

**TOWNSHIP OF UPPER DEERFIELD
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012**

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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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Upper Deerfield, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township of Upper Deerfield's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Upper Deerfield on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Upper Deerfield as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012, in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Upper Deerfield's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and

recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

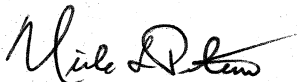
The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper Deerfield's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



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

June 26, 2013

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2012	Balance Dec. 31, 2011
Regular Fund			
Cash - Treasurer	A-4	5,111,145.89	5,628,406.17
Change Fund	A-5	420.00	400.00
Investment - Bond Anticipation Notes - Utility Capital Fund			197,702.00
		<u>5,111,565.89</u>	<u>5,826,508.17</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-8	559,621.44	493,469.40
Tax Title Liens Receivable	A-9	65,933.89	143,102.60
Property Acquired for Taxes - Assessed Valuation	A-10	551,200.00	82,800.00
Clean Up Charges Receivable		173.98	
Revenue Accounts Receivable	A-11	24,341.89	27,206.02
Due from Animal Control Trust Fund	B	6,768.59	23.96
Due from Uniform Fire Safety Penalty Fund	B	21.90	41.59
Due from Accumulated Absence Trust Fund	B	53.81	47.99
Due from Escrow Trust Fund	B	7,924.90	537.21
Due from Tax Sale Premium Fund	B	47.46	240.53
Due from Recreation Trust Fund			735.13
Due from Snow Removal Trust Fund	B	77.42	151.31
Due from Donations - Senior Citizen Center	B	13.57	8.26
Due from Public Defender Trust Fund	B	5.08	
Due from General Capital Fund			1,964.46
Due from Utility Operating Fund	D	32,391.20	
Prepaid Local District School Tax	A-17	100.00	
Prepaid Regional School Tax	A-18	60.01	59.94
Prepaid Payroll Taxes		15,172.90	7,682.89
		<u>1,263,908.04</u>	<u>758,071.29</u>
Deferred Charges:			
Special Emergency Appropriation	A-12	152,640.00	203,520.00
		<u>6,528,113.93</u>	<u>6,788,099.46</u>
Federal and State Grant Fund			
Grants Receivable	A-7	779,266.73	360,479.82
Due from Current Fund	A	14,557.58	114,836.59
Due from Utility Operating Fund			1,754.66
		<u>793,824.31</u>	<u>477,071.07</u>
		<u><u>7,321,938.24</u></u>	<u><u>7,265,170.53</u></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 Dec. 31, 2012	Balance Dec. 31, 2011
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-13	429,331.09	565,392.95
Encumbrances Payable	A-14	310,943.75	201,043.56
Accounts Payable	A-15	40,838.00	80,390.40
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	38,107.66	33,984.56
Prepaid Taxes		164,158.24	170,633.86
Tax Overpayments		13,901.76	19,433.38
Reserve for POAA Fees		8.00	
Reserve for Tax Appeals Pending		350,000.00	350,000.00
Due State of New Jersey - Fees		6,231.00	
Due Deerfield Township - UCC Fees		5,180.00	2,385.00
Due Federal and State Grant Fund	A	14,557.58	114,836.59
Due Small Cities Trust Fund			31,067.19
Due Recreation Trust Fund	B	515.30	
Due Public Defender Trust Fund			839.90
Due Utility Operating Fund			1,132.80
Due General Capital Fund	C	554.53	
Due County for Added & Omitted Taxes		15,552.92	13,811.22
		<u>1,389,879.83</u>	<u>1,584,951.41</u>
Reserve for Receivables		1,263,908.04	758,071.29
Fund Balance	A-1	3,874,326.06	4,445,076.76
		<u>6,528,113.93</u>	<u>6,788,099.46</u>
Federal and State Grant Fund			
Encumbrances Payable	A-14	390,856.35	139,709.71
Reserve for Grants - Appropriated	A-19	355,684.51	289,789.02
Reserve for Grants - Unappropriated	A-20	47,283.45	47,572.34
		<u>793,824.31</u>	<u>477,071.07</u>
		<u><u>7,321,938.24</u></u>	<u><u>7,265,170.53</u></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 2012	Year 2011
Fund Balance Utilized	A-2	2,206,925.15	2,252,600.37
Miscellaneous Revenue Anticipated	A-2	2,600,290.38	2,136,781.13
Receipts from Delinquent Taxes	A-2	545,447.74	676,948.71
Receipts from Current Taxes	A-2	15,142,352.41	15,526,951.11
Non-Budget Revenue	A-2	893,609.01	1,443,612.73
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	504,414.91	369,442.24
Encumbrances Payable - Canceled	A-14	15,032.44	8,355.51
Interfund Loan Returned		5,383.86	15,183.75
Grant Reserves Canceled	A-19	17,779.75	448,039.80
Total Income		21,931,235.65	22,877,915.35
Expenditures			
Budget Appropriations:			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	1,037,604.00	943,615.00
Other Expenses	A-3	2,084,200.00	1,981,340.00
Deferred Charges and Statutory			
Expenditures	A-3	227,019.00	215,523.55
Appropriations Excluded from "CAPS":			
Operations:			
Salaries and Wages	A-3	155,000.00	157,000.00
Other Expenses	A-3	793,881.98	203,286.86
Capital Improvements	A-3	360,000.00	430,000.00
Deferred Charges	A-3	50,880.00	63,111.00
County Taxes	A-8	5,953,312.50	6,654,963.05
Due County for Added Taxes	A-8	15,552.92	13,811.22
Local District School Tax	A-8	6,707,157.50	6,559,101.50
Regional High School Tax	A-8	2,862,239.33	2,838,151.27
Prior Year Deductions Disallowed	A-16	6,750.00	3,000.00
Grants Receivable Canceled	A-7	728.39	129,478.43
Interfund Loan Advanced		40,735.58	
Total Expenditures		20,295,061.20	20,192,381.88

