11,689,222	7,845,000
Green Trust Loan Payable	C-10	162,330	177,640
School Serial Bonds	C-11	5,402,778	5,962,000
School Loans	C-12	1,216,103	1,621,472
NJ Environmental Infrastructure			
Trust Loans	C-13	238,578	355,206
Due to Atlantic County		51,450	0
Reserve for School Grant		62,712	62,712
Improvement Authorizations:			
Funded	C-7	911,749	3,719
Unfunded	C-7	2,889,382	2,180,624
Capital Improvement Fund	C-6	58,305	94,255
Encumbrances Payable		186,616	527,545
Fund Balance	C-1	74,248	187,248
		<u>\$22,943,473</u>	<u>\$22,971,564</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2010 and 2009 in the amounts \$2,888,223 and \$875,080, respectively.

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Balance at beginning of the year	C	\$187,248	33,201
Increased by:			
Premium on Bond Anticipation Notes			12,953
Funded Improvement Authorizations			
Canceled	C-7	<u> </u>	<u>173,594</u>
		187,248	219,748
Decreased by:			
Realized in Current Operating Budget	A-2	<u>113,000</u>	<u>32,500</u>
Balance at the end of the year	C	<u><u>\$74,248</u></u>	<u><u>187,248</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>2010</u>	<u>2009</u>
General Fixed Assets:		
Land	\$1,220,177	1,220,177
Buildings	5,887,539	5,887,539
Machinery and Equipment	<u>4,889,784</u>	<u>4,819,988</u>
Total General Fixed Assets	<u>11,997,500</u>	<u>11,927,704</u>
Investment in General Fixed Assets	<u>\$11,997,500</u>	<u>11,927,704</u>

See Accompanying Notes to Financial Statements

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, Belhaven 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, 2010 AND 2009

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, 2010 AND 2009**

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, 2010.

	Balance as of <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/10</u>
Land	\$1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	4,819,988	93,070	(23,274)	4,889,784
Total	<u>\$11,927,704</u>	<u>93,070</u>	<u>(23,070)</u>	<u>11,997,500</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, 2010 AND 2009

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 2010 and 2009 statutory budgets included a reserve for uncollected taxes in the amount of \$310,585 and \$295,339, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2010 and 2009 statutory budgets was \$475,000 and \$455,363 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 2010 and 2009 calendar years:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Police		
Salaries and Wages	(39,700)	(26,810)
Legal Services and Costs		
Other Expenses		95,000
Emergency Medical Services		(70,489)
Gasoline	(37,300)	
Accumulated Leave	77,000	

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 2010 calendar year, no significant budget insertions were approved by City Council. During the 2009 calendar year, City Council approved a budget insertion in the amount of \$160,000 for the Safe Routes to Schools Program

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 2010 calendar year, no emergency authorizations were approved by City Council. During the 2009 calendar year, City County approved an emergency authorization in the amount of \$250,000 for Legal Services and Costs, Other Expenses.

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 2010 and 2009 calendar years:

	<u>2010</u>	<u>2009</u>
Legal Services and Costs		
Other Expenses		50,000
Police		
Salaries and Wages	100,000	
Employee Group Insurance		55,000
Municipal Court		
Salaries and Wages		20,000
Landfill – Tipping Fees	40,000	37,415

Note 3: INVESTMENTS

As of December 31, 2010 and 2009, the municipality had investments totaling \$0 and \$0, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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, 2010 and 2009 amounted to \$88,132 and \$76,461, 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, 2010, \$0 of the municipality's bank balance of \$3,373,844 was exposed to custodial credit risk. As of December 31, 2009, \$0 of the municipality's bank balance of \$4,534,650 was exposed to custodial credit risk.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2010 consisted of the following:

	<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	\$8,377,846	4,099,222	386,938	12,090,130	465,362
School	7,583,472	230,778	1,195,369	6,618,881	1,191,366
Comp. Absences	878,485		67,727	810,758	
Total	\$16,839,803	4,330,000	1,650,034	19,519,769	1,656,728

As of December 31, 2010, 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, 2010 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, 2010 of \$6,390,000. 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 4.5%. 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, 2010 of \$1,200,000. 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.

\$4,099,222 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2010 of \$4,099,222. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$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, 2010 of \$62,706. 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

on December 31, 2010 of \$99,624. 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, 2010 of \$122,500 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.

\$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, 2010 of \$116,078. 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, 2010 of \$172,000. 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, 2010 of \$1,370,000. 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, 2010 of \$1,425,000. 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, 2010 of \$2,205,000. 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.

\$230,778 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2010 of \$4,099,222. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$7,702,000 School Loans dated August 18, 1993 with a balance due on December 31, 2010 of \$1,216,103. The loans are payable annually on July 15. Interest is calculated at 1.5%. The final payment is due July 15, 2013.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	1,656,728	616,662	2,273,390
2012	1,541,134	568,820	2,109,954
2013	1,506,618	528,767	2,035,385
2014	1,476,576	488,476	1,965,052
2015	1,511,911	440,465	1,952,376
2016-2020	7,921,722	1,447,215	9,368,937
2021-2024	3,094,322	268,418	3,362,740
Total	<u>\$ 18,709,011</u>	<u>4,358,823</u>	<u>23,067,834</u>

