

TOWNSHIP OF UPPER DEERFIELD
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2010

INDEX

	<u>Page</u>
<u>PART I</u>	1
Independent Auditor's Report	2-3
 <u>CURRENT FUND</u>	 4
A Comparative Balance Sheet - Current Fund - Regulatory Basis	5-6
A-1 Comparative Statement of Operations and Change in Fund Balance - Current Fund - Regulatory Basis	7-8
A-2 Statement of Revenues - Current Fund - Regulatory Basis	9-10
A-3 Statement of Expenditures - Current Fund - Regulatory Basis	11-18
 <u>TRUST FUND</u>	 19
B Comparative Balance Sheet - Trust Fund - Regulatory Basis	20-22
 <u>GENERAL CAPITAL FUND</u>	 23
C Comparative Balance Sheet - General Capital Fund - Regulatory Basis	24
C-1 Statement of Fund Balance - General Capital Fund - Regulatory Basis	25
 <u>WATER & SEWER UTILITY FUND</u>	 26
D Comparative Balance Sheet - Water & Sewer Utility Fund - Regulatory Basis	27-28
D-1 Comparative Statement of Operations and Change in Fund Balance - Water & Sewer Utility Fund - Regulatory Basis	29
D-2 Statement of Fund Balance - Water & Sewer Utility Fund - Regulatory Basis	30
D-3 Statement of Revenues - Water & Sewer Utility Fund - Regulatory Basis	30
D-4 Statement of Expenditures - Water & Sewer Utility Fund - Regulatory Basis	31
 <u>GENERAL FIXED ASSETS</u>	 32
E Statement of General Fixed Assets - Regulatory Basis	33
 <u>NOTES TO FINANCIAL STATEMENTS</u>	 34-49
 <u>SUPPLEMENTARY DATA</u>	 50
<u>Single Audit Section</u>	51
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	52-53
Report on Compliance with Requirements to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and State of New Jersey State Treasury Circular 04-04 OMB	54-55
Schedule of Expenditures of Federal Awards - Schedule 1	56
Schedule of Expenditures of State Financial Assistance - Schedule 2	57
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance - Schedule 3	58
Schedule of Findings and Questioned Costs - Schedule 4	59-61
Schedule of Prior Audit Findings - Schedule 5	62

INDEX
(CONTINUED)

	<u>Page</u>
<u>CURRENT FUND</u>	63
A-4 Schedule of Cash - Treasurer	64
A-5 Schedule of Current Fund Cash and Reconciliation Per N.J.S.A. 40A:5-5 - Treasurer	65
A-6 Schedule of Cash - Collector	66
A-7 Schedule of Investments - Bond Anticipation Notes- Utility Capital Fund	66
A-8 Schedule of Grants Receivable	67
A-9 Schedule of Taxes Receivable and Analysis of Property Tax Levy	68-69
A-10 Schedule of Tax Title Liens Receivable	70
A-11 Schedule of Property Acquired for Taxes (At Assessed Valuation)	70
A-12 Schedule of Revenue Accounts Receivable	71
A-13 Schedule of Deferred Charges N.J.S.A. 40A:4-53 - Special Emergency	72
A-14 Schedule of 2009 Appropriation Reserves	73
A-15 Schedule of Encumbrances Payable	74
A-16 Schedule of Due State of New Jersey - Senior Citizen and Veterans Deductions	74
A-17 Schedule of Local District School Tax Payable	75
A-18 Schedule of Regional High School Tax Payable	75
A-19 Schedule of Reserve for Grants - Appropriated	76
A-20 Schedule of Reserve for Grants - Unappropriated	77
<u>TRUST FUND</u>	78
B-1 Schedule of Trust Fund Cash - Treasurer	79
B-2 Schedule of Trust Fund Cash and Reconciliation Per N.J.S.A. 40A:5-5 - Treasurer	80
B-3 Schedule of Trust Fund Cash - Collector	81
B-4 Schedule of Trust Fund Cash and Reconciliation Per N.J.S.A. 40A:5-5 - Collector	82
B-5 Schedule of Reserve for Dog Fund Expenditures	83
<u>GENERAL CAPITAL FUND</u>	84
C-2 Schedule of General Capital Fund Cash - Treasurer	
C-3 Schedule of General Capital Fund Cash and Reconciliation Per N.J.S.A. 40A:5-5 - Treasurer	85
C-4 Analysis of General Capital Fund Cash	86
C-5 Schedule of Capital Improvement Fund	87
C-6 Schedule of Improvement Authorizations	88
C-7 Schedule of Encumbrances Payable	89
	90

INDEX
(CONTINUED)

	<u>Page</u>
<u>WATER & SEWER UTILITY FUND</u>	91
D-5 Schedule of Water & Sewer Utility Fund Cash - Treasurer	92
D-6 Schedule of Water & Sewer Utility Fund Cash and Reconciliation Per N.J.S.A. 40A:5-5 - Treasurer	93
D-7 Schedule of Water & Sewer Utility Fund Cash - Collector	94
D-8 Analysis of Water & Sewer Utility Fund Capital Fund Cash	95
D-9 Schedule of Consumer Accounts Receivable	96
D-10 Schedule of Connection Fees Receivable	96
D-11 Schedule of Fixed Capital	97
D-12 Schedule of Fixed Capital Authorized and Uncompleted	98
D-13 Schedule of 2009 Appropriation Reserves	99
D-14 Schedule of Encumbrances Payable	99
D-15 Schedule of Improvement Authorizations	100
D-16 Schedule of Capital Improvement Fund	101
D-17 Schedule of Reserve for Amortization	101
D-18 Schedule of Loans Payable	101
D-19 Schedule of Bond Anticipation Notes Payable	102
D-20 Schedule of Bonds & Notes Authorized But Not Issued	103
 <u>PART II</u>	 104
General Comments	105-107
Other Comments	107
Findings and Recommendations	108

PART I

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
1325 State Highway #77
Seabrook, New Jersey 08302

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the Township of Upper Deerfield as of December 31, 2010 and 2009, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis, and statement of expenditures – regulatory basis of the various funds, as listed in the table of contents for the year ended December 31, 2010. These financial statements are the responsibility of the Township of Upper Deerfield's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As described in Note 1, the Township of Upper Deerfield 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 the modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.


In our opinion, because of the effects of preparing its financial statements on the basis of accounting discussed in the preceding paragraph, 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 Township of Upper Deerfield as of December 31, 2010 and 2009, or the results of its operations for the years 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 Township of Upper Deerfield as of December 31, 2010 and 2009, and the results of 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 various funds for the year ended December 31, 2010 on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2011 on our consideration of the Township of Upper Deerfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Township of Upper Deerfield taken as a whole. The accompanying supplemental schedules listed in the table of contents are not a required part of the financial statements of the Township of Upper Deerfield. The accompanying schedule of Federal awards and State Financial Assistance is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and New Jersey Treasurer Circular Letter 04-04 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and is not a required part of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

June 7, 2011

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Regular Fund</u>				
Cash - Treasurer	A-4		5,599,021	4,929,775
Cash - Collector				348,622
Change Fund			400	400
Investment - Bond Anticipation Notes - Utility Capital Fund	A-7		397,702	597,702
			<u>5,997,123</u>	<u>5,876,499</u>
Receivables and Other Assets with Full Reserves:				
Delinquent Property Taxes Receivable	A-9		700,031	620,439
Tax Title Liens Receivable	A-10		88,608	19,734
Property Acquired for Taxes - Assessed Valuation	A-11		82,800	82,800
Revenue Accounts Receivable	A-12		29,743	39,456
Due from Animal Control Trust Fund				13,598
Due from Uniform Fire Safety Penalty Fund	B		22	20
Due from Accumulated Absence Trust Fund	B		74	
Due from Escrow Trust Fund	B		269	
Due from Recreation Trust Fund	B		718	571
Due from Snow Removal Trust Fund	B		101	50
Due from General Capital Fund	C		998	
Due from Utility Operating Fund				8,197
Prepaid Regional School Tax	A-18		60	
Prepaid Payroll Taxes			4,659	
			<u>908,083</u>	<u>784,865</u>
Deferred Charges:				
Special Emergency Appropriation	A-13		266,631	24,462
			<u>7,171,837</u>	<u>6,685,826</u>
<u>Federal and State Grant Fund</u>				
Grants Receivable	A-8		1,232,404	1,620,859
Due from Current Fund	A		322,265	289,393
Due from Utility Operating Fund	D		7,052	
			<u>1,561,721</u>	<u>1,910,252</u>
			<u>8,733,558</u>	<u>8,596,078</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Regular Fund</u>			
Liabilities:			
Appropriation Reserves	A-3:A-14	493,980	542,222
Encumbrances Payable	A-15	499,910	227,791
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	35,953	35,063
Prepaid Taxes		189,396	174,187
Tax Overpayments		61,824	156,518
Payroll Taxes Payable			24,223
Reserve for Home Rehabilitation		18,361	28,787
Reserve for Garden State Trust			202
Reserve for Revaluation		254,400	
Reserve for Tax Appeals Pending		350,000	350,000
Due Deerfield Township - UCC Fees		1,441	
Due Federal and State Grant Fund	A	322,265	289,393
Due Animal Control Trust Fund	B	1,982	
Due Public Defender Trust Fund	B	841	846
Due Tax Sale Premium Fund	B	2,759	2,682
Due General Capital Fund			3,805
Due County for Added & Omitted Taxes	A-9	18,499	75,151
		<hr/> 2,251,611	<hr/> 1,910,870
Reserve for Receivables		908,083	784,865
Fund Balance	A-1	4,012,143	3,990,091
		<hr/> 7,171,837	<hr/> 6,685,826
<u>Federal and State Grant Fund</u>			
Encumbrances Payable	A-16	216,588	161,940
Due Utility Operating Fund			5,960
Reserve for Grants - Appropriated	A-19	1,339,545	1,686,062
Reserve for Grants - Unappropriated	A-20	5,588	56,290
		<hr/> 1,561,721	<hr/> 1,910,252
		<hr/> <u>8,733,558</u>	<hr/> <u>8,596,078</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - CURRENT FUND - REGULATORY BASIS

<u>Revenue and Other Income Realized</u>	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>
Fund Balance Utilized	A-2	2,499,470	1,818,090
Miscellaneous Revenue Anticipated	A-2	2,836,617	2,837,192
Receipts from Delinquent Taxes	A-2	543,518	625,227
Receipts from Current Taxes	A-2	14,829,009	15,680,006
Non-Budget Revenue	A-2	1,817,987	791,438
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	490,266	469,061
Encumbrances Payable - Canceled	A-15	69,798	16,772
Interfund Loan Returned		25,974	36,501
Increase in Change Fund			250
Prior Period Adjustment - Due Utility Operating Fund	D-1	16,781	
Total Income		<u>23,129,420</u>	<u>22,274,537</u>
<u>Expenditures</u>			
Budget Appropriations:			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	1,035,266	1,018,020
Other Expenses	A-3	2,252,884	1,905,968
Deferred Charges and Statutory			
Expenditures	A-3	184,373	179,499
Appropriations Excluded from "CAPS":			
Operations:			
Salaries and Wages	A-3	147,045	136,500
Other Expenses	A-3	968,565	542,705
Capital Improvements	A-3	640,000	717,000
Deferred Charges	A-3	12,231	12,231
County Taxes	A-9	6,155,399	6,798,930
Due County for Added Taxes	A-9	18,499	75,151
Local District School Tax	A-9	6,474,724	6,423,541
Regional High School Tax	A-9	2,966,473	3,192,654
Prior Year Deductions Disallowed	A-16	2,000	4,250
Interfund Loan Advanced		4,839	8,197
Total Expenditures		<u>20,862,298</u>	<u>21,014,646</u>

The accompanying notes to the financial statements are an integral part of this statement.

