

CITY OF LINWOOD

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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Independent Auditor's Report

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The Honorable Mayor and Members
of the 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, 2011, the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the current fund for the year ended December 31, 2011. 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 audit. The financial statements for the year ended December 31, 2010 were audited by other auditors whose report dated May 25, 2011 expressed an unqualified opinion under the Regulatory basis of accounting and an adverse opinion under Generally Accepted Accounting Principles.

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

between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare and present its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Linwood as of December 31, 2011 or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above 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, 2011 and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the current fund for the year ended December 31, 2011 on a modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2012 on our consideration of the City of Linwood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robert E. Swartz, CPA

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

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants
April 11, 2012

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>2011</u>	<u>2010</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$1,369,479	1,650,229
Clerk		1,470	363
Change Fund		250	350
Petty Cash		100	100
		<u>1,371,299</u>	<u>1,651,042</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	342,393	372,862
Tax Title Liens Receivable	A-6	9,406	5,216
Property Acquired for Taxes-Assessed Valuation		37,387	37,387
Sewer Rents Receivable	A-7	30,543	29,115
Revenue Accounts Receivable			
Municipal Court	A-8	8,724	11,109
Due From:			
Dog Fund	B	2,677	1,135
Other Trust Funds	B	101	101
Overpaid School Taxes		94,682	0
Grant Fund	A	<u>161,115</u>	<u>127,864</u>
		<u>687,028</u>	<u>584,789</u>
		<u>2,058,327</u>	<u>2,235,831</u>
Federal and State Grant Fund:			
Cash		0	138,201
State Grants Receivable	A-10	<u>717,882</u>	<u>366,365</u>
		<u>717,882</u>	<u>504,566</u>
		<u>\$2,776,209</u>	<u>2,740,397</u>

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-9	\$154,353	294,310
Reserve for Encumbrances		90,145	234,596
Taxes Collected in Advance		241,887	223,437
Prepaid Sewer Rents		343,699	330,005
Tax Overpayments		7,580	8,955
Overpaid Sewer Rents		1,865	1,990
Due to Public Defender Trust		486	0
Due to State of New Jersey - Construction Training Fees		1,205	2,150
Veterans and Senior Citizens		7,912	7,162
Marriage License Fees		175	100
Due to County-Added Taxes	A	<u>9,853</u>	<u>6,135</u>
		859,160	1,108,840
Reserves for Receivables and Other Assets	A	687,028	584,789
Fund Balance	A-1	<u>512,139</u>	<u>542,202</u>
		<u>2,058,327</u>	<u>2,235,831</u>
Federal and State Grant Fund:			
Reserve for Encumbrances		35,048	9,501
Due to Current Fund	A	161,115	127,864
Reserve for State Grants			
Appropriated	A-11	498,684	353,568
Unappropriated	A-12	<u>23,035</u>	<u>13,633</u>
		<u>717,882</u>	<u>504,566</u>
		<u>\$2,776,209</u>	<u>2,740,397</u>

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

	Ref.	<u>2011</u>	<u>2010</u>
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$300,000	475,000
Miscellaneous Revenue Anticipated	A-2	2,941,395	3,426,707
Receipts from Delinquent Taxes	A-2	370,815	272,094
Receipts from Current Taxes	A-2	29,526,625	28,062,608
Non Budget Revenue	A-2	10,802	14,001
Other Credits to Income:			
Interfund Returned		0	25,839
Cancellation of Prior Year Liabilities		821	1,092
Unexpended Balance of Approp Reserves	A-9	<u>260,796</u>	<u>198,661</u>
Total Income		<u>33,411,254</u>	<u>32,476,002</u>
Expenditures			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	3,673,377	3,975,246
Other Expenses	A-3	4,587,411	4,679,327
Deferred Charges and Statutory			
Expenditures	A-3	1,007,229	1,166,461
Capital Improvements	A-3	400,134	208,998
Municipal Debt Service	A-3	866,569	819,068
Local District School Debt Service	A-3	1,402,654	1,449,209
County Tax		3,992,232	3,718,007
County Share of Added Taxes		9,853	6,135
Local District School Tax		10,936,199	10,518,382
Regional High School Tax		6,151,476	5,756,210
Cancellation of Prior Year Revenue		250	0
Interfund Created		<u>113,933</u>	<u>0</u>
Total Expenditures		<u>33,141,317</u>	<u>32,297,043</u>
Excess in Revenue		<u>269,937</u>	<u>178,959</u>

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

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute deferred Charges to Budget of Succeeding Year		<u>0</u>	<u>0</u>
Statutory Excess to Fund Balance		269,937	178,959
Fund Balance January 1	A	<u>542,202</u>	<u>838,243</u>
		812,139	1,017,202
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	<u>300,000</u>	<u>475,000</u>
Balance December 31	A	<u><u>\$512,139</u></u>	<u><u>542,202</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$300,000		300,000	
Miscellaneous Revenues:					
Section A: Local Revenues					
Licenses:					
Other	A-8	39,000		44,763	5,763
Fines and Costs:					
Municipal Court	A-8	217,000		111,991	(105,009)
Interest and Costs on Taxes	A-8	60,000		87,315	27,315
Interest on Investments and Deposits	A-8	32,000		32,572	572
Sewer Use Charges	A-7	1,074,900		1,083,630	8,730
Parking Permits	A-8	7,055		7,665	610
Planning and Zoning Fees and Permits	A-8	11,000		10,250	(750)
Total Section A		<u>1,440,955</u>	<u>0</u>	<u>1,378,186</u>	<u>(62,769)</u>
Section B: State Aid Without Offsetting Appropriations					
Consolidated Municipal Property Tax Relief Act	A-8	35,298		35,298	
Energy Receipts Tax	A-8	536,310		536,310	
Building Aid Allowance for Schools - State Aid	A-8	233,043		200,314	(32,729)
Total Section B		<u>804,651</u>	<u>0</u>	<u>771,922</u>	<u>(32,729)</u>
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	131,000		136,941	5,941
Total Section C		<u>131,000</u>	<u>0</u>	<u>136,941</u>	<u>5,941</u>

See Accompanying Notes to Financial Statements

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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	180,000		180,000	
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	209,000		209,000	
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	24,898		24,898	
FEMA Grant #1954	A-10	15,381		15,381	
Garden State Historic Preservation Trust	A-10		47,199	47,199	
Total Section F		459,713	47,199	506,912	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	13,042		15,372	2,330
Bell Atlantic Nynex Tower	A-8	52,500		62,062	9,562
Capital Fund Surplus		70,000		70,000	
Total Section G		135,542	0	147,434	11,892

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Ref.	Anticipated Budget	Special NJSA 40A:4-87	Realized	Excess or (Deficit)
Total Miscellaneous Revenues	A-1	2,971,861	47,199	2,941,395	<u>(77,665)</u>
Receipts from Delinquent Taxes	A-1:A-2	373,000		370,815	<u>(2,185)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
a) Local Tax for Municipal Purposes	A-2	7,349,054		7,307,605	(41,449)
b) Addition to Local District School Tax		1,166,526		1,166,526	
c) Minimum Library Tax		399,754		399,754	
Total Amount to Be Raised by Taxes		<u>8,915,334</u>	<u>0</u>	<u>8,873,885</u>	<u>(41,449)</u>
Budget Totals		<u>12,560,195</u>	<u>47,199</u>	<u>12,486,095</u>	<u>(121,299)</u>
Non-Budget Revenues:					
Other Non-Budget Revenue	A-2			10,802	10,802
		<u>\$12,560,195</u>	<u>47,199</u>	<u>12,496,897</u>	<u>(110,497)</u>
Ref.	A-3		A-3		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	<u>Ref.</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1:A-5	\$29,526,625
Allocated to:		
School, County Taxes		<u>21,089,760</u>
Balance for Support of Municipal Budget Appropriations		8,436,865
Increased by:		
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>437,020</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>8,873,885</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-5	370,467
Tax Title Lien Collections	A-6	<u>348</u>
		<u><u>\$370,815</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONCLUDED)**

Ref.

