

**TOWNSHIP OF UPPER DEERFIELD
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2011**

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PART I

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
1325 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, 2011 and 2010, 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, 2011. 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 and presents its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with 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 presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and 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 Township's policy to prepare and present its financial statements on the basis of accounting discussed in the preceding paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Upper Deerfield as of December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011, on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2012, 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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC



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

July 26, 2012

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Regular Fund			
Cash - Treasurer	A-4	5,628,406.17	5,599,020.76
Change Fund	A-5	400.00	400.00
Investment - Bond Anticipation Notes - Utility Capital Fund	A-6	197,702.00	397,702.00
		<u>5,826,508.17</u>	<u>5,997,122.76</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-8	493,469.40	700,030.40
Tax Title Liens Receivable	A-9	143,102.60	88,607.62
Property Acquired for Taxes - Assessed Valuation	A-10	82,800.00	82,800.00
Revenue Accounts Receivable	A-11	27,206.02	29,742.59
Due from Animal Control Trust Fund	B	23.96	
Due from Uniform Fire Safety Penalty Fund	B	41.59	21.79
Due from Accumulated Absence Trust Fund	B	47.99	74.08
Due from Escrow Trust Fund	B	537.21	269.26
Due from Tax Sale Premium Fund	B	240.53	
Due from Recreation Trust Fund	B	735.13	718.04
Due from Snow Removal Trust Fund	B	151.31	100.84
Due from Donations - Senior Citizen Center	B	8.26	
Due from General Capital Fund	C	1,964.46	997.82
Prepaid Regional School Tax	A-18	59.94	59.96
Prepaid Payroll Taxes		7,682.89	4,659.46
		<u>758,071.29</u>	<u>908,081.86</u>
Deferred Charges:			
Special Emergency Appropriation	A-12	203,520.00	266,631.00
		<u>6,788,099.46</u>	<u>7,171,835.62</u>
Federal and State Grant Fund			
Grants Receivable	A-8	360,479.82	1,232,403.87
Due from Current Fund	A	114,836.59	322,265.76
Due from Utility Operating Fund	D	1,754.66	7,051.80
		<u>477,071.07</u>	<u>1,561,721.43</u>
		<u>7,265,170.53</u>	<u>8,733,557.05</u>

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

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-13	565,392.95	493,980.71
Encumbrances Payable	A-14	201,043.56	499,909.98
Accounts Payable	A-15	80,390.40	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	33,984.56	35,952.62
Prepaid Taxes		170,633.86	189,395.74
Tax Overpayments		19,433.38	61,823.56
Reserve for Home Rehabilitation			18,360.09
Reserve for Revaluation			254,400.00
Reserve for Tax Appeals Pending		350,000.00	350,000.00
Due Deerfield Township - UCC Fees		2,385.00	1,441.00
Due Federal and State Grant Fund	A	114,836.59	322,265.76
Due Small Cities Trust Fund	B	31,067.19	
Due Animal Control Trust Fund			1,981.91
Due Public Defender Trust Fund	B	839.90	840.87
Due Tax Sale Premium Fund			2,758.85
Due Utility Operating Fund	D	1,132.80	0.10
Due County for Added & Omitted Taxes	A-8	13,811.22	18,498.91
		<u>1,584,951.41</u>	<u>2,251,610.10</u>
Reserve for Receivables		758,071.29	908,081.86
Fund Balance	A-1	4,445,076.76	4,012,143.66
		<u>6,788,099.46</u>	<u>7,171,835.62</u>
Federal and State Grant Fund			
Encumbrances Payable	A-14	139,709.71	216,587.71
Reserve for Grants - Appropriated	A-19	289,789.02	1,339,545.39
Reserve for Grants - Unappropriated	A-20	47,572.34	5,588.33
		<u>477,071.07</u>	<u>1,561,721.43</u>
		<u>7,265,170.53</u>	<u>8,733,557.05</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

Revenue and Other Income Realized	Ref.	Year 2011	Year 2010
Fund Balance Utilized	A-2	2,252,600.37	2,499,470.00
Miscellaneous Revenue Anticipated	A-2	2,136,781.13	2,836,617.00
Receipts from Delinquent Taxes	A-2	676,948.71	543,518.00
Receipts from Current Taxes	A-2	15,526,951.11	14,829,009.00
Non-Budget Revenue	A-2	1,443,612.73	1,817,987.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	369,442.24	490,266.00
Encumbrances Payable - Canceled	A-14	8,355.51	69,798.00
Interfund Loan Returned		15,183.75	25,974.00
Grant Reserves Canceled	A-19	448,039.80	
Prior Period Adjustment - Due Utility Operating Fund			16,781.00
Total Income		<u>22,877,915.35</u>	<u>23,129,420.00</u>
Expenditures			
Budget Appropriations:			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	943,615.00	1,035,266.00
Other Expenses	A-3	1,981,340.00	2,252,884.00
Deferred Charges and Statutory Expenditures	A-3	215,523.55	184,373.00
Appropriations Excluded from "CAPS":			
Operations:			
Salaries and Wages	A-3	157,000.00	147,045.00
Other Expenses	A-3	203,286.86	968,565.00
Capital Improvements	A-3	430,000.00	640,000.00
Deferred Charges	A-3	63,111.00	12,231.00
County Taxes	A-8	6,654,963.05	6,155,399.00
Due County for Added Taxes	A-8	13,811.22	18,499.00
Local District School Tax	A-8	6,559,101.50	6,474,724.00
Regional High School Tax	A-8	2,838,151.27	2,966,473.00
Prior Year Deductions Disallowed	A-16	3,000.00	2,000.00
Grants Receivable Canceled	A-7	129,478.43	
Interfund Loan Advanced			4,839.00
Total Expenditures		<u>20,192,381.88</u>	<u>20,862,298.00</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

	Ref.	Year 2011	Year 2010
Excess in Revenue		<u>2,685,533.47</u>	<u>2,267,122.00</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			<u>254,400.00</u>
Statutory Excess to Fund Balance		<u>2,685,533.47</u>	<u>2,521,522.00</u>
Fund Balance			
Balance January 1	A	<u>4,012,143.66</u>	<u>3,990,091.66</u>
		<u>6,697,677.13</u>	<u>6,511,613.66</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>2,252,600.37</u>	<u>2,499,470.00</u>
Balance December 31	A	<u><u>4,445,076.76</u></u>	<u><u>4,012,143.66</u></u>

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

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	2,252,600.37		2,252,600.37	
Miscellaneous Revenues:					
Fines and Costs					
Municipal Court	A-11	70,000.00		94,685.33	24,685.33
Emergency Medical Services					
Billings	A-11	200,098.00		263,673.52	63,575.52
Energy Receipts Tax	A-11	1,354,938.00		1,354,938.00	
Uniform Construction Code					
Fees	A-11	100,000.00		96,889.00	(3,111.00)
Deerfield Township - Uniform					
Construction Code		25,000.00			(25,000.00)
NJ Transportation Trust Fund	A-7	180,000.00		180,000.00	
Recycling Tonnage Grant	A-7	43,656.48		43,656.48	
Clean Communities Program	A-7	11,000.00	1,876.38	12,876.38	
Municipal Alliance on Alcoholism					
and Drug Abuse	A-7	39,000.00		39,000.00	
Older Americans Act Title IIIB	A-7	4,656.00		4,656.00	
Sharing Available Resources Efficiently	A-7		20,000.00	20,000.00	
Uniform Fire Safety Act	A-11	23,771.18		26,406.42	2,635.24
Total Miscellaneous Revenues		2,052,119.66	21,876.38	2,136,781.13	62,785.09
Receipts from Delinquent Taxes	A-2	625,000.00		676,948.71	51,948.71
Budget Totals		4,929,720.03	21,876.38	5,066,330.21	114,733.80
Non-Budget Revenues:					
From "Allocation of Current					
Tax Collections"	A-2			318,644.07	
Other Non-Budget Revenue	A-2			1,443,612.73	
		4,929,720.03	21,876.38	6,828,587.01	
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

Analysis of Realized Revenue	Ref.	
Allocation of Current Tax Collections:		
Revenue from Collections	A-8	15,526,951.11
Allocated to:		
School and County Taxes		16,066,027.04
Deficiency Supported by Municipal Revenue		<u>(539,075.93)</u>
Decreased by: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>857,720.00</u>
Amount Added to Non-Budget Revenue	A-2	<u><u>318,644.07</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-8	663,345.23
Tax Title Liens	A-9	13,603.48
	A-2	<u><u>676,948.71</u></u>
Analysis of Non-Budget Revenue	Ref.	
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-11	84,375.35
Interest & Costs on Taxes	A-11	119,152.76
Fees & Permits	A-11	69,248.74
Cable TV Franchise Fees	A-11	29,623.60
Recycling Receipts	A-11	19,605.72
Payments in Lieu of Taxes	A-11	994,276.26
FEMA Snow Funds	A-11	63,410.05
Refund	A-11	46,325.13
Miscellaneous	A-11	17,595.12
	A-2	<u><u>1,443,612.73</u></u>