8

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Amended by N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	2,499,470		2,499,470	
Miscellaneous Revenues:					
Fines and Costs:					
Municipal Court	A-12	96,000		70,427	(25,573)
Emergency Medical Services					
Billings	A-12	181,415		225,218	43,803
Energy Receipts Tax	A-12	1,354,938		1,354,938	
Garden State Trust	A	202		202	
Uniform Construction Code					
Fees	A-12	72,000		123,938	51,938
Deerfield Township - Uniform					
Construction Code	A-12	37,045		39,207	2,162
Small Cities Grant - Rehabilitation	A-8	100,000		100,000	
Small Cities Grant - Senior	A-8	500,000		500,000	
USDA Rehabilitation Grant	A-8	55,709		55,709	
NJ Transportation Trust Fund	A-8	170,000		170,000	
Recycling Tonnage Grant	A-8	50,702		50,702	
Clean Communities Program	A-8	13,253		13,253	
Municipal Alliance on Alcoholism					
and Drug Abuse	A-8	39,000		39,000	
Older Americans Act Title IIIB	A-8	4,656		4,656	
Neighborhood Preservation	A-8	25,000		25,000	
Sharing Available Resources Efficiently	A-8		43,830	43,830	
Uniform Fire Safety Act	A-12	22,534		20,537	(1,997)
Total Miscellaneous Revenues		2,722,454	43,830	2,836,617	70,333
Receipts from Delinquent Taxes	A-2	550,000		543,518	(6,482)
Budget Totals		5,771,924	43,830	5,879,605	63,851
Non-Budget Revenues:					
From "Allocation of Current					
Tax Collections"	A-2			43,704	
Other Non-Budget Revenue	A-2			1,817,987	
		5,771,924	43,830	7,741,296	
Ref.	A-3		A-3		

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

<u>Analysis of Realized Revenue</u>	<u>Ref.</u>	
Allocation of Current Tax Collections:		
Revenue from Collections	A-9	14,829,009
Allocated to:		
School and County Taxes		15,615,095
Deficiency Supported by Municipal Revenue		(786,086)
Decreased by: Appropriation "Reserve for Uncollected Taxes"	A-3	829,790
Amount Added to Non-Budget Revenue	A-2	43,704
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-9	539,665
Tax Title Liens	A-10	3,853
	A-2	543,518
<u>Analysis of Non-Budget Revenue</u>		
	<u>Ref.</u>	
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-12	99,181
Interest & Costs on Taxes	A-12	159,204
Fees & Permits	A-12	76,586
Cable TV Franchise Fees	A-12	22,452
Recycling Receipts	A-12	24,395
Payments in Lieu of Taxes	A-12	1,224,514
Payments in Lieu of Taxes - Overpayments Applied		133,074
Sale of Municipal Assets	A-12	2,555
FEMA Snow Funds	A-12	18,911
Refund	A-12	46,576
Miscellaneous	A-12	10,539
	A-2	1,817,987

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT FUNCTIONS</u>					
General Administration					
Salaries and Wages	78,500	78,500	73,140		5,360
Other Expenses	25,000	25,000	19,614	1,124	4,262
Mayor and Township Committee					
Salaries and Wages	59,700	59,700	59,619		81
Other Expenses	17,500	17,500	15,287		2,213
Municipal Clerk					
Salaries and Wages	32,000	32,000	30,997		1,003
Other Expenses	26,000	26,000	16,009	785	9,206
Financial Administration					
Salaries and Wages	59,000	59,000	57,420		1,580
Other Expenses	14,000	14,000	9,602	150	4,248
Audit Services					
Other Expenses	20,500	20,500	3,500	17,000	
Revenue Administration					
Salaries and Wages	36,000	36,600	35,174		1,426
Other Expenses:	11,500	11,500	8,372	1,200	1,928
Tax Assessment					
Salaries and Wages	39,500	39,500	38,330		1,170
Other Expenses					
Miscellaneous Other Expenses	60,000	26,884	8,772	2,960	15,152
Cost of Revaluation		254,400	254,400		
Legal Services and Costs					
Other Expenses	70,000	77,500	69,772	157	7,571
Engineering Services and Costs					
Other Expenses	30,000	30,000	19,816		10,184
Economic Development					
Salaries and Wages	780	780	455		325
Other Expenses	27,500	22,500	16,963		5,537
Historic Commission					
Salaries and Wages	780	780	455		325
Other Expenses	3,000	3,000	2,058		942

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>LAND USE ADMINISTRATION</u>					
Municipal Land Use Law (N.J.S.A.40:55D-1)					
Planning Board					
Salaries and Wages	7,500	7,500	7,157		343
Other Expenses	60,000	56,500	39,168	2,988	14,344
Zoning Officer					
Salaries and Wages	47,250	47,250	45,148		2,102
Other Expenses	7,000	7,000	3,827		3,173
<u>CODE ENFORCEMENT & ADMINISTRATION</u>					
Housing Official					
Salaries and Wages	41,000	41,000	39,084		1,916
<u>INSURANCE</u>					
Liability Insurance	47,000	47,000	43,115		3,885
Workers Compensation	101,500	101,500	95,436		6,064
Employee Group Insurance	340,000	340,000	300,636		39,364
Payments in Lieu of Benefits	68,000	68,000	62,890		5,110
<u>PUBLIC SAFETY FUNCTIONS</u>					
Emergency Management					
Salaries and Wages	5,500	5,500	5,396		104
Other Expenses	8,500	8,500	5,904	538	2,058
Aid to Volunteer Fire Companies					
Other Expenses	69,500	69,500	32,818	20,265	16,417
Utilities	46,500	47,000	39,744	1,790	5,466
Ambulance					
Utilities	29,000	29,000	19,689	940	8,371
First Aid Organization - Contribution	12,500	12,500	10,674		1,826

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
Fire Safety Official					
Salaries and Wages	10,500	10,500	10,313		187
Other Expenses	10,000	10,000	7,074		2,926
Municipal Prosecutor					
Salaries and Wages	14,960	14,976	14,976		
Other Expenses	2,500	2,500			2,500
<u>PUBLIC WORKS FUNCTIONS</u>					
Streets and Roads					
Salaries and Wages	127,000	127,000	118,345		8,655
Other Expenses	85,000	100,000	68,905	20,936	10,159
Utilities	37,000	37,000	28,900	1,694	6,406
Snow Removal					
Salaries and Wages	11,000	11,000	4,777		6,223
Other Expenses	55,000	65,000	54,986		10,014
Shade Tree Committee					
Salaries and Wages	650	650	292		358
Other Expenses	10,000	10,000	2,055	2,445	5,500
Solid Waste Convenience Center					
Salaries and Wages	62,000	62,000	45,466		16,534
Other Expenses	119,000	119,000	102,570	1,848	14,582
Utilities	4,500	4,500	2,873		1,627
Buildings and Grounds					
Salaries and Wages	89,500	89,500	65,674		23,826
Other Expenses	46,500	46,500	25,666	15,765	5,069
Utilities	42,000	42,500	39,633	2,149	718
<u>HEALTH AND HUMAN SERVICES</u>					
Board of Health					
Salaries and Wages	6,100	6,100	5,924		176
Other Expenses	2,500	2,500	710		1,790
Environmental Committee					
Salaries and Wages	780	780	764		16
Other Expenses	12,000	12,000	1,596		10,404

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES -CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
Animal Control					
Salaries and Wages	5,400	5,400	5,166		234
Other Expenses	30,000	30,000	15,791	4,594	9,615
<u>PARK AND RECREATION FUNCTIONS</u>					
Community Pride & Relations Committee					
Salaries and Wages	260	260			260
Other Expenses	2,000	2,000			2,000
Senior Center					
Salaries and Wages	29,000	29,000	24,589		4,411
Other Expenses	18,000	18,000	9,504	1,141	7,355
Utilities	14,500	14,500	11,993	571	1,936
Maintenance of Parks					
Salaries and Wages	60,750	60,750	42,399		18,351
Other Expenses	62,500	62,500	45,379	5,327	11,794
Utilities	4,000	4,000	3,307		693
<u>OTHER OPERATING FUNCTIONS</u>					
Accumulated Leave Compensation	100	7,600	7,500		100
<u>UTILITY EXPENSES & BULK PURCHASES</u>					
Street Lighting	125,000	125,000	103,303		21,697
<u>SOLID WASTE DISPOSAL COSTS</u>					
Landfill Disposal Costs					
Other Expenses	163,000	163,000	140,133		22,867
<u>MUNICIPAL COURT</u>					
Municipal Court					
Salaries and Wages	100,000	100,000	95,218		4,782
Other Expenses	16,000	16,000	12,824	2,284	892
Public Defender					
Salaries and Wages	6,240	6,240	6,240		
Other Expenses	5,000	5,000	4,600		400

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>UNIFORM CONSTRUCTION CODE</u>					
Construction Code					
Salaries and Wages	90,000	90,000	80,798		9,202
Other Expenses	38,500	38,500	10,191	1,434	26,875
Electrical Subcode					
Salaries and Wages	1,500	1,500	1,500		
Plumbing Subcode					
Salaries and Wages	11,000	11,000	10,616		384
Fire Subcode					
Salaries and Wages	500	500	500		
Total Operations Within "CAPS"	3,033,750	3,288,150	2,723,491	110,085	454,574
Detail:					
Salaries and Wages	1,034,650	1,035,266	925,932		109,334
Other Expenses	1,999,100	2,252,884	1,797,559	110,085	345,240
<u>DEFERRED CHARGES & STATUTORY EXPENDITURES</u>					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	97,373	97,373	97,373		
Social Security System	80,000	80,000	79,613		387
Unemployment Compensation	5,000	5,000	876		4,124
Defined Contribution Retirement Program	2,000	2,000			2,000
Total Deferred Charges & Statutory Expenditures	184,373	184,373	177,862		6,511
Total Appropriations Within "CAPS"	3,218,123	3,472,523	2,901,353	110,085	461,085

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
<u>INTERLOCAL MUNICIPAL SERVICES AGREEMENTS</u>					
Construction Code					
Salaries and Wages	37,045	37,045	27,039		10,006
Total Interlocal Municipal Service Agreements	37,045	37,045	27,039		10,006
<u>ADDITIONAL APPROPRIATIONS OFFSET</u>					
<u>BY REVENUES</u>					
Ambulance					
Salaries and Wages	110,000	110,000	100,418		9,582
Other Expenses	71,415	71,415	56,810	1,428	13,177
Total Additional Appropriations Offset by Revenues	181,415	181,415	157,228	1,428	22,759
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFFSET BY REVENUES</u>					
Matching Funds for Grants	5,000	130			130
Clean Communities Program	13,253	13,253	13,253		
USDA Home Rehabilitation Grant	55,709	55,709	55,709		
Sharing Available Resources Efficiently		48,700	48,700		
Alliance for Substance Abuse					
Prevention Program	39,000	39,000	39,000		
Older Americans Act	4,656	4,656	4,656		
Recycling Tonnage	50,702	50,702	50,702		
Neighborhood Preservation	25,000	25,000	25,000		
Small Cities Grant	110,000	110,000	110,000		
Small Cities Grant - Facilities	550,000	550,000	550,000		
Total Public and Private Programs	853,320	897,150	897,020		130