As of December 31, 2010, 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 of the Amount to be Raised by Taxation but is a component of the school tax levy. During the calendar years 2010 and 2009, the City's total amount to be raised by taxation included \$1,188,209 and \$1,191,125, respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
Bonds & Notes Issued:			
General	\$ 12,090,130	12,101,211	11,891,634
School	6,618,881	7,814,250	10,333,841
Net Bonds & Notes Issued	<u>18,709,011</u>	<u>19,915,461</u>	<u>22,225,475</u>
Bonds & Notes Authorized But Not Issued:			
General	2,888,223	875,080	133
School	<u>0</u>	<u>0</u>	<u>0</u>
Net Bonds & Notes Authorized But Not Issued	<u>2,883,223</u>	<u>875,080</u>	<u>133</u>
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 21,597,234</u>	<u>20,790,541</u>	<u>22,225,608</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 1.21%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$6,618,881	6,618,881	0
Regional School District Debt	15,050,084	15,050,084	0
General Debt	14,978,353	0	14,978,353
	<u>\$36,647,318</u>	<u>21,668,965</u>	<u>14,978,353</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Net Debt \$14,978,353 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,239,193,903 = 1.21%. The above information is not in agreement with the Annual Debt Statement filed by the City. An amended Statement will be filed with the State of New Jersey.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$43,371,787
Net Debt	<u>14,978,353</u>
Remaining Borrowing Power	<u><u>\$28,393,434</u></u>

Note 6: BOND ANTICIPATION NOTES

The City has outstanding at December 31, 2010 the following bond anticipation notes:

<u>Bank</u>	<u>Balance</u> <u>12/31/09</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/10</u>
Sun National Bank	\$2,240,843		2,240,843	0
Depository Trust Co.	1,713,300		1,713,300	0
	<u>\$3,954,143</u>	0	<u>3,954,143</u>	<u>0</u>

The City permanently financed 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 2010 and 2009 were \$10,904 and \$10,904 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>
2011	\$9,792
2012	<u>3,264</u>
	<u><u>\$13,056</u></u>

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2010 and 2009 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Current Fund \$	300,000	475,000

As of the date of this audit report, the City has not adopted their 2011 Local Municipal Budget and the above amount is subject to change.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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>2010</u>	<u>2009</u>
Local School District	\$10,518,382	10,078,557
Regional High School District	5,756,210	5,052,803

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:

	<u>Balance</u> <u>12/31/10</u>	<u>Balance</u> <u>12/31/09</u>
Prepaid Taxes	\$223,437	271,784
Cash Liability for Taxes Collected in Advance	<u>223,437</u>	<u>271,784</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,

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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.

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, 2010, 2009 and 2008 were \$188,103, \$178,130, and \$125,371.

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.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 Eligible upon total and permanent disability prior to age 65 as a result of a duty injury
Accidental Disability	

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 2010, \$979,014 was paid by the City for health care of employees and retirees. The amount paid for retirees was \$255,492. The amount paid during 2009 was \$874,369 for employees and \$238,620 for retirees.

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 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, 2010 and 2009, we have estimated this liability to be approximately \$810,758 and \$878,485, 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.

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, 2010 and 2009 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009 was \$11,132 and \$9,717 respectively.

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 \$10,197 and \$14,950 for 2009 and 2008 respectively.

Note 18: 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 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 2010 and 2009 calendar years, the tax abatement program generated \$498,951 and \$353,412, respectively, in revenue for the City.

Note 19: GRANTS AND CONTRACTS

During the 2010 calendar year, the City was awarded a grant for the Reconstruction of Maple Avenue. No contracts had been awarded for this project as of December 31, 2010.

In addition, the City awarded a contract in the amount of \$237,638 for drainage improvements along Hemlock Drive. This project is funded by bond ordinance #11-2009 and 10-2010. As of December 31, 2010, a balance of \$0 remained on this contract.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 20: UNION CONTRACTS

As of December 31, 2010, 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

As of the date of this audit report, the City and the Teamsters Union are negotiating a new employee contract for public works employees. Effective January 1, 2010, the City entered into an agreement with another municipality to provide dispatch services for the City of Linwood. Under the new Teamsters contract, the police secretary will be included in the public works contract.

Note 21: INTERFUND BALANCES

As of December 31, 2010, 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	\$ 1,135	
Grant Fund	127,864	
Other Trust Funds	101	
Grant Fund:		
Current Fund		127,864
Trust Fund:		
Current Fund-		
Animal Control Fund		1,135
Other Trust Funds		101
	<u>\$ 129,100</u>	<u>129,100</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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Note 22: 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.

Note 23: SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 25, 2011, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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SUPPLEMENTARY INFORMATION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and
Members of 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, 2010, and have issued our report thereon dated May 25, 2011. 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 purpose 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 or 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 - #10-1.

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 May 25, 2011.