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
General Administration						
Salaries and Wages	83,000.00	83,000.00	82,699.08		300.92	
Other Expenses	25,000.00	25,000.00	11,410.90	1,232.00	12,357.10	
Mayor and Township Committee						
Salaries and Wages	59,700.00	59,700.00	59,619.00		81.00	
Other Expenses	17,500.00	17,500.00	7,630.94		9,869.06	
Municipal Clerk						
Salaries and Wages	33,000.00	33,000.00	32,614.00		386.00	
Other Expenses	26,000.00	35,500.00	20,907.48	7,686.29	6,906.23	
Financial Administration						
Salaries and Wages	63,500.00	63,500.00	60,609.61		2,890.39	
Other Expenses	14,000.00	14,000.00	9,714.82	66.65	4,218.53	
Audit Services						
Other Expenses	21,500.00	21,500.00	3,600.00	17,400.00	500.00	
Revenue Administration						
Salaries and Wages	37,000.00	37,000.00	36,606.61		393.39	
Other Expenses:	11,500.00	11,500.00	10,153.33		1,346.67	
Tax Assessment						
Salaries and Wages	40,500.00	40,500.00	39,953.46		546.54	
Other Expenses						
Miscellaneous Other Expenses	60,000.00	25,500.00	10,109.30	772.20	14,618.50	
Legal Services and Costs						
Other Expenses	77,500.00	77,500.00	52,463.71	97.50	14,938.79	10,000.00
Engineering Services and Costs						
Other Expenses	35,000.00	35,000.00	13,997.16		11,002.84	10,000.00
Economic Development						
Salaries and Wages	780.00	780.00	325.00		455.00	
Other Expenses	27,500.00	27,500.00	16,596.34		10,903.66	
Historic Commission						
Salaries and Wages	780.00	780.00	520.00		260.00	
Other Expenses	3,000.00	3,000.00	714.79		2,285.21	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
LAND USE ADMINISTRATION						
Municipal Land Use Law (N.J.S.A.40:55D-1)						
Planning Board						
Salaries and Wages	7,500.00	7,500.00	7,477.71		22.29	
Other Expenses	70,000.00	70,000.00	33,125.20	29,478.25	7,396.55	
Zoning Officer						
Salaries and Wages	36,500.00	36,500.00	27,643.09		8,856.91	
Other Expenses	7,000.00	7,000.00	1,794.97	67.75	5,137.28	
CODE ENFORCEMENT & ADMINISTRATION						
Housing Official						
Salaries and Wages	31,000.00	31,000.00	29,444.75		1,555.25	
INSURANCE						
Liability Insurance	45,000.00	45,000.00	37,205.53		7,794.47	
Workers Compensation	100,000.00	100,000.00	88,906.47		11,093.53	
Employee Group Insurance	359,000.00	359,000.00	263,432.77		95,567.23	
Payments in Lieu of Benefits	40,000.00	40,000.00	21,769.74		18,230.26	
PUBLIC SAFETY FUNCTIONS						
Emergency Management						
Salaries and Wages	3,600.00	3,600.00	3,600.00			
Other Expenses	7,000.00	7,000.00	4,892.78	175.40	1,931.82	
Aid to Volunteer Fire Companies						
Other Expenses	60,000.00	65,000.00	40,502.19	18,171.44	6,326.37	
Utilities	55,000.00	55,000.00	46,881.30	1,732.82	6,385.88	
Ambulance						
Utilities	30,000.00	30,000.00	25,767.08	834.72	3,398.20	
First Aid Organization - Contribution	12,500.00	12,500.00	11,846.17	612.50	41.33	
Fire Safety Official						
Salaries and Wages	11,000.00	11,000.00	9,324.68		1,675.32	
Other Expenses	10,000.00	10,000.00	5,401.33	669.11	3,929.56	
Municipal Prosecutor						
Salaries and Wages	15,300.00	15,300.00	15,175.32		124.68	
Other Expenses	2,500.00	2,500.00			2,500.00	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
PUBLIC WORKS FUNCTIONS						
Streets and Roads						
Salaries and Wages	112,500.00	112,500.00	105,919.38		6,580.62	
Other Expenses	90,000.00	90,000.00	56,759.81	8,274.43	14,965.76	10,000.00
Utilities	37,000.00	37,000.00	34,385.50	753.01	1,861.49	
Snow Removal						
Salaries and Wages	10,000.00	10,000.00	3,459.88		6,540.12	
Other Expenses	65,000.00	65,000.00	64,445.10	500.00	54.90	
Shade Tree Committee						
Other Expenses	8,000.00	8,000.00		4,200.00	3,800.00	
Solid Waste Convenience Center						
Salaries and Wages	52,000.00	52,000.00	37,001.87		4,998.13	10,000.00
Other Expenses	135,000.00	135,000.00	81,524.68	9,649.77	18,825.55	25,000.00
Utilities	5,000.00	5,000.00	2,210.23	185.74	2,604.03	
Buildings and Grounds						
Salaries and Wages	86,500.00	86,500.00	71,230.14		5,269.86	10,000.00
Other Expenses	46,500.00	46,500.00	30,075.98	8,587.65	7,836.37	
Utilities	50,000.00	50,000.00	38,533.84	200.00	11,266.16	
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	6,250.00	6,250.00	5,844.25		405.75	
Other Expenses	2,500.00	2,500.00	881.69		1,618.31	
Environmental Committee						
Salaries and Wages	975.00	975.00	831.80		143.20	
Other Expenses	12,000.00	12,000.00	1,270.80	20.30	10,708.90	

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

STATEMENT OF EXPENDITURES -CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Animal Control						
Salaries and Wages	5,500.00	5,500.00	5,479.78		20.22	
Other Expenses	30,000.00	30,000.00	18,740.35	2,526.40	8,733.25	
PARK AND RECREATION FUNCTIONS						
Community Pride & Relations Committee						
Salaries and Wages	260.00	260.00			260.00	
Other Expenses	2,000.00	2,000.00	235.00		1,765.00	
Senior Center						
Salaries and Wages	26,000.00	26,000.00	22,115.37		3,884.63	
Other Expenses	18,000.00	18,000.00	9,089.97	1,108.68	7,801.35	
Utilities	16,500.00	16,500.00	10,871.04	668.93	4,960.03	
Maintenance of Parks						
Salaries and Wages	52,250.00	52,250.00	43,865.35		8,384.65	
Other Expenses	49,500.00	49,500.00	34,930.51	7,280.00	7,289.49	
Utilities	5,000.00	5,000.00	2,561.08	122.69	2,316.23	
Bostwick Lake Commission						
Other Expenses	3,000.00	3,000.00			3,000.00	
OTHER OPERATING FUNCTIONS						
Accumulated Leave Compensation	100.00	7,600.00			7,600.00	
UTILITY EXPENSES & BULK PURCHASES						
Street Lighting	130,000.00	130,000.00	102,510.86	8,850.25	18,638.89	
SOLID WASTE DISPOSAL COSTS						
Landfill Disposal Costs						
Other Expenses	175,000.00	175,000.00	146,915.21		28,084.79	
MUNICIPAL COURT						
Municipal Court						
Salaries and Wages	103,000.00	103,000.00	100,051.13		2,948.87	
Other Expenses	17,000.00	17,000.00	10,464.90	3,175.31	3,359.79	
Public Defender						
Other Expenses	11,740.00	11,740.00	3,600.00	400.00	7,740.00	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
Construction Code						
Salaries and Wages	72,000.00	72,000.00	66,908.63		5,091.37	
Other Expenses	48,500.00	48,500.00	10,829.58	975.48	11,694.94	25,000.00
Electrical Subcode						
Salaries and Wages	1,500.00	1,500.00	1,500.00			
Plumbing Subcode						
Salaries and Wages	11,220.00	11,220.00	11,146.68		73.32	
Fire Subcode						
Salaries and Wages	500.00	500.00	500.00			
Total Operations Within "CAPS"	<u>3,037,455.00</u>	<u>3,024,955.00</u>	<u>2,281,127.00</u>	<u>136,475.27</u>	<u>507,352.73</u>	<u>100,000.00</u>
Detail:						
Salaries and Wages	963,615.00	963,615.00	881,466.57		62,148.43	20,000.00
Other Expenses	2,073,840.00	2,061,340.00	1,399,660.43	136,475.27	445,204.30	80,000.00
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	126,807.00	126,807.00	126,807.00			
Social Security System	73,716.55	73,716.55	71,062.80		2,653.75	
Unemployment Compensation	5,000.00	5,000.00	842.77		4,157.23	
Defined Contribution Retirement Program	2,500.00	10,000.00	5,373.53		4,626.47	
Total Deferred Charges & Statutory Expenditures	<u>208,023.55</u>	<u>215,523.55</u>	<u>204,086.10</u>		<u>11,437.45</u>	
Total Appropriations Within "CAPS"	<u>3,245,478.55</u>	<u>3,240,478.55</u>	<u>2,485,213.10</u>	<u>136,475.27</u>	<u>518,790.18</u>	<u>100,000.00</u>

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	Canceled
OPERATIONS EXCLUDED FROM "CAPS"						
INTERLOCAL MUNICIPAL SERVICES AGREEMENTS						
Construction Code						
Salaries and Wages	25,000.00	25,000.00	14,689.73		10,310.27	
Total Interlocal Municipal Service Agreements	25,000.00	25,000.00	14,689.73		10,310.27	
ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES						
Ambulance						
Salaries and Wages	132,000.00	132,000.00	112,583.67		19,416.33	
Other Expenses	68,098.00	73,098.00	65,513.24	708.59	6,876.17	
Total Additional Appropriations Offset by Revenues	200,098.00	205,098.00	178,096.91	708.59	26,292.50	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Matching Funds for Grants	10,000.00	10,000.00			10,000.00	
Clean Communities Program	11,000.00	12,876.38	12,876.38			
Sharing Available Resources Efficiently		20,000.00	20,000.00			
Alliance for Substance Abuse Prevention Program	39,000.00	39,000.00	39,000.00			
Older Americans Act	4,656.00	4,656.00	4,656.00			
Recycling Tonnage	43,656.48	43,656.48	43,656.48			
Total Public and Private Programs	108,312.48	130,188.86	120,188.86		10,000.00	
Total Operations Excluded from "CAPS"	333,410.48	360,286.86	312,975.50	708.59	46,602.77	
Detail:						
Salaries and Wages	157,000.00	157,000.00	127,273.40		29,726.60	
Other Expenses	176,410.48	203,286.86	185,702.10	708.59	16,876.17	

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	Canceled
CAPITAL IMPROVEMENTS						
Purchase of Emergency & Fire Vehicles	75,000.00	75,000.00	75,000.00			
Improvements to Municipal Buildings & Facilities	15,000.00	15,000.00	15,000.00			
Improvements to Roads	100,000.00	100,000.00	71,890.30	28,109.70		
Purchase of Public Work Vehicle	10,000.00	10,000.00	10,000.00			
Purchase of Land - Open Space/ Farmland Preservation	50,000.00	50,000.00	14,250.00	35,750.00		
New Jersey Transportation Trust Fund Authority Act	180,000.00	180,000.00	180,000.00			
Total Capital Improvements	<u>430,000.00</u>	<u>430,000.00</u>	<u>366,140.30</u>	<u>63,859.70</u>		
DEFERRED CHARGES						
Special Emergency Authorization - 5 Years	63,111.00	63,111.00	63,111.00			
Total Appropriations Excluded from "CAPS"	<u>826,521.48</u>	<u>853,397.86</u>	<u>742,226.80</u>	<u>64,568.29</u>	<u>46,602.77</u>	
Total General Appropriations for Municipal Purposes	4,072,000.03	4,093,876.41	3,227,439.90	201,043.56	565,392.95	100,000.00
RESERVE FOR UNCOLLECTED TAXES	857,720.00	857,720.00	857,720.00			
TOTAL GENERAL APPROPRIATIONS	<u>4,929,720.03</u>	<u>4,951,596.41</u>	<u>4,085,159.90</u>	<u>201,043.56</u>	<u>565,392.95</u>	<u>100,000.00</u>
Ref. A-2				A-14	A	
Appropriated by N.J.S.A. 40A:4-87 Budget	Ref. A-2	21,876.38				
	A-3	4,929,720.03				
		<u>4,951,596.41</u>				
Reserve for Grants	Ref. A-19		300,188.86			
Reserve for Uncollected Taxes	A-2		857,720.00			
Deferred Charges	A-12		63,111.00			
Disbursed	A-4		2,864,140.04			
			<u>4,085,159.90</u>			