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
Total Operations Excluded from "CAPS"	1,071,780	1,115,610	1,081,287	1,428	32,895
Detail:					
Salaries and Wages	147,045	147,045	127,457		19,588
Other Expenses	924,735	968,565	953,830	1,428	13,307
<u>CAPITAL IMPROVEMENTS</u>					
Purchase of Emergency & Fire Vehicles	350,000	350,000		350,000	
Improvements to Roads	70,000	70,000	38,250	31,750	
Purchase of Land - Open Space/ Farmland Preservation	50,000	50,000	50,000		
New Jersey Transportation Trust Fund Authority Act	170,000	170,000	170,000		
Total Capital Improvements	640,000	640,000	258,250	381,750	
<u>DEFERRED CHARGES</u>					
Special Emergency Authorization - 5 Years	12,231	12,231	12,231		
Total Appropriations Excluded from "CAPS"	1,724,011	1,767,841	1,351,768	383,178	32,895
Total General Appropriations for Municipal Purposes	4,942,134	5,240,364	4,253,121	493,263	493,980
RESERVE FOR UNCOLLECTED TAXES	829,790	829,790	829,790		
TOTAL GENERAL APPROPRIATIONS	5,771,924	6,070,154	5,082,911	493,263	493,980
Ref.	A-2			A-15	A

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
Budget	A-3	5,771,924			
Budget Amendments Per N.J.S.A. 40A:4-87	A-2	43,830			
Special Emergency	A-13	254,400			
		<u>6,070,154</u>			
		<u>Ref.</u>			
Reserve for Grants		A-19	1,067,019		
Reserve for Uncollected Taxes		A-2	829,790		
Deferred Charges		A-13	12,231		
Reserve for Revaluation			254,400		
Payroll Taxes Withheld			1,421,952		
Disbursed		A-4	1,497,519		
			<u>5,082,911</u>		

The accompanying notes to the financial statements are an integral part of this statement.

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Animal Control Trust Fund</u>			
Cash - Treasurer	B-1	19,956	31,514
Due from Current Fund	A	1,982	
		<u>21,938</u>	<u>31,514</u>
<u>Escrow Trust Fund</u>			
Cash - Treasurer	B-1	316,188	300,447
<u>Tax Sale Premium Fund</u>			
Cash - Collector	B-3	13,179	9,339
Due from Current Fund	A	2,759	2,682
		<u>15,938</u>	<u>12,021</u>
<u>Municipal Alliance Trust Fund</u>			
Cash - Treasurer	B-1	817	1,933
<u>Public Defender Trust Fund</u>			
Cash - Treasurer	B-1	6,341	2,684
Due from Current Fund	A	841	846
		<u>7,182</u>	<u>3,530</u>
<u>Accumulated Absence Trust Fund</u>			
Cash - Treasurer	B-1	54,312	46,772
<u>Recreation Trust Fund</u>			
Cash - Treasurer	B-1	14,510	8,868
<u>Snow Removal Trust Fund</u>			
Cash - Treasurer	B-1	59,091	59,041
<u>Affordable Housing Trust Fund</u>			
Cash - Treasurer	B-1	50,138	73,128
<u>Landfill Closure Fund</u>			
Cash - Treasurer	B-1	38,080	37,702
<u>Uniform Fire Safety Penalty Monies</u>			
Cash - Treasurer	B-1	2,484	2,482
		<u>580,678</u>	<u>577,438</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>LIABILITIES AND RESERVES</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
<u>Animal Control Trust Fund</u>			
Due Current Fund			13,598
Due State of New Jersey		47	
Reserve for Dog Fund Expenditures	B-5	21,891	17,916
		<u>21,938</u>	<u>31,514</u>
<u>Escrow Trust Fund</u>			
Due Current Fund	A	269	
Reserve for Escrow Fees		315,919	300,447
		<u>316,188</u>	<u>300,447</u>
<u>Tax Sale Premium Fund</u>			
Deposits for Redemption of Tax Sale Certificates		15,938	12,021
<u>Municipal Alliance Trust Fund</u>			
Reserve for Municipal Alliance		817	1,933
<u>Public Defender Trust Fund</u>			
Due State of New Jersey		1,328	1,328
Reserve for Public Defender Fees		5,854	2,203
		<u>7,182</u>	<u>3,531</u>
<u>Accumulated Absence Trust Fund</u>			
Due Current Fund	A	74	
Reserve for Accumulated Absences		54,238	46,772
		<u>54,312</u>	<u>46,772</u>
<u>Recreation Trust Fund</u>			
Due Current Fund	A	718	571
Reserve for Recreation		13,792	8,297
		<u>14,510</u>	<u>8,868</u>
<u>Snow Removal Trust Fund</u>			
Due Current Fund	A	101	50
Reserve for Snow Removal		58,990	58,990
		<u>59,091</u>	<u>59,040</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

<u>LIABILITIES AND RESERVES</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Affordable Housing Trust Fund</u>			
Reserve for Affordable Housing		50,138	73,128
<u>Landfill Closure Fund</u>			
Reserve for Landfill Closure		38,080	37,702
<u>Uniform Fire Safety Penalty Fund</u>			
Due Current Fund	A	22	20
Reserve for Uniform Fire Safety		2,462	2,462
		2,484	2,482
		580,678	577,438

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
Cash - Treasurer	C-2	1,716,857	1,824,268
Due from Current Fund			3,805
Due from Utility Operating Fund			20,000
		<u>1,716,857</u>	<u>1,848,073</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Encumbrances Payable	C-7	39,762	41,420
Improvement Authorizations:			
Funded	C-6	41,534	124,459
Capital Improvement Fund	C-5	401,935	386,435
Due Current Fund	A	998	
Reserve for Sanitary Landfill Closure		420,980	420,980
Reserve for Improvement to Sewerage Collection System		6,323	6,323
Reserve for Expansion of Facilities for Township Parks		18,668	18,668
Reserve for Purchase of Land - Farmland Preservation		200,000	150,000
Reserve for Improvements to Convenience Center		138,125	138,125
Reserve for Improvements to Senior Center		10,000	10,000
Reserve for Improvements to Roads		175,414	175,414
Reserve for Improvements to Municipal Buildings and Facilities		25,983	107,144
Reserve for Purchase of Emergency and Fire Vehicles		48,915	84,634
Reserve for Purchase of Court Video Conference Equipment		5,870	5,869
Reserve for Purchase of Public Works Vehicle		175,080	175,080
Reserve for Document Imaging		2,520	2,520
Fund Balance	C-1	4,750	1,002
		<u>1,716,857</u>	<u>1,848,073</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

Balance December 31, 2009	<u>Ref.</u> C	1,002
Increased by:		
Improvement Authorizations - Canceled	C-6	<u>3,748</u>
Balance December 31, 2010	C	<u><u>4,750</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

WATER & SEWER UTILITY FUND

COMPARATIVE BALANCE SHEET - WATER & SEWER UTILITY FUND - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Operating Fund</u>			
Cash - Treasurer	D-5	1,098,849	1,226,195
Cash - Collector			21,592
Due from Utility Capital Fund	D	8,076	78,893
Due from Federal and State Grant Fund			5,960
		<u>1,106,925</u>	<u>1,332,640</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable - Water	D-9	13,290	6,392
Consumer Accounts Receivable - Seabrook Water	D-9	16,652	7,099
Consumer Accounts Receivable - Sewer	D-9	120,848	23,644
Connection Fees Receivable	D-10	307,929	44,782
		<u>458,719</u>	<u>81,917</u>
Total Operating Fund		<u>1,565,644</u>	<u>1,414,557</u>
<u>Capital Fund</u>			
Cash - Treasurer	D-5	2,798,165	33,935
Fixed Capital	D-11	4,066,500	4,066,500
Fixed Capital Authorized and Uncompleted	D-12	6,299,000	6,299,000
Total Capital Fund		<u>13,163,665</u>	<u>10,399,435</u>
		<u>14,729,309</u>	<u>11,813,992</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - WATER & SEWER UTILITY FUND - REGULATORY BASIS

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2010</u>	<u>Balance Dec. 31, 2009</u>
<u>Operating Fund</u>			
Liabilities:			
Appropriation Reserves	D-4:D-13	135,818	69,349
Encumbrances Payable	D-14	18,511	40,564
Water Rent Overpayments		1,132	869
Sewer Rent Overpayments		2,644	1,828
Accrued Interest on Notes		497	747
Accrued Interest on Loan		6,948	7,112
Due General Capital Fund			20,000
Due Current Fund			8,197
Reserve for Debt Service	D-2	12,503	
Due Federal and State Grant Fund	A	7,052	
		<hr/>	<hr/>
		185,105	148,666
Reserve for Receivables		458,719	81,917
Fund Balance	D-1	921,820	1,183,974
		<hr/>	<hr/>
Total Operating Fund		1,565,644	1,414,557
		<hr/>	<hr/>
<u>Capital Fund</u>			
Loan Payable	D-18	1,852,737	1,896,629
Bond Anticipation Notes Payable	D-19	6,696,702	597,702
Encumbrances Payable	D-14	834,072	1,495,410
Improvement Authorizations:			
Unfunded	D-15	1,327,192	4,129,347
Capital Improvement Fund	D-16	440,188	440,188
Due Utility Operating Fund	D	8,076	78,893
Reserve for:			
Water Tower Repairs		7,992	7,912
Love Lane Tower Improvements		135,012	141,732
Seabrook Tower Improvements		36,358	36,358
Reserve for Amortization	D-17	1,816,061	1,572,169
Fund Balance	D-2	9,275	3,095
		<hr/>	<hr/>
Total Capital Fund		13,163,665	10,399,435
		<hr/>	<hr/>
		14,729,309	11,813,992
		<hr/>	<hr/>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - WATER & SEWER UTILITY FUND - REGULATORY BASIS

<u>Revenue and Other Income Realized</u>	<u>Ref.</u>	<u>Year 2010</u>	<u>Year 2009</u>
Fund Balance Utilized	D-3	390,419	336,092
Sewer Rents	D-3	514,735	623,769
Water Rents	D-3	260,334	240,793
Seabrook Water	D-3	111,751	129,516
Small Cities Grant			395,825
Miscellaneous Revenue Not Anticipated	D-3	144,625	105,733
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-13	59,915	133,510
Encumbrances Canceled			990
Prior Period Adjustment Federal and State Grant Fund	A-19	2,270	
Total Income		<u>1,484,049</u>	<u>1,966,228</u>
 <u>Expenditures</u>			
Operating	D-4	975,200	1,339,807
Debt Service	D-4	346,268	383,395
Deferred Charges and Statutory Expenditures	D-4	17,535	17,535
Prior Period Adjustment - Due Current Fund	A-1	16,781	
Total Expenditures		<u>1,355,784</u>	<u>1,740,737</u>
Statutory Excess to Fund Balance		128,265	225,491
 <u>Fund Balance</u>			
Balance January 1	D	1,183,974	1,294,575
		<u>1,312,239</u>	<u>1,520,066</u>
Decreased by:			
Utilization as Anticipated Revenue	D-1	390,419	336,092
Balance December 31	D	<u>921,820</u>	<u>1,183,974</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF FUND BALANCE - WATER & SEWER UTILITY FUND - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2009	D	3,095
Increased by:		
Premiums on Notes	D-5	18,683
		<u>21,778</u>
Decreased by:		
Reserve for Debt Service	D	12,503
Balance December 31, 2010	D	<u><u>9,275</u></u>