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 Governing Body 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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants

May 25, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/10	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/10	Total Cumulative State Expenditures
Federal									
Passed through State of New Jersey Department of Community Affairs Small Cities Block Grant	14,228	1/1/10-12/31/10	22,500	0	22,500	22,500	0	0	
FEMA		1/1/10-12/31/10	49,511	0	49,511	49,511	0	0	
Total Federal Funds					72,011	72,011	0	0	
State of New Jersey:									
Passed through:									
Department of Environmental Protection Clean Communities	4900-765-178920	1/1/09-12/31/09	14,910	4,440	14,291	14,291	(4,437)	1,348	14,910
Clean Communities	4900-765-178920	1/1/10-12/31/10	14,291	4,440	14,291	14,294	(4,437)	820	14,291
Total Department of Environmental Protection								2,168	
Department of Community Affairs: Garden State Historic Preservation Trust	N/A	1/1/10-12/31/10	18,000		18,000	18,000			18,000
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	2,729	1,348	3,660	2,840	0	1,348	1,381
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/10-12/31/10	3,660	1,348	3,660	2,840	0	820	2,840
Total Division of Motor Vehicles								2,168	
Department of Transportation									
Road Reconstruction	6320-480-601381-61	1/1/07-12/31/07	150,000	4,138		4,138			150,000
Reconstruction of Central Avenue	6320-480-601381-61	1/1/08-12/31/08	145,000	46,118		46,118			145,000
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/09-12/31/09	150,000	150,000		2,209		147,791	2,209
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/10-12/31/10	190,000	164,986	190,000	5,309		190,000	190,000
Safe Routes to Schools	6320-480-601381-61	1/1/09-12/31/09	170,000	365,242	190,608	57,774	0	160,285	10,323
Total Department of Transportation								498,076	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/09-12/31/09	2,045	695	1,013	695		40	2,045
Body Armor Fund	1020-718-066-1020-001	1/1/10-12/31/10	1,013	695	1,013	1,668	0	40	973
Total Division of Criminal Justice								500,284	
Total State Funds				371,725	227,572	94,576	(4,437)	500,284	
Total Federal and State Financial Assistance				\$371,725	299,583	166,587	(4,437)	500,284	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2010**

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	\$72,011	94,576	166,587
Add: Local Funding		21,909	21,909
Expenditures Reported in Basic Financial Statements	<u>\$72,011</u>	<u>116,485</u>	<u>188,496</u>

AUDIT FINDINGS AND RESPONSES

10-1. 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 year end closing entries were not posted to the general ledger during the 2010 calendar year which resulted in incomplete financial information provided to City officials.

Cause

Finance office personnel had posted many of the adjusting entries to the general ledger but there were several, in particular year end closing entries, that were not posted 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 year end closing entries be posted to the general ledger in a timely manner.

Management Response

The long term Chief Financial Officer retired during the 2010 and was in the process of training the current Chief Financial Officer 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, 2009		\$2,247,149
Increased by Receipts:		
Taxes Receivable	A-5	27,968,325
Tax Title Liens Receivable	A-6	2,343
Prepaid Taxes	A	223,437
Sewer Rents Receivable	A-7	755,924
Prepaid Sewer	A	330,005
Sewer Liens Receivable		470
Revenue Accounts Receivable	A-8	1,869,592
Appropriation Refunds		341,343
State of New Jersey -		
Senior Citizens and Veterans		93,293
Marriage License Fees		100
Interfunds		1,695
Miscellaneous Revenue	A-2	14,001
Due to State - Construction Training Fees		2,150
Due From Grant Fund	A-11	143,274
		<u>31,745,952</u>
		33,993,101
Decreased by Disbursements:		
2010 Appropriations	A-3	11,539,008
2009 Appropriation Reserves	A-9	468,299
State of New Jersey -		
Marriage License Fees		225
Burial Permit Fees		10
Emergency Note Payable		250,000
Due to State - Construction Training Fees		1,450
Petty Cash Fund		100
County Taxes		3,718,007
County Added Taxes		18,510
Local District School Tax		10,591,053
Regional High School Tax		5,756,210
		<u>32,342,872</u>
Balance December 31, 2010	A	<u><u>\$1,650,229</u></u>

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

YEAR	Balance Dec. 31, 2009	2010 Levy	Added Taxes	6% Penalty	Overpayments Created	Collections by Cash 2009	Collections by Cash 2010	Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2010
2009	269,751						269,751				0
	269,751	0	0	0	0	0	269,751	0	0	0	0
2010		28,720,845				271,784	27,790,824		285,152	223	372,862
	<u>\$269,751</u>	<u>28,720,845</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>271,784</u>	<u>28,060,575</u>	<u>0</u>	<u>285,152</u>	<u>223</u>	<u>372,862</u>

Ref. A

A-6 A

Cash Collected	A-4	\$27,968,325
Senior Citizen & Veteran Allowances		<u>92,250</u>
		<u>\$28,060,575</u>

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

Analysis of 2010 Property Tax Levy

Tax Yield		
General Property Tax		\$28,673,472
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>47,373</u>
		<u><u>28,720,845</u></u>
Tax Levy	<u>Ref.</u>	
Local District School Tax (Abstract)		10,518,382
Regional High School Tax (Abstract)		5,756,210
County Tax (Abstract)		3,718,007
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>6,135</u>
		19,998,734
Local Tax for Municipal Purposes	A-2	7,492,773
Addition to Local School Tax	A-2	1,188,209
Add: Additional Tax Levied		<u>41,129</u>
Local Tax for Municipal Purposes Levied		<u>8,722,111</u>
		<u><u>\$28,720,845</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2009	A		\$7,336
Increased by:			
Transfers from Taxes Receivable	A-5	223	
Interest and Costs Accrued on Sale of October 21, 2010		<u>0</u>	
			<u>223</u>
			7,559
Decreased by:			
Collections	A-4		<u>2,343</u>
Balance December 31, 2010	A		<u><u>\$5,216</u></u>