Analysis of Non-Budget Revenue

Clerk:

Miscellaneous		\$1,107
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Other Miscellaneous:

Sewer Connection Fees	1,850	
Miscellaneous Permits and Licenses	1,370	
Administration Fees - Senior Citizens & Veterans	1,815	
Copies & Specs	2,818	
Tax Lists and Costs	460	
Miscellaneous	1,382	

9,695

A-1:A-2

\$10,802

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	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	2,935		665		
Mayor and Council; Salaries and Wages	65,935	65,935	65,935				
Municipal Clerk Salaries And Wages Other Expenses	116,670 48,851	116,670 48,851	112,419 33,307	2,743	4,251 2,801	10,000	
Elections Other Expenses	6,500	6,500	3,095		405	3,000	
Financial Administration Salaries and Wages Other Expenses	69,982 8,008	69,982 8,008	69,549 4,978	630	433 2,400		
Audit Service	28,500	28,500	28,500				
Collection of Taxes Salaries and Wages Other Expenses	118,892 9,560	118,892 9,560	118,589 8,474	401	303 685		
Assessment of Taxes Salaries and Wages Other Expenses	28,699 2,080	28,699 2,080	28,699 1,630		450		
Paying Agent Fees	1,600	1,600	1,600				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification		Encumbered	Reserved		
Municipal Prosecutor Other Expenses	8,000	9,000	8,667		333		
Legal Services and Costs Other Expenses	175,000	180,000	170,860		9,140		
Engineering Services and Costs Other Expenses	30,000	33,000	29,909	95	2,996		
Public Buildings and Grounds Other Expenses	35,500	35,500	25,810	3,406	1,284	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	9,353 23,748	736	5,416		
Board of Adjustment Salaries and Wages Other Expenses	9,353 10,260	9,353 10,260	9,353 3,243	2,553	4,464		
Shade Tree Other Expenses	400	400	295		105		
Other Insurance Health Benefit Waiver Workmens Compensation Insurance Employee Group Insurance	113,856 2,500 272,535 982,985	113,856 2,500 272,535 982,985	112,162 2,500 266,118 982,985	1,694	6,417		
PUBLIC SAFETY: Uniform Fire Safety Act Salaries and Wages Other Expenses	9,520 3,523	9,520 3,523	9,420 3,191	316	100 16		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Fire							
Salaries and Wages	305,966	305,966	298,309		7,657		
Other Expenses:							
Lease of Fire House	20	20			20		
Miscellaneous Other Expense	39,670	39,670	23,281	16,388	1		
Aid to Volunteer fire Companies Operation and Maintenance	6,000	6,000	6,000				
Police							
Salaries and Wages	1,981,805	1,981,805	1,889,302		17,503	75,000	
Other Expenses	91,500	91,500	44,356	43,515	3,629		
Communication							
Salaries and Wages	1,794	1,794	1,794				
Other Expenses	14,076	14,076	11,237	2,839			
Emergency Management Service							
Salaries and Wages	3,015	3,015	3,015				
Other Expenses	1,700	1,700	1,293	407			
Municipal Court							
Salaries and Wages	66,302	66,302	63,905		2,397		
Other Expenses	10,400	10,400	8,442	168	1,790		
Public Defender							
Other Expenses	1,600	1,600	0		1,600		
STREETS AND ROADS:							
Road Repairs and Maintenance							
Salaries and Wages	793,758	793,758	778,758			15,000	
Other Expenses	140,000	140,000	131,160	4,214	4,626		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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	4,952	4,952	4,952				
Other Expenses:							
Finance and Administration	8,583	8,583	2,316		6,267		
Operation and Maintenance	150,000	150,000	145,584	2,000	2,416		
Landfill- Tipping Fees	457,000	457,000	413,237	12	3,751	40,000	
Municipal Services Act	26,000	26,000	23,728		2,272		
HEALTH AND WELFARE:							
Animal Control Service (Dog Regulation)							
Contractual	10,500	10,500	8,800	800	900		
Senior Citizen's Center							
Other Expenses	500	500			500		
RECREATION AND EDUCATION:							
Parks and Playgrounds							
Salaries and Wages	7,816	7,816	7,497		319		
Other Expenses	30,050	30,050	28,398	541	1,111		
Historian							
Other Expenses	500	500	480		20		
STATE UNIFORM CONSTRUCTION CODE							
Construction Official							
Salaries and Wages	169,560	169,560	164,406		5,154		
Other Expenses	7,331	7,331	5,457	596	1,278		

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
UNCLASSIFIED:							
Utilities							
Gasoline	85,000	85,000	71,854		3,146	10,000	
Electricity	105,000	105,000	89,808		5,192	10,000	
Telephone and Telegraph	34,000	34,000	32,991	117	892		
Natural Gas	55,000	55,000	31,850		3,150	20,000	
Street lighting	114,000	114,000	103,763		237	10,000	
Fire Hydrant Service	66,828	66,828	55,689	5,569	5,570		
Water and Sewer	6,500	6,500	4,932		1,568		
Public Access Channel 2	500	500	500				
Accumulated Leave							
Salaries and Wages	5	5			5		
TOTAL OPERATIONS WITHIN "CAPS"	6,998,793	7,007,793	6,594,418	89,740	125,635	198,000	0
Contingent	1,000	1,000			1,000		
TOTAL OPERATIONS INCLUDING CONTINGENT	6,999,793	7,008,793	6,594,418	89,740	126,635	198,000	0
Detail:							
Salaries and Wages	3,763,377	3,763,377	3,635,255	0	38,122	90,000	0
Other Expenses	3,236,416	3,245,416	2,959,163	89,740	88,513	108,000	0
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None							
Statutory Expenditures:							
Contribution to:							
Public Employees Retirement System	209,297	209,297	209,296		1		
Public Employees Retirement System - ERI	25,326	25,326	25,326				
Social Security	302,873	293,873	281,969		6,904	5,000	
Police and Fire Retirement System	430,342	430,342	430,342				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification		Encumbered	Reserved		
Police and Fire Retirement System - ERI	39,676	39,676	39,676				
Defined Contribution Retirement Program	800	800	794	6			
Unemployment Compensation Insurance	21,000	17,915	11,748	1,167	5,000		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	1,029,314	1,017,229	999,151	0	10,000	8,078	0
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,029,107	8,026,022	7,593,569	89,740	208,000	134,713	0
OPERATIONS - EXCLUDED FROM "CAPS"							
Maintenance of Free Public Library Other Expenses	399,754	399,754	399,754				
Atlantic County Sewerage Authority Share of Costs	532,581	532,581	532,580	1			
City of Northfield's Share of Sewer Rents	9,300	9,300	9,300				
Recycling Tax	8,800	8,800	8,360	440			
Group Insurance for Employees	71,280	71,280	41,682	4,598	25,000		
Length of Service Awards Program	15,000	15,000	1,100	13,900			