STATEMENT OF REVENUES - WATER & SEWER UTILITY FUND - REGULATORY BASIS

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	390,419	390,419	
Sewer Rents	D-3	620,000	514,735	(105,265)
Water Rents	D-3	235,000	260,334	25,334
Seabrook Water	D-3	125,000	111,751	(13,249)
Non-Budget Revenue	D-3		144,625	144,625
		<u>1,370,419</u>	<u>1,421,864</u>	<u>51,445</u>
	<u>Ref.</u>	<u>D-4</u>		

Analysis of Realized Revenue

	<u>Ref.</u>	<u>Sewer</u>	<u>Water</u>	<u>Seabrook Water</u>
Rents:				
Consumer Accounts Receivable:				
Collected	D-9	512,907	259,465	111,751
Overpayments Applied	D-9	1,828	869	
	D-3	<u>514,735</u>	<u>260,334</u>	<u>111,751</u>

Analysis of Non-Budget Revenue

	<u>Ref.</u>	
Interest on Investments	D-5	33,282
Interest on Delinquent Accounts	D-5	7,044
Lease	D-5	47,520
Sewer Connection Fees	D-5	56,779
	D-3	<u><u>144,625</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - WATER & SEWER UTILITY FUND - REGULATORY BASIS

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operating:						
Salaries and Wages	190,000	190,000	168,971		21,029	
Other Expenses	419,200	419,200	290,624	18,511	110,065	
Sewerage Treatment Contract - Cumberland County Utility Authority	366,000	366,000	365,721		279	
Debt Service:						
Payment of Bond Principal	43,892	43,892	43,892			
Payment of Bond Anticipation Notes and Capital Notes	200,000	200,000	200,000			
Interest on Bonds	84,860	84,860	84,695			165
Interest on Notes	48,932	48,932	17,681			31,251
Deferred Charges & Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	14,535	14,535	12,508		2,027	
Unemployment Compensation Insurance	3,000	3,000	582		2,418	
	<u>1,370,419</u>	<u>1,370,419</u>	<u>1,184,674</u>	<u>18,511</u>	<u>135,818</u>	<u>31,416</u>
Ref.	D-3	D-4		D-14	D	
		<u>Ref.</u>				
Interest on Loans & Notes			102,376			
Disbursed	D-5		1,082,298			
			<u>1,184,674</u>			

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL FIXED ASSETS

STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2010	Balance Dec. 31, 2009
General Fixed Assets:		
Land, Buildings and Improvements	5,441,860	5,441,860
Equipment	2,753,154	2,753,154
Vehicles	2,353,041	2,339,665
Furniture and Fixtures	120,504	120,504
	<u>10,668,559</u>	<u>10,655,183</u>
Investment in General Fixed Assets	<u>10,668,559</u>	<u>10,655,183</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Upper Deerfield was incorporated in 1922 and is located in Cumberland County, New Jersey.

The Township is governed by an elected five member committee. The members appoint a chairman from amongst themselves to serve for a one year term. The Township is managed daily by the Township Administrator.

The financial statements of the Township of Upper Deerfield included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Upper Deerfield, as required by N.J.S.A. 40A:5-5.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Township is obligated for debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of the taxes. The Township has no component units.

B. Description of Funds and Account Groups

The accounting policies of the Township of Upper Deerfield 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 respect to public funds. Under this method of accounting, the Township of Upper Deerfield accounts for its transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation as required by GAAP.

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

Trust Fund – 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 capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

Water and Sewer Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

General Fixed Assets – All fixed assets used in governmental fund type operations are accounted for in the general fixed asset account group, rather than in governmental funds.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities in the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America 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 when 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 Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

Expenditures – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and 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 and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 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. Grant appropriations are charged upon budget adoption to create separate spending reserves. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted to the extent permitted or required by law. Appropriations for principal payments on outstanding general capital and utility capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis while interest on utility capital indebtedness is on the accrual basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received.

Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

Property 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. Any taxes that have not been paid by the 11th day of the 11th month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with N.J.S.A. 54:5 et. seq.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Taxes – (Continued)

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. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, and is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

Interest on Delinquent Taxes – It is the policy of the Township to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Foreclosed Property – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America, foreclosed property would be recorded at historical cost and no reserve would be provided.

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. Under accounting principles generally accepted in the United States of America, interfunds are not reserved.

Insurance – Cost of insurance for all funds are recorded as expenditures at the time of payment. Under accounting principles generally accepted in the United States of America, insurance costs chargeable to future periods would be recorded as prepayments on the balance sheet.

Inventories of Supplies – 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. Under accounting principles generally accepted in the United States of America, inventory would be recorded as an asset on the balance sheet.

Proprietary Fund – Cash Flows Statement – In accordance with the reporting requirements of the Division of Local Government Services, the utility fund's financial statements do not include a statement of cash flows.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Township has developed a fixed asset accounting and reporting system.

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 recorded 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. The Township capitalizes fixed assets with an original cost in excess of \$1,000.

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 Operations.

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

Property and equipment purchased by the Water and Sewer Utility Fund are recorded in the respective capital account at cost and are adjusted for dispositions and abandonment. Contributions in aid of construction are not capitalized. The balances in Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represent charges to operations for the costs of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

General Long Term Debt – General Long Term Debt is accounted for in the General Capital and Utility Capital Fund. Accounting principles generally accepted in the United States of America require General Long Term Debt to be accounted for in the General Long Term Debt Account Group.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory 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.

Tax Appeals and Other Contingent Losses – Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Township'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 the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with N.J.S.A. 40A:4 et. al. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Township from taxes not paid currently. Once approved, the Township may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per N.J.S.A. 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare 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. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Township can also make amendments for any special item of revenue made available by any public or private funding source as per N.J.S.A. 40A:4-87. The following budget amendments were approved as follows.

Current Fund:

Special Item of Revenue:

Grant as Detailed on Exhibit A-2	43,830
Special Emergency Appropriation	254,400
	<hr/>
	298,230
	<hr/>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 3: 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 able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statutes N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2010 and 2009, the carrying amount of the Township's deposits was \$11,788,389 and \$8,958,697 respectively. As of December 31, 2010 and 2009, \$0 of the municipality's bank balance of \$11,928,930 and \$9,256,740, respectively, was exposed to custodial credit risk.

NOTE 4: INVESTMENTS

As of December 31, 2010, the Township held an investment in bond anticipation notes with the Township Utility Operating Fund in the amount of \$397,702.

Interest Rate Risk - The Township 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 N.J.S.A. 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, 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 Township places no limit on the amount the Township may invest in any one issuer.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31 were as follows:

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2010	4,012,143	2,252,600
	2009	3,990,091	2,499,470
	2008	4,548,290	1,818,090
	2007	5,051,604	1,950,565
	2006	5,147,626	1,439,054
Water and Sewer Operating Fund	2010	921,820	775,751
	2009	1,183,974	390,419
	2008	1,294,576	336,092
	2007	1,408,507	437,825
	2006	1,549,122	476,436

NOTE 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance Dec. 31, 2010</u>	<u>2011 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Appropriation	<u>266,631</u>	<u>63,111</u>	<u>203,520</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2010:

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Fire Safety Penalty Fund	22	
Accumulated Absence Trust	74	
Escrow Trust Fund	269	
Recreation Trust	718	
Snow Removal Trust	101	
General Capital Fund	998	
Federal and State Grant Fund		322,265
Animal Control Trust		1,982
Public Defender Trust		841
Tax Sale Premium Fund		2,759
Federal and State Grant Fund		
Current Fund	322,265	
Utility Operating Fund	7,052	
Animal Control Trust		
Current Fund	1,982	
Tax Sale Premium Fund		
Current Fund	2,759	
Public Defender Trust		
Current Fund	841	
Recreation Trust		
Current Fund		718
Uniform Fire Safety Penalty Trust		
Current Fund		22
Snow Removal Trust		
Current Fund		101
Escrow Trust Fund		
Current Fund		269
Accumulated Absence Trust		
Current Fund		74
General Capital Fund		
Current Fund		998
Utility Operating Fund		
Utility Capital Fund	8,076	
Federal and State Grant Fund		7,052
Utility Capital Fund		
Utility Operating Fund		8,076
	<u>345,157</u>	<u>345,157</u>

The amount due to the Federal and State Grant Fund from the Current Fund is due to the fact that there is no grant fund bank account.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 8: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2010:

	Balance Dec. 31, 2009	Additions	Deletions	Balance Dec. 31, 2010
Land, Building & Improvements	5,441,860			5,441,860
Equipment	2,753,154			2,753,154
Vehicles	2,339,665	13,376		2,353,041
Furniture & Fixtures	120,504			120,504
	<u>10,655,183</u>	<u>13,376</u>	<u>None</u>	<u>10,668,559</u>

NOTE 9: LONG-TERM DEBT

During the calendar year 2010, the following changes occurred in the municipal debt of the Township:

	Balance Dec. 31, 2009	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2010
<u>ISSUED:</u>				
Water & Sewer Utility:				
Loans	1,896,629		43,892	1,852,737
Bond Anticipation Notes	597,702	6,299,000	200,000	6,696,702
Net Debt Issued	<u>2,494,331</u>	<u>6,299,000</u>	<u>243,892</u>	<u>8,549,439</u>
<u>AUTHORIZED BUT NOT ISSUED:</u>				
Water & Sewer Utility:				
Bonds & Notes	6,299,000		6,299,000	
Authorized But Not Issued	<u>6,299,000</u>		<u>6,299,000</u>	
Total Debt Issued and Authorized But Not Issued	<u>8,793,331</u>	<u>6,299,000</u>	<u>6,542,892</u>	<u>8,549,439</u>

Permanently funded debt as of December 31, 2010, consisted of the following:

\$2,378,100 Farmers Home Administration Loan dated 5/10/94 payable in semi-annual installments through 5/10/34. Interest is paid semi-annually at a rate of 4.5% per annum. The balance remaining at December 31, 2010, was \$1,852,737.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Year Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Farmers Home Administration Loan			
2011	45,889	82,863	128,752
2012	47,978	80,774	128,752
2013	50,161	78,591	128,752
2014	52,443	76,309	128,752
2015	54,830	73,922	128,752
2016-2020	313,927	329,833	643,760
2021-2025	392,158	251,602	643,760
2026-2030	489,886	153,874	643,760
2031-2034	405,465	36,754	442,219
	<u>1,852,737</u>	<u>1,164,522</u>	<u>3,017,259</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 0%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	5,022,016	5,022,016	None
Water & Sewer Debt	8,549,439	8,549,439	None
General Debt	None	None	None
	<u>13,571,455</u>	<u>13,571,455</u>	<u>None</u>

Net Debt \$0/Equalized Valuation Basis Per N.J.S.A. 40A:2-2 as amended \$695,430,745 = 0%.

Borrowing Power Under N.J.S.A. 40:A2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	24,340,076
Net Debt	None
Remaining Borrowing Power	<u>24,340,076</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 9: LONG-TERM DEBT (CONTINUED)

Summary of Statutory Debt Condition – Annual Debt Statement (Continued)

Calculation of “Self-Liquidating Purpose” Water & Sewer Utility Per N.J.S.A.40:2-45

Cash Receipts From Fees, Rents, or Other Charges	1,421,864	
Deductions:		
Operating and Maintenance Costs	992,735	
Debt Service Per Water & Sewer Account	<u>346,268</u>	
		<u>1,339,003</u>
Excess in Revenue		<u><u>82,861</u></u>

NOTE 10: NOTES PAYABLE

The Township had the following Utility Capital bond anticipation notes outstanding as of December 31, 2010:

A note in the amount of \$397,702 that will mature on December 9, 2011, at an interest rate of 3%.

