

## Borough of Alpha, N.J.

## Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

## Water / Sewer Utility Operating Fund

## Year Ended December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	118,613.00	48,570.00
Water Rents	D-3	309,775.97	318,175.38
Sewer Rents	D-3	586,279.97	579,619.17
Miscellaneous	D-3	220,444.84	33,441.25
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-11	57,552.15	11,685.36
Encumbrances Payable Cancelled			3,553.11
		<u>1,292,665.93</u>	<u>995,044.27</u>
Total Income			
Expenditures:			
Operating	D-4	757,100.00	758,970.00
Capital Improvements	D-4	50,000.00	60,000.00
Debt Service	D-4	49,770.32	42,572.38
Deferred Charges and			
Statutory Expenditures	D-4	131,712.01	68,000.00
		<u>988,582.33</u>	<u>929,542.38</u>
Statutory Excess to Surplus		304,083.60	65,501.89
Fund Balance - January 1,	D-1	531,721.94	514,790.05
		<u>835,805.54</u>	<u>580,291.94</u>
Decreased by:			
Utilized as Anticipated Revenue	D-3	118,613.00	48,570.00
Fund Balance - December 31,	D	<u>717,192.54</u>	<u>531,721.94</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

**Borough of Alpha, N.J.**  
**Statement of Fund Balance - Regulatory Basis**  
**Water / Sewer Utility Capital Fund**  
**Year Ended December 31, 2009**

	<u>Ref.</u>	
Balance - December 31, 2008	D	<u>87,312.69</u>
Balance - December 31, 2009	D	<u>87,312.69</u>

**Statement of Revenues - Regulatory Basis**  
**Water / Sewer Utility Operating Fund**  
**Year Ended December 31, 2009**

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	118,613.00	118,613.00	
Water Rents	D-1;D-7	305,000.00	309,775.97	4,775.97
Sewer Rents	D-1;D-7	565,000.00	586,279.97	21,279.97
Miscellaneous	D-1		<u>220,444.84</u>	<u>220,444.84</u>
Budget Totals	D-4	<u>988,613.00</u>	<u>1,235,113.78</u>	<u>246,500.78</u>

Analysis of Realized Revenues

Miscellaneous:

Interest on Deposits:

Water / Sewer Operating Fund

Water / Sewer Capital Fund

Interest on Delinquent Accounts

Phillipsburg Sewerage Capacity Contract

Other Miscellaneous

D-5	6,982.31	
D-9	<u>2,201.05</u>	
		9,183.36
	8,050.02	
	200,000.00	
	<u>3,211.46</u>	
D-5		<u>211,261.48</u>
		<u>220,444.84</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Borough of Alpha

## Statement of Expenditures - Regulatory Basis

## Water Utility Operating Fund

Year Ended December 31, 2009

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		272,000.00	272,000.00	253,626.32	18,373.68	
Other Expenses		485,300.00	485,100.00	462,462.21	22,637.79	
Total Operating	D-1	757,300.00	757,100.00	716,088.53	41,011.47	
Capital Improvements						
Purchase of Equipment		20,000.00	20,000.00	20,000.00		
Hydrant Replacement		10,000.00	10,000.00	10,000.00		
Equipment/Facility Improvements		20,000.00	20,000.00	20,000.00		
	D-1	50,000.00	50,000.00	50,000.00		
Debt Service:						
Payment of Bond Principal		29,600.00	29,600.00	29,570.32		29.68
Interest on Bonds		20,200.00	20,200.00	20,200.00		
Total Debt Service	D-1	49,800.00	49,800.00	49,770.32		29.68
Deferred Charges and Statutory Expenditures:						
Deferred Charges						
Water Utility Improvement (96-06)		12,513.00	12,513.00	12,512.01		0.99
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)		18,000.00	18,200.00	18,200.00		
Unemployment Compensation Insurance		1,000.00	1,000.00	996.98	3.02	
Surplus ( General Budget)		100,000.00	100,000.00	100,000.00		
Total Deferred Charges and Statutory Expenditures	D-1	131,513.00	131,713.00	131,708.99	3.02	0.99
		988,613.00	988,613.00	947,567.84	41,014.49	30.67
			D-3		D	
Cash Disbursed	D-5			810,569.40		
Interfund - Water/Sewer Capital Fund	D-9			13,336.47		
Interfund - Current Fund	D-9			100,000.00		
Encumbrances Payable	D-12			3,461.97		
Accrued Interest on Bonds and Notes	D-14			20,200.00		
				947,567.84		

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

**Borough of Alpha, N.J.**  
**Comparative Balance Sheet - Regulatory Basis**  
**Public Assistance Fund**  
**December 31, 2009 and 2008**

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Cash	F-1	10,117.18	10,052.94
Due from Current Fund	F-5	<u>297.00</u>	<u>297.00</u>
		<u>10,414.18</u>	<u>10,349.94</u>
<u>Liabilities</u>			
Reserve for Public Assistance	F-6	<u>10,414.18</u>	<u>10,349.94</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Alpha, N.J.

## Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2009 and 2008

<u>General Fixed Assets:</u>	<u>2009</u>	<u>2008</u>
Land	3,494,100.00	3,494,100.00
Buildings	1,542,435.21	1,533,179.21
Machinery and Equipment	<u>2,090,050.80</u>	<u>2,089,166.82</u>
Total Fixed Assets	<u>7,126,586.01</u>	<u>7,116,446.03</u>
Investment in Fixed Assets	<u>7,126,586.01</u>	<u>7,116,446.03</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**BOROUGH OF ALPHA, N.J.**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounts principles (GAAP).

The financial statements of the Borough of Alpha have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for it financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Alpha (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, water/sewer utilities and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will, by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer Fire Department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

B. Basis of Accounting

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Water/Sewer Operating and Water/Sewer Capital Fund - This fund was used to account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer Utility.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Alpha. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditure are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

**BOROUGH OF ALPHA, NJ**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on November 11 in the current year, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund and Water/Sewer Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund and Water/Sewer Operating Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.



**BOROUGH OF ALPHA, NJ**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

The Borough is not required to adopt budgets for the following funds:

Animal Control Trust Fund  
General Capital Fund

Public Assistance Fund Trust Fund  
Water/Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the year several budget transfers were approved by the governing body.

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 an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

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

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

**BOROUGH OF ALPHA, NJ**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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. GAAP does not require the establishment of an offsetting reserve.

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

General Fixed Assets - The Borough of Alpha has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

**BOROUGH OF ALPHA, NJ**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Accounting (continued)

General Fixed Assets (continued)

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 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.

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.

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

C. Basic Financial Statements

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

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2009 statutory budget included a reserve for uncollected taxes in the amount of \$250,350.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2009 statutory budget was \$243,000.00.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Borough Council.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 2: BUDGETARY INFORMATION (CONTINUED)**

N.J.S.A. 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. There were no items of revenue and appropriation inserted into the annual budget for 2009.

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 or 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 budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2009, there was a special emergency appropriation of \$25,000.00 for tax maps.

**NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009 the following deferred charges are shown on the balance sheets of the various funds.

	<u>Added in 2009</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:		
Tax Maps	<u>\$25,000.00</u>	<u>\$25,000.00</u>

**NOTE 4: FIXED ASSETS**

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

	<u>Balance as of 12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of 12/31/09</u>
Land	\$3,494,100.00	\$ -	\$ -	\$3,494,100.00
Buildings	1,533,179.21	9,256.00	-	1,542,435.21
Equipment (Including Vehicles)	<u>2,089,166.82</u>	<u>126,772.02</u>	<u>125,888.04</u>	<u>2,090,050.80</u>
	<u>\$7,116,446.03</u>	<u>\$136,028.02</u>	<u>\$125,888.04</u>	<u>\$7,126,586.01</u>

**BOROUGH OF ALPHA, NJ**

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

**NOTE 5: MUNICIPAL DEBT**

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

	<u>Balance Dec. 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
General Capital Fund:					
Serial Bonds Payable	\$515,000.00	\$ -	\$160,000.00	\$350,000.00	\$165,000.00
NJ Economic Development Loan Payable	<u>99,750.00</u>	<u>-</u>	<u>14,250.00</u>	<u>85,500.00</u>	<u>14,250.00</u>
	<u>\$614,750.00</u>	<u>-</u>	<u>174,250.00</u>	<u>435,500.00</u>	<u>179,250.00</u>
Water Capital Fund:					
FHA Water Supply Loan	<u>\$417,635.94</u>	<u>\$ -</u>	<u>29,591.54</u>	<u>388,044.40</u>	<u>22,034.79</u>
Compensated Absences Payable	<u>\$ 54,142.62</u>	<u>\$4,005.29</u>	<u>\$ -</u>	<u>\$ 58,147.91</u>	<u>\$ -</u>

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

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2009</u>	<u>Year 2008</u>	<u>Year 2007</u>
General:			
Bonds, Notes & Loans	\$489,752.21	\$ 699,750.00	\$ 899,000.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>388,044.40</u>	<u>417,635.94</u>	<u>446,097.72</u>
	<u>877,796.61</u>	<u>1,117,385.94</u>	<u>1,345,097.72</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	21,000.00	41,000.00	51,000.00
Water/Sewer Utility:			
Bonds and Notes	<u>12,512.01</u>	<u>12,512.01</u>	<u>62,512.01</u>
Total Authorized But Not Issued	<u>\$ 33,512.01</u>	<u>\$ 53,512.01</u>	<u>\$ 113,512.01</u>

**BOROUGH OF ALPHA, NJ**

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

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$911,308.62</u>	<u>\$1,170,897.95</u>	<u>\$1,458,609.73</u>
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**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 statement net debt of 0.21%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$510,752.21	\$ 3,422.35	\$507,329.86
Water/Sewer Utility Debt	<u>400,556.41</u>	<u>400,556.41</u>	<u>-</u>
	<u>\$911,308.62</u>	<u>\$403,978.76</u>	<u>\$507,329.86</u>

Net Debt \$507,329.86 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$236,382,747.00 - 0.21%.