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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	9,989		11		
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	405	190		
Dispatch Services - Interlocal Service Agreement	304,000	304,000	304,000				
Total Other Operations - Excluded from "CAPS"	1,354,215	1,354,215	1,309,170	405	19,640	25,000	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 #1954	15,381	15,381	15,381				
Community Development Block Grant	24,898	24,898	24,898				
Garden State Historic Preservation Trust	47,199	47,199	47,199				
Total Public and Private Programs Offset by Revenue	120,780	120,780	120,780	0	0	0	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	Appropriations		Expended			Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	1,474,995	1,474,995	1,429,950	405	19,640	25,000	0
Detail:							
Salaries and Wages	0	0	0	0	0	0	0
Other Expenses (Including Contingent)	1,474,995	1,474,995	1,429,950	405	19,640	25,000	0
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"							
Capital Improvement Fund	11,134	11,134	11,134				
New Jersey Transportation Trust Fund Safe Routes to Transit	209,000	209,000	209,000				
New Jersey Transportation Trust Fund	180,000	180,000	180,000				
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	400,134	400,134	400,134	0	0	0	0
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	335,000	335,000	335,000				
Interest on Bonds	390,025	390,025	390,025				
Green Trust Loan Program: Loan Repayments for Principal and Interest NJEIT Loan Principal and Interest	18,787	18,787	18,787				0
	122,757	122,757	122,757				0
TOTAL MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"	866,569	866,569	866,569	0	0	0	0

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONCLUDED)**

	Appropriations		Expended		Unexpended Balance Canceled	Over- expended
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved		
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"						
None	0	0	0	0	0	0
TOTAL DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"	2,741,698	2,741,698	2,696,653	405	19,640	25,000
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"						
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"						
Type 1 District School Debt Service	782,000	782,000	782,000			
Payment of Bond Principal	193,959	197,044	197,044			
Interest on Bonds	423,610	423,610	423,610			0
Principal and Interest on Loans						
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	1,399,569	1,402,654	1,402,654	0	0	0
SUBTOTAL GENERAL APPROPRIATIONS	12,170,374	12,170,374	11,692,876	90,145	154,353	233,000
Reserve for Uncollected Taxes	437,020	437,020	437,020			
TOTAL GENERAL APPROPRIATIONS	\$12,607,394	12,607,394	12,129,896	90,145	154,353	233,000
Budget	A-2		A-1	A	A:A-1	A
Emergency Authorization	A-3	12,560,195				
Appropriations by 40A:4-87	A-2	47,199				
		<u>\$12,607,394</u>				

See Accompanying Notes to Financial Statements

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)**

	<u>Ref.</u>	<u>PAID OR CHARGED</u>
Federal and State Grants	A-11	\$509,780
Deferred Charges		\$0
Reserve for Uncollected Taxes		437,020
Disbursed	A-4	<u>11,410,058</u>
		12,356,858
Appropriation Refunds		<u>226,962</u>
		<u><u>\$12,129,896</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>2011</u>	<u>2010</u>
Animal Control Fund			
Cash	B-1	19,472	18,003
		<u>19,472</u>	<u>18,003</u>
LOSAP (unaudited)			
Investment		105,851	88,132
		<u>105,851</u>	<u>88,132</u>
Other Funds:			
Cash - Treasurer	B-1	315,908	272,841
Due from Current Fund-Public Defender Fees	A	486	0
		<u>316,394</u>	<u>272,841</u>
Total		<u><u>\$441,717</u></u>	<u><u>378,976</u></u>

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

<u>Liabilities, Reserves, and Fund Balance</u>		<u>2011</u>	<u>2010</u>
Animal Control Fund			
Due to Current Fund	B-3	2,677	1,135
Due to State of New Jersey	B-4	2	0
Reserve for Cat Fund	B-5	10,693	10,237
Reserve for Dog Fund	B-2	6,100	6,631
		<u>19,472</u>	<u>18,003</u>
LOSAP (unaudited)			
Reserve for LOSAP		<u>105,851</u>	<u>88,132</u>
		<u>105,851</u>	<u>88,132</u>
Other Funds:			
Due to Current Fund	A	101	101
Cash Deficit		0	2,901
Payroll Taxes Payable		505	0
Reserves for:			
POAA		34	28
Surety		42,063	42,063
Planning and Zoning Escrows		97,275	121,005
Street Openings		13,753	15,088
Accumulated Absences		37,772	37,772
Arboretum maintenance		3,094	3,872
Bike Path Beautification	B-6	4,429	3,981
Law Enforcement	B-7	6,109	3,238
Police Bequest Account	B-7	0	555
Recycling	B-8	2,832	9,966
Drug Alliance	B-11	7,586	5,594
Tax Title Lien Redemption	B-10	65,200	100
Public Defender	B-9	536	50
Development Fees		31,635	22,985
Uniform Fire Safety Fees		3,470	3,542
		<u>316,394</u>	<u>272,841</u>
Total		<u><u>\$441,717</u></u>	<u><u>378,976</u></u>

See Accompanying Notes to Financial Statements

EXHIBIT C - GENERAL CAPITAL FUND

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

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash	C-2	\$814,185	1,283,527
Deferred Charges to Future Taxation:			
Funded	C-4	17,052,282	18,709,011
Unfunded	C-5	4,039,769	2,888,223
Due from School - Grant		62,712	62,712
		<u>21,968,948</u>	<u>22,943,473</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-8	211,545	0
General Serial Bonds	C-9	11,358,220	11,689,222
Green Trust Loan Payable	C-10	146,714	162,330
School Serial Bonds	C-11	4,616,780	5,402,778
School Loans	C-12	810,734	1,216,103
NJ Environmental Infrastructure			
Trust Loans	C-13	119,834	238,578
Due to Atlantic County		0	51,450
Reserve for School Grant		62,712	62,712
Improvement Authorizations:			
Funded	C-7	253,144	911,749
Unfunded	C-7	3,727,177	2,889,382
Capital Improvement Fund	C-6	58,305	58,305
Encumbrances Payable		559,535	186,616
Fund Balance	C-1	44,248	74,248
		<u>\$21,968,948</u>	<u>\$22,943,473</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2011 and 2010 in the amounts \$3,828,224 and \$2,888,223 respectively.

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

	<u>Ref.</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
Balance at beginning of the year	C	\$74,248	187,248
Increased by:			
Funded Improvement Authorizations			
Canceled	C-7	<u>40,000</u>	<u>0</u>
		114,248	187,248
Decreased by:			
Realized in Current Operating Budget	A-2	<u>70,000</u>	<u>113,000</u>
Balance at the end of the year	C	<u><u>\$44,248</u></u>	<u><u>74,248</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>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$1,220,177	\$1,220,177
Buildings	5,887,539	5,887,539
Machinery and Equipment	<u>4,927,838</u>	<u>4,889,784</u>
Total General Fixed Assets	<u>12,035,554</u>	<u>11,997,500</u>
Investment in General Fixed Assets	<u>\$12,035,554</u>	<u>11,997,500</u>

See Accompanying Notes to Financial Statements

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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, 2011 AND 2010

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, 2011.

	Balance as of <u>12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>12/31/11</u>
Land	\$1,220,177			1,220,177
Buildings and Improvements	5,887,539			5,887,539
Furniture, Fixtures & Equip	<u>4,889,784</u>	<u>38,054</u>	<u>0</u>	<u>4,927,838</u>
Total	<u>\$11,997,500</u>	<u>38,054</u>	<u>0</u>	<u>12,035,554</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, 2011 AND 2010

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 – Governmental Accounting Standards Board (GASB) 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. Generally Accepted Accounting Principles (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 2011 and 2010 statutory budgets included a reserve for uncollected taxes in the amount of \$437,020 and \$310,585, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2011 and 2010 statutory budgets was \$300,000 and \$475,000 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

There were no significant budget transfers approved in the 2011 calendar year. The following significant budget transfers were approved in the 2010 calendar year:

	<u>2010</u>
Police	
Salaries and Wages	(39,700)
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 2011 calendar year, City Council approved a budget insertion in the amount of \$47,199 from Garden State Historic Preservation Trust Fund for renovations to the City’s Historical Society Building. During the 2010 calendar year, no significant budget insertions were approved by City Council.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. During the 2011 and 2010 calendar years, no emergency or special emergency authorizations were approved by City Council.