A note in the amount of \$3,299,000 that will mature on March 4, 2011, at an interest rate of 1.5%.

A note in the amount of \$3,000,000 that will mature on December 2, 2011, at an interest rate of 1.5%.

NOTE 11: PENSION FUNDS

Description of Plans - All eligible employees of the Township are covered by the Public Employees' Retirement System, (P.E.R.S.), a 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 Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm.

Public Employees' Retirement System (P.E.R.S.) - The Public Employees' Retirement System (P.E.R.S.) was established as of January 1, 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 generally required for 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 or other state or local jurisdiction.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 11: PENSION FUNDS (CONTINUED)

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. P.E.R.S. provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in P.E.R.S. The P.E.R.S. rate in effect for 2010 is 8.95% of covered payroll as reported on June 30, 2008. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Township's contributions to P.E.R.S. for the years ending December 31, 2010, 2009 and 2008 were \$97,373, \$87,999 and \$59,376 respectively, equal to the required contributions for each year.

NOTE 12: ACCUMULATED ABSENCE BENEFITS

Township employees are granted vacation benefits in varying amounts depending on their length of service with the Township. Employees are granted sick leave on the basis of one and one quarter working day for each full month of employment. The Township permits employees to accrue unused sick time. All sick leave terminates as of the date of separation, except for qualified retirement. Upon retirement the employee will be paid for one half of the unused leave at the employee's final rate of pay up to a maximum of \$7,500. The Township allows employees to carry over four vacation days to the following year.

The Township has adopted an ordinance in regards to accumulated absence benefits.

The total value of compensated absences owed to employees as of December 31, 2010, was \$73,504. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2010, the fund had a reserve balance of \$54,238.

NOTE 13: POST-RETIREMENT BENEFITS

Plan Description - The Township of Upper Deerfield contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961, under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2004, Upper Deerfield Township authorized participation in the SHBP's post-retirement benefit program through resolution number 04-103. Upon retirement, with a minimum of 25 years of employment or service credit with the Township, the employee will be entitled to continuation of current health benefits from the township, at the expense of the Township. The health benefits will cease, when the employee/retiree reaches the age to enroll in the federal Medicare program, or after five (5) years, whichever is first to occur.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 13: POST-RETIREMENT BENEFITS (CONTINUED)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-aug2010.pdf

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Upper Deerfield on a monthly basis.

The Township of Upper Deerfield contributions to SHBP for the years ended December 31, 2010, 2009 and 2008, were \$17,446, \$13,322 and, \$12,688, respectively, which equaled the required contributions for each year. There was one (1) retired participant eligible at December 31, 2010, 2009, and 2008.

NOTE 14: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held by an independent administrator, Variable Annuity Life Insurance Company (VALIC).

NOTE 15: LABOR CONTRACTS

As of December 31, 2010, the Township had a total of approximately 35 employees. Of this total, 7 employees are represented by the United Auto Workers, Local 2327. The union agreement expired on December 31, 2010. A new contract has been agreed on with minor language modifications needed. The new contract, when signed, will expire on December 31, 2012.

NOTE 16: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Prepaid Taxes - Cash Liability	<u>189,396</u>	<u>174,187</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 17: ECONOMIC DEPENDENCY

The Township of Upper Deerfield is not economically dependent on any one business or industry within the Township.

NOTE 18: RISK MANAGEMENT

The Township is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township maintains commercial insurance coverage for property, liability and surety bonds. The Township of Upper Deerfield is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Township 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. There have been no claims in excess of coverage and no reduction in coverage during the year 2010.

NOTE 19: PROPERTY TAX INFORMATION

COMPARISON OF TAX RATE INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate:	3.716	3.780	3.784
Apportionment of Tax Rate:			
County	1.386	1.478	1.513
Local Health Service	0.064	0.070	0.071
County Open Space Preservation	0.017	0.018	0.017
Local School	1.542	1.479	1.443
Regional High School	0.707	0.735	0.740
Assessed Valuation	419,994,185	434,564,399	433,113,262

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 collections could be an indication of probable increase in future tax levies.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Levy	15,645,973	16,489,376	16,451,075
Cash Collections	14,829,009	15,680,006	15,897,778
Percentage of Collections	94.78%	95.09%	96.64%

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 19: PROPERTY TAX INFORMATION (CONTINUED)

DELINQUENT TAXES AND TAX TITLE LIENS

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Amount of Tax Title Liens	88,608	19,734	12,121
Delinquent Taxes	700,031	620,439	547,866
Total Delinquent	788,639	640,173	559,987
Percentage of Tax Levy	5.04%	3.88%	3.40%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property Acquired for Taxes (Assessed Valuation)	82,800	82,800	82,800

NOTE 20: UTILITY RENTS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent rents and utility liens, in relation to the billings of the last three years.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Delinquent Balance	81,917	100,947	98,357
Billed	1,320,401	980,661	1,090,753
Collected	943,599	999,690	1,032,185
Percentage of Collections	67.29%	92.43%	86.80%

NOTE 21: LITIGATION

It is the Township of Upper Deerfield Counsel's opinion there exists no litigation or contingent liability that may be pending against the Township of Upper Deerfield that would have an adverse effect on the financial position in the future.

SUPPLEMENTARY DATA

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

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

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
1325 State Highway #77
Seabrook, New Jersey 08302

We have audited the financial statements – regulatory basis of the Township of Upper Deerfield as of and for the year ended December 31, 2010, and have issued our report thereon dated June 7, 2011. Our report disclosed that, as describe in Note 1 to the financial statements – regulatory basis, the Township of Upper Deerfield prepares its financial statements on a basis of accounting prescribed by Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting 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 as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township of Upper Deerfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Upper Deerfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Upper Deerfield'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

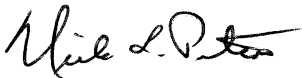
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 Township of Upper Deerfield'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*.

This report is intended solely for the information and use of the management, the governing body, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

June 7, 2011

PETRONI & ASSOCIATES LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY STATE TREASURY CIRCULAR 04-04 OMB

Honorable Mayor and Members
of the Township Committee
Township of Upper Deerfield
1325 State Highway #77
Seabrook, New Jersey 08302

Compliance

We have audited the compliance of the Township of Upper Deerfield with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the provisions of the New Jersey *State Aid/Grant Compliance Supplement* Circular Letter 04-04 OMB, that are applicable to each of its major federal programs for the year ended December 31, 2010. As described in Note 1, the Township of Upper Deerfield 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 the modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Township of Upper Deerfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Township of Upper Deerfield's management. Our responsibility is to express an opinion on the Township of Upper Deerfield's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the State of New Jersey; and the provisions of the New Jersey State Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and the New Jersey State Treasury Circular Letter 04-04 OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township of Upper Deerfield's compliance with those requirements and performing such other procedures

as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Upper Deerfield's compliance with those requirements.

In our opinion, the Township of Upper Deerfield complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Township of Upper Deerfield is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township of Upper Deerfield's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Upper Deerfield's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, and corrected on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, others within the organization, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

June 7, 2011

SCHEDULE 1

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Funding Department/Program	CFDA	State Grant Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
						From	To		
Department of Housing and Urban Development									
Small Cities - C.D.B.G. Rehabilitation	14.228	100-022-8020-078	110,000	10,000		1/1/10	12/31/10	64,464	64,464
Small Cities - C.D.B.G. Facilities	14.228	100-022-8020-078	550,000	50,000		1/1/10	12/31/10	18,000	18,000
Small Cities - C.D.B.G.	14.228	100-022-8020-078	220,000	20,000	45,801	1/1/09	12/31/10	87,530	65,963
Small Cities - C.D.B.G. Water Project	14.228	100-022-8020-078	435,408	39,583	395,825	1/1/09	6/30/11	400,612	433,831
Small Cities - C.D.B.G. Water Project	14.228	100-022-8020-078	417,587	37,962	379,625	4/1/08	9/30/09	381,812	417,587
Older Americans Title IIIB	93.044	N/A	4,656		4,656	1/1/10	12/31/10	4,024	4,024
Department of Agriculture									
USDA Rehab Grant	10.433	N/A	55,709			1/1/10	N/A	35,925	35,925
				<u>157,545</u>	<u>825,907</u>			<u>992,367</u>	<u>1,039,794</u>

SCHEDULE 2

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

State Funding Department/Program	State Grant Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Department of Community Affairs								
Municipal Alliance on Alcoholism & Drug Abuse	N/A	39,000		38,698	1/1/10	12/31/10	39,000	39,000
Clean Communities	4900-765-042-4900-004-VCMC-6020	13,253		13,253	1/1/10	12/31/10	3,615	3,615
Clean Communities	4900-765-042-4900-004-VCMC-6020	9,976		9,976	1/1/09	12/31/09	7,481	9,976
Recycling Tonnage Grant	4900-752-042-4900-001-VREV-6020	17,923		17,293	1/1/09	12/31/09	862	862
Sharing Available Resources Efficiently Grant	N/A	48,700	4,870		1/1/10	12/31/10	44,900	44,900
Department of Transportation								
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	267,000		89,803	1/1/09	12/31/09	242,308	242,308
Department of Housing and Urban Development								
Neighborhood Preservation	8020-100-022-8020-092-F301-6020	120,000	20,000	100,000	1/1/09	N/A	51,250	51,250
Neighborhood Preservation	8020-100-022-8020-092-F301-6020	120,000	20,000	100,000	1/1/08	N/A	29,483	120,000
				<u>369,023</u>			<u>418,899</u>	<u>511,911</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Township of Upper Deerfield. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedules of expenditures of Federal awards and State financial assistance includes the federal and state grant activity of the Township of Upper Deerfield and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and New Jersey Circular Letter 04-04 OMB. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

SCHEDULE 4

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to general-purpose financial statements noted? yes X no

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes X no

Identification of major programs:

CFDA Number(s)
14.228

Name of Federal Program
Small Cities - CDBG Water Project

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Section I - Summary of Auditor's Results

State Awards

N/A

Type of auditor's report issued on compliance for major programs: _____

Internal Control over major programs:

- 1) Material weakness(es) identified? _____ yes _____ no
- 2) Significant deficiency(ies) identified
that are not considered to be
material weaknesses? _____ yes _____ none reported

Any audit findings disclosed that are required to be
reported in accordance with NJOMB Circular
Letter 04-04? _____ yes _____ no

Identification of major programs:

State Grant Number(s)

Name of State Program

Dollar threshold used to distinguish between type A and type B programs: _____

Auditee qualified as low-risk auditee? _____ yes _____ no

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Section II – Financial Statement Findings

None

Section III – Federal and State Awards Findings and Questioned Costs

FEDERAL AWARDS

No matters were reported.

STATE AWARDS – N/A

SCHEDULE 5

TOWNSHIP OF UPPER DEERFIELD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2010

There were no prior year findings reported.