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 2012	Year 2011
Statutory Excess to Fund Balance		<u>1,636,174.45</u>	<u>2,685,533.47</u>
Fund Balance			
Balance January 1	A	<u>4,445,076.76</u>	<u>4,012,143.66</u>
		6,081,251.21	6,697,677.13
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>2,206,925.15</u>	<u>2,252,600.37</u>
Balance December 31	A	<u><u>3,874,326.06</u></u>	<u><u>4,445,076.76</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 Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	2,206,925.15	2,206,925.15	
Miscellaneous Revenues:				
Fines and Costs				
Municipal Court	A-11	65,000.00	82,250.78	17,250.78
Emergency Medical Services Billings	A-11	210,327.50	320,048.20	
Energy Receipts Tax	A-11	1,354,938.00	1,354,938.00	
Uniform Construction Code Fees	A-11	95,000.00	96,696.00	1,696.00
Deerfield Township - Uniform Construction Code	A-11	20,000.00	44,688.62	24,688.62
Recycling Tonnage Grant	A-7	41,984.01	41,984.01	
Clean Communities Program	A-7	12,914.47	12,914.47	
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	
Small Cities - Rehabilitation	A-7	180,000.00	180,000.00	
Small Cities - Facilities	A-7	400,000.00	400,000.00	
Uniform Fire Safety Act	A-11	23,880.35	23,114.30	(766.05)
Total Miscellaneous Revenues		2,447,700.33	2,600,290.38	42,869.35
Receipts from Delinquent Taxes	A-2	540,000.00	545,447.74	5,447.74
Subtotal General Revenues		5,194,625.48	5,352,663.27	48,317.09
Amount to be Raised by Taxation	A-2	185,000.00	200,130.66	15,130.66
Budget Totals		5,379,625.48	5,552,793.93	63,447.75
Non-Budget Revenues	A-2		893,609.01	
		5,379,625.48	6,446,402.94	
	Ref.	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	15,142,352.41
Allocated to:		
School and County Taxes		15,538,262.25
Deficiency Supported by Municipal Revenue		(395,909.84)
Decreased by: Appropriation "Reserve for Uncollected Taxes"	A-3	596,040.50
Amount Added to Non-Budget Revenue	A-2	200,130.66
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-8	481,733.63
Tax Title Liens	A-9	63,714.11
	A-2	545,447.74
Analysis of Non-Budget Revenue	Ref.	
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-11	82,502.80
Interest & Costs on Taxes	A-11	117,096.91
Fees & Permits	A-11	85,564.91
Cable TV Franchise Fees	A-11	32,871.64
Recycling Receipts	A-11	9,128.94
Payments in Lieu of Taxes	A-11	300,793.78
Snow and Storm Cost Reimbursements	A-11	94,861.07
Refunds	A-11	37,412.33
Shared Service Municipal Court	A-11	127,785.64
Miscellaneous	A-11	5,590.99
	A-2	893,609.01