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 2011 and 2010 calendar years:

	<u>2011</u>	<u>2010</u>
Police		
Salaries and Wages	75,000	100,000
Employee Group Insurance	25,000	
Public Works		
Salaries and Wages	15,000	
Landfill – Tipping Fees	40,000	40,000
Natural Gas	20,000	

Note 3: INVESTMENTS

As of December 31, 2011 and 2010, the municipality had investments totaling \$0 and \$0, respectively.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010 amounted to \$105,851 and \$88,132, 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, 2011, \$0 of the municipality's bank balance of \$2,534,166 was exposed to custodial credit risk. As of December 31, 2010, \$0 of the municipality's bank balance of \$3,373,844 was exposed to custodial credit risk.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2011 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	\$12,090,130		465,362	11,624,768	500,435
School	6,618,881		1,191,367	5,427,514	1,040,699
Comp. Absences	810,758		95,624	715,134	
Total	<u>\$19,519,769</u>	<u>0</u>	<u>1,752,353</u>	<u>17,767,416</u>	<u>1,541,134</u>

As of December 31, 2011, 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, 2011 of \$6,310,000. 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, 2011 of \$1,020,000. 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, 2011 of \$4,028,220. 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, 2011 of \$54,877. 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, 2011 AND 2010

on December 31, 2011 of \$91,837. 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, 2011 of \$62,000 with interest paid semi-annually on February 1 and August 1. Interest rates vary from 3.20% to 3.32%. The final payment is due August 1, 2012.

\$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, 2011 of \$57,834. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2012.

\$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, 2011 of \$1,350,000. 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, 2011 of \$955,000. 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, 2011 of \$2,085,000. 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, 2011 of \$226,780. 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 \$810,734. 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, 2011 AND 2010

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

Year Ending December 31,	Principal	Interest	Total
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	1,562,250	390,819	1,953,069
2017-2021	7,418,973	1,184,690	8,603,663
2022-2024	2,034,820	140,123	2,174,943
Total	\$ <u>17,052,282</u>	<u>3,742,160</u>	<u>20,794,442</u>

As of December 31, 2011, 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 2011 and 2010, the City's total amount to be raised by taxation included \$1,166,526 and \$1,188,209 respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
Bonds & Notes Issued:			
General	\$ 11,836,313	12,090,131	12,101,211
School	5,427,514	6,618,881	7,814,250
Net Bonds & Notes Issued	<u>17,263,827</u>	<u>18,709,011</u>	<u>19,915,461</u>
Bonds & Notes Authorized But Not Issued:			
General	3,588,224	2,888,223	875,080
School	240,000	0	0
Net Bonds & Notes Authorized But Not Issued	<u>3,828,224</u>	<u>2,883,223</u>	<u>875,080</u>
Net Bonds & Notes Issued and Authorized But Not Issued	\$ <u>21,092,051</u>	<u>21,597,234</u>	<u>20,790,541</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 1.29%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$5,487,514	5,487,514	0
Regional School District Debt	15,354,722	15,354,722	0
General Debt	15,424,537	0	15,424,537
	<u>\$36,266,773</u>	<u>20,842,236</u>	<u>15,424,537</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Net Debt \$15,424,537 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,198,518,330 = 1.29%. The above information is in agreement with the Annual Debt Statement filed by the City.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$41,948,142
Net Debt	15,424,537
Remaining Borrowing Power	<u><u>\$26,523,605</u></u>

Note 6: BOND ANTICIPATION NOTES

<u>Bank</u>	<u>Balance</u> <u>12/31/10</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>12/31/11</u>
General Capital Note	\$0	211,545	0	211,545
	<u>\$0</u>	<u>211,545</u>	<u>0</u>	<u>211,545</u>

As of December 31, 2011 the City had the following bond anticipation note outstanding with the Depository Trust Company.

<u>Bank</u>	<u>2011</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>
Depository Trust Co.	\$211,545	3.25%	9/7/12

It is the intent of the City to renew this note for an additional one year period upon maturity.

Note 7: OPERATING LEASES

The City is leasing two (2) copy machines under operating leases. The total lease payments in 2011 and 2010 were \$9,792 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>
2012	<u>\$3,264</u>
	<u>\$3,264</u>

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2011 and 2010 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Current Fund	\$ 275,000	300,000

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

As of the date of this audit report, the City has not adopted the 2012 Local Municipal Budget and the above amount is subject to change. Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2012 budget is \$509,729.

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>2011</u>	<u>2010</u>
Local School District	\$10,936,199	10,518,382
Regional High School District	6,151,476	5,756,210

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>12/31/11</u>	<u>Balance</u> <u>12/31/10</u>
Prepaid Taxes	\$241,887	223,437
Cash Liability for Taxes Collected in Advance	<u>241,887</u>	<u>223,437</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.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2011 AND 2010

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

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, 2011, 2010 and 2009 were \$209,296, \$188,103, and \$178,130.

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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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 2011, \$741,008 was paid by the City for health care of employees and retirees. The amount paid for retirees was \$311,995. The amount paid during 2010 was \$979,014 for employees and \$255,492 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, 2011 and 2010, we have estimated this liability to be approximately \$715,134 and \$810,758, 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, 2011 and 2010 the City did not incur claims in excess of the 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, 2011 AND 2010**

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, 2011 and 2010 was \$11,748 and \$11,132 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 \$15,000 and \$10,197 for 2010 and 2009 respectively. In March 2012, the City contributed \$14,265 on behalf of the participants who qualified for the 2011 calendar year.

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 2011 and 2010 calendar years, the tax abatement program generated \$0 and \$498,951, 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. A contract in the amount of \$169,173 was awarded on this project during 2011, of which \$34,814 remained open as of December 31, 2011.

In addition, the City awarded a contract in the amount of \$124,149 for Pedestrian Improvements on Seaview and West Avenues. This project is funded by a State of New Jersey Safe Routes to Schools Grant. As of December 31, 2011, a balance of \$2,499 remained on this contract.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 20: UNION CONTRACTS

As of December 31, 2011, 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, the PBA and the Teamsters Unions are negotiating a new employee contract for police and 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, 2011, 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	\$ 2,677	
Grant Fund	161,115	
Other Trust Funds	101	
Public Defender Trust		486
Grant Fund:		
Current Fund		161,115
Trust Fund:		
Current Fund-		
Public Defender Trust	486	
Animal Control Fund		2,677
Other Trust Funds		101
	<u>\$ 164,379</u>	<u>164,379</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 to the Public Defender Trust represents fees collected through the municipal court. The amount due from

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

the Grant Fund to the Current Fund is the result of unexpended grant reserves which have been drawn down from the funding agencies.