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

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Animal Control Trust Fund			
Cash - Treasurer	B-1	21,646.95	19,956.39
Due from Current Fund			1,981.91
		<u>21,646.95</u>	<u>21,938.30</u>
Escrow Trust Fund			
Cash - Treasurer	B-1	309,306.95	316,188.09
Tax Sale Premium Fund			
Cash - Collector	B-2	20,940.77	13,179.50
Due from Current Fund			2,758.85
		<u>20,940.77</u>	<u>15,938.35</u>
Municipal Alliance Trust Fund			
Cash - Treasurer	B-1	1,949.50	817.31
Public Defender Trust Fund			
Cash - Treasurer	B-1	1,142.11	6,341.14
Due from Current Fund	A	839.90	840.87
		<u>1,982.01</u>	<u>7,182.01</u>
Accumulated Absence Trust Fund			
Cash - Treasurer	B-1	55,347.99	54,311.61
Recreation Trust Fund			
Cash - Treasurer	B-1	19,823.27	14,509.64
Snow Removal Trust Fund			
Cash - Treasurer	B-1	59,141.51	59,091.04
Affordable Housing Trust Fund			
Cash - Treasurer	B-1	50,641.42	50,137.77
Landfill Closure Fund			
Cash - Treasurer	B-1	38,462.97	38,080.42
Uniform Fire Safety Penalty Monies			
Cash - Treasurer	B-1	2,486.59	2,484.47
Donations Senior Center			
Cash - Treasurer	B-1	293.27	
Small Cities Revolving Loan Fund			
Due from Current Fund	A	31,067.19	
		<u>613,090.39</u>	<u>580,679.01</u>

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

LIABILITIES AND RESERVES	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Animal Control Trust Fund			
Due Current Fund	A	23.96	
Due State of New Jersey		1.20	46.80
Reserve for Dog Fund Expenditures	B-3	21,621.79	21,891.50
		<u>21,646.95</u>	<u>21,938.30</u>
Escrow Trust Fund			
Due Current Fund	A	537.21	269.26
Reserve for Escrow Fees		308,769.74	315,918.83
		<u>309,306.95</u>	<u>316,188.09</u>
Tax Sale Premium Fund			
Due Current Fund	A	240.53	
Deposits for Redemption of Tax Sale Certificates		7,300.24	15,938.35
Reserve for Premiums		13,400.00	
		<u>20,940.77</u>	<u>15,938.35</u>
Municipal Alliance Trust Fund			
Reserve for Municipal Alliance		1,949.50	817.31
Public Defender Trust Fund			
Due State of New Jersey		1,327.75	1,327.75
Reserve for Public Defender Fees		654.26	5,854.26
		<u>1,982.01</u>	<u>7,182.01</u>
Accumulated Absence Trust Fund			
Due Current Fund	A	47.99	74.08
Reserve for Accumulated Absences		55,300.00	54,237.53
		<u>55,347.99</u>	<u>54,311.61</u>
Recreation Trust Fund			
Due Current Fund	A	735.13	718.04
Reserve for Recreation		19,088.14	13,791.60
		<u>19,823.27</u>	<u>14,509.64</u>
Snow Removal Trust Fund			
Due Current Fund	A	151.31	100.84
Reserve for Snow Removal		58,990.20	58,990.20
		<u>59,141.51</u>	<u>59,091.04</u>

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

LIABILITIES AND RESERVES (CONTINUED)	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Affordable Housing Trust Fund			
Reserve for Affordable Housing		50,641.42	50,137.77
Landfill Closure Fund			
Reserve for Landfill Closure		38,462.97	38,080.42
Uniform Fire Safety Penalty Fund			
Due Current Fund	A	41.59	21.79
Reserve for Uniform Fire Safety		2,445.00	2,462.68
		<u>2,486.59</u>	<u>2,484.47</u>
Donations Senior Center			
Due Current Fund	A	8.26	
Reserve for Donations		285.01	
		<u>293.27</u>	
Small Cities Revolving Loan Fund			
Reserve for Small Cities		31,067.19	
		<u>613,090.39</u>	<u>580,679.01</u>

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

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Cash - Treasurer	C-2	1,753,554.64	1,716,856.70
Deferred Charges to Future Taxation: Unfunded	C-5	475,000.00	
		<u>2,228,554.64</u>	<u>1,716,856.70</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable	C-7	23,403.22	39,762.42
Improvement Authorizations:			
Funded	C-6	53,443.28	41,533.75
Unfunded	C-6	475,000.00	
Capital Improvement Fund	C-4	376,934.52	401,934.52
Due Current Fund	A	1,964.46	997.82
Reserve for Sanitary Landfill Closure		420,980.50	420,980.50
Reserve for Improvement to Sewerage Collection System		6,323.13	6,323.13
Reserve for Expansion of Facilities for Township Parks		18,667.94	18,667.94
Reserve for Purchase of Land - Farmland Preservation		180,202.75	200,000.00
Reserve for Improvements to Convenience Center		138,125.00	138,125.00
Reserve for Improvements to Senior Center		10,000.00	10,000.00
Reserve for Improvements to Roads		204,804.32	175,414.32
Reserve for Improvements to Municipal Buildings and Facilities		15,923.22	25,982.43
Reserve for Purchase of Emergency and Fire Vehicles		123,915.31	48,915.31
Reserve for Purchase of Court Video Conference Equipment			5,869.51
Reserve for Purchase of Public Works Vehicle		175,080.00	175,080.00
Reserve for Document Imaging		2,520.43	2,520.43
Fund Balance	C-1	1,266.56	4,749.62
		<u>2,228,554.64</u>	<u>1,716,856.70</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, 2010	Ref. C	4,749.62
Increased by:		
Improvement Authorizations - Canceled	C-6	<u>34,665.00</u>
		39,414.62
Decreased by:		
Appropriation to Finance Improvement Authorization	C-6	<u>38,148.06</u>
Balance December 31, 2011	C	<u><u>1,266.56</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

ASSETS	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Operating Fund			
Cash - Treasurer	D-5	1,091,233.10	1,098,849.41
Due from Utility Capital Fund			8,075.66
Due from Current Fund	A	1,132.80	0.10
		<u>1,092,365.90</u>	<u>1,106,925.17</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable - Water	D-7	47,692.25	13,290.12
Consumer Accounts Receivable - Seabrook Water			16,652.28
Consumer Accounts Receivable - Sewer	D-7	35,940.36	120,847.66
Connection Fees Receivable	D-8	252,065.74	307,928.97
Water Liens	D-9	2,845.31	
Sewer Liens	D-9	4,788.17	
		<u>343,331.83</u>	<u>458,719.03</u>
Total Operating Fund		<u>1,435,697.73</u>	<u>1,565,644.20</u>
Capital Fund			
Cash - Treasurer	D-5	1,265,059.88	2,798,164.57
Due from Utility Operating Fund	D	5,347.61	
Grant Receivable	D-19	584,188.00	
Fixed Capital	D-10	4,066,500.00	4,066,500.00
Fixed Capital Authorized and Uncompleted	D-11	6,299,000.00	6,299,000.00
		<u>12,220,095.49</u>	<u>13,163,664.57</u>
Total Capital Fund		<u>13,655,793.22</u>	<u>14,729,308.77</u>

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

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

LIABILITIES, RESERVES AND FUND BALANCE	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
Operating Fund			
Liabilities:			
Appropriation Reserves	D-4;D-12	277,815.91	135,817.56
Encumbrances Payable	D-13	51,965.44	18,510.96
Water Rent Overpayments		2,303.89	1,131.91
Sewer Rent Overpayments		2,209.05	2,644.19
Accrued Interest on Notes		1,809.63	497.10
Accrued Interest on Loan		6,775.68	6,947.77
Due Utility Capital Fund	D	5,347.61	
Reserve for Debt Service		12,503.21	12,503.21
Due Federal and State Grant Fund	A	1,754.66	7,051.80
		<u>362,485.08</u>	<u>185,104.50</u>
Reserve for Receivables		343,331.83	458,719.03
Fund Balance	D-1	729,880.82	921,820.67
		<u>1,435,697.73</u>	<u>1,565,644.20</u>
Capital Fund			
Loan Payable	D-17	4,089,892.32	1,852,737.40
Bond Anticipation Notes Payable	D-18	3,197,702.00	6,696,702.00
Encumbrances Payable	D-13	89,820.87	834,072.30
Improvement Authorizations:			
Funded	D-14	133,912.26	
Unfunded	D-14	1,001,957.60	1,327,192.14
Capital Improvement Fund	D-15	440,187.60	440,187.60
Due Utility Operating Fund			8,075.66
Reserve for:			
Water Tower Repairs		8,072.11	7,991.82
Love Lane Tower Improvements		135,012.00	135,012.00
Seabrook Tower Improvements		36,358.46	36,358.46
Reserve for Amortization	D-16	3,061,949.93	1,816,060.60
Deferred Reserve for Amortization		15,955.75	
Fund Balance	D-2	9,274.59	9,274.59
		<u>12,220,095.49</u>	<u>13,163,664.57</u>
Total Capital Fund		<u>13,655,793.22</u>	<u>14,729,308.77</u>

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

Revenue and Other Income Realized	Ref.	Year 2011	Year 2010
Fund Balance Utilized	D-3	775,751.07	390,419.00
Sewer Rents	D-3	678,874.67	514,735.71
Water Rents	D-3	403,187.66	260,334.07
Seabrook Water	D-3	109,089.14	111,751.03
Sewer Installment Plan Reconciliation of Payments	D-3	102,241.76	
Miscellaneous Revenue Not Anticipated	D-3	97,977.06	144,624.81
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	129,707.93	59,914.94
Prior Period Adjustment Federal and State Grant Fund			2,270.23
Total Income		<u>2,296,829.29</u>	<u>1,484,049.79</u>
Expenditures			
Operating	D-4	1,204,600.00	975,200.00
Debt Service	D-4	491,883.07	346,268.44
Deferred Charges and Statutory Expenditures	D-4	16,535.00	17,535.00
Prior Period Adjustment - Due Current Fund			16,781.00
Total Expenditures		<u>1,713,018.07</u>	<u>1,355,784.44</u>
Statutory Excess to Fund Balance		583,811.22	128,265.35
Fund Balance			
Balance January 1	D	921,820.67	1,183,974.32
		1,505,631.89	1,312,239.67
Decreased by:			
Utilization as Anticipated Revenue	D-1	775,751.07	390,419.00
Balance December 31	D	<u><u>729,880.82</u></u>	<u><u>921,820.67</u></u>