**CURRENT FUND
SCHEDULE OF SEWER RENTS**

	<u>Ref.</u>		
Balance December 31, 2009	A		\$23,765
Increased by:			
Sewer Charges Levied in 2010		1,087,899	
Overpayments Created		<u>1,990</u>	
			<u>1,089,889</u>
			1,113,654
Decreased by:			
Prepaid in 2009	A	328,615	
Cash	A-4	<u>755,924</u>	
			<u>1,084,539</u>
Balance December 31, 2010	A		<u><u>\$29,115</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<u>Ref.</u>	Balance Dec. 31, 2009	Accrued in 2010	Collected by Treasurer	Balance Dec. 31, 2010
Interest on Taxes	A-2	68,064		68,064	
Code Enforcement:					
Building Permits	A-2	131,320		131,320	
Other Licenses	A-2	41,023		41,023	
Municipal Court:					
Fines and Costs	A-2	15,268	214,998	219,157	11,109
Parking Permits	A-2		7,055	7,055	
Planning and Zoning Permits	A-2		11,150	11,150	
Energy Receipts Tax	A-2		525,149	525,149	
Consolidated Municipal Property Tax Relief	A-2		46,459	46,459	
Building Aid Allowance for Schools	A-2		213,968	213,968	
Uniform Fire Fees	A-2		13,043	13,043	
Bell Atlantic Nynex Tower	A-2		53,090	53,090	
Tax Abatements	A-2		498,951	498,951	
Investment Interest	A-2		41,163	41,163	
		<u>15,268</u>	<u>1,865,433</u>	<u>1,869,592</u>	<u>11,109</u>
Ref.	A		Res.	A-4	A

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2009**

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- expended
Municipal Clerk					
Other Expenses	12,854	12,854	1,266	11,588	
Financial Administration					
Other Expenses	2,315	2,315	38	2,277	
Assessment of Taxes					
Other Expenses	439	439	11	428	
Municipal Prosecutor					
Other Expenses	2,451	2,451	1,451	1,000	
Legal Services and Costs					
Other Expenses	237,896	237,896	195,000	42,896	
Engineering Services and Costs					
Other Expenses	11,535	11,535	1,710	9,825	
Public Buildings and Grounds					
Other Expenses	12,898	12,898	1,912	10,986	
Municipal Land Use Law(NJSA 40:55D-1)					
Planning Board					
Other Expenses	6,722	6,722	2,510	4,212	
Insurance					
Group Insurance for Employees	68,447	68,447	54,710	13,737	
Other Insurance	2,552	2,552	825	1,727	
Uniform Fire Safety Act					
Other Expenses	3,152	3,152	3,025	127	
Fire					
Miscellaneous Other Expenses	8,409	8,409	2,250	6,159	
Police					
Salaries and Wages	70,134	30,434	30,343	91	
Other Expenses	27,126	27,126	21,994	5,132	
Communications					
Other Expenses	4,578	4,578	4,570	8	
Emergency Management Services					
Other Expenses	1,316	1,316	1,316		
Municipal Court					
Other Expenses	2,122	2,122	306	1,816	
Road Repairs and Maintenance					
Other Expenses	19,869	19,869	16,382	3,487	
Sewer System					
Other Expenses					
Operation and Maintenance	33,081	33,081	27,744	5,337	
Parks and Playgrounds					
Other Expenses	6,503	6,503	1,632	4,871	
Construction Official					
Other Expenses	2,178	2,178	21	2,157	
Utilities					
Gasoline	37,328	28		28	
Electricity	9,543	9,543	289	9,254	
Street Lighting	10,024	10,024	575	9,449	
Fire Hydrant Service	5,347	5,347	5,319	28	
Water and Sewer	2,873	2,873	586	2,287	
Accumulated Leave					
Salaries and Wages	1	77,001	77,000	1	
LOSAP	15,000	15,000	10,197	4,803	
Other Accounts - No Changes	44,950	44,950		44,950	
	<u>\$661,643</u>	<u>661,643</u>	<u>462,982</u>	<u>198,661</u>	<u>0</u>

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See Accompanying Auditor's Report