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

Effective March 20, 2012, the City is leasing two (2) copy machines under operating leases. The term for both leases is 48 months and will expire March 20, 2016. Monthly lease payments are \$262 for the machine located in the administrative office and \$230 for the machine located in the police station. Future minimum payments under these leases are:

<u>Year</u>	<u>Amount</u>
2012	\$8,163
2013	9,792
2014	9,792
2015	9,792
2016	2,448
Total	<u>\$39,987</u>

On January 15, 2012, the City issued \$5,960,000 in General Obligation Refunding Bonds and \$1,280,000 in School Refunding Bonds. These bonds are issued pursuant to the refunding bond ordinance adopted by City Council on October 12, 2011, and amended by an ordinance adopted on November 9, 2011, and a resolution adopted on November 9, 2011. The General Obligation Refunding Bonds are being issued to refund all or a portion of the City's outstanding General Obligation Bonds, Series 2003, maturing on or after July 15, 2014, in the aggregate principal amount of \$6,150,000. The School Refunding Bonds are being issued to refund a portion of the

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

City's outstanding School Bonds, Series 2003, maturing on or after July 15, 2014, in an aggregate principal amount of \$1,310,000. The refunding bonds are not subject to redemption prior to their stated maturities. The bonds are payable annually commencing July 15, 2012, except for 2013, with interest paid semi-annually on January 15 and July 15. Interest rates vary from 2% to 4%. Annual Debt Service for principal and interest for this issue is as follows:

<u>Year Ending</u> <u>December 31</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$	20,000	255,650	275,650
2013		0	255,250	255,250
2014		650,000	255,250	905,250
2015		665,000	242,250	907,250
2016		685,000	222,300	907,300
2017-2021		3,835,000	742,950	4,577,950
2022-2023		1,385,000	83,600	1,468,600
Total	\$	<u>7,240,000</u>	<u>2,057,250</u>	<u>9,297,250</u>

The City has evaluated subsequent events through April 11, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

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, 2011, and have issued our report thereon dated April 11, 2012. 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

Management of the City of Linwood, New Jersey is responsible for establishing and maintaining effective 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.

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 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Linwood, New Jersey in a separate letter dated April 11, 2012.

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

Robert E. Swartz, CPA, RMA

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

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants

April 11, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal or State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor #	Grant Period	Program or Award Amount	Balance at 1/1/11	Receipts or Revenue Recognized	Disbursements/Expenditures	Adjustments	Balance 12/31/11	Total Cumulative State Expenditures
Federal									
Passed through State of New Jersey Department of Community Affairs Small Cities Block Grant	14.228	1/1/11-12/31/11	24,898		24,898	22,928		1,970	
Department of Transportation Safe Routes to Schools Safe Routes to Transit	20.205 20.205	1/1/09-12/31/11 1/1/11-12/31/11	170,000	160,285	209,000	122,457		37,828 209,000	
FEMA Total Federal Funds		1/1/11-12/31/11	15,381	160,285	15,381 249,279	145,385	0	15,381 264,179	
State of New Jersey:									
Passed through:									
Department of Environmental Protection Clean Communities	4900-765-178920	1/1/11-12/31/11	14,291	0	14,291	5,108	0	9,183	5,108
Total Department of Environmental Protection					14,291	5,108	0	9,183	5,108
Department of Community Affairs: Garden State Historic Preservation Trust	N/A	1/1/11-12/31/11	47,199		47,199			47,199	0
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/09-12/31/09	2,729	1,348		29		1,319	1,410
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/10-12/31/10	3,660	820				820	2,840
Drunk Driving Enforcement Fund	1110-101-030000-129040	1/1/11-12/31/11	3,660	2,168	3,660		0	3,660	0
Total Division of Motor Vehicles					3,660	29	0	5,799	
Department of Transportation									
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/09-12/31/09	150,000	147,791		147,791		0	150,000
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/10-12/31/10	190,000	190,000		23,001		166,999	23,001
Reconstruction of Maple Avenue	6320-480-601381-61	1/1/11-12/31/11	180,000	337,791	180,000	170,792	0	180,000	0
Total Department of Transportation					180,000	170,792	0	346,999	
Division of Criminal Justice									
Body Armor Fund	1020-718-066-1020-001	1/1/10-12/31/10	1,013	40				40	973
Body Armor Fund	1020-718-066-1020-001	1/1/11-12/31/11	1,013	40	1,013	0	0	1,013	0
Total Division of Criminal Justice					1,013	0	0	1,053	
Total State Funds				339,999	246,163	175,929	0	410,233	
Total Federal and State Financial Assistance				\$500,284	495,442	321,314	0	674,412	

**NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2011**

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	\$145,385	175,929	321,314
Add: Local Funding		7,685	7,685
Expenditures Reported in Basic Financial Statements	<u>\$145,385</u>	<u>183,614</u>	<u>328,999</u>

AUDIT FINDINGS AND RESPONSES

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2010		\$1,650,229
Increased by Receipts:		
Taxes Receivable	A-5	29,603,188
Tax Title Liens Receivable	A-6	348
Prepaid Taxes	A	241,887
Sewer Rents Receivable	A-7	753,500
Prepaid Sewer	A	343,699
Revenue Accounts Receivable	A-8	1,280,853
Appropriation Refunds		234,522
State of New Jersey -		
Senior Citizens and Veterans		90,750
Marriage License Fees		750
Interfunds		70,000
Miscellaneous Revenue	A-2	9,695
Due to State - Construction Training Fees		4,599
Due From Grant Fund	A-11	_____
		<u>32,633,791</u>
		34,284,020
Decreased by Disbursements:		
2011 Appropriations	A-3	11,410,058
2010 Appropriation Reserves	A-9	275,670
State of New Jersey -		
Marriage License Fees		675
Tax Overpayments		21,218
Due to Grant Fund		19,818
Due to Public Defender Trust		486
Due to State - Construction Training Fees		5,791
Petty Cash Fund		100
County Taxes		3,992,233
County Added Taxes		6,135
Local District School Tax		11,030,881
Regional High School Tax		_____
		<u>32,914,541</u>
Balance December 31, 2011	A	<u><u>\$1,369,479</u></u>

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

YEAR	Balance Dec. 31, 2010	2011 Levy	Added Taxes	6% Penalty	Overpayments Created	Collections by Cash 2010	2011	Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2011
2010	372,862		250	0	0	0	370,467	0	0	2,146	499
2011		30,076,358		4,215	19,783	223,437	29,322,971	209,920	2,134	341,894	
	<u>\$372,862</u>	<u>30,076,358</u>	<u>250</u>	<u>4,215</u>	<u>19,783</u>	<u>223,437</u>	<u>29,693,438</u>	<u>0</u>	<u>209,920</u>	<u>4,280</u>	<u>342,393</u>

Ref. A

Cash Collected	A-4	\$29,603,188
Senior Citizen & Veteran Allowances		<u>90,250</u>
		<u>\$29,693,438</u>

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

Analysis of 2011 Property Tax Levy

Tax Yield		
General Property Tax		\$30,002,448
Added Taxes (54:4-63.1,63.12 et.seq.)		<u>73,910</u>
		<u><u>30,076,358</u></u>
Tax Levy	<u>Ref.</u>	
Local District School Tax (Abstract)		10,936,199
Regional High School Tax (Abstract)		6,151,476
County Tax (Abstract)		3,992,232
Due County for Added and Omitted Taxes (54:4-63.1,63.12 et. seq.)		<u>9,853</u>
		21,089,760
Local Tax for Municipal Purposes	A-2	7,349,054
Addition to Local School Tax	A-2	1,166,526
Minimum Library Tax	A-2	399,754
Add: Additional Tax Levied		<u>71,264</u>
Local Tax for Municipal Purposes Levied		<u>8,986,598</u>
		<u><u>\$30,076,358</u></u>

**CURRENT FUND
SCHEDULE OF TAX TITLE LIENS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$5,216
Increased by:			
Transfers from Taxes Receivable	A-5	4,280	
Interest and Costs Accrued on Sale of October 20, 2011		<u>258</u>	
			<u>4,538</u>
			9,754
Decreased by:			
Collections	A-4		<u>348</u>
Balance December 31, 2011	A		<u><u>\$9,406</u></u>