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

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

Balance December 31, 2010	Ref. D	9,274.59
Balance December 31, 2011	D	<u>9,274.59</u>

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

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	D-1	775,751.07	775,751.07	
Sewer Rents	D-3	510,000.00	678,874.67	168,874.67
Water Rents	D-3	245,000.00	403,187.66	158,187.66
Seabrook Water	D-3	110,000.00	109,089.14	(910.86)
Sewer Installment Plan				
Reconciliation of Payments	D-8	102,241.76	102,241.76	
Non-Budget Revenue	D-3		97,977.06	97,977.06
		<u>1,742,992.83</u>	<u>2,167,121.36</u>	<u>424,128.53</u>
	Ref.	D-4		

Analysis of Realized Revenue

	Ref.	Sewer	Water	Seabrook Water
Rents:				
Consumer Accounts Receivable:				
Collected	D-7	675,345.51	401,561.44	109,089.14
Overpayments Applied	D-7	2,644.19	1,131.91	
Liens	D-9	884.97	494.31	
	D-3	<u>678,874.67</u>	<u>403,187.66</u>	<u>109,089.14</u>

Analysis of Non-Budget Revenue

Interest on Investments	Ref. D-5	30,345.89
Interest on Delinquent Accounts	D-5	10,825.00
Lease	D-5	34,560.00
Sewer Connection Fees	D-8	8,381.47
CAP Fees	D-5	12,946.00
Miscellaneous	D-5	918.70
	D-3	<u>97,977.06</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	190,000.00	190,000.00	181,011.98		8,988.02	
Other Expenses	646,600.00	646,600.00	329,457.83	51,965.44	265,176.73	
Sewerage Treatment Contract - Cumberland County Utility Authority	368,000.00	368,000.00	366,583.00		1,417.00	
Debt Service:						
Payment of Bond Principal	62,787.83	62,787.83	61,845.08			942.75
Payment of Bond Anticipation Notes and Capital Notes	200,000.00	200,000.00	200,000.00			
Interest on Loans	111,605.00	111,605.00	107,354.06			4,250.94
Interest on Notes	147,465.00	147,465.00	122,683.93			24,781.07
Deferred Charges & Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	14,535.00	14,535.00	13,615.68		919.32	
Unemployment Compensation Insurance	2,000.00	2,000.00	685.16		1,314.84	
	<u>1,742,992.83</u>	<u>1,742,992.83</u>	<u>1,383,236.72</u>	<u>51,965.44</u>	<u>277,815.91</u>	<u>29,974.76</u>
Ref.	D-3	D-4		D-13	D	
Interest on Loans & Notes Disbursed			230,037.99			
			<u>1,153,198.73</u>			
			<u><u>1,383,236.72</u></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, 2011	Balance Dec. 31, 2010
General Fixed Assets:		
Land, Buildings and Improvements	8,640,062.65	5,441,860.00
Equipment	2,867,514.81	2,753,153.52
Vehicles	2,353,039.48	2,353,041.48
Furniture and Fixtures	1,579,733.33	120,503.96
	<u>15,440,350.27</u>	<u>10,668,558.96</u>
Investment in General Fixed Assets	<u>15,440,350.27</u>	<u>10,668,558.96</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, 2011**

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 G.A.A.P.

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, 2011**

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, 2011**

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 \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 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, 2011**

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 \$1,000.00.

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, 2011**

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 Township amended the budget during the year by the insertion of Special Items of Revenue in the amount of \$21,876.38 for various grants as detailed on Exhibit A-2.

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, 2011 and 2010, the carrying amount of the Township's deposits was \$10,319,837.09 and \$11,788,388.61, respectively. As of December 31, 2011 and 2010, \$0 of the municipality's bank balance of \$10,452,345.20 and \$11,928,929.79, respectively, was exposed to Custodial Credit Risk.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

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 \$197,702.00.

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

Credit Risk - New Jersey Statues 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.

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:

	Year	Balance December 31	Budget of Succeeding Year
Current	2011	4,445,076.76	2,206,925.15
	2010	4,012,143.66	2,252,600.37
	2009	3,990,090.93	2,499,470.09
	2008	4,548,290.36	1,818,090.00
	2007	5,051,604.32	1,950,564.76
Utility	2011	729,880.82	558,153.03
	2010	921,820.67	775,751.07
	2009	1,183,974.32	390,419.00
	2008	1,294,575.56	336,092.00
	2007	1,408,506.92	437,825.19

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

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, 2011, the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance Dec. 31, 2011</u>	<u>2012 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorization	<u>203,520.00</u>	<u>50,880.00</u>	<u>152,640.00</u>

NOTE 7: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2011:

	<u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2011</u>
Land, Buildings & Improvements	5,441,860.00	3,198,202.65		8,640,062.65
Equipment	2,753,153.52	153,562.05	39,200.76	2,867,514.81
Vehicles	2,353,041.48	1.00	3.00	2,353,039.48
Furniture & Fixtures	<u>120,503.96</u>	<u>1,459,229.37</u>		<u>1,579,733.33</u>
	<u>10,668,558.96</u>	<u>4,810,995.07</u>	<u>39,203.76</u>	<u>15,440,350.27</u>

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2011:

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Animal Control Trust	23.96	
Uniform Fire Safety Penalty Fund	41.59	
Accumulated Absence Trust Fund	47.99	
Escrow Trust Fund	537.21	
Tax Sale Premium Fund	240.53	
Recreation Trust Fund	735.13	
Snow Removal Trust Fund	151.31	
Donations - Senior Citizen Center	8.26	
General Capital Fund	1,964.46	
Federal & State Grant Fund		114,836.59
Small Cities Trust Fund		31,067.19
Public Defender Trust Fund		839.90
Utility Operating Fund		1,132.80

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	Due From	Due To
Federal and State Grant Fund:		
Current Fund	114,836.59	
Utility Operating Fund	1,754.66	
Animal Control Trust Fund		
Current Fund		23.96
Escrow Trust Fund		
Current Fund		537.21
Tax Sale Premium Fund		
Current Fund		240.53
Public Defender Trust Fund		
Current Fund	839.90	
Accumulated Absence Trust Fund		
Current Fund		47.99
Recreation Trust Fund		
Current Fund		735.13
Snow Removal Trust Fund		
Current Fund		151.31
Uniform Fire Safety Penalty Fund		
Current Fund		41.59
Donations - Senior Citizen Center		
Current Fund		8.26
Small Cities Trust Fund		
Current Fund	31,067.19	
General Capital Fund		
Current Fund		1,964.46
Utility Operating Fund		
Current Fund	1,132.80	
Utility Capital Fund		5,347.61
Federal & State Grant Fund		1,754.66
Utility Capital Fund		
Utility Operating Fund	5,347.61	
	158,729.19	158,729.19

The amount due to the Federal and State Grant Fund and the Small Cities Trust from the Current Fund is due to the fact that there are no fund bank accounts.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 9: LONG-TERM DEBT

During the calendar year 2011, the following changes occurred in the municipal debt of the Township:

	<u>Balance Dec. 31, 2010</u>	<u>Issued/ Authorized</u>	<u>Retired/ Reductions</u>	<u>Balance Dec. 31, 2011</u>	<u>Due Within One Year</u>
Issued:					
Utility Fund;					
Loans	1,852,737.40	2,299,000.00	61,845.08	4,089,892.32	80,550.27
Bond Anticipation Notes	<u>6,696,702.00</u>		<u>3,499,000.00</u>	<u>3,197,702.00</u>	<u>19,875.00</u>
Net Debt Issued	<u>8,549,439.40</u>	<u>2,299,000.00</u>	<u>3,560,845.08</u>	<u>7,287,594.32</u>	<u>100,425.27</u>
Authorized but Not Issued:					
Current Fund:					
Bonds and Notes		<u>475,000.00</u>		<u>475,000.00</u>	
Authorized but Not Issued:		<u>475,000.00</u>		<u>475,000.00</u>	
Total Debt Issued and Authorized but Not Issued	<u>8,549,439.40</u>	<u>2,774,000.00</u>	<u>3,560,845.08</u>	<u>7,762,594.32</u>	<u>100,425.27</u>

Permanently funded debt as of December 31, 2011, consisted of the following:

\$2,378,100.00 Farmers Home Administration Loan dated May 10, 1994, payable in semi-annual installments through May 10, 2034. Interest is paid semi-annually at a rate of 4.5% per annum. The balance remaining at December 31, 2011, was \$1,806,848.07.

\$2,299,000.00 United States Department of Agriculture Rural Development Loan dated May 1, 2011, payable in semi-annual installments through 5/1/51. Interest is paid semi-annual at a rate of 2.75% per annum. The balance remaining at December 31, 2011, was \$2,283,044.25.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Year Ended December 31	Interest	Principal
Farmers Home Administration Loan		
2012	80,774.42	47,977.58
2013	78,591.14	50,160.86
2014	76,308.51	52,443.49
2015	73,922.00	54,830.00
2016	71,426.89	57,325.11
2017-2021	315,547.99	328,212.01
2022-2026	233,756.44	410,003.56
2027-2031	131,582.14	512,177.86
2032-2034	19,821.83	293,717.60
	<u>1,081,731.36</u>	<u>1,806,848.07</u>
USDA Loan		
2012	62,561.31	32,572.69
2013	61,659.40	33,474.70
2014	60,732.52	34,401.48
2015	59,779.98	35,354.02
2016	58,801.06	36,332.94
2017-2021	278,346.09	197,323.91
2022-2026	249,472.20	226,197.80
2027-2031	216,373.26	259,296.74
2032-2036	178,431.04	297,238.96
2037-2041	134,936.85	340,733.15
2042-2046	85,078.25	390,591.75
2047-2051	27,932.82	399,526.11
	<u>1,474,104.78</u>	<u>2,283,044.25</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 .07%.

	Gross Debt	Deductions	Net Debt
School District Debt	8,609,383.49	8,609,383.49	
Utility Debt	7,287,594.32	7,287,594.32	
General Debt	475,000.00		475,000.00
	<u>16,371,977.81</u>	<u>15,896,977.81</u>	<u>475,000.00</u>

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Net Debt \$475,000.00/Equalized Valuation Basis Per N.J.S.A. 40A:2-2 as amended
\$658,862,046.67 = .07%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	23,060,171.63
Net Debt	475,000.00
Remaining Borrowing Power	<u>22,585,171.63</u>

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

Cash Receipts from Fees, Rents or Other Charges	2,167,121.36
Deductions:	
Operating and Maintenance Costs	1,221,135.00
Debt Service	<u>491,883.07</u>
	<u>1,713,018.07</u>
Excess in Revenue	<u><u>454,103.29</u></u>

NOTE 10: NOTES PAYABLE

The Township had the following Utility Capital bond anticipation notes outstanding as of December 31, 2011:

A note in the amount of \$197,702.00 that will mature on December 7, 2012, at an interest rate of 3%.