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

Grant	Balance Dec. 31, 2009	Transferred from 2010 Budget Revenues	Received	Canceled	Balance Dec. 31, 2010
State of New Jersey:					
New Jersey Transportation Trust Fund					
Reconstruction of Central Avenue	\$36,250	190,000	36,250		190,000
Reconstruction of Maple Avenue	150,000	14,291	150,000		
Clean Communities Program		1,013	14,291		
Body Armor		3,660	1,013		537
Drunk Driving Enforcement		18,000	3,123		4,000
Garden State Historic Preservation Trust		608	14,000		160,000
Safe Routes to Schools	170,000		10,608		
Federal:					
Community Development Block Grant - 2008					
Community Development Block Grant - 2009	22,316	22,500	44,816		
FEMA Grant # 1873		21,324	21,324		
FEMA Grant # 1889		28,187	27,829		358
County:					
Atlantic County Drug Alliance - 2010	11,470	11,470	11,470		11,470
Atlantic County Drug Alliance - 2009					
Open Space Belhaven Park	143,749		143,749		
Verizon Osprey Nesting Grant	500		500		
Other:					
Clean Air Cool Planet		2,500	2,500		
	<u>\$534,285</u>	<u>313,553</u>	<u>481,473</u>	<u>0</u>	<u>366,365</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, 2009	Transferred from 2010 Budget Appropriations	Expended	Encumbered	Canceled	Balance Dec. 31, 2010
State of New Jersey:						
Body Armor Grant - 2009	\$695		695			
Body Armour Grant- 2010		1,013	973			40
Clean Communities Grant - 2009	3		3			
Clean Communities Grant - 2010		14,291	13,064	1,227		
New Jersey Transportation Trust Fund						
2007 Road Reconstruction	4,138		4,138			
Reconstruction of Central Avenue	46,118		46,118			
Reconstruction of Maple Avenue	2,209	190,000	2,209			190,000
Safe Routes to Schools	164,701	608	5,309			160,000
Garden State Historic Preservation Trust		18,000				
Drunk Driving Enforcement Fund - 2009	1,318					1,318
Drunk Driving Enforcement Fund-2010		3,660	283	2,557		820
Federal:						
Community Development Block Grant - 2009		22,500	22,500			
FEMA 1873		21,324	21,324			
FEMA 1889		28,187	28,187			
County:						
Atlantic County Drug Alliance- County 2009	4,977	11,470	13,107	2,674		666
Atlantic County Drug Alliance- Local 2009	1,087	2,868	2,688	543		724
Verizon Osprey Nesting Grant	397		397			
Other:						
Cool Air Clean Planet		2,500		2,500		
	<u>\$225,643</u>	<u>316,421</u>	<u>178,995</u>	<u>9,501</u>	<u>0</u>	<u>353,568</u>

Ref. A A-3 A-4 A-4
See Accompanying Auditor's Report

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

<u>Grant</u>	Balance Dec. 31, 2009	Transferred to	2010 Budget Appropriations	Received	Balance Dec. 31, 2010
Drunk Driving Enforcement Fund	\$2,415				2,415
Body Armor Grant				2,077	2,077
Recycling Tonnage				9,141	9,141
	<u>2,415</u>		<u>0</u>	<u>11,218</u>	<u>13,633</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, 2009	B	17,886	194,712
Increased by Receipts:			
Dog License Fees	B-2	2,924	
Cat License Fees	B-5	387	
Dog License Fees - State Share	B-4	636	
Bike Path Beautification	B-6		1,500
Bequest - Law Enforcement Fund	B-7		2,875
Municipal Recycling Receipts	B-8		345
Tax Premiums	B-10		114,807
Municipal Drug Alliance	B-11		1,934
Street Openings			16,169
Payroll Withholdings			2,336,682
Fire Safety			141
Arboretum Donations			5,164
Surety Deposits			44,444
Developer's Escrow			22,905
POAA			10
Development Fees			5,647
Accumulated Absences			77,005
Due Current		189	553
		4,136	2,630,181
		22,022	2,824,893
Decreased by Disbursements:			
Dog Fund Expenditures	B-2	1,495	
Due to Current Fund	B-3	1,884	
Due to State of New Jersey	B-4	640	
Reserve for Bike Path Beautification	B-6		1,279
Law Enforcement Expenditures	B-7		5
Municipal Recycling Expenditures	B-8		530
Tax Premiums	B-10		115,907
Municipal Drug Alliance	B-11		3,551
Street Openings			10,642
Payroll Withholdings			2,335,290
Accumulated Absences			46,793
Arboretum Maintenance			1,792
Developer's Escrow			15,505
Surety Deposits			20,205
Payments to Current Fund			553
		4,019	2,552,052
Balance December 31, 2010	B	18,003	272,841
Analysis of Balance:			
Payroll Agency			3,002
Accumulated Absences			37,772
Developer's Escrow			121,005
Development Fees			22,985
Surety Deposits			42,063
Bike Path Beautification			3,981
Law Enforcement			3,793
Street Openings			15,088
Public Defender			50
Recycling			9,966
Municipal Alliance			5,594
Tax Title Lien Redemptions			100
Arboretum Maintenance			3,872
Parking Offenses Adjudication Act			28
Uniform Fire Safety			3,542
			272,841

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

	<u>Ref.</u>		
Balance December 31, 2009	B		\$6,337
Increased by:			
Dog License Fees Collected	B-1		<u>2,924</u>
			9,261
Decreased by:			
Expenditures	B-1	1,495	
Excess Due to Current Fund	B-3	<u>1,135</u>	
			<u>2,630</u>
Balance December 31, 2010	B		<u><u>\$6,631</u></u>