CURRENT FUND

SCHEDULE OF CASH - TREASURER

Balance December 31, 2009	<u>Ref.</u> A		4,929,775
Increased by Receipts:			
Transfer from Tax Collector	A-6	348,622	
Investment - Utility Capital Fund	A-7	200,000	
Grants Receivable	A-8	1,334,315	
Taxes Receivable	A-9	14,984,811	
Tax Title Liens	A-10	3,853	
Tax Overpayments		263,111	
Prepaid Taxes		189,396	
Revenue Accounts Receivable	A-12	3,519,178	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	131,886	
Reserve for Grants - Unappropriated	A-20	5,588	
Due Public Defender Trust Fund		1,583	
Due from Animal Control Trust		19,711	
Due from Utility Operating Fund	D-5	841,541	
Reserve for Home Rehabilitation		4,292	
Due Deerfield Township - UCC Fees		33,493	
			<hr/> 21,881,380
			<hr/> 26,811,155
Decreased by Disbursements:			
2010 Budget Appropriations	A-3	1,497,519	
2009 Appropriation Reserves	A-14	51,956	
Encumbrances Payable	A-15	313,286	
Reserve for Grants - Appropriated	A-19	1,194,678	
Tax Overpayments Refunded		148,051	
Payroll Taxes Payable		1,450,833	
County Taxes		6,155,399	
Due County for Added and Omitted Taxes		75,151	
Local District School Tax	A-17	6,474,724	
Regional High School Tax	A-18	2,966,533	
Reserve for Home Rehabilitation		14,719	
Due Deerfield Township - UCC Fees		32,052	
Due Public Defender Trust Fund		1,583	
Due General Capital Fund	C-2	3,805	
Due Utility Operating Fund	D-5	831,845	
			<hr/> 21,212,134
Balance December 31, 2010	A		<hr/> <hr/> 5,599,021

SCHEDULE OF CURRENT FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - TREASURER

Balance December 31, 2010	<u>Ref.</u> A-4	5,599,021
Increased by Receipts:		
Cash Receipts Record		6,474,945
		<hr/> 12,073,966
Decreased by Disbursements:		
Cash Disbursements Record		7,969,654
		<hr/> 4,104,312
Balance April 30, 2011	A-5	<hr/> <hr/> 4,104,312
<u>Cash Reconciliation - April 30, 2011</u>		
Balance Per Statement		
Colonial Bank		3,402,089
Century Savings Bank		1,500,000
Add: Deposit in Transit		90,831
		<hr/> 4,992,920
Less: Outstanding Checks		888,608
		<hr/> 4,104,312
Balance April 30, 2011	A-5	<hr/> <hr/> 4,104,312

EXHIBIT A-6

SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2009	A	348,622
Decreased by Disbursements:		
Paid to Treasurer	A-4	<u>348,622</u>

EXHIBIT A-7

SCHEDULE OF INVESTMENTS - BOND ANTICIPATION NOTES
UTILITY CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2009	A	597,702
Decreased by:		
Receipts	A-4	<u>200,000</u>
Balance December 31, 2010	A	<u><u>397,702</u></u>

SCHEDULE OF GRANTS RECEIVABLE

<u>Grant</u>	<u>Balance Dec. 31, 2009</u>	<u>2010 Budget Revenue Realized</u>	<u>Received</u>	<u>Transfer from Unappropriated Reserves</u>	<u>Balance Dec. 31, 2010</u>
Federal:					
Small Cities Community Development Block Grant	304,121		149,923		154,198
Small Cities Rehabilitation		100,000			100,000
Small Cities Facilities		500,000			500,000
USDA Rehabilitation Grant		55,709			55,709
Older Americans Title IIIB	2,403	4,656	5,325		1,734
Older Americans Title IIIF	1,261				1,261
Small Cities Grant - Water Utility	775,450		775,450		
State:					
NJ Transportation Trust Fund Authority Act	391,207	170,000	214,011		347,196
Alliance for Substance Abuse Prevention Program	20,124	39,000	38,698		20,426
Handicapped Persons Recreational Opportunity Act	2,250				2,250
Clean Communities Program		13,253	7,665	5,588	
Green Communities Program	2,000				2,000
Recycling Tonnage Grant		50,702		50,702	
NJ Preparedness Grant	3,800				3,800
Neighborhood Preservation	118,243	25,000	143,243		
Sharing Available Resources Efficiently		43,830			43,830
	<u>1,620,859</u>	<u>1,002,150</u>	<u>1,334,315</u>	<u>56,290</u>	<u>1,232,404</u>
Ref.	A	A-2	A-4	A-20	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2009			2009	2010				Dec. 31, 2010
2006	7,265				7,265				
2007	8,786		1,695		8,850				1,631
2008	27,863		1,816		25,938				3,741
2009	576,525		6,050		497,612		39,316	42,611	3,036
	620,439		9,561		539,665		39,316	42,611	8,408
2010		15,645,973		174,187	14,578,142	76,680	101,072	24,269	691,623
	620,439	15,645,973	9,561	174,187	15,117,807	76,680	140,388	66,880	700,031
Ref.	A							A-10	A

	<u>Ref.</u>	
Cash	A-4	14,984,811
Due State of New Jersey	A-16	132,996
		<u>15,117,807</u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:			
Business Personalty Tax	50,240		
General Property Tax	15,556,744		
		15,606,984	
Added Taxes (54:4-63.1 et seq.)		38,989	
			15,645,973

<u>Tax Levied</u>	<u>Ref.</u>		
Local District School Tax (Abstract)	A-17	6,474,724	
Regional High School Tax (Abstract)	A-18	2,966,473	
County Taxes:			
County Tax (Abstract)	5,818,628		
Local Health Services Tax (Abstract)	268,412		
County Open Space Preservation			
Trust Fund Tax (Abstract)	68,359		
Due County for Added & Omitted Taxes	18,499		
Total County Taxes		6,173,898	
Local Tax for Municipal Purposes	None		
Add: Additional Taxes Levied	30,878		
		30,878	
			15,645,973

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>		
Balance December 31, 2009	A		19,734
Increased by:			
Transfers from Taxes Receivable	A-9	66,880	
Interest and Costs Accrued by Sale of September 28, 2010		<u>7,117</u>	
			<u>73,997</u>
			93,731
Decreased by:			
Collected	A-4	3,853	
Canceled		<u>1,270</u>	
			<u>5,123</u>
Balance December 31, 2010	A		<u><u>88,608</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance December 31, 2009	A	<u>82,800.00</u>
Balance December 31, 2010	A	<u><u>82,800.00</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2009	Accrued	Collected by Treasurer	Balance Dec. 31, 2010
<u>Miscellaneous Revenue Anticipated</u>				
Fines and Costs:				
Municipal Court	22,785	77,357	70,427	29,715
Emergency Medical Services Billings		225,218	225,218	
Energy Receipts Tax		1,354,938	1,354,938	
Uniform Construction Code Fees	14,812	109,126	123,938	
Deerfield Township - Uniform				
Construction Code		39,207	39,207	
Uniform Fire Safety Act		20,537	20,537	
<u>Miscellaneous Revenue Not Anticipated</u>				
Interest on Investments	47	99,162	99,181	28
Interest & Costs on Taxes		159,204	159,204	
Fees & Permits	1,812	74,774	76,586	
Cable TV Franchise Fees		22,452	22,452	
Recycling Receipts		24,395	24,395	
Payments in Lieu of Taxes		1,224,514	1,224,514	
Sale of Municipal Assets		2,555	2,555	
FEMA Snow Funds		18,911	18,911	
Refund		46,576	46,576	
Miscellaneous		10,539	10,539	
	<u>39,456</u>	<u>3,509,465</u>	<u>3,519,178</u>	<u>29,743</u>
Ref.	A		A-4	A

SCHEDULE OF DEFERRED CHARGES
N.J.S.A. 40A:4-53 SPECIAL EMERGENCY

Date Authorized	Purpose	Net Amount Authorized	1/5 of Net Amount Authorized	Balance Dec. 31, 2009	Increased	Raised in 2010 Budget	Balance Dec. 31, 2010
5/18/06	Revision and Codification of Ordinances	21,655	4,331	8,662		4,331	4,331
7/6/06	Master Plan Studies	39,500	7,900	15,800		7,900	7,900
11/18/2010	Revaluation Program	254,400	50,880		254,400		254,400
		<u>315,555</u>	<u>63,111</u>	<u>24,462</u>	<u>254,400</u>	<u>12,231</u>	<u>266,631</u>
Ref.				A	A-3	A-3	A

SCHEDULE OF 2009 APPROPRIATION RESERVES

	Balance Dec. 31, 2009	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages				
General Administration	1,389	1,389	1,324	65
Municipal Clerk	1,029	1,029	528	501
Financial Administration	1,771	1,771	888	883
Revenue Administration	602	1,602	696	906
Tax Assessment	827	827	747	80
Planning Board	153	153	138	15
Zoning Board of Adjustment	133	133	108	25
Zoning Officer	1,926	1,926	850	1,076
Housing Official	2,258	2,258	733	1,525
Emergency Management	133	133	66	67
Fire Official	499	499	23	476
Streets & Roads	9,174	9,174	2,687	6,487
Solid Waste Convenience Center	2,532	2,532	850	1,682
Buildings and Grounds	26,287	26,287	1,125	25,162
Board of Health	104	104	64	40
Environmental Commission	21	21	16	5
Senior Center	4,837	4,837	285	4,552
Maintenance of Parks	9,924	9,924	832	9,092
Municipal Court	11,390	11,390	1,499	9,891
Construction Code	28,711	28,711	1,558	27,153
Interlocal Agreement - Construction Code	10,539	10,539	521	10,018
Ambulance	18,433	18,433	2,493	15,940
Other Expenses				
General Administration	6,268	6,268	244	6,024
Financial Administration	3,592	3,592	64	3,528
Tax Assessment	30,282	27,782	1,816	25,966
Legal	1,403	1,403	75	1,328
Engineering Services and Costs	770	770	327	443
Workers Compensation	13,993	15,493	876	14,617
Employee Group Insurance	80,512	80,512	20,435	60,077
Emergency Management	195	195	185	10
Aid to Volunteer Fire Companies	7,851	7,851	443	7,408
Ambulance	1,395	1,395	526	869
Streets & Roads	8,071	8,071	2,248	5,823
Buildings and Grounds	3,875	3,875	72	3,803
Environmental Commission	5,929	5,929	2,449	3,480
Maintenance of Parks	870	870	9	861
Municipal Court	455	455	17	438
Public Defender	1,100	1,100	200	900
Construction Code	18,038	18,038	140	17,898
Unemployment Compensation	4,102	4,102	19	4,083
Ambulance	14,696	14,696	3,780	10,916
Other Accounts - No Change	206,153	206,153		206,153
	542,222	542,222	51,956	490,266
Ref.	A		A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal & State Grant Fund</u>
Balance December 31, 2009	A	227,791	161,940
Increased by:			
Charges to Appropriations	A-3	493,263	
Charges to Reserve for Grants	A-19		216,588
		<u>721,054</u>	<u>378,528</u>
Decreased by:			
Payments	A-4	151,346	161,940
Canceled	A-1	69,798	
		<u>221,144</u>	<u>161,940</u>
Balance December 31, 2010	A	<u>499,910</u>	<u>216,588</u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZEN AND VETERANS DEDUCTIONS