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

Paid by Current Fund:

General Obligation Bond - General Improvements - dated 2/1/90 with CEDE & Co. This bond is payable in annual installments through 7/3/10. The interest is payable semi-annually at a rate of 7.50% per annum. The balance remaining as of December 31, 2009 was \$75,000.00.

General Obligation Bond - General Improvements - dated 10/15/96 with CEDE & Co. This bond is payable in annual installments through 10/15/12. Interest is paid semi-annually at a rate of 5.85% per annum. The balance remaining as of December 31, 2009 was \$275,000.00.

General Obligation Loan - Construction of New Municipal Building - dated 3/1/95 with the State of New Jersey, Economic Development Authority. This loan is payable in annual installments through 3/1/15. Interest is paid semi-annually at a rate of 1.50% per annum. The balance remaining as of December 31, 2009 was \$85,500.00.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

Paid by Water/Sewer Utility:

Outstanding bonds whose principal and interest are paid from the Water/Sewer Utility Operating Fund budget of the Borough are as follows:

\$555,000.00 Water Utility Loan dated 7/1/87 with the United States Department of Agriculture, Rural Development. This loan is payable in semi-annual installments of \$16,112. through 7/1/27. Interest is calculated at 5.00% and is included in the semi-annual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The Borough has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2009 was \$379,427.35.

\$129,168.50 Water Utility Loan dated 8/29/01 with the United States Department of Environmental Protection. This loan is payable in semi-annual installments of \$8,757.09. through 5/1/10. Interest is calculated at 3.25% and is included in the semi-annual installments. The remaining balance as of December 31, 2009 was \$8,617.05.

The Borough's long term debt consisted of the following at December 31, 2009:

General Obligation Bonds & Loan from the General Capital Account	\$435,500.00
Water Utility Loan from the Water Utility Capital Account	<u>388,044.40</u>
	<u>\$823,544.40</u>

**BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED**

3 1/2% of Equalized Valuation Basis (Municipal)	\$8,273,396.15
Net Debt	<u>507,329.86</u>
Remaining Borrowing Power	<u>\$7,766,066.29</u>

**CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER/SEWER UTILITY PER N.J.S. 40A:2-45**

Cash Receipts from Fees, Rents or Other Charges for Year	\$1,235,113.78
Operating And Maintenance Costs	\$776,300.00
Debt Service	<u>49,770.32</u>
	<u>826,070.32</u>
Excess in Revenue	<u>\$ 409,043.46</u>

**BOROUGH OF ALPHA, NJ**

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

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount. The forgoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer. A revised copy will be filed.

**ANALYSIS OF AVERAGE EQUALIZED VALUATION**

2009	236,382,747.00		
2008		231,985,911.00	
2007			219,938,258.67

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT AND LOAN OBLIGATIONS ISSUED AND OUTSTANDING**

Calendar Year	General		Water/Sewer Utility		Yearly Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	179,250.00	20,091.06	22,034.79	18,945.39	201,284.79	39,036.45
2011	104,250.00	11,796.84	14,097.95	18,126.05	118,347.95	29,922.89
2012	109,250.00	6,317.50	14,811.66	17,412.34	124,061.66	23,729.84
2013	14,250.00	540.91	15,561.50	16,662.50	29,811.50	17,203.41
2014	14,250.00	324.19	16,349.30	15,874.70	30,599.30	16,198.89
2015-2018	14,250.00	107.47	95,032.25	66,087.75	109,282.25	66,195.22
2019-2023	-	-	121,649.32	39,470.68	121,649.32	39,470.68
2024	-	-	88,507.63	7,885.65	88,507.63	7,885.65
Total	<u>435,500.00</u>	<u>39,177.97</u>	<u>388,044.40</u>	<u>200,465.06</u>	<u>823,544.40</u>	<u>239,643.03</u>

**NOTE 6: BOND ANTICIPATION NOTES**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.



**BOROUGH OF ALPHA, NJ**

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

**NOTE 6: BOND ANTICIPATION NOTES (CONTINUED)**

General Capital had \$54,252.21 in Outstanding Bond Anticipation Notes maturing on September 3, 2010.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
PNC Bank	<u>\$85,000.00</u>	<u>\$54,252.21</u>	<u>\$85,000.00</u>	<u>\$54,252.21</u>

**NOTE 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2009 which are appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2010 were as follows:

Current Fund	<u>\$322,486.00</u>
Water/ Sewer Utility Operating	<u>\$132,180.00</u>

**NOTE 8: LOCAL DISTRICT SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District. The Borough of Alpha has elected to defer school taxes.