A note in the amount of \$3,000,000.00 that will mature on June 1, 2012, 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.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 11: PENSION FUNDS (CONTINUED)

Public Employees' Retirement System (P.E.R.S.) (Continued) - 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.

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 through September 30th and 6.5% thereafter, as defined. Employers are required to contribute at an actuarially determined rate in P.E.R.S. 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, 2011, 2010 and 2009, were \$126,807.00, \$97,373.00 and \$87,999.00, 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 \$7,500.00. 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, 2011, was \$75,379.80. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2011, the fund had a reserve balance of \$55,300.00.

NOTE 13: POST-RETIREMENT BENEFITS

Plan Description - The Township of Upper Deerfield contributes to the State Health Benefits Program (S.H.B.P.), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. S.H.B.P. 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. S.H.B.P. provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The S.H.B.P. was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the S.H.B.P.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 13: POST-RETIREMENT BENEFITS (CONTINUED)

Plan Description (Continued) - In 2004, Upper Deerfield Township authorized participation in the S.H.P.B.'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.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the S.H.B.P. 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 S.H.B.P. 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 S.H.B.P. are billed to the Township of Upper Deerfield on a monthly basis.

The Township of Upper Deerfield contributions to S.H.B.P. for the years ended December 31, 2011, 2010 and 2009, were \$9,982.68, \$17,446.00 and, \$13,322.00, respectively, which equaled the required contributions for each year. There was one (1) retired participant eligible at December 31, 2011, 2010, and 2009.

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 (V.A.L.I.C.).

NOTE 15: LABOR CONTRACTS

As of December 31, 2011, 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 expires on December 31, 2012.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

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:

	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
Prepaid Taxes - Cash Liability	<u>170,633.86</u>	<u>189,395.74</u>

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 2011.

NOTE 19: PROPERTY TAX INFORMATION

COMPARISON OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	3.787	3.716	3.780
Apportionment of Tax Rate:			
County	1.570	1.467	1.566
Local School	1.547	1.542	1.479
Regional High School	0.670	0.707	0.074
Assessed Valuation	424,194,653	419,994,185	734,564,399

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011**

NOTE 19: PROPERTY TAX INFORMATION (CONTINUED)

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>2011</u>	<u>2010</u>	<u>2009</u>
Tax Levy	16,093,457.47	15,645,973.47	16,489,375.89
Cash Collections	15,526,951.11	14,829,009.76	15,680,006.32
Percentage of Collections	96.48%	94.78%	95.09%

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>2011</u>	<u>2010</u>	<u>2009</u>
Amount of Tax Title Liens	143,102.60	88,607.62	19,734.33
Delinquent Taxes	493,469.40	700,030.40	620,439.03
Total Delinquent	636,572.00	788,638.02	640,173.36
Percentage of Tax Levy	3.96%	5.04%	3.88%

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>2011</u>	<u>2010</u>	<u>2009</u>
Property Acquired for Taxes (Assessed Valuation)	82,800.00	82,800.00	82,800.00

NOTE 20: 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.

NOTE 21: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through July 26, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

SUPPLEMENTARY DATA

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

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

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, 2011, and have issued our report thereon dated July 26, 2012. Our report disclosed that, as described 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

Management of the Township of Upper Deerfield is responsible for establishing and maintaining effective 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.

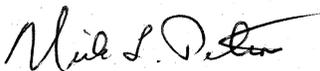
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

July 26, 2012

PETRONI & ASSOCIATES LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH O.M.B. CIRCULAR A-133 AND NEW JERSEY STATE TREASURY CIRCULAR LETTER 04-04 O.M.B.

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

Compliance

We have audited the Township of Upper Deerfield's compliance with the types of compliance requirements described in the *O.M.B. Circular A-133 Compliance Supplement* and the provisions of the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Township of Upper Deerfield's major federal programs for the year ended December 31, 2011. 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; O.M.B. Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and New Jersey O.M.B.'s Circular 04-04 "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*" Those standards, O.M.B. Circular A-133 and New Jersey O.M.B.'s Circular 04-04, 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with O.M.B. Circular A-133 and New Jersey O.M.B.'s Circular 04-04, 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 and correct, 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 management, the governing body, 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

July 26, 2012

TOWNSHIP OF UPPER DEERFIELD
 SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Department/Program	Federal CFDA Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Department of Housing and Urban Development								
Small Cities - CDBG Rehabilitation	14.228	110,000.00	10,000.00	100,000.00	1/1/10	N/A	24,235.48	109,700.00
Small Cities - CDBG Facilities	14.228	550,000.00	50,000.00	459,516.89	1/1/10	N/A	468,984.80	486,984.80
Small Cities - CDBG	14.228	220,000.00	20,000.00	200,000.00	1/1/09	N/A	13,772.00	202,220.25
Department of Health and Human Services								
Older Americans Title IIIB	93.044	4,656.00		2,451.61	1/1/11	12/31/11	3,849.89	3,849.89
Department of Agriculture								
USDA Rehab Grant	10.433	55,709.33		55,709.33	1/1/10	N/A	7,501.00	55,709.33
Rural Communities Grant/Loan Program	10.760	3,299,000.00		2,714,812.00	5/7/09	N/A	194,679.78	3,165,087.74
				<u>3,532,489.83</u>			<u>713,022.95</u>	<u>4,023,552.01</u>

TOWNSHIP OF UPPER DEERFIELD
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

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	39,000.00		28,673.08	1/1/11	N/A	39,000.00	39,000.00
Clean Communities	4900-765-042-4900-004-VCMC-6020	13,253.18		13,253.18	1/1/10	N/A	12,532.12	13,253.18
Clean Communities	4900-765-042-4900-004-VCMC-6020	12,876.38		12,876.38	1/1/11	N/A	12,876.38	12,876.38
Recycling Tonnage	4900-752-042-4900-001-VREV-6020	43,656.48		43,656.48	1/1/11	N/A	17,899.00	17,899.00
Sharing Available Resources Efficiently	N/A	48,700.00	4,870.00	25,400.00	1/1/10	N/A	3,800.00	48,700.00
Department of Transportation								
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	267,000.00		178,011.71	1/1/09	N/A	2,329.91	244,638.11
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	170,000.00		127,500.00	1/1/10	N/A	170,000.00	170,000.00
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	180,000.00			1/1/11	N/A	126,138.70	126,138.70
				<u>429,370.83</u>			<u>384,576.11</u>	<u>672,505.37</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

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 O.M.B. Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and New Jersey Circular Letter 04-04 O.M.B. 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.

TOWNSHIP OF UPPER DEERFIELD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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 | _____ <u>X</u> no |
| 2) Significant deficiencies(s) identified that are not considered to be material weaknesses? | _____ yes | _____ <u>X</u> none reported |

Noncompliance material to general-purpose financial statements noted?	_____ yes	_____ <u>X</u> no
---	-----------	-------------------

Federal Awards

Internal Control over major programs:

- | | | |
|--|-----------|------------------------------|
| 1) Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| 2) Significant deficiencies(s) identified that are not considered to be material weaknesses? | _____ yes | _____ <u>X</u> none reported |

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

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

Identification of major programs:

<u>CFDA or Other Identifying Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Small Cities - CDBG Grants

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

Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
--	-----------	-------------------

TOWNSHIP OF UPPER DEERFIELD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditor's Results (Continued)

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 deficiencies(s) 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 N.J.O.M.B. Circular Letter 04-04? _____ yes _____ no

Identification of major programs:

<u>State Grant Number(s)</u>	<u>Name of State Program</u>
------------------------------	------------------------------

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

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

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

TOWNSHIP OF UPPER DEERFIELD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

There were no prior year findings reported.

CURRENT FUND

SCHEDULE OF CASH - TREASURER

Balance December 31, 2010	Ref. A		5,599,020.76
Increased by Receipts:			
Investment - Utility Capital Fund	A-6	200,000.00	
Grants Receivable	A-7	1,042,634.48	
Taxes Receivable	A-8	15,862,469.11	
Tax Title Liens	A-9	13,603.48	
Tax Overpayments		48,708.95	
Prepaid Taxes		170,633.86	
Revenue Accounts Receivable	A-11	3,280,205.00	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	125,655.04	
Reserve for Grants - Unappropriated	A-20	41,984.01	
Due Public Defender Trust Fund		6,240.00	
Payroll Taxes Payable		1,363,394.95	
Due from Animal Control Trust		10,442.00	
Due from Utility Operating Fund	D-5	6,429.84	
Petty Cash		50.00	
Due State - Fees		21,026.00	
Due Deerfield Township - UCC Fees		82,241.00	
Reserve for Home Rehabilitation		14,662.52	
			<u>22,290,380.24</u>
			<u>27,889,401.00</u>
Decreased by Disbursements:			
2011 Budget Appropriations	A-3	2,864,140.04	
2010 Appropriation Reserves	A-13	124,538.47	
Encumbrances Payable	A-14	693,557.32	
Reserve for Grants - Appropriated	A-19	776,780.58	
Tax Overpayments Refunded		83,290.74	
Payroll Taxes Payable		1,366,214.31	
County Taxes		6,654,963.05	
Due County for Added and Omitted Taxes		18,498.91	
Local District School Tax	A-17	6,559,101.50	
Regional High School Tax	A-18	2,838,151.25	
Reserve for Home Rehabilitation		1,955.42	
Due Deerfield Township - UCC Fees		81,297.00	
Due Accumulated Absence Trust		989.64	
Due State - Fees		23,457.00	
Petty Cash Fund		50.00	
Reserve for Revaluation		174,009.60	
			<u>22,260,994.83</u>
Balance December 31, 2011	A		<u><u>5,628,406.17</u></u>

SCHEDULE OF CHANGE FUND

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Change Fund	400.00	400.00
Ref.	A	A

SCHEDULE OF INVESTMENTS - BOND ANTICIPATION NOTES
UTILITY CAPITAL FUND

Balance December 31, 2010	Ref. A	397,702.00
Decreased by: Receipts	A-4	<u>200,000.00</u>
Balance December 31, 2011	A	<u><u>197,702.00</u></u>