	<u>Ref.</u>		
Balance December 31, 2009	A		35,063
Increased by:			
Receipts	A-4		131,886
			<u>166,949</u>
Decreased by:			
2010 Deductions Per Tax Duplicate		132,000	
2010 Deductions Allowed by Collector		2,250	
2010 Deductions Disallowed by Collector		(1,254)	
		<u>132,996</u>	
Prior Year Deduction Disallowed	A-9 A-1	(2,000)	
			<u>130,996</u>
Balance December 31, 2010	A		<u>35,953</u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
2010 Calendar Year School Levy	A-9	6,474,724
Decreased by:		
Payments	A-4	<u>6,474,724</u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
2010 Calendar Year School Levy	A-9	2,966,473
Decreased by:		
Payments	A-4	<u>2,966,533</u>
Balance December 31, 2010	A	<u><u>(60)</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2009	Transferred from 2010 Budget Appropriation	Paid or Charged	Encumbered	Prior Year Adjustment	Balance Dec. 31, 2010
Federal Grants:						
Small Cities Community Development Block Grant	241,567		19,016	68,514		154,037
Small Cities Rehabilitation		110,000	28,146	36,318		45,536
Small Cities Facilities		550,000	5,025	12,975		532,000
USDA Rehabilitation Grant		55,709	22,183	13,742		19,784
Older Americans Title IIIB	1,418	4,656	4,024			2,050
Older Americans Title IIIF	893					893
Stormwater Grant	7,000					7,000
Small Cities Block Grant - Water Utility	786,271		776,949	5,475	2,270	1,577
State Grants:						
NJ Transportation Trust Fund	350,059	170,000	207,813	34,495		277,751
Alliance for Substance Abuse Prevention Program	400	39,000	39,000			400
Clean Communities Program	29,366	13,253	9,106	1,990		31,523
Handicapped Persons Recreational Opportunity Act	34,513					34,513
Recycling Tonnage Grant	78,281	50,701	862			128,120
Special Legislative Grant	605					605
Neighborhood Preservation	149,483	25,000	78,154	2,579		93,750
NJ State Police SLAEHOP	6,206					6,206
Sharing Available Resources Efficiently		48,700	4,400	40,500		3,800
	<u>1,686,062</u>	<u>1,067,019</u>	<u>1,194,678</u>	<u>216,588</u>	<u>2,270</u>	<u>1,339,545</u>
Ref.	A	A-3	A-5	A-15	D-1	A

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance Dec. 31, 2009	Received	Appropriated in 2010	Balance Dec. 31, 2010
State Grants:	0			0
Recycling Tonnage Grant	50,702		50,702	0
Clean Communities	5,588	5,588	5,588	5,588
	56,290	5,588	56,290	5,588
Ref.	A	A-4	A-8	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

	Ref.	Animal Control Trust Fund Registrar	Treasurer	Escrow Trust Fund	Municipal Alliance Trust Fund	Public Defender Trust Fund	Accumulated Absence Trust Fund	Recreation Trust Fund	Snow Removal Trust	Affordable Housing Trust	Landfill Closure Fund	Uniform Fire Safety Penalty
Balance December 31, 2009	B		31,514	300,447	1,933	2,684	46,772	8,868	59,041	73,128	37,702	2,482
Increased by Receipts:												
Dog License Fees:												
Municipal Share	B-5	10,705										
State Share		2,037										
Interest Earned		369	28	3,110	18	44	469	147	593	592	378	25
Transfer from Registrar	B-1	31,542										
Escrow Deposits				46,945								
Program Income					2,392							
Public Defender Fees						3,651						
Accumulated Absence Reserve							7,500					
Recreation Fees								18,916				
		44,653	28	50,055	2,410	3,695	7,969	19,063	593	592	378	25
		44,653	31,542	350,502	4,343	6,379	54,741	27,931	59,634	73,720	38,080	2,507
Decreased by Disbursements:												
Expenditure Under R.S. 4:19-15.11		2,500										
Paid to State of New Jersey		1,990										
Transfer to Treasurer	B-1		31,542									
Transfer to Current Fund		20,207		2,841		38	429		543			23
Escrow Charges				31,473								
Municipal Alliance Expenses					3,526							
Recreation Expenses								13,421				
Affordable Housing Expenses										23,582		
		24,697	31,542	34,314	3,526	38	429	13,421	543	23,582		23
Balance December 31, 2010	B	19,956		316,188	817	6,341	54,312	14,510	59,091	50,138	38,080	2,484

SCHEDULE OF TRUST FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - TREASURER

	Ref.	Animal Control Trust Fund	Escrow Trust Fund	Municipal Alliance Trust Fund	Public Defender Trust Fund	Accumulated Absence Trust Fund	Recreation Trust Fund	Snow Removal Trust Fund	Affordable Housing Trust Fund	Landfill Closure Fund	Uniform Fire Safety Penalty
Balance December 31, 2010	B-1	19,956	316,188	817	6,341	54,312	14,510	59,091	50,138	38,080	2,484
Increased by Receipts:											
Cash Receipts Record		8,562	102,717	3	245	178	11,931	195	165	126	9
		28,518	418,905	820	6,586	54,490	26,441	59,286	50,303	38,206	2,493
Decreased by Disbursements:											
Cash Disbursements Record		1,165	79,602	83	6,240		8,102				
Balance April 30, 2011	B-2	27,353	339,303	737	346	54,490	18,339	59,286	50,303	38,206	2,493
<u>Cash Reconciliation - April 30, 2011</u>											
Balance Per Statement											
Colonial Bank		27,191	396,476	737	346	54,490	24,036	59,286	50,303	38,206	2,493
Add: Deposit in Transit		162									
		27,353	396,476	737	346	54,490	24,036	59,286	50,303	38,206	2,493
Less: Outstanding Checks			57,173				5,697				
Balance April 30, 2011	B-2	27,353	339,303	737	346	54,490	18,339	59,286	50,303	38,206	2,493

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2009	<u>Ref.</u> B	9,339
Increased by:		
Deposits for Redemption of Tax Sale Certificates	324,539	
Interest Earned	286	
	<hr/>	324,825
		<hr/>
		334,164
Decreased by:		
Refunds Upon Redemption	320,622	
Due Current Fund	363	
	<hr/>	320,985
Balance December 31, 2010	B	<hr/> <hr/>

SCHEDULE OF TRUST FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2010	B-3	13,179
Increased by:		
Cash Receipts Record		<u>22,075</u>
		35,254
Decreased by:		
Cash Disbursements Record		<u>14,394</u>
Balance April 30, 2011	B-4	<u><u>20,860</u></u>

Cash Reconciliation - April 30, 2011

Balance Per Statement		
Colonial Bank	B-4	<u><u>20,860</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2009	<u>Ref.</u> B	17,916
Increased by:		
Municipal Share of Dog License Fees	B-1	10,705
		<hr/> 28,621
Decreased by:		
Expenditure Under R.S. 4:19-15.11	B-1	2,500
Statutory Excess Due Current Fund		4,230
		<hr/> 6,730
Balance December 31, 2010	B	<hr/> <hr/> 21,891

License Fees Collected

<u>Year</u>	<u>Amount</u>
2008	8,892
2009	12,999
	<hr/> 21,891

GENERAL CAPITAL FUND

EXHIBIT C-2SCHEDULE OF GENERAL CAPITAL FUND CASH - TREASURER

Balance December 31, 2009	<u>Ref.</u> C		1,824,268
Increased by:			
Interest Earned		12,779	
Due from Utility Operating Fund	D-5	20,000	
Due from Current Fund	A-4	3,805	
Budget Appropriation:			
Purchase of Land - Farmland			
Preservation		50,000	
			<u>86,584</u>
			1,910,852
Decreased by:			
Improvement Authorizations	C-6	96,529	
Encumbrances Payable	C-7	40,448	
Reserve for Improvements to Municipal			
Building & Facilities		45,237	
Due Current Fund		11,781	
			<u>193,995</u>
Balance December 31, 2010	C		<u><u>1,716,857</u></u>

EXHIBIT C-3

SCHEDULE OF GENERAL CAPITAL FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - TREASURER

Balance December 31, 2010	<u>Ref.</u> C-2	1,716,857
Increased by:		
Cash Receipts Record		3,959
		<hr/> 1,720,816
Decreased by:		
Cash Disbursements Record		42,762
Balance April 30, 2011	C-3	<hr/> <hr/> 1,678,054

Cash Reconciliation - April 30, 2011

Balance Per Statement		
Colonial Bank		1,178,054
Century Savings Bank		500,000
Balance April 30, 2011	C-3	<hr/> <hr/> 1,678,054

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance	Receipts		Disbursements		Balance
	Dec. 31, 2009	Miscellaneous	Improvement Authorizations	Miscellaneous	Transfers	Dec. 31, 2010
Capital Improvement Fund	386,435				15,500	401,935
Fund Balance	1,002				3,748	4,750
Reserve for Sanitary Landfill Closure	420,980					420,980
Reserve for Improvements to Sewerage Collection System	6,323					6,323
Reserve for Expansion of Facilities for Township Parks	18,668					18,668
Reserve for Purchase of Land - Farmland Preservation	150,000	50,000				200,000
Reserve for Improvements to Convenience Center	138,125					138,125
Reserve for Construction of a Senior Center	10,000					10,000
Reserve for Improvements to Roads	175,414					175,414
Reserve for Purchase of Emergency and Fire Vehicles	84,634				(35,719)	48,915
Reserve for Purchase of Public Works Vehicle	175,080					175,080
Reserve for Purchase of Court Video Conference Equipment	5,869				1	5,870
Reserve for Improvements to Municipal Buildings and Facilities	107,144			45,237	(35,924)	25,983
Reserve for Document Imaging	2,520					2,520
Encumbrances Payable	41,420			40,448	38,790	39,762
Due Current Fund	(3,805)	16,584		11,781		998
Due Utility Operating Fund	(20,000)	20,000				
Improvement Authorizations:						
Ordinance						
Number						
363 Construction of a Sanitary Sewer System and Water Supply System	2,000				(2,000)	
531 Reconstruction of Bostwick Lake Dam	8,500				(8,500)	
584 Purchase of Ambulance	1,695				(1,695)	
612 Purchase of Land, Block 1901 Lot 15.02	5,000				(5,000)	
615 Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	20,211		13,342			6,869
640 Purchase of Municipal Trucks	2,053				(2,053)	
641 Construction of a Salt Shed	85,000		83,187		32,852	34,665
	1,824,268	86,584	96,529	97,466		1,716,857
Ref.	C	C-2	C-6	C-2		C

EXHIBIT C-5

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2009	C	386,435
Increased by:		
Improvement Authorizations - Canceled	C-6	<u>15,500</u>
Balance December 31, 2010	C	<u><u>401,935</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Purpose	Ordinance		Balance	2010	Paid or	Encumbrance	Canceled	Balance
	Number	Amount	Dec. 31, 2009 Funded	Authorization Reserve for Various Improvements				Dec. 31, 2010 Funded
Construction of a Sanitary Sewer System and a Water Supply System	363	45,028	2,000				2,000	
Reconstruction of Bostwick Lake Dam	531	70,000	8,500				8,500	
Purchase of Ambulance	584	155,500	1,695				1,695	
Purchase of Land, Block 1901 Lot 15.02	612	242,500	5,000				5,000	
Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	615	40,000	20,211		13,342			6,869
Purchase of Municipal Trucks	640	42,500	2,053				2,053	
Construction of a Salt Shed	641	85,000	85,000	35,000	83,187	2,148		34,665
			124,459	35,000	96,529	2,148	19,248	41,534
	Ref.		C		C-2	C-7		C
				Capital Improvement Fund		Ref.		
				Fund Balance		C-5	15,500	
						C-1	3,748	
							19,248	

SCHEDULE OF ENCUMBRANCE PAYABLE

Balance December 31, 2009	<u>Ref.</u> C		41,420
Increased by:			
Improvement Authorizations	C-6	2,148	
Improvements to Municipal Building & Facilities		35,923	
Purchase of Emergency & Fire Vehicle		719	
		<hr/>	38,790
			<hr/>
			80,210
Decreased by:			
Disbursed	C-2		40,448
			<hr/>
Balance December 31, 2010	C		<u><u>39,762</u></u>