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	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
General Administration						
Salaries and Wages	94,000.00	94,000.00	89,443.84		4,556.16	
Other Expenses	21,000.00	21,000.00	17,177.81	1,793.25	2,028.94	
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	13,221.00	267.19	4,011.81	
Municipal Clerk						
Salaries and Wages	33,500.00	33,500.00	33,066.19		433.81	
Other Expenses	35,000.00	35,000.00	16,952.90	4,463.14	13,583.96	
Financial Administration						
Salaries and Wages	74,500.00	74,500.00	72,280.10		2,219.90	
Other Expenses	14,000.00	14,000.00	6,730.18	622.44	6,647.38	
Audit Services						
Other Expenses	19,600.00	19,600.00	3,490.00	3,000.00	13,110.00	
Revenue Administration						
Salaries and Wages	38,000.00	38,000.00	37,064.85		935.15	
Other Expenses:	11,500.00	11,500.00	8,461.26	144.46	2,894.28	
Tax Assessment						
Salaries and Wages	41,000.00	41,000.00	22,126.15		3,873.85	15,000.00
Other Expenses	60,000.00	51,500.00	40,188.83	2,046.20	9,264.97	
Legal Services and Costs						
Other Expenses	77,500.00	77,500.00	50,290.78	3,055.35	9,153.87	15,000.00
Engineering Services and Costs						
Other Expenses	35,000.00	35,000.00	28,870.85		6,129.15	
Economic Development						
Salaries and Wages	500.00	500.00	325.00		175.00	
Other Expenses	27,500.00	27,500.00	16,478.88		11,021.12	
Historic Commission						
Salaries and Wages	700.00	700.00	585.00		115.00	
Other Expenses	8,000.00	8,000.00	892.90		7,107.10	

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 (NJSA 40:55D-1)						
Planning Board						
Salaries and Wages	7,750.00	7,750.00	7,596.00		154.00	
Other Expenses	70,000.00	70,000.00	22,592.39	28,917.83	18,489.78	
Zoning Officer						
Salaries and Wages	32,000.00	32,000.00	31,565.14		434.86	
Other Expenses	7,000.00	7,000.00	1,804.81	427.35	4,767.84	
CODE ENFORCEMENT & ADMINISTRATION						
Housing Official						
Salaries and Wages	32,000.00	32,000.00	31,564.86		435.14	
INSURANCE						
Liability Insurance	47,000.00	47,000.00	38,095.60		8,904.40	
Workers Compensation	101,000.00	101,000.00	98,761.40		2,238.60	
Employee Group Insurance	359,000.00	359,000.00	267,970.62	21,445.00	69,584.38	
Payments in Lieu of Benefits	40,000.00	40,000.00	26,163.20		13,836.80	
PUBLIC SAFETY FUNCTIONS						
Emergency Management						
Salaries and Wages	3,500.00	3,500.00	3,500.00			
Other Expenses	6,000.00	6,000.00	1,763.17	353.36	3,883.47	
Aid to Volunteer Fire Companies						
Other Expenses	100,000.00	100,000.00	51,031.74	42,026.79	6,941.47	
Utilities	56,500.00	56,500.00	37,820.34	11,255.67	7,423.99	
Ambulance						
Utilities	30,000.00	30,000.00	24,216.96	2,272.06	3,510.98	
First Aid Organization - Contribution	12,500.00	12,500.00	12,500.00			
Fire Safety Official						
Salaries and Wages	11,750.00	11,750.00	9,468.00		2,282.00	
Other Expenses	10,000.00	10,000.00	9,291.85	494.85	213.30	
Municipal Prosecutor						
Salaries and Wages	26,000.00	26,000.00	25,106.29		893.71	
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			
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Canceled
PUBLIC WORKS FUNCTIONS						
Streets and Roads						
Salaries and Wages	113,000.00	113,000.00	109,480.12		3,519.88	
Other Expenses	90,000.00	90,000.00	66,277.68	14,507.98	9,214.34	
Utilities	38,000.00	38,000.00	26,738.21	9,131.84	2,129.95	
Snow Removal						
Salaries and Wages	8,000.00	8,000.00	5,324.20		2,675.80	
Other Expenses	60,000.00	60,000.00	57,887.64		2,112.36	
Shade Tree Committee						
Other Expenses	8,000.00	8,000.00		7,987.98	12.02	
Solid Waste Convenience Center						
Salaries and Wages	54,000.00	54,000.00	43,210.18		5,789.82	5,000.00
Other Expenses	130,000.00	130,000.00	78,752.71	34,518.75	1,728.54	15,000.00
Utilities	5,000.00	5,000.00	1,935.51	796.01	2,268.48	
Buildings and Grounds						
Salaries and Wages	87,000.00	87,000.00	76,929.66		5,070.34	5,000.00
Other Expenses	46,500.00	46,500.00	34,063.63	6,711.13	5,725.24	
Utilities	48,000.00	48,000.00	30,324.56	10,049.77	7,625.67	
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	6,400.00	6,400.00	6,345.00		55.00	
Other Expenses	2,500.00	2,500.00	214.73	249.60	2,035.67	
Environmental Committee						
Salaries and Wages	1,000.00	1,000.00	780.00		220.00	
Other Expenses	12,000.00	12,000.00	618.97		1,381.03	10,000.00