**CURRENT FUND
SCHEDULE OF SEWER RENTS**

	<u>Ref.</u>		
Balance December 31, 2010	A		\$29,115
Increased by:			
Sewer Charges Levied in 2011		<u>1,085,058</u>	
			<u>1,085,058</u>
			1,114,173
Decreased by:			
Prepaid in 2010	A	330,005	
Cash	A-4	<u>753,500</u>	
			<u>1,083,505</u>
Balance December 31, 2011	A		<u><u>\$30,668</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Accrued in 2011</u>	<u>Collected by Treasurer</u>	<u>Balance Dec. 31, 2011</u>
Interest on Taxes	A-2		87,315	87,315	
Code Enforcement:					
Building Permits	A-2		136,941	136,941	
Other Licenses	A-2		44,763	44,763	
Municipal Court:					
Fines and Costs	A-2	11,109	109,606	111,991	8,724
Parking Permits	A-2		7,665	7,665	
Planning and Zoning Permits	A-2		10,250	10,250	
Energy Receipts Tax	A-2		536,310	536,310	
Consolidated Municipal Property Tax Relief	A-2		35,298	35,298	
Building Aid Allowance for Schools	A-2		200,314	200,314	
Uniform Fire Fees	A-2		15,372	15,372	
Bell Atlantic Nynex Tower	A-2		62,062	62,062	
Investment Interest	A-2		32,572	32,572	
		<u>11,109</u>	<u>1,278,468</u>	<u>1,280,853</u>	<u>8,724</u>
	Ref.	A	Res.	A-4	A

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2010**

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- expended
Municipal Clerk					
Other Expenses	16,166	16,166	5,415	10,751	
Financial Administration					
Other Expenses	3,009	3,009	618	2,391	
Collection of Taxes					
Other Expenses	602	602	179	423	
Assessment of Taxes					
Other Expenses	397	397	11	386	
Legal Services and Costs					
Other Expenses	13,461	13,461	630	12,831	
Engineering Services and Costs					
Other Expenses	14,408	14,408	5,765	8,643	
Public Buildings and Grounds					
Other Expenses	13,822	13,822	3,146	10,676	
Municipal Land Use Law(NJSA 40:55D-1)					
Planning Board					
Other Expenses	18,349	18,349	675	17,674	
Board of Adjustment					
Other Expenses	7,185	7,185	1,582	5,603	
Insurance					
Group Insurance for Employees	66,586	66,586	66,586		
Other Insurance	12,395	12,395	1,983	10,412	
Uniform Fire Safety Act					
Other Expenses	2,150	2,150	2,128	22	
Fire					
Miscellaneous Other Expenses	17,978	17,978	14,564	3,414	
Police					
Salaries and Wages	47,798	47,798	19,820	27,978	
Other Expenses	35,100	35,100	22,492	12,608	
Communications					
Other Expenses	4,575	4,575	4,568	7	
Emergency Management Services					
Other Expenses	1,158	1,158	1,158		
Municipal Court					
Salaries and Wages	2,444	2,444	2,444		
Other Expenses	6,005	6,005	5,706	299	
Road Repairs and Maintenance					
Other Expenses	17,219	17,219	14,426	2,793	
Sewer System					
Other Expenses					
Operation and Maintenance	31,337	31,337	21,535	9,802	
Landfill - Tipping Fees	41,539	41,539	35,396	6,143	
Animal Control Service					
Other Expenses	1,200	1,200	800	400	
Parks and Playgrounds					
Other Expenses	8,382	8,382	4,118	4,264	

See Accompanying Auditor's Report

**CURRENT FUND
 SCHEDULE OF APPROPRIATION RESERVES - 2010**

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- expended
Construction Official					
Other Expenses	2,562	2,562	959	1,603	
Utilities					
Gasoline	26,543	26,543	4,871	21,672	
Electricity	6,574	6,574	3,876	2,698	
Telephone and Telegraph	2,235	2,235	1,679	556	
Natural Gas	18,216	18,216	120	18,096	
Street Lighting	9,300	9,300	150	9,150	
Fire Hydrant Service	5,995	5,995	5,319	676	
Recycling Tax	391	391	391		
LOSAP	15,000	15,000	15,000		
Other Accounts - No Changes	58,825	58,825		58,825	
	<u>\$528,906</u>	<u>528,906</u>	<u>268,110</u>	<u>260,796</u>	<u>0</u>

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A-1

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

Grant	Balance	Transferred	Received	Adjusted	Balance
	Dec. 31, 2010	from 2011 Budget Revenues			Dec. 31, 2011
State of New Jersey:					
New Jersey Transportation Trust Fund		180,000	126,580		243,420
Reconstruction of Central Avenue	\$ 190,000	14,291	13,674		617
Reconstruction of Maple Avenue		1,013	1,013		537
Clean Communities Program		537			3,660
Body Armor					47,199
Drunk Driving Enforcement 2009	4,000	3,660	18,000	(14,000)	47,199
Drunk Driving Enforcement 2011		47,199			
Garden State Historic Preservation Trust					
Federal:					
Community Development Block Grant - 2011		24,898			24,898
FEMA Grant # 1889	358				358
FEMA Grant # 1954		15,381			15,381
Safe Routes to Schools	160,000				160,000
Safe Routes to Transit		209,000			209,000
County:					
Atlantic County Drug Alliance	11,470	11,470	10,128		12,812
	<u>\$366,365</u>	<u>506,912</u>	<u>169,395</u>	<u>(14,000)</u>	<u>717,882</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, 2010	Transferred from 2011 Budget Appropriations	Expended	Encumbered	Canceled	Balance Dec. 31, 2011
State of New Jersey:						
Body Armour Grant- 2010	\$40	1,013		1,013		40
Clean Communities Grant - 2011		14,291	5,108	8,566	617	
New Jersey Transportation Trust Fund Reconstruction of Maple Avenue	190,000	180,000	170,792	2,387		196,821
Garden State Historic Preservation Trust		47,199				47,199
Drunk Driving Enforcement Fund-2009	1,318					1,318
Drunk Driving Enforcement Fund-2010	820		29	206		585
Drunk Driving Enforcement Fund-2011		3,660				3,660
Federal:						
Community Development Block Grant - 2011		24,898	22,928			1,970
FEMA 1954		15,381				15,381
Safe Routes to Schools	160,000		122,457	19,876		17,667
Safe Streets to Transit		209,000				209,000
County:						
Atlantic County Drug Alliance- County	666	11,470	7,231	2,500		2,405
Atlantic County Drug Alliance- Local	724	2,868	454	500		2,638
	<u>\$353,568</u>	<u>509,780</u>	<u>328,999</u>	<u>35,048</u>	<u>617</u>	<u>498,684</u>

Ref.