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2010	2011 Budget Revenue Realized	Received	Canceled	Balance Dec. 31, 2011
Federal:					
Small Cities Community Development Block Grant	154,198.56		154,198.56		
Small Cities Rehabilitation	100,000.00		100,000.00		
Small Cities Facilities	500,000.00		459,516.89		40,483.11
USDA Rehabilitation Grant	55,709.33		55,709.33		
Older Americans Title IIIB	1,733.66	4,656.00	4,152.00	124.27	2,113.39
Older Americans Title IIIF	1,260.69			1,260.69	
State:					
NJ Transportation Trust Fund Authority Act	347,195.87	180,000.00	127,500.00	110,569.47	289,126.40
Alliance for Substance Abuse Prevention Program	20,425.76	39,000.00	39,624.84	9,474.00	10,326.92
Handicapped Persons Recreational Opportunity Act	2,250.00			2,250.00	
Clean Communities Program		12,876.38	12,876.38		
Green Communities Program	2,000.00			2,000.00	
Recycling Tonnage Grant		43,656.48	43,656.48		
NJ Preparedness Grant	3,800.00			3,800.00	
Sharing Available Resources Efficiently	43,830.00		25,400.00		18,430.00
Energy Efficiency & Conservation		20,000.00	20,000.00		
	<u>1,232,403.87</u>	<u>300,188.86</u>	<u>1,042,634.48</u>	<u>129,478.43</u>	<u>360,479.82</u>
Ref.	A	A-2	A-4	A-1	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, 2010			2010	2011				Dec. 31, 2011
2007	1,630.97				1,630.97				
2008	3,741.07				3,741.07				
2009	3,035.54		831.60		3,867.14				
2010	691,622.82		6,443.16		654,106.05		15,351.32	25,255.29	3,353.32
	<u>700,030.40</u>		<u>7,274.76</u>		<u>663,345.23</u>		<u>15,351.32</u>	<u>25,255.29</u>	<u>3,353.32</u>
2011		16,093,457.47		189,395.74	15,329,746.98	7,808.39	36,759.19	39,631.09	490,116.08
	<u>700,030.40</u>	<u>16,093,457.47</u>	<u>7,274.76</u>	<u>189,395.74</u>	<u>15,993,092.21</u>	<u>7,808.39</u>	<u>52,110.51</u>	<u>64,886.38</u>	<u>493,469.40</u>
Ref.	A							A-9	A
		Cash		Ref.					
		Due State of New Jersey		A-4	15,862,469.11				
				A-16	130,623.10				
					<u>15,993,092.21</u>				

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:			
Business Personalty Tax		40,015.45	
General Property Tax		16,024,237.89	
		<hr/>	
			16,064,253.34
Added Taxes (54:4-63.1 et seq.)			29,204.13
			<hr/>
			16,093,457.47
			<hr/> <hr/>

Tax Levied

	Ref.		
Local District School Tax (Abstract)	A-17		6,559,101.50
Regional High School Tax (Abstract)	A-18		2,838,151.27
County Taxes:			
County Tax (Abstract)		6,330,897.04	
Local Health Services Tax (Abstract)		254,460.33	
County Open Space Preservation			
Trust Fund Tax (Abstract)		69,605.68	
Due County for Added & Omitted Taxes		13,811.22	
		<hr/>	
Total County Taxes			6,668,774.27
Local Tax for Municipal Purposes		None	
Add: Additional Taxes Levied		27,430.43	
		<hr/>	
			27,430.43
			<hr/>
			16,093,457.47
			<hr/> <hr/>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2010	A		88,607.62
Increased by:			
Transfers from Taxes Receivable	A-8	64,886.38	
Interest and Costs Accrued by Sale of June 23, 2011		3,578.55	
			68,464.93
			157,072.55
Decreased by:			
Collected	A-4	13,603.48	
Canceled		366.47	
			13,969.95
Balance December 31, 2011	A		143,102.60

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	Ref.	
Balance December 31, 2010	A	82,800.00
Balance December 31, 2011	A	82,800.00

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2010	Accrued	Collected by Treasurer	Balance Dec. 31, 2011
Miscellaneous Revenue Anticipated				
Fines and Costs:				
Municipal Court	29,715.00	70,261.29	94,685.33	5,290.96
Emergency Medical Services Billings		263,673.52	263,673.52	
Energy Receipts Tax		1,354,938.00	1,354,938.00	
Uniform Construction Code Fees		96,889.00	96,889.00	
Deerfield Township - Uniform Construction Code		21,915.06		21,915.06
Uniform Fire Safety Act		26,406.42	26,406.42	
Miscellaneous Revenue Not Anticipated				
Interest on Investments	27.59	84,347.76	84,375.35	
Interest & Costs on Taxes		119,152.76	119,152.76	
Fees & Permits		69,248.74	69,248.74	
Cable TV Franchise Fees		29,623.60	29,623.60	
Recycling Receipts		19,605.72	19,605.72	
Payments in Lieu of Taxes		994,276.26	994,276.26	
FEMA Snow Funds		63,410.05	63,410.05	
Refund		46,325.13	46,325.13	
Miscellaneous		17,595.12	17,595.12	
	<u>29,742.59</u>	<u>3,277,668.43</u>	<u>3,280,205.00</u>	<u>27,206.02</u>
Ref.	A		A-4	A

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

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance Dec. 31, 2010</u>	<u>Raised in 2011 Budget</u>	<u>Balance Dec. 31, 2011</u>
5/18/06	Revision and Codification of Ordinances	21,655.00	4,331.00	4,331.00	4,331.00	
7/6/06	Master Plan Studies	39,500.00	7,900.00	7,900.00	7,900.00	
11/18/2010	Revaluation Program	254,400.00	50,880.00	254,400.00	50,880.00	203,520.00
		<u>315,555.00</u>	<u>63,111.00</u>	<u>266,631.00</u>	<u>63,111.00</u>	<u>203,520.00</u>
	Ref.			A	A-3	A

SCHEDULE OF 2010 APPROPRIATION RESERVES

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages				
General Administration	5,360.37	5,360.37	1,427.43	3,932.94
Municipal Clerk	1,003.25	1,003.25	609.38	393.87
Financial Administration	1,579.69	1,579.69	943.42	636.27
Revenue Administration	1,426.31	1,426.31	689.55	736.76
Tax Assessment	1,169.98	1,169.98	751.66	418.32
Planning Board	343.25	343.25	140.38	202.87
Zoning Officer	2,100.60	2,100.60	1,032.04	1,068.56
Housing Official	1,916.32	1,916.32	909.19	1,007.13
Emergency Management	103.96	103.96	67.66	36.30
Fire Official	186.90	186.90	24.57	162.33
Snow Removal	6,223.24	6,223.24	1,399.78	4,823.46
Streets & Roads	8,654.17	8,654.17	2,891.73	5,762.44
Solid Waste Convenience Center	16,534.00	16,534.00	190.52	16,343.48
Buildings and Grounds	23,826.15	23,826.15	2,250.71	21,575.44
Board of Health	176.29	176.29	117.21	59.08
Environmental Commission	16.21	16.21	14.97	1.24
Animal Control	234.17	234.17	103.32	130.85
Senior Center	4,411.14	4,411.14	708.55	3,702.59
Maintenance of Parks	18,351.50	18,351.50	819.23	17,532.27
Municipal Court	4,781.75	4,781.75	1,427.12	3,354.63
Construction Code	19,208.00	19,208.00	3,204.45	16,003.55
Ambulance	9,582.19	9,582.19	4,181.00	5,401.19
Other Expenses				
General Administration	4,261.38	4,261.38	3,282.23	979.15
Mayor & Township Committee	2,213.11	2,213.11	1,030.40	1,182.71
Tax Assessment	15,151.96	14,151.96		14,151.96
Legal	7,571.21	7,571.21	6,028.83	1,542.38
Engineering Services and Costs	10,184.08	10,184.08	4,441.30	5,742.78
Planning Board	14,344.00	14,344.00	8,250.09	6,093.91
Zoning Officer	3,172.79	3,172.79	27.41	3,145.38
Payments in Lieu of Benefits	5,109.82	5,109.82	709.81	4,400.01
Employee Group Insurance	39,364.08	39,364.08	18,258.76	21,105.32
Aid to Volunteer Fire Companies	12,208.53	12,208.53	625.99	11,582.54
Utilities	5,465.68	5,465.68	1,951.04	3,514.64
Fire Official	2,926.37	2,926.37	18.84	2,907.53
Ambulance	8,371.60	8,371.60	2,648.37	5,723.23
Streets & Roads	10,158.21	10,158.21	5,268.24	4,889.97
Utilities	6,405.71	6,405.71	3,785.69	2,620.02
Snow Removal	10,014.26	10,014.26	10,014.26	
Solid Waste Convenience Center	14,582.10	14,582.10	5,327.50	9,254.60
Utilities	1,627.40	1,627.40	472.62	1,154.78
Buildings and Grounds	5,069.04	5,069.04	669.90	4,399.14
Utilities	718.09	1,718.09	1,661.90	56.19
Senior Center	7,355.57	7,355.57	300.48	7,055.09
Utilities	1,935.79	1,935.79	706.28	1,229.51
Maintenance of Parks	11,794.04	11,794.04	2,549.67	9,244.37
Utilities	692.58	692.58	192.74	499.84
Street Lighting	21,696.96	21,696.96	9,759.65	11,937.31
Landfill Disposal Costs	22,867.32	22,867.32	10,856.08	12,011.24
Construction Code	26,876.09	26,876.09	199.09	26,677.00
Ambulance	11,761.39	11,761.39	1,597.43	10,163.96
Other Accounts - No Change	82,892.11	82,892.11		82,892.11
	<u>493,980.71</u>	<u>493,980.71</u>	<u>124,538.47</u>	<u>369,442.24</u>
Ref.	A		A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Regular Fund	Federal & State Grant Fund
Balance December 31, 2010	A	<u>499,909.98</u>	<u>216,587.71</u>
Increased by:			
Charges to Appropriations	A-3	201,043.56	
Charges to Reserve for Grants	A-19		126,138.70
		<u>700,953.54</u>	<u>342,726.41</u>
Decreased by:			
Payments	A-4	491,554.47	202,002.85
Canceled	A-1:A-19	8,355.51	1,013.85
		<u>499,909.98</u>	<u>203,016.70</u>
Balance December 31, 2011	A	<u><u>201,043.56</u></u>	<u><u>139,709.71</u></u>

SCHEDULE OF ACCOUNTS PAYABLE

	Ref.	
Increased by:		
Charges to Reserve for Revaluation		<u>80,390.40</u>
Balance December 31, 2011	A	<u><u>80,390.40</u></u>