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
Animal Control						
Salaries and Wages	5,600.00	5,600.00	5,589.27		10.73	
Other Expenses	30,000.00	30,000.00	17,274.01	6,365.11	6,360.88	
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			2,000.00	
Senior Center						
Salaries and Wages	28,000.00	28,000.00	23,463.51		4,536.49	
Other Expenses	18,000.00	18,000.00	11,046.02	5,174.33	1,779.65	
Utilities	16,000.00	16,000.00	8,728.67	2,892.36	4,378.97	
Maintenance of Parks						
Salaries and Wages	53,500.00	53,500.00	53,048.67		451.33	
Other Expenses	49,500.00	49,500.00	45,322.73	2,326.89	1,850.38	
Utilities	5,000.00	5,000.00	2,146.81	73.15	2,780.04	
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	101,414.02	11,401.85	17,184.13	
SOLID WASTE DISPOSAL COSTS						
Landfill Disposal Costs						
Other Expenses	175,000.00	175,000.00	134,238.55	14,960.58	25,800.87	
MUNICIPAL COURT						
Municipal Court						
Salaries and Wages	167,500.00	167,500.00	163,504.36		3,995.64	
Other Expenses	38,500.00	38,500.00	27,844.05	4,546.15	6,109.80	
Public Defender						
Other Expenses	11,500.00	11,500.00	9,170.00		2,330.00	

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
UNIFORM CONSTRUCTION CODE						
Construction Code						
Salaries and Wages	70,000.00	70,000.00	64,623.56		5,376.44	
Other Expenses	48,500.00	48,500.00	12,186.94	22,325.84	3,987.22	10,000.00
Electrical Subcode						
Salaries and Wages	1,500.00	1,500.00	1,500.00			
Plumbing Subcode						
Salaries and Wages	11,444.00	11,444.00	11,444.00			
Fire Subcode						
Salaries and Wages	500.00	500.00	500.00			
Total Operations Within "CAPS"	3,197,804.00	3,196,804.00	2,453,005.86	276,604.26	392,193.88	75,000.00
Detail:						
Salaries and Wages	1,062,604.00	1,062,604.00	989,052.95		48,551.05	25,000.00
Other Expenses	2,135,200.00	2,134,200.00	1,463,952.91	276,604.26	343,642.83	50,000.00
DEFERRED CHARGES & STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	130,719.00	130,719.00	130,719.00			
Social Security System	81,300.00	81,300.00	78,541.10		2,758.90	
Unemployment Compensation	5,000.00	5,000.00	2,475.01		2,524.99	
Defined Contribution Retirement Program	10,000.00	10,000.00	3,630.81		6,369.19	
Total Deferred Charges & Statutory Expenditures	227,019.00	227,019.00	215,365.92		11,653.08	
Total Appropriations Within "CAPS"	3,424,823.00	3,423,823.00	2,668,371.78	276,604.26	403,846.96	75,000.00