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2009	<u>3,176</u>
2008	<u>3,455</u>
	<u><u>6,631</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2009	B		\$1,695
Increased by:			
Excess Due Current Fund	B-2	1,135	
Interest Due Current Fund		<u>189</u>	
			<u>1,324</u>
			3,019
Decreased by:			
Payments	B-1		<u>1,884</u>
Balance December 31, 2010	B		<u><u>\$1,135</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2009	B		\$4
Increased by:			
2010 State License Fees	B-1		<u>636</u>
			640
Decreased by:			
Disbursements to the State	B-1		<u>640</u>
Balance December 31, 2010	B		<u><u>\$0</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009		\$9,850
Increased by:		
Cat License Fees Collected	B-1	<u>387</u>
Balance December 31, 2010	B	<u><u>\$10,237</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$3,760
Increased by:		
Contributions for Trees and Benches	B-1	<u>1,500</u>
		5,260
Decreased by:		
Disbursements	B-1	<u>1,279</u>
Balance December 31, 2010	B	<u><u>\$3,981</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$923
Increased by:		
Bequest Received	B-1	<u>2,875</u>
		3,798
Decreased by:		
Law Enforcement Expenditures	B-1	<u>5</u>
Balance December 31, 2010	B	<u><u>\$3,793</u></u>
Balance consists of:		
Law Enforcement Trust Fund		3,238
Police Bequest Account		<u>555</u>
		<u><u>\$3,793</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$10,151
Increased by:		
Municipal Recycling Receipts	B-1	<u>345</u>
		10,496
Decreased by:		
Recycling Expenditures	B-1	<u>530</u>
Balance December 31, 2010	B	<u><u>\$9,966</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$50
No activity during 2010		
Balance December 31, 2010	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, 2009	B	\$1,200
Increased by Receipts:		
Tax Title Lien Redemptions Collected	B-1	<u>114,807</u>
		116,007
Decreased by:		
Tax Title Lien Redemptions Returned	B-1	<u>115,907</u>
Balance December 31, 2010	B	<u><u>\$100</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2009	B	\$7,211
Increased by:		
Drug Alliance Receipts	B-1	<u>1,934</u>
		9,145
Decreased by:		
Program Expenditures	B-1	<u>3,551</u>
Balance December 31, 2010	B	<u><u>\$5,594</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2009	C		\$2,118,311
Increased by:			
Budget Appropriation:			
Capital Improvement Fund	C-6	18,998	
Miscellaneous		13,381	
Due to Atlantic County		51,450	
Serial Bonds Issued			
General	C-9	4,099,222	
School	C-11	<u>230,778</u>	
			<u>4,413,829</u>
			6,532,140
Decreased by:			
Improvement Authorizations	C-7	1,181,470	
Payment of Bond Anticipation Notes	C-8	3,954,143	
Budget Appropriations			
Capital Surplus	C-1	<u>113,000</u>	
			<u>5,248,613</u>
Balance December 31, 2010	C		<u><u>\$1,283,527</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2009	Receipts		Bond Anticipation Notes	Disbursements		Transfers		Balance Dec. 31, 2010
		Budget Appropriation	Miscellaneous		Serial Bonds	Miscellaneous	Improvement Authorizations	From	
Fund Balance	\$187,248								74,248
Capital Improvement Fund	94,255	18,998			113,000		54,948		58,305
Due to Atlantic County			51,450						51,450
Encumbrance Payable	527,545						527,545	186,616	186,616
Improvement Authorizations:									
<u>Ordinance</u>									
<u>Number</u>									
9-02 Various Improvements						2,741		3,075	334
10-03 Various Improvements	4,524								4,524
1-04 Various Improvements	49,867								49,867
12-04 Various Improvements	(49,866)								(49,866)
9-05 Various Improvements	(4,525)		1,175					11,537	8,187
10-05 School Improvements	91,758					89,228	3,702	3,702	2,530
13-06 Various General Improvements				230,778					0
14-07 Various General Improvements	474,789			587,816					255,047
15-07 Various General Improvements				1,404,127		226,448	23,560	30,266	0
14-08 Various General Improvements	452,057			248,900					0
7-09 Clean Water Project - NJEIF	(12,207)		12,206	865,102		454,718	15,074	175,062	157,327
11-09 Various General Improvements	302,866			617,420		352,395	23,253	303,903	(1)
8-10 Clean Water Project - NJEIF						202			(202)
9-10 Purchase of Police Vehicle						29,587		30,000	413
10-10 Various General Improvements						23,718	119,827	19,948	252,403
17-10 Purchase of Computer Server						2,433	1,200	5,000	1,367
C	\$2,118,311	18,998	64,831	4,330,000	3,954,143	1,181,470	769,109	769,109	1,283,527
		C-2		C-5		C-2-C-7			C-C-2

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

	<u>Ref.</u>		
Balance December 31, 2009	C		\$16,836,318
Increased by:			
Improvement Costs Funded by:			
Serial Bonds Issued	C-5		<u>4,330,000</u>
			21,166,318
Decreased by:			
Reclass to Deferred Charges			
to Future Taxation-Unfunded	C-5	875,000	
Municipal Bonds	C-9	255,000	
School Bonds	C-11	790,000	
School Loans	C-12	405,369	
Green Trust Loan	C-10	15,310	
Environmental Infrastructure			
Trust Loans	C-13	<u>116,628</u>	
			<u>2,457,307</u>
Balance December 31, 2010	C		<u><u>\$18,709,011</u></u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2009	Improvement Authorization	Reclass from Deferred Taxation-Funded	Transferred to Deferred Taxation - Funded	Balance Dec. 31, 2010	Analysis of Balance December 31, 2010	
							Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
10-05	School Improvements (d) Pipe Project	230,778			230,778			
13-06	(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	11,541 332,803 21,615 32,205 32,902 156,750			11,541 332,803 21,615 32,205 32,902 156,750			
14-07	Various Improvements (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 (f) Pick Up Truck for Public Works (g) Improvements to Bldg & Grounds	85,864 63,646 43,981 42,556 46,356 44,456 288,962 788,306			85,864 63,646 43,981 42,556 46,356 44,456 288,962 788,306			
15-07	Purchase of Fire Truck	248,900			248,900			
14-08	Various Improvements (a) Improvements to Bldg and Grounds (b) Various Public Safety Equipment (c) Public Works Generator (d) Purchase of Various Vehicles (e) Improvements to Roadways	57,456 45,220 46,318 142,350 573,758			57,456 45,220 46,318 142,350 573,758			
7-09	Clean Water Project - NEIF		875,000			875,000	1	874,999
11-09	Various Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	518,700 66,892 31,908			518,477 66,892 31,908	223	80	143
8-10	Clean Water Project - NEIF		2,010,000			2,010,000		2,009,798
10-10	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Public Safety Equipment (c) Purchase of Sewer System (d) Purchase of Computer Equipment (e) Purchase of Public Works Vehicle		214,462 23,042 45,736 4,987 90,773		211,462 23,042 45,736 4,987 90,773	3,000		3,000
		\$3,954,223	2,389,000	875,000	4,330,000	2,888,223	0	2,887,940
		C	C-3-C-7	C-4	C-7-C-11	C	C-8	