A

A-3

A-4

A

See Accompanying Auditor's Report

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

<u>Grant</u>	Balance Dec. 31, 2010	Transferred to	2011 Budget Appropriations	Received	Balance Dec. 31, 2011
Drunk Driving Enforcement Fund	\$2,415				2,415
Body Armor Grant	2,077			765	2,842
Recycling Tonnage	9,141			8,637	17,778
	<u>13,633</u>		<u>0</u>	<u>9,402</u>	<u>23,035</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, 2010	B	18,003	272,841
Increased by Receipts:			
Dog License Fees	B-2	2,672	
Cat License Fees	B-5	456	
Dog License Fees - State Share	B-4	550	
Bike Path Beautification	B-6		1,850
Bequest - Law Enforcement Fund	B-7		3,109
Municipal Recycling Receipts	B-8		428
Tax Premiums	B-10		65,100
Municipal Drug Alliance	B-11		1,992
Street Openings			11,366
Arboretum Donations			257
Developer's Escrow			54,288
POAA			6
Development Fees			10,582
Due Current		199	
		<u>3,877</u>	<u>148,978</u>
		21,880	421,819
Decreased by Disbursements:			
Dog Fund Expenditures	B-2	1,661	
Due to Current Fund	B-3	199	
Due to State of New Jersey	B-4	548	
Reserve for Bike Path Beautification	B-6		1,402
Law Enforcement Expenditures	B-7		793
Municipal Recycling Expenditures	B-8		7,562
Municipal Drug Alliance	B-11		0
Street Openings			12,701
Payroll Withholdings			2,396
Arboretum Maintenance			1,035
Development Fees			1,932
Developer's Escrow			78,018
Uniform Fire Safety			72
		<u>2,408</u>	<u>105,911</u>
Balance December 31, 2011	B	<u>19,472</u>	<u>315,908</u>
Analysis of Balance:			
Payroll Agency			606
Accumulated Absences			37,772
Developer's Escrow			139,338
Development Fees			31,635
Bike Path Beautification			4,429
Law Enforcement			6,109
Street Openings			13,753
Public Defender			50
Recycling			2,832
Municipal Alliance			7,586
Tax Title Lien Redemptions			65,200
Arboretum Maintenance			3,094
Parking Offenses Adjudication Act			34
Uniform Fire Safety			3,470
			<u>315,908</u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$6,631
Increased by:		
Dog License Fees Collected	B-1	<u>2,672</u>
		9,303
Decreased by:		
Expenditures	B-1	1,661
Excess Due to Current Fund	B-3	<u>1,542</u>
		<u>3,203</u>
Balance December 31, 2011	B	<u><u>\$6,100</u></u>

License Fees Collected:

<u>Year</u>	<u>Amount</u>
2010	2,924
2009	<u>3,176</u>
	<u><u>6,100</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2010	B		\$1,135
Increased by:			
Excess Due Current Fund	B-2	1,542	
Interest Due Current Fund		<u>199</u>	
			<u>1,741</u>
			2,876
Decreased by:			
Payments	B-1		<u>199</u>
Balance December 31, 2011	B		<u><u>\$2,677</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2010	B		\$0
Increased by:			
2011 State License Fees	B-1		<u>550</u>
			550
Decreased by:			
Disbursements to the State	B-1		<u>548</u>
Balance December 31, 2011	B		<u><u>\$2</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010		\$10,237
Increased by:		
Cat License Fees Collected	B-1	<u>456</u>
Balance December 31, 2011	B	<u><u>\$10,693</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$3,981
Increased by:		
Contributions for Trees and Benches	B-1	<u>1,850</u>
		5,831
Decreased by:		
Disbursements	B-1	<u>1,402</u>
Balance December 31, 2011	B	<u><u>\$4,429</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$3,793
Increased by:		
Bequest Received	B-1	<u>3,109</u>
		6,902
Decreased by:		
Law Enforcement Expenditures	B-1	<u>793</u>
Balance December 31, 2011	B	<u><u>\$6,109</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$9,966
Increased by:		
Municipal Recycling Receipts	B-1	<u>428</u>
		10,394
Decreased by:		
Recycling Expenditures	B-1	<u>7,562</u>
Balance December 31, 2011	B	<u><u>\$2,832</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$50
Increased by:		
Due from Current Fund		<u>486</u>
Balance December 31, 2011	B	<u><u>\$536</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$100
Increased by Receipts:		
Premiums received at Tax Sale	B-1	<u>65,100</u>
Balance December 31, 2011	B	<u><u>\$65,200</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$5,594
Increased by:		
Drug Alliance Receipts	B-1	<u>1,992</u>
		7,586
Decreased by:		
Program Expenditures	B-1	<u> </u>
Balance December 31, 2011	B	<u><u>\$7,586</u></u>

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

	<u>Ref.</u>		
Balance December 31, 2010	C		\$1,283,527
Increased by:			
Budget Appropriation:			
Capital Improvement Fund	C-6	11,134	
Reimbursements	C-7	31,484	
Due to Atlantic County			
Bond Anticipation Notes	C-8	211,545	
			254,163
			1,537,690
Decreased by:			
Improvement Authorizations	C-7	653,505	
Budget Appropriations			
Capital Surplus	C-1	70,000	
			723,505
Balance December 31, 2011	C		\$814,185

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2010	Receipts		Bond Anticipation Notes	Disbursements		Transfers		Balance Dec. 31, 2011
		Budget Appropriation	Miscellaneous		Serial Bonds	Miscellaneous	Improvement Authorizations	From	
Fund Balance	\$74,248								
Capital Improvement Fund	58,305	11,134			70,000	11,134	40,000	44,248	
Due to Atlantic County	51,450					51,450		58,305	
Encumbrance Payable	186,616					186,616	559,535	0	
Improvement Authorizations:									
<u>Ordinance</u>									
<u>Number</u>									
9-02	334							334	
10-03	4,524							4,524	
1-04	49,867							49,867	
12-04	(49,866)							(49,866)	
9-05	8,187					11,537		0	
10-05	2,530					2,530		0	
13-06							3,702	3,702	
14-07	255,047		22,984			189,962	72,567	90,512	
15-07	0						75,010	0	
14-08	157,327		8,500				15,074	62,028	
7-09	(1)					28,027		(63,451)	
11-09	230,978					20,703	42,747	14,891	
8-10	(202)					171,256	68,084	(145,535)	
9-10	413					5,383	139,950	413	
10-10	252,403					0	96,576	69,777	
17-10	1,367					1,200	1,200	1,367	
10-11						17,030	88,765	116,884	
		11,134	31,484	211,545	0	653,505	848,735	814,185	
	\$1,283,527	C-2	C-2	C-5	C-2-C-7	C-2-C-7	C-2-C-7	C-2	

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

	<u>Ref.</u>		
Balance December 31, 2010	C		\$18,709,011
Decreased by:			
Municipal Bonds	C-9	331,002	
School Bonds	C-11	785,998	
School Loans	C-12	405,369	
Green Trust Loan	C-10	15,616	
Environmental Infrastructure Trust Loans	C-13	<u>118,744</u>	
			<u>1,656,729</u>
Balance December 31, 2011	C		<u><u>\$17,052,282</u></u>

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	Improvement Authorization	Reclass from Deferred Taxation-Funded	Transferred to Deferred Taxation - Funded	Balance Dec. 31, 2011	Analysis of Balance December 31, 2011		Unexpended Improvement Authorization
							Financed by Bond Anticipation Notes	Expended	
7-09	Clean Water Project - NEIF	875,000				875,000	63,451	811,549	
11-09	Various Improvements (a) Improvements to Roads & Drainage	223				223	223	-	
8-10	Clean Water Project - NEIF	2,010,000				2,010,000	145,535	1,864,465	
10-10	Various General Improvements (a) Improvements to Roads & Drainage	3,000				3,000	3,000	-	
10-11	Various General Improvements		211,546			211,546	211,545	1	
15-11	Refunding Bond Issue		940,000			940,000		-	
		<u>\$2,888,223</u>	<u>1,151,546</u>	<u>0</u>	<u>0</u>	<u>4,039,769</u>	<u>212,210</u>	<u>2,676,014</u>	
		C	C-3:C-7	C-4	C-7:C-11	C	C-8		

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

Balance December 31, 2010	<u>Ref.</u> C		\$58,305
Increased by:			
Budget Appropriation	A-3:C-2	11,134	11,134
			69,439
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-7		11,134
Balance December 31, 2011	C		\$58,305