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

	Ref.		
Balance December 31, 2010	A		35,952.62
Increased by:			
Receipts	A-4		125,655.04
			<u>161,607.66</u>
Decreased by:			
2011 Deductions Per Tax Duplicate		128,500.00	
2011 Deductions Allowed by Collector		4,750.00	
2011 Deductions Disallowed by Collector		<u>(2,626.90)</u>	
	A-8	130,623.10	
Prior Year Deduction Disallowed	A-1	<u>(3,000.00)</u>	
			<u>127,623.10</u>
Balance December 31, 2011	A		<u><u>33,984.56</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	Ref.		
Increased by:			
2011 Calendar Year School Levy	A-8		6,559,101.50
Decreased by:			
Payments	A-4		<u>6,559,101.50</u>

SCHEDULE OF PREPAID REGIONAL HIGH SCHOOL TAX

	Ref.	
Balance December 31, 2010	A	59.96
Increased by:		
Payments	A-4	2,838,151.25
Decreased by:		
2011 Calendar Year School Levy	A-8	<u>2,838,151.27</u>
Balance December 31, 2011	A	<u><u>59.94</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2010	Transferred from 2011 Budget Appropriation	Paid or Charged	Encumbered	Encumbrance Canceled	Canceled	Balance Dec. 31, 2011
Federal Grants:							
Small Cities Community Development Block Grant	154,037.16		13,772.00			122,485.41	17,779.75
Small Cities Rehabilitation	45,535.48		24,235.48			21,000.00	300.00
Small Cities Facilities	532,000.00		468,984.80				63,015.20
USDA Rehabilitation Grant	19,784.00		7,501.00			12,283.00	
Older Americans Title IIIB	2,050.17	4,656.00	3,849.89			2,050.17	806.11
Older Americans Title IIIF	892.97					892.97	
Stormwater Grant	7,000.00					7,000.00	
Small Cities Block Grant - Water Utility	1,577.30				70.25		1,647.55
State Grants:							
NJ Transportation Trust Fund	277,750.46	180,000.00	172,329.91	126,138.70		105,420.55	53,861.30
Alliance for Substance Abuse Prevention Program	400.00	39,000.00	39,000.00			400.00	
Clean Communities Program	31,523.43	12,876.38	25,408.50			18,991.31	(0.00)
Handicapped Persons Recreational Opportunity Act	34,513.17					34,513.17	
Recycling Tonnage Grant	128,120.81	43,656.48	17,899.00			21,499.18	132,379.11
Special Legislative Grant	605.00					605.00	
Neighborhood Preservation	93,749.72				943.60	94,693.32	
NJ State Police SLAEHOP	6,205.72					6,205.72	
Sharing Available Resources Efficiently	3,800.00		3,800.00				
Energy Efficiency & Conservation		20,000.00					20,000.00
	<u>1,339,545.39</u>	<u>300,188.86</u>	<u>776,780.58</u>	<u>126,138.70</u>	<u>1,013.85</u>	<u>448,039.80</u>	<u>289,789.02</u>
Ref.	A	A-3	A-4	A-14	A-14	A-1	A

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance Dec. 31, 2010	Received	Balance Dec. 31, 2011
State Grants:			
Recycling Tonnage Grant		41,984.01	41,984.01
Clean Communities	5,588.33		5,588.33
	5,588.33	41,984.01	47,572.34
Ref.	A	A-4	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - 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	Affordable Housing Trust	Landfill Closure Fund	Uniform Fire Safety Penalty	Donations Senior Center
		Registrar	Treasurer										
Balance December 31, 2010	B	19,956.39		316,188.09	817.31	6,341.14	54,311.61	14,509.64	59,091.04	50,137.77	38,080.42	2,484.47	
Increased by Receipts:													
Dog License Fees:													
Municipal Share	B-3	12,154.20											
State Share		2,157.80											
Interest Earned		290.16	26.29	3,358.48	18.65	10.17	545.39	204.61	593.45	503.65	382.55	24.96	8.26
Due from Current Fund		1,981.91											
Donations													825.00
Escrow Deposits				142,515.28									
Program Income					3,144.00								
Public Defender Fees						1,040.00							
Accumulated Absence Reserve							989.64						
Recreation Fees								21,355.00					
		16,584.07	26.29	145,873.76	3,162.65	1,050.17	1,535.03	21,559.61	593.45	503.65	382.55	24.96	833.26
		36,540.46	26.29	462,061.85	3,979.96	7,391.31	55,846.64	36,069.25	59,684.49	50,641.42	38,462.97	2,509.43	833.26
Decreased by Disbursements:													
Expenditure Under R.S. 4:19-15.11	B-3	12,423.91											
Paid to State of New Jersey		2,203.40											
Transfer to Current Fund		266.20	26.29	3,090.53		6,249.20	498.65		542.98			22.84	
Escrow Charges				149,664.37									
Municipal Alliance Expenses					2,030.46								
Recreation Expenses								16,245.98					
Senior Center Expenses													
		14,893.51	26.29	152,754.90	2,030.46	6,249.20	498.65	16,245.98	542.98			22.84	
Balance December 31, 2011	B	21,646.95		309,306.95	1,949.50	1,142.11	55,347.99	19,823.27	59,141.51	50,641.42	38,462.97	2,486.59	833.26

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2010	Ref. B		13,179.50
Increased by:			
Deposits for Redemption of Tax Sale Certificates		347,337.85	
Tax Sale Premiums		13,400.00	
Interest Earned		240.53	
		<hr/>	360,978.38
			<hr/>
			374,157.88
Decreased by:			
Refunds Upon Redemption		353,176.14	
Due Current Fund		40.97	
		<hr/>	353,217.11
Balance December 31, 2011	B		<hr/> <hr/>
			20,940.77

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2010	Ref. B	21,891.50
Increased by:		
Municipal Share of Dog License Fees	B-1	12,154.20
		<u>34,045.70</u>
Decreased by:		
Expenditure Under R.S. 4:19-15.11	B-1	12,423.91
Balance December 31, 2011	B	<u><u>21,621.79</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2009	12,999.00
2010	12,547.00
	<u>25,546.00</u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL FUND CASH - TREASURER

Balance December 31, 2010	Ref. C		1,716,856.70
Increased by:			
Interest Earned		11,620.52	
Budget Appropriation:			
Purchase of Emergency & Fire Vehicles		75,000.00	
Improvements to Municipal Building & Facilities		15,000.00	
Improvements to Roads		29,390.00	
Purchase of Land - Open Space/Farmland Preservation		1,587.75	
		<u>132,598.27</u>	
			<u>1,849,454.97</u>
Decreased by:			
Improvement Authorizations	C-6	47,379.75	
Encumbrances Payable	C-7	37,866.70	
Due Current Fund		10,653.88	
		<u>95,900.33</u>	
Balance December 31, 2011	C		<u><u>1,753,554.64</u></u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance	Receipts		Disbursements		Balance
	Dec. 31, 2010	Miscellaneous	Improvement Authorizations	Miscellaneous	Transfers	Dec. 31, 2011
Capital Improvement Fund	401,934.52				(25,000.00)	376,934.52
Fund Balance	4,749.62				(3,483.06)	1,266.56
Reserve for Sanitary Landfill Closure	420,980.50					420,980.50
Reserve for Improvements to Sewerage Collection System	6,323.13					6,323.13
Reserve for Expansion of Facilities for Township Parks	18,667.94					18,667.94
Reserve for Purchase of Land - Farmland Preservation	200,000.00	1,587.75			(21,385.00)	180,202.75
Reserve for Improvements to Convenience Center	138,125.00					138,125.00
Reserve for Construction of a Senior Center	10,000.00					10,000.00
Reserve for Improvements to Roads	175,414.32	29,390.00				204,804.32
Reserve for Purchase of Emergency and Fire Vehicles	48,915.31	75,000.00				123,915.31
Reserve for Purchase of Public Works Vehicle	175,080.00					175,080.00
Reserve for Purchase of Court Video Conference Equipment	5,869.51				(5,869.51)	
Reserve for Improvements to Municipal Buildings and Facilities	25,982.43	15,000.00			(25,059.21)	15,923.22
Reserve for Document Imaging	2,520.43					2,520.43
Encumbrances Payable	39,762.42			37,866.70	21,507.50	23,403.22
Due Current Fund	997.82	11,620.52		10,653.88		1,964.46
Improvement Authorizations:						
Ordinance						
Number						
615 Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	6,868.75				972.50	7,841.25
641 Construction of a Salt Shed	34,665.00				(34,665.00)	
663 Purchase and Installation of Municipal Facilities Improvements			47,379.75		67,981.78	20,602.03
684 Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms					25,000.00	25,000.00
	<u>1,716,856.70</u>	<u>132,598.27</u>	<u>47,379.75</u>	<u>48,520.58</u>		<u>1,753,554.64</u>
Ref.	C	C-2	C-6	C-2		C

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2010	C	401,934.52
Decreased by:		
Appropriation to Finance Improvement Authorization	C-6	<u>25,000.00</u>
Balance December 31, 2011	C	<u><u>376,934.52</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION- UNFUNDED

Purpose	Ordinance Number	2011 Authorization	Balance Dec. 31, 2011	Analysis of Balance Dec. 31, 2011 Unexpended Improvement Authorizations
Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	684	475,000.00	475,000.00	475,000.00
		475,000.00	475,000.00	475,000.00
	Ref.	C-6	C	C-6

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Purpose	Ordinance		Balance	2011 Authorization	Paid or Charged	Encumbrance Payable	Encumbrance Canceled	Canceled	Balance Dec. 31, 2011	
	Number	Amount	Dec. 31, 2010 Funded						Funded	Unfunded
Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	615	40,000.00	6,868.75				972.50		7,841.25	
Construction of a Salt Shed	641	85,000.00	34,665.00					34,665.00		
Purchase and Installation of Municipal Facilities Improvements	663	70,000.00		70,000.00	47,379.75	2,018.22			20,602.03	
Farmland Preservation & Open Space	680	21,385.00		21,385.00		21,385.00				
Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	684	500,000.00		500,000.00					25,000.00	475,000.00
			<u>41,533.75</u>	<u>591,385.00</u>	<u>47,379.75</u>	<u>23,403.22</u>	<u>972.50</u>	<u>34,665.00</u>	<u>53,443.28</u>	<u>475,000.00</u>
	Ref.		C		C-2	C-7	C-7	C-1	C	C
			Ref.							
Capital Improvement Fund			C-4	25,000.00						
Deferred Charges			C-8	475,000.00						
Fund Balance			C-1	38,148.06						
Various Reserves				<u>53,236.94</u>						
				<u>591,385.00</u>						