See Accompanying Auditor's Report

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

Balance December 31, 2009	<u>Ref.</u> C		\$94,255
Increased by:			
Budget Appropriation	A-3:C-2	18,998	18,998
			113,253
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-7		54,948
Balance December 31, 2010	C		\$58,305

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2009		2010 Authorizations		Paid or Charged	Prior Year Encumbered	Encumbered	Canceled	Transferred	Balance Dec. 31, 2010	
				Funded	Unfunded	Capital Improvement Fund	Deferred Charge to Future Taxation						Funded	Unfunded
9-02	Various Improvements (d) Building Improvements	4/10/02	3,100,000					2,741	3,075				334	
9-05	Various Improvements (a) Building Improvements (g) Roadway Improvements	5/11/05	1,120,995						1,175 11,537				1,175 11,537	
10-05	School Improvements (a) HVAC (g) Nurses Suite (i) Roofing Project	5/11/05	4,356,000	33,598				32,156					1,088	1,442
13-06	Various Improvements (b) Improvements to Roads	5/24/06	648,585	57,072				57,072	3,702	3,702				
14-07	Various Improvements b. Public Works Equipment c. Office Equipment and Computers h. Improvements to Bldg & Grounds	5/9/07	1,478,028						2,695 3,225 1,594					1,163 13,519
15-07	Improvements to Roads g. Improvements to Roads	5/23/07	262,000	442,222				201,049	22,752	23,560				240,365
14-08	Purchase of Fire Truck a. Improvements to Bldg and Grounds b. Various Public Safety Equipment c. Public Works Generator	8/13/08	910,634	15,824 10,212 30,982				1,324 23,210 21,372	505 12,998					15,005 9,610
7-09	Purchase of Various Vehicles d. Purchase of Various Vehicles e. Improvements to Roadways	3/25/09	875,000	77,869 317,170				400,789	161,559	15,074	12,206			874,999
11-09	Clean Water Project - NEIF Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	6/24/09	650,000	223,859 66,892 9,564				341,281	294,709	23,253				153,891 69,523 7,644
8-10	Clean Water Project - NEIF	3/24/10	2,010,000					202						2,009,798
9-10	Purchase of Police Vehicle	7/14/10	30,000					29,587					413	
10-10	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Public Safety Equipment (c) Sewer System Improvements (d) Purchase of Computer Equipment (e) Purchase of Public Works Vehicle	6/9/10	225,750 24,255 48,143 5,250 95,550					5,223 2,407 18,495 4,987 90,773		99,827 20,000				3,000 4,255 29,648 5,250 95,550
17-10	Purchase of Computer Server	11/10/10	5,000					2,433		1,200				1,367
				\$3,719	2,180,624	54,948	2,389,000	1,181,470	528,720	186,616	12,206	0	911,749	2,889,382
				C	C	C-6	C-4; C-5	C-2					C	C

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Date of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2009	Increased	Paid	Transfer to Authorized But Not Issued	Balance Dec. 31, 2010
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%	587,816		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		617,277	143	
Ref.					\$3,954,143	0	3,954,000	143	0
					C	C-2	C-9	C-14	C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Sewer Bonds	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2010		Int. Rate	Balance Dec. 31, 2009	Issued	Paid by Budget Appropriation	Balance Dec. 31, 2010
			Date	Amount					
General Improvement Bonds	7/1/03	6,950,000	7/15/11-13	80,000	4.000%	6,470,000	80,000	6,390,000	
			7/15/14	505,000	4.000%				
			7/15/15	525,000	4.000%				
			7/15/16	550,000	4.000%				
			7/15/17	570,000	4.000%				
			7/15/18	595,000	4.000%				
			7/15/19	625,000	4.000%				
			7/15/20	650,000	4.125%				
			7/15/21	680,000	4.125%				
			7/15/22	710,000	4.250%				
			7/15/23	740,000	4.250%				
General Improvement Bonds	9/15/2005	2,020,000	8/01/11	180,000	3.500%	1,375,000	175,000	1,200,000	
			8/01/12	190,000	3.500%				
			8/01/13	195,000	3.500%				
			8/01/14	205,000	3.500%				
			8/01/15	210,000	3.625%				
			8/01/16	220,000	3.625%				
General Improvement Bonds	9/1/2010	4,099,222	9/1/11	71,002	2.000%		4,099,222	4,099,222	
			9/1/12	94,670	2.000%				
			9/1/13	179,873	2.000%				
			9/1/14	449,684	2.000%				
			9/1/15	449,684	2.000%				
			9/1/16	449,684	2.000%				
			9/1/17	577,489	2.000%				
			9/1/18	596,423	2.250%				
			9/1/19	620,090	2.375%				
			9/1/20	610,623	2.500%				
						<u>\$7,845,000</u>	<u>4,099,222</u>	<u>255,000</u>	<u>11,689,222</u>
			Ref.	C		C	C-4	C	
			Bond Anticipation Notes			C-8	3,723,222		
			Authorized But Not Issued			C-14	<u>376,000</u>		
							<u>4,099,222</u>		