**GENERAL CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2010		2011 Authorizations		Paid or Charged	Prior Year Encumbered	Encumbered	Canceled	Reimbursed	Balance Dec. 31, 2011	
				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	334									334	
9-05	Various Improvements (a) Building Improvements (g) Roadway Improvements	5/11/05	1,120,995	1,175 11,537			11,537						1,175	
10-05	School Improvements (a) HVAC (g) Nurses Suite	5/11/05	4,356,000		1,442		1,442 1,088							
13-06	Various Improvements (b) Improvements to Roads	5/24/06	648,585					3,702					3,702	
14-07	Various Improvements c. Office Equipment and Computers h. Improvements to Bldg & Grounds g. Improvements to Roads	5/9/07	1,478,028	1,163 13,519 240,365			39,734 150,228	23,560		17,892 14,675	40,000	74,434	1,163 30,327 59,022	
14-08	a Improvements to Bldg and Grounds c Public Works Generator d Purchase of Various Vehicles e Improvements to Roadways	8/13/08	910,634	15,005 9,610 69,846 62,866			5,000 23,027	15,074		9,106 66,666 15,074	5,000 3,500	5,899 9,610 3,180 43,339		
7-09	Clean Water Project - NEIF	3/25/09	875,000		874,999		20,703			42,747				811,549
11-09	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	6/24/09	650,000	153,891 69,523 7,644	143		171,256	23,253		1,418 66,666			4,613 2,857 7,644	
8-10	Clean Water Project - NEIF	3/24/10	2,010,000		2,009,798		5,383			139,950				1,864,465
9-10	Purchase of Police Vehicle	7/14/10	30,000	413									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	117,700 4,255 29,648 5,250 95,550	3,000		167,448 20,000 14,429 4,000	99,827 20,000		51,576			1,503 4,255 15,219 1,250 50,550	
17-10	Purchase of Computer Server	11/10/10	5,000	1,367			1,200			1,200			1,367	
10-11	(a) Improvements to Roads (b) Purchase of public safety equipment (c) Purchase of public works equipment (d) Improvements to sewer system (e) Purchase of computers	7/13/11	68,567 39,686 95,000 14,427 5,000	3,428 1,984 4,750 722 250			65,139 37,702 90,250 13,705 4,750			34,114 10,752 43,899			17,423 28,934 46,351 13,705 4,750	
15-11	Refunding Bond issue	10/12/11	940,000		940,000									940,000
				\$911,749	2,889,382	11,134	1,151,546	186,616	559,535	40,000	82,934	253,144	3,727,177	
				C	C	C-6	C-4: C-5	186,616	C-2	C-1	C	C	C	C

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2010	Increased	Paid	Transfer to Authorized But Not Issued	Balance Dec. 31, 2011
10-2011	Various General Improvements	9/8/2011	9/7/12	3.25%	-	211,545			211,545
		Ref.			\$0	211,545	0	0	211,545
					C	C-2	C-9	C-14	C

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

Balance December 31, 2010	Ref.	
	C	\$62,706
Decreased by:		
Principal Paid by Budget Appropriation	C-2	7,829
Balance December 31, 2011	C	54,877

Purpose	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding December 31, 2011	
			Date	Amount
Construction of Bike Path	12/22/97	148,500	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	4,478
				\$54,877

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

Balance December 31, 2010	<u>Ref.</u> C	\$99,624
Decreased by:		
Loan payments	C-4	<u>7,787</u>
Balance December 31, 2011	C	<u><u>91,837</u></u>

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Loans Outstanding December 31, 2011</u>	
			<u>Date</u>	<u>Amount</u>
Lighting at All Wars Memorial Park	7/09/2003	150,000	01/15/12	3,952
			07/15/12	3,991
			01/15/13	4,031
			07/15/13	4,072
			01/15/14	4,112
			07/15/14	4,153
			01/15/15	4,195
			07/15/15	4,237
			01/15/16	4,279
			07/15/16	4,322
			01/15/17	4,365
			07/15/17	4,409
			01/15/18	4,453
			07/15/18	4,498
			01/15/19	4,543
			07/15/19	4,588
			01/15/20	4,634
			07/15/20	4,680
01/15/21	4,727			
07/15/21	4,774			
01/15/22	4,822			
				<u><u>\$ 91,837</u></u>

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2011		Int. Rate	Balance Dec. 31, 2010	Decreased	Balance Dec. 31, 2011
			Date	Amount				
School Loan	8/18/93	4,118,500	7/15/12-13	216,764	1.50%	\$650,282	216,764	433,518
School Loan	8/18/93	132,000	7/15/12-13	6,947	1.50%	20,846	6,947	13,899
School Loan	8/18/93	3,451,500	7/15/12-13	181,658	1.50%	544,975	181,658	363,317
						<u>\$1,216,103</u>	<u>405,369</u>	<u>810,734</u>
					Ref. C		C-4	C

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding Dec. 31, 2011		Int. Rate	Balance Dec. 31, 2010	Increased	Decreased		Balance Dec. 31, 2011
			Date	Amount				Paid by Budget Appropriation		
Infrastructure	11/28/07	237,500	2/1/2012	929	-	116,078		58,244		57,834
			8/1/2012	56,905						
Infrastructure	11/28/97	237,500	8/1/2012	62,000	3.26%	122,500		60,500		62,000
						<u>\$238,578</u>	<u>0</u>	<u>118,744</u>		<u>119,834</u>
					Ref.	C		C-4		C

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2010	Transferred from Bond Anticipation Notes	2011 Authorizations	Notes Issued	Balance Dec. 31, 2011
7-2009	Stormwater Drain System Improvements (Construction of Clean Water Project)	\$875,000				875,000
11-2009	Various General Improvements	223				223
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	2,010,000				2,010,000
10-2010	Various General Improvements	3,000				3,000
10-2011	Various General Improvements			211,546	211,545	1
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds			700,000 240,000		700,000 240,000
		<u>\$2,888,223</u>	<u>0</u>	<u>1,151,546</u>	<u>211,545</u>	<u>3,828,224</u>
	Ref.	C	C-8	C-7	C-9	C

CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

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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 of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 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 II, ADA Curb Ramp Improvements, 2011 Road Improvement Program, Pedestrian Safety Improvements – Seaview Avenue, Purchase of Trash Truck.

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 \$17,500 "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.

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The governing body, on January 5, 2011, 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 5, 2011, 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, 2011 for the first quarter, May 11, 2011 for the second quarter, August 11, 2011 for the third quarter and November 11, 2011 for the fourth quarter.”

Further, the governing body on January 5, 2011, 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 20, 2011 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>
2011	2	0
2010	2	0
2009	2	1

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 2011 and 2012 Taxes	15
Delinquent Taxes	4
Payment of 2011 and 2012 Sewer Charges	15
Municipal Court	6

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>
2011	\$30,076,358	29,526,625	98.17%
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%

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Rate	3.783	3.652	3.448	3.361	3.243
Apportionment of Tax Rate:					
Municipal	0.927	0.958	0.921	0.891	0.822
Municipal Library	0.050	0.000	0.000	0.000	0.000
County	0.504	0.470	0.436	0.414	0.419
Local School	1.526	1.491	1.444	1.436	1.392
Regional High School	0.776	0.733	0.647	0.620	0.610
Assessed Valuation	792,876,551	785,144,340	780,446,294	778,584,511	773,023,780

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>
2011	\$9,406	342,393	351,799	1.17%
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%

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

NONE

STATUS OF PRIOR RECOMMENDATIONS

10-1. Condition

Significant adjusting entries were not posted to the general ledger during the 2010 calendar year which resulted in incomplete financial information provided to City officials.

Current Status

This recommendation was cleared during 2011.

RECOMMENDATIONS

NONE

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

Ford, Scott & Associates, LLC

Ford, Scott & Associates, LLC
Certified Public Accountants