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	20,000.00	20,000.00	14,236.44		5,763.56	
Total Interlocal Municipal Service Agreements	20,000.00	20,000.00	14,236.44		5,763.56	
ADDITIONAL APPROPRIATIONS OFFSET						
BY REVENUES						
Ambulance						
Salaries and Wages	135,000.00	135,000.00	127,230.91		7,769.09	
Other Expenses	75,327.50	76,327.50	66,336.75	8,039.27	1,951.48	
Total Additional Appropriations Offset by Revenues	210,327.50	211,327.50	193,567.66	8,039.27	9,720.57	
PUBLIC AND PRIVATE PROGRAMS						
OFFSET BY REVENUES						
Matching Funds for Grants	10,000.00	10,000.00			10,000.00	
Clean Communities Program	12,914.47	12,914.47	12,914.47			
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	41,984.01	41,984.01	41,984.01			
Small Cities Grant - Rehabilitation	189,000.00	189,000.00	189,000.00			
Small Cities Grant - Facilities	420,000.00	420,000.00	420,000.00			
Total Public and Private Programs	717,554.48	717,554.48	707,554.48		10,000.00	
Total Operations Excluded from "CAPS"	947,881.98	948,881.98	915,358.58	8,039.27	25,484.13	
Detail:						
Salaries and Wages	155,000.00	155,000.00	141,467.35		13,532.65	
Other Expenses	792,881.98	793,881.98	773,891.23	8,039.27	11,951.48	

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	85,000.00	85,000.00	80,684.78	4,315.22		
Improvements to Municipal Buildings & Facilities	25,000.00	25,000.00	25,000.00			
Improvements to Roads	200,000.00	200,000.00	200,000.00			
Purchase of Land - Open Space/ Farmland Preservation	50,000.00	50,000.00	28,015.00	21,985.00		
Total Capital Improvements	360,000.00	360,000.00	333,699.78	26,300.22		
DEFERRED CHARGES						
Special Emergency Authorization - 5 Years	50,880.00	50,880.00	50,880.00			
Total Appropriations Excluded from "CAPS"	1,358,761.98	1,359,761.98	1,299,938.36	34,339.49	25,484.13	
Total General Appropriations for Municipal Purposes	4,783,584.98	4,783,584.98	3,968,310.14	310,943.75	429,331.09	75,000.00
RESERVE FOR UNCOLLECTED TAXES	596,040.50	596,040.50	596,040.50			
TOTAL GENERAL APPROPRIATIONS	5,379,625.48	5,379,625.48	4,564,350.64	310,943.75	429,331.09	75,000.00
Ref.	A-2	A-3		A-14	A	
Reserve for Grants		Ref.				
Reserve for Uncollected Taxes		A-19	707,554.48			
Deferred Charges		A-2	596,040.50			
Disbursed		A-12	50,880.00			
		A-4	3,209,875.66			
			4,564,350.64			

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, 2012	Balance Dec. 31, 2011
Animal Control Trust Fund			
Cash - Treasurer	B-1	31,479.39	21,646.95
Escrow Trust Fund			
Cash - Treasurer	B-1	226,263.73	309,306.95
Tax Sale Premium Fund			
Cash - Collector	B-2	207,055.16	20,940.77
Municipal Alliance Trust Fund			
Cash - Treasurer	B-1	906.66	1,949.50
Public Defender Trust Fund			
Cash - Treasurer	B-1	8,089.75	1,142.11
Due from Current Fund			839.90
		8,089.75	1,982.01
Accumulated Absence Trust Fund			
Cash - Treasurer	B-1	70,353.81	55,347.99
Recreation Trust Fund			
Cash - Treasurer	B-1	18,829.08	19,823.27
Due Current Fund	A	515.30	
		19,344.38	19,823.27
Snow Removal Trust Fund			
Cash - Treasurer	B-1	143,076.56	59,141.51
Affordable Housing Trust Fund			
Cash - Treasurer	B-1	51,150.16	50,641.42
Landfill Closure Fund			
Cash - Treasurer	B-1	38,849.38	38,462.97
Uniform Fire Safety Penalty Monies			
Cash - Treasurer	B-1	2,466.90	2,486.59
Donations Senior Center			
Cash - Treasurer	B-1	653.58	293.27
Small Cities Revolving Loan Fund			
Cash - Treasurer	B-1	33,554.63	
Due from Current Fund			31,067.19
		33,554.63	31,067.19
		833,244.09	613,090.39