	<u>Local School Tax</u>	
	<u>Balance Dec. 31, 2008</u>	<u>Balance Dec. 31, 2009</u>
Balance of Tax	1,099,240.50	1,378,400.50
Deferred	<u>1,028,045.62</u>	<u>1,028,045.62</u>
Tax Payable	<u>71,194.88</u>	<u>350,354.88</u>

**BOROUGH OF ALPHA, NJ**

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

**NOTE 9: PENSION PLANS**

Description of System

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

*Public Employees' Retirement System (PERS)*

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' account.

*Police and Firemens' Employees' Retirement System (PFRS)*

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final average compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years or 1/60 of final average compensation multiplied by the number of years of creditable service, whichever is greater. Special retirement is permitted to members who have 25 or more years of creditable service in

**BOROUGH OF ALPHA, NJ**

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

**NOTE 9: PENSION PLANS (CONTINUED)**

*Police and Firemens' Employees' Retirement System (PFRS) (continued)*

the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of the members' contributions.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P. O. Box 295, Trenton, NJ 08625-0295.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19 (S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Fireman's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8 1/4 percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Alpha opted not to defer.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 9: PENSION PLANS (CONTINUED)**

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2009	\$37,277.00	\$ -
2008	24,551.20	15,141.00
2007	13,743.60	26,973.60

**Defined Contribution Retirement Program**

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll into the DCRP detailed as follows:

All elected official taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS. A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 10: ACCRUED SICK AND VACATION BENEFITS**

The Borough of Alpha has a policy for 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 amount and determined by the Borough Council. At the time of the audit there was not any cost of such unpaid compensation. The current cost of such unpaid compensation is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. It is estimated that the current cost of such unpaid compensation would approximate \$58,147.91.

**NOTE 11: CASH AND CASH EQUIVALENTS**

**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 Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$0- of the Borough's bank balance of \$4,093,680.27 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

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

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the Boroughs or bonds or other obligations of the local unit or units within which the Borough is located: 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 Borough places no limit on the amount the Borough may invest in any one issuer.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 12: RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2009 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**NOTE 13: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2009 consist of the following:

\$178,703.76	Due to General Capital Fund from Current Fund for interest earned on deposits and Current Budget Line Items due to General Capital Fund.
537.89	Due to Current Fund from Federal and State Grant Fund for receipts deposited in the Current Fund.
3.55	Due to Current Fund from Animal Control Trust Fund for disbursements deposited in the Animal Control Trust Fund.
488,768.54	Due to Other Trust Fund from Current Fund for receipts and disbursements made from Current Fund.
297.00	Due to Public Assistance Trust Fund from Current Fund for receipts deposited into Current Fund.
<u>112,507.48</u>	Due to Water/Sewer Capital Fund from Water/Sewer Operating Fund for receipts deposited in the Water/Sewer Operating Fund.
<u>\$780,818.22</u>	

It is anticipated that all interfunds will be liquidated during the calendar year.

**BOROUGH OF ALPHA, NJ**

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

**NOTE 14: LEASES**

The Borough has a commitment to lease a copier under an operating lease that expires in 2010. Total operating lease payments made during the year were \$3,576.00. Future operating lease payments are as follows:

2010	<u>298.00</u>
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**NOTE 15: PUBLIC ASSISTANCE**

The Borough of Alpha has elected to have the County of Warren process all public assistance granted to the residents. Therefore, the Borough of Alpha no longer has a public assistance director.

**NOTE 16: HEALTH INSPECTIONS**

The Borough of Alpha has elected to have the County of Warren, Department of Health, do all the health inspections. Therefore, the Borough does not have a health inspector.

**NOTE 17: 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 Dec 31, 2009</u>	<u>Balance Dec 31, 2008</u>
Prepaid Taxes	<u>\$18,629.24</u>	<u>\$28,122.88</u>
Cash Liability for Taxes Collected in Advance	<u>\$18,629.24</u>	<u>\$28,122.88</u>

**BOROUGH OF ALPHA, NJ**

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

**NOTE 18: CONTINGENT LIABILITIES**

Borough Counsel has advised us of the following:

“The Borough of Alpha has been notified by the New Jersey Department of Environmental Protection concerning certain notices of violation(s) to be addressed and/or resolved. While the Borough and Counsel believe there to be defenses to these matters, the outcomes cannot be predicted with certainty.”



**SUPPLEMENTARY DATA**