WATER & SEWER UTILITY FUND

EXHIBIT D-5

SCHEDULE OF WATER & SEWER UTILITY FUND CASH - TREASURER

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2009	D	<u>1,226,195</u>	<u>33,935</u>
Increased by:			
Transfer from Collector	D-7	21,592	
Consumer Accounts Receivable:			
Water	D-9	259,465	
Seabrook Water	D-9	111,751	
Sewer	D-9	512,907	
Rent Overpayments		3,777	
Connection Fees Receivable	D-10	56,779	
Interest on Investments	D-3	15,429	17,853
Interest on Delinquent Accounts	D-3	7,044	
Lease	D-3	47,520	
Bond Anticipation Notes	D-19		6,299,000
Premium on Notes	D-2		18,683
Reserve for Water Tower Repairs			80
Due from Utility Operating Fund	D-5		110,726
Due from Utility Capital Fund	D-5	228,699	
Due Current Fund	A-4	831,845	
		<u>2,096,808</u>	<u>6,446,342</u>
		<u>3,323,003</u>	<u>6,480,277</u>
Decreased by:			
Appropriations	D-4	1,082,298	
Appropriation Reserves	D-13	9,434	
Encumbrances Payable	D-14	57,364	1,452,417
Improvement Authorizations	D-15		1,994,276
Reserve for Love Lane Tower			6,720
Due Utility Operating Fund	D-5		228,699
Due Utility Capital Fund	D-5	110,726	
Due Current Fund	A-4	841,541	
Due General Capital Fund	C-2	20,000	
Interest on Loans and Notes		102,791	
		<u>2,224,154</u>	<u>3,682,112</u>
Balance December 31, 2010	D	<u><u>1,098,849</u></u>	<u><u>2,798,165</u></u>

EXHIBIT D-6

SCHEDULE OF WATER & SEWER UTILITY FUND CASH AND RECONCILIATION
PER N.J.S.A. 40A:5-5 - TREASURER

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2010	D-5	1,098,849	2,798,165
Increased by:			
Cash Receipts Record		395,550	3,356,672
		1,494,399	6,154,837
Decreased by:			
Cash Disbursements Record		308,121	3,976,191
Balance April 30, 2011	D-6	1,186,278	2,178,646

Cash Reconciliation - April 30, 2011

Balance per Statement			
Colonial Bank		387,405	2,180,346
Century Savings Bank		800,000	
		1,187,405	2,180,346
Less: Outstanding Checks		1,127	1,700
Balance April 30, 2011	D-6	1,186,278	2,178,646

EXHIBIT D-7

SCHEDULE OF WATER & SEWER UTILITY FUND CASH - COLLECTOR

Balance December 31, 2009	<u>Ref.</u> D	21,592
Decreased by Disbursements:		
Transfer to Treasurer	D-5	<u>21,592</u>

ANALYSIS OF WATER & SEWER UTILITY FUND CAPITAL FUND CASH

		Receipts			Disbursements				
		Bond					Transfers		Balance
		Anticipation			Improvement				
		Notes	Miscellaneous		Authorizations	Miscellaneous	From	To	Dec. 31, 2010
		Dec. 31, 2009							
Capital Improvement Fund		440,188							440,188
Fund Balance		3,095		18,683			12,503		9,275
Due Utility Operating Fund		78,893		128,579		228,699		29,303	8,076
Reserve for Water Tower Repairs		7,912		80					7,992
Reserve for Love Lane Tower Improvements		141,732				6,720			135,012
Reserve for Seabrook Tower Improvements		36,358							36,358
Encumbrances Payable		1,495,410				1,452,417	16,800	807,879	834,072
Improvement Authorizations:									
Ordinance									
Number									
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	(1,955,127)	3,000,000				46,273		998,600
602	Construction of Seabrook Water Treatment Project	(214,526)	3,299,000		1,994,276		761,606		328,592
		33,935	6,299,000	147,342	1,994,276	1,687,836	837,182	837,182	2,798,165
Ref.	D	D-19	D-5	D-15	D-5				D

EXHIBIT D-9

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Water</u>	<u>Seabrook Water</u>	<u>Sewer</u>
Balance December 31, 2009	D	6,392	7,099	23,644
Increased by:				
Utility Rents Levied		267,232	121,304	611,939
		<u>273,624</u>	<u>128,403</u>	<u>635,583</u>
Decreased by:				
Collections	D-5	259,465	111,751	512,907
Overpayments Applied		869		1,828
		<u>260,334</u>	<u>111,751</u>	<u>514,735</u>
Balance December 31, 2010	D	<u>13,290</u>	<u>16,652</u>	<u>120,848</u>

EXHIBIT D-10

SCHEDULE OF CONNECTION FEES RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2009	D	44,782
Increased by:		
Billings		319,926
		<u>364,708</u>
Decreased by:		
Collections	D-5	56,779
Balance December 31, 2010	D	<u>307,929</u>

SCHEDULE OF FIXED CAPITAL

<u>Purpose</u>	Balance Dec. 31, 2009	Balance Dec. 31, 2010
Various Sewer and Water System Capital Improvements	3,490,000	3,490,000
Expenses Associated with Conveyance of Land and Easements	30,000	30,000
Various Water System Capital Improvements	405,000	405,000
Purchase of Seabrook Water Company	141,500	141,500
	<u>4,066,500</u>	<u>4,066,500</u>
Ref.	D	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Ordinance</u>		<u>Balance</u>	<u>Balance</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000	3,000,000	3,000,000
629	Construction of Seabrook Water Treatment Plant	5/7/09	3,299,000	3,299,000	3,299,000
				<u>6,299,000</u>	<u>6,299,000</u>
			Ref.	D	D

SCHEDULE OF 2009 APPROPRIATION RESERVES

	Balance Dec. 31, 2009	Disbursed	Balance Lapsed
Operating:			
Salaries and Wages	19,071	3,151	15,920
Other Expenses	42,002	6,038	35,964
Utilities Authority	3,572		3,572
Social Security System Contribution	1,796	242	1,554
Unemployment	2,908	3	2,905
	<u>69,349</u>	<u>9,434</u>	<u>59,915</u>
Ref.	D	D-5	D-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2009	D	40,564	1,495,410
Increased by:			
Charges to Current Year Appropriations	D-4	18,511	
Improvement Authorizations	D-15		807,879
		<u>59,075</u>	<u>2,303,289</u>
Decreased by:			
Payments	D-5	40,564	1,469,217
Balance December 31, 2010	D	<u>18,511</u>	<u>834,072</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Ordinance		Balance Dec. 31, 2009	Paid or Charged	Encumbered	Balance Dec. 31, 2010
		Date	Amount	Unfunded			Unfunded
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000	1,044,873		46,273	998,600
629	Construction of Seabrook Water Treatment Plant	5/7/09	3,299,000	3,084,474	1,994,276	761,606	328,592
				4,129,347	1,994,276	807,879	1,327,192
			Ref.	D	D-5	D-14	D

EXHIBIT D-16

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2009	D	440,188
Balance December 31, 2010	D	<u>440,188</u>

EXHIBIT D-17

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>		
Balance December 31, 2009	D		1,572,169
Increased by:			
Notes Paid by Operating Budget	D-19	200,000	
Loan Paid by Operating Budget	D-18	<u>43,892</u>	
			243,892
Balance December 31, 2010	D		<u>1,816,061</u>

EXHIBIT D-18

SCHEDULE OF LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2009	D	1,896,629
Decreased by:		
Payments	D-17	<u>43,892</u>
Balance December 31, 2010	D	<u>1,852,737</u>

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Original Issue of Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
361	Various Sewer and Water System Capital Improvements	10/18/02	12/9/10	12/9/11	3.00%	22,577		22,577	
484	Various Sewer and Water System Capital Improvements	10/18/02	12/9/10	12/9/11	3.00%	280,250		80,250	200,000
523	Various Water System Capital Improvements	10/18/02	12/9/10	12/9/11	3.00%	294,875		97,173	197,702
629	Construction of Seabrook Water Treatment Plant	3/5/10	3/5/10	3/4/11	1.50%		3,299,000		3,299,000
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/3/10	12/3/10	12/2/11	1.50%		3,000,000		3,000,000
						<u>597,702</u>	<u>6,299,000</u>	<u>200,000</u>	<u>6,696,702</u>
					Ref.	D	D-5	D-17	D

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2009	Issued
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	3,000,000	3,000,000
629	Construction of Seabrook Water Treatment Plant	3,299,000	3,299,000
		<u>6,299,000</u>	<u>6,299,000</u>
	Ref.		D-19

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

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

- Resurfacing Griens Lane
- Construction of New Seabrook Well #17
- New Radium Removal for Well #15
- Removal of Spent Media & Providing Monitoring Services
- Fire Apparatus
- Home Rehabilitation
- Site Work and Prep for Salt Shed on Old Burlington Road
- Salt Shed on Old Burlington Road

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 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 the furnishing 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 any individual payment, contract or agreement in excess of the bid threshold "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.A. 40A:11-6.

N.J.S.A. 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 7, 2010, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, under the provisions of N.J.S.A. 54:4-67 the governing body is authorized to fix the rate of discount for prepayment of property taxes or assessments and to fix the rate of interest for non-payment of property taxes or assessments on or before the date when they would become delinquent; and

WHEREAS, the aforesaid statute was amended to provide for the assessing of a penalty to be charged to a taxpayer with a delinquency in excess of TEN THOUSAND (\$10,000.00) DOLLARS; and

WHEREAS, pursuant to N.J.S.A. 54:4-66, it is provided that property taxes shall be payable in quarterly annual installments with the first installment due on February 1st, the second installment on May 1st, the third installment due on August 1st and the fourth installment due on November 1st, after which dates, if unpaid, they shall become delinquent, which statute also provides for the manner in which quarterly installments or property taxes shall be determined and received;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWNSHIP COMMITTEE OF THE TOWNSHIP OF UPPER DEERFIELD:

- A. That no discount be allowed for prepayment of property taxes or assessments;
- B. That the rate of interest to be charged for the non-payment of property taxes or assessments on or before the date they would become delinquent, as fixed by statute, shall be Eight (8%) Percent per annum on the first ONE THOUSAND FIVE HUNDRED (\$1,500.00) DOLLARS of the delinquency, and Eighteen (18%) Percent per annum on any amount in excess of ONE THOUSAND FIVE HUNDRED (\$1,500.00) DOLLARS, to be calculated from the date the tax was payable to the date of actual payment, provided no interest shall be charged if payment of any installment is made on the due date; provided, however, 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 become payable; and
- C. In the event there is a delinquency in excess of TEN THOUSAND (\$10,000.00) DOLLARS at the end of the calendar year, then the Tax Collector is authorized to charge a penalty of Six (6%) Percent of the amount of the delinquency. The delinquency shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.

It appears from an examination of the collector's records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 28, 2010, and was complete, except for bankruptcies from prior years not sold.

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

<u>Year</u>	<u>Number of Liens</u>
2010	27
2009	13
2008	5

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 tax-paying 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. Notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

OTHER COMMENTS

Accounting Procedures

The records maintained by the Chief Financial Officer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements as follows:

1. The general ledger has been established as required by N.J.A.C. 5:30-5.7.
2. An encumbrance accounting and reporting system has been established as required by N.J.A.C. 5:30-5.2.
3. A fixed asset accounting and reporting system has been established as required by N.J.A.C. 5:30-5.6.

There are interfund loans existing as of year end. Generally, they were the result of December interest earned and the absence of a bank account for the Federal and State grant funds. These interfunds are routinely cleared in the subsequent year.

Corrective Action Plan

A corrective action plan was not required for the year 2009.

FINDINGS AND RECOMMENDATIONS

None

We received the complete cooperation of all the officials of the Township and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252