SCHEDULE OF ENCUMBRANCE PAYABLE

Balance December 31, 2010	Ref. C		39,762.42
Increased by:			
Improvement Authorizations	C-6		<u>23,403.22</u>
			63,165.64
Decreased by:			
Disbursed	C-2	37,866.70	
Canceled - Improvement Authorizations	C-6	972.50	
Canceled - Reserves		<u>923.22</u>	
			<u>39,762.42</u>
Balance December 31, 2011	C		<u><u>23,403.22</u></u>

SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	2011 Authorization	Balance Dec. 31, 2011
684	Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	475,000.00	475,000.00
	Ref.	C-6	

WATER & SEWER UTILITY FUND

EXHIBIT D-5

SCHEDULE OF WATER & SEWER UTILITY FUND CASH - TREASURER

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2010	D	<u>1,098,849.41</u>	<u>2,798,164.57</u>
Increased by:			
Consumer Accounts Receivable:			
Water	D-7	401,561.44	
Seabrook Water	D-7	109,089.14	
Sewer	D-7	675,345.51	
Water Liens	D-9	494.31	
Sewer Liens	D-9	884.97	
Rent Overpayments		4,512.94	
Connection Fees Receivable	D-3:D-8	110,623.23	
Interest on Investments	D-3	12,624.89	17,721.00
Interest on Delinquent Accounts	D-3	10,825.00	
Lease	D-3	34,560.00	
CAP Fees	D-3	12,946.00	
Miscellaneous	D-3	918.70	
Loan Proceeds	D-17		2,299,000.00
Grant Receivable	D-19		415,812.00
Reserve for Water Tower Repairs			80.29
Due from Utility Capital Fund	D-5	31,144.27	
		<u>1,405,530.40</u>	<u>2,732,613.29</u>
		<u>2,504,379.81</u>	<u>5,530,777.86</u>
Decreased by:			
Appropriations	D-4	1,153,198.73	
Appropriation Reserves	D-12	6,109.63	
Encumbrances Payable	D-13	18,510.96	740,893.93
Improvement Authorizations	D-14		194,679.78
Bond Anticipation Notes	D-18		3,299,000.00
Due Utility Operating Fund	D-5		31,144.27
Due Current Fund	A-4	1,132.70	
Due Federal and State Grant Fund	A-4	5,297.14	
Interest on Loans and Notes		228,897.55	
		<u>1,413,146.71</u>	<u>4,265,717.98</u>
Balance December 31, 2011	D	<u><u>1,091,233.10</u></u>	<u><u>1,265,059.88</u></u>

ANALYSIS OF WATER & SEWER UTILITY FUND CAPITAL FUND CASH

	Balance Dec. 31, 2010	Receipts		Disbursements			Transfers		Balance Dec. 31, 2011
		Loans	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Capital Improvement Fund	440,187.60								440,187.60
Fund Balance	9,274.59								9,274.59
Due Utility Operating Fund	8,075.66		17,721.00			31,144.27			(5,347.61)
Reserve for Water Tower Repairs	7,991.82		80.29						8,072.11
Reserve for Love Lane Tower Improvements	135,012.00								135,012.00
Reserve for Seabrook Tower Improvements	36,358.46								36,358.46
Encumbrances Payable	834,072.30					740,893.93	3,357.50		89,820.87
Grant Receivable			415,812.00				1,000,000.00		(584,188.00)
Improvement Authorizations:									
Ordinance									
Number									
602 Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	998,600.10							3,357.50	1,001,957.60
629 Construction of Seabrook Water Treatment Project	328,592.04	2,299,000.00		194,679.78	3,299,000.00			1,000,000.00	133,912.26
	<u>2,798,164.57</u>	<u>2,299,000.00</u>	<u>433,613.29</u>	<u>194,679.78</u>	<u>3,299,000.00</u>	<u>772,038.20</u>	<u>1,003,357.50</u>	<u>1,003,357.50</u>	<u>1,265,059.88</u>
Ref.	D	D-17	D-5	D-14	D-18	D-5			D

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Ref.	Water	Seabrook Water	Sewer
Balance December 31, 2010	D	13,290.12	16,652.28	120,847.66
Increased by:				
Utility Rents Levied		439,887.48	92,436.86	598,122.40
		<u>453,177.60</u>	<u>109,089.14</u>	<u>718,970.06</u>
Decreased by:				
Collections	D-5	401,561.44	109,089.14	675,345.51
Overpayments Applied		1,131.91		2,644.19
Transfer to Liens	D-9	2,792.00		5,040.00
		<u>405,485.35</u>	<u>109,089.14</u>	<u>683,029.70</u>
Balance December 31, 2011	D	<u>47,692.25</u>		<u>35,940.36</u>

SCHEDULE OF CONNECTION FEES RECEIVABLE

	Ref.	
Balance December 31, 2010	D	307,928.97
Increased by:		
Billings		54,760.00
		<u>362,688.97</u>
Decreased by:		
Collections	D-5	110,623.23
Balance December 31, 2011	D	<u>252,065.74</u>

SCHEDULE OF UTILITY LIENS RECEIVABLE

	Ref.	<u>Water</u>	<u>Sewer</u>
Increased by:			
Transfer from Water & Sewer	D-7	2,792.00	5,040.00
Interest and Costs Accrued by Sale			
of June 23, 2011		547.62	633.14
		<u>3,339.62</u>	<u>5,673.14</u>
Decreased by:			
Collections	D-5	494.31	884.97
		<u>494.31</u>	<u>884.97</u>
Balance December 31, 2011	D	<u><u>2,845.31</u></u>	<u><u>4,788.17</u></u>

SCHEDULE OF FIXED CAPITAL

Purpose	Balance Dec. 31, 2010	Balance Dec. 31, 2011
Various Sewer and Water System Capital Improvements	3,490,000.00	3,490,000.00
Expenses Associated with Conveyance of Land and Easements	30,000.00	30,000.00
Various Water System Capital Improvements	405,000.00	405,000.00
Purchase of Seabrook Water Company	141,500.00	141,500.00
	4,066,500.00	4,066,500.00
Ref.	D	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance	Balance
		Date	Amount	Dec. 31, 2010	Dec. 31, 2011
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000.00	3,000,000.00	3,000,000.00
629	Construction of Seabrook Water Treatment Plant	5/7/09	3,299,000.00	3,299,000.00	3,299,000.00
				<u>6,299,000.00</u>	<u>6,299,000.00</u>
			Ref.	D	D

SCHEDULE OF 2010 APPROPRIATION RESERVES

	Balance Dec. 31, 2010	Disbursed	Balance Lapsed
Operating:			
Salaries and Wages	21,028.57	3,214.05	17,814.52
Other Expenses	110,065.18	2,895.58	107,169.60
Utilities Authority	279.00		279.00
Social Security System Contribution	2,027.13		2,027.13
Unemployment	2,417.68		2,417.68
	<u>135,817.56</u>	<u>6,109.63</u>	<u>129,707.93</u>
Ref.	D	D-5	D-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2010	D	18,510.96	834,072.30
Increased by:			
Charges to Current Year Appropriations	D-4	51,965.44	
		<u>70,476.40</u>	<u>834,072.30</u>
Decreased by:			
Canceled	D-14		3,357.50
Payments	D-5	18,510.96	740,893.93
Balance December 31, 2011	D	<u>51,965.44</u>	<u>89,820.87</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Ordinance		Balance	Paid or Charged	Encumbrance Canceled	Balance Dec. 31, 2011	
		Date	Amount	Dec. 31, 2010 Unfunded			Funded	Unfunded
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000.00	998,600.10		3,357.50		1,001,957.60
629	Construction of Seabrook Water Treatment Plant	5/7/09	3,299,000.00	328,592.04	194,679.78		133,912.26	
				<u>1,327,192.14</u>	<u>194,679.78</u>	<u>3,357.50</u>	<u>133,912.26</u>	<u>1,001,957.60</u>
			Ref.	D	D-5	D-14	D	D

EXHIBIT D-15

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2010	D	440,187.60
Balance December 31, 2011	D	<u>440,187.60</u>

EXHIBIT D-16

SCHEDULE OF RESERVE FOR AMORTIZATION

	Ref.		
Balance December 31, 2010	D		1,816,060.60
Increased by:			
Grant Receivable	D-19	1,000,000.00	
Notes Paid by Operating Budget	D-18	200,000.00	
Loan Paid by Operating Budget	D-17	<u>61,845.08</u>	
			<u>1,261,845.08</u>
			3,077,905.68
Decreased by:			
Transfer from Deferred Reserve for Amortization			<u>15,955.75</u>
Balance December 31, 2011	D		<u>3,061,949.93</u>

EXHIBIT D-17

SCHEDULE OF LOAN PAYABLE

	Ref.	
Balance December 31, 2010	D	1,852,737.40
Increased by:		
Loan Proceeds	D-5	<u>2,299,000.00</u>
		4,151,737.40
Decreased by:		
Payments	D-16	<u>61,845.08</u>
Balance December 31, 2011	D	<u>4,089,892.32</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, 2010	Decreased	Balance Dec. 31, 2011
484	Various Sewer and Water System Capital Improvements	10/18/02	12/9/11	12/7/12	3.00%	200,000.00	100,000.00	100,000.00
523	Various Water System Capital Improvements	10/18/02	12/9/11	12/7/12	3.00%	197,702.00	100,000.00	97,702.00
629	Construction of Seabrook Water Treatment Plant	3/5/10	3/5/10	3/4/11	1.50%	3,299,000.00	3,299,000.00	-
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/3/10	12/3/11	6/1/12	1.50%	3,000,000.00		3,000,000.00
						<u>6,696,702.00</u>	<u>3,499,000.00</u>	<u>3,197,702.00</u>
						Ref. D		D
						Ref. D-16	200,000.00	
						Paid by Budget Appropriation		
						Paid by Loan & Grant Proceeds	D-5	3,299,000.00
							<u>3,499,000.00</u>	

SCHEDULE OF GRANT RECEIVABLE

	Ref.	
Increased by:		
Grant Receivable	D-16	1,000,000.00
Decreased by:		
Receipts	D-5	<u>415,812.00</u>
Balance December 31, 2011	D	<u><u>584,188.00</u></u>

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2011

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:

Reconstruction of West Village First, Second, Third, Fourth, West End and
Central Avenues
Reconstruction of Martin Lewis and Davis Drives
Home Rehabilitation

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 6, 2011, 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 June 23, 2011, and was complete.

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>
2011	33
2010	27
2009	13

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 2010.

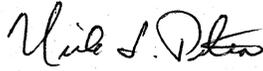
FINDINGS AND RECOMMENDATIONS

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