See Accompanying Auditor's Report

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

Balance December 31, 2009	<u>Ref.</u> C	\$70,382
Decreased by:		
Principal Paid by Budget Appropriation	C-2	<u>7,676</u>
Balance December 31, 2010	C	<u><u>62,706</u></u>

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loans Outstanding December 31, 2010</u>	
			<u>Date</u>	<u>Amount</u>
Construction of Bike Path	12/22/97	148,500	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>\$62,706</u></u>	

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

Balance December 31, 2009	<u>Ref.</u> C	\$107,258
Decreased by:		
Loan payments	C-4	<u>7,634</u>
Balance December 31, 2010	C	<u><u>99,624</u></u>

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loans Outstanding December 31, 2010</u>	
			<u>Date</u>	<u>Amount</u>
Lighting at All Wars Memorial Park	7/09/2003	150,000	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	<u>4,822</u>			
				<u>\$ 99,624</u>

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2010		Int. Rate	Balance Dec. 31, 2009	Decreased	Balance Dec. 31, 2010
			Date	Amount				
School Loan	8/18/93	4,118,500	7/15/11-13	216,764	1.50%	\$867,046	216,764	650,282
School Loan	8/18/93	132,000	7/15/11-13	6,947	1.50%	27,793	6,947	20,846
School Loan	8/18/93	3,451,500	7/15/11-13	181,658	1.50%	726,633	181,658	544,975
						<u>\$1,621,472</u>	<u>405,369</u>	<u>1,216,103</u>
					Ref. C		C-4	C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2009	Transferred from Bond Anticipation Notes	2010 Authorizations	Bonds Issued	Balance Dec. 31, 2010	
7-2009	Stormwater Drain System Improvements (Construction of Clean Water Project)	\$875,000				875,000	
11-2009	Various General Improvements	80	143			223	
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)			2,010,000		2,010,000	
10-2010	Various General Improvements			379,000	376,000	3,000	
		<u>\$875,080</u>	<u>143</u>	<u>2,389,000</u>	<u>376,000</u>	<u>2,888,223</u>	
	Ref.	C	C-8	C-7	C-9	C	

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CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

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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." Effective July 1, 2010 the bid threshold was increased to \$36,000 for municipalities with a Qualified Purchasing Agent. Effective November 1, 2010 the City appointed a new Chief Financial Officer who is not a Qualified Purchasing Agent. As a result, the bid threshold was decreased to \$26,000.

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$29,000 (between January 1, 2010 and June 30, 2010), \$36,000 (between July 1, 2010 and October 31, 2010), or \$26,000 (effective November 1, 2010) 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 Maple Avenue – Phase I, ADA Curb Ramp Improvements, Hemlock Avenue Drainage Improvements.

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$29,000 (between January 1, 2010 and June 30, 2010) or \$36,000 (effective July 1, 2010) "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 6, 2010, adopted the following resolution authorizing interest to be charged on delinquent taxes:

“WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment.”

In addition, the governing body, on January 6, 2010, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 11, 2010 for the first quarter, May 11, 2010 for the second quarter, August 11, 2010 for the third quarter and November 11, 2011 for the fourth quarter.”

Further, the governing body on January 6, 2010, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

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>
2010	2	0
2009	2	1
2008	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 2010 and 2011 Taxes	15
Delinquent Taxes	5
Payment of 2010 and 2011 Sewer Charges	15
Municipal Court	8

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>
2010	\$28,720,845	28,062,608	97.71%
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%

Comparative Schedule of Tax Rate Information

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Rate	3.652	3.448	3.361	3.243	3.187
Apportionment of Tax Rate:					
Municipal	0.958	0.921	0.891	0.822	0.792
County	0.470	0.436	0.414	0.419	0.442
Local School	1.491	1.444	1.436	1.392	1.346
Regional High School	0.733	0.647	0.620	0.610	0.607
Assessed Valuation	785,144,340	780,446,294	778,584,511	773,023,780	759,035,835

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>
2010	\$5,216	372,862	378,078	1.32%
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	1.04%
2006	4,379	302,899	307,278	1.26%

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

NONE

STATUS OF PRIOR RECOMMENDATIONS

09-1. 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.

Current Status

Although progress was made during the 2010 calendar year, this recommendation was not cleared prior to year end.

Corrective Action to be Taken

The Chief Financial Officer is receiving additional training in posting all adjusting entries to the general ledger, including year-end closing entries.

RECOMMENDATIONS

That all adjusting year end closing 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

Swartz & Co., LLC

Swartz & Co., LLC
Certified Public Accountants