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, 2012	Balance Dec. 31, 2011
Animal Control Trust Fund			
Due Current Fund	A	6,768.59	23.96
Due State of New Jersey		9.60	1.20
Reserve for Dog Fund Expenditures	B-3	24,701.20	21,621.79
		<u>31,479.39</u>	<u>21,646.95</u>
Escrow Trust Fund			
Due Current Fund	A	7,924.90	537.21
Reserve for Escrow Fees		218,338.83	308,769.74
		<u>226,263.73</u>	<u>309,306.95</u>
Tax Sale Premium Fund			
Due Current Fund	A	47.46	240.53
Deposits for Redemption of Tax Sale Certificates		193,507.70	7,300.24
Reserve for Premiums		13,500.00	13,400.00
		<u>207,055.16</u>	<u>20,940.77</u>
Municipal Alliance Trust Fund			
Reserve for Municipal Alliance		906.66	1,949.50
Public Defender Trust Fund			
Due Current Fund	A	5.08	
Due State of New Jersey			1,327.75
Reserve for Public Defender Fees		8,084.67	654.26
		<u>8,089.75</u>	<u>1,982.01</u>
Accumulated Absence Trust Fund			
Due Current Fund	A	53.81	47.99
Reserve for Accumulated Absences		70,300.00	55,300.00
		<u>70,353.81</u>	<u>55,347.99</u>
Recreation Trust Fund			
Due Current Fund			735.13
Reserve for Recreation		19,344.38	19,088.14
		<u>19,344.38</u>	<u>19,823.27</u>
Snow Removal Trust Fund			
Due Current Fund	A	77.42	151.31
Reserve for Snow Removal		142,999.14	58,990.20
		<u>143,076.56</u>	<u>59,141.51</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, 2012	Balance Dec. 31, 2011
Affordable Housing Trust Fund			
Reserve for Affordable Housing		51,150.16	50,641.42
Landfill Closure Fund			
Reserve for Landfill Closure		38,849.38	38,462.97
Uniform Fire Safety Penalty Fund			
Due Current Fund	A	21.90	41.59
Reserve for Uniform Fire Safety		2,445.00	2,445.00
		2,466.90	2,486.59
Donations Senior Center			
Due Current Fund	A	13.57	8.26
Reserve for Donations		640.01	285.01
		653.58	293.27
Small Cities Revolving Loan Fund			
Reserve for Small Cities		33,554.63	31,067.19
		833,244.09	613,090.39

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	Balance
		Dec. 31, 2012	Dec. 31, 2011
Cash - Treasurer	C-2	1,619,990.68	1,753,554.64
Due from Current Fund	A	554.53	
Deferred Charges to Future Taxation:			
Unfunded	C-5	475,000.00	475,000.00
		<u>2,095,545.21</u>	<u>2,228,554.64</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Encumbrances Payable	C-7	18,780.86	23,403.22
Accounts Payable	C-7	12,745.00	
Improvement Authorizations:			
Funded	C-6	20,930.71	53,443.28
Unfunded	C-6	286,105.93	475,000.00
Capital Improvement Fund	C-4	359,275.77	376,934.52
Due Current Fund			1,964.46
Reserve for Sanitary Landfill Closure		420,980.50	420,980.50
Reserve for Improvement to Sewerage Collection System			6,323.13
Reserve for Expansion of Facilities for Township Parks		18,667.94	18,667.94
Reserve for Purchase of Land - Farmland Preservation		208,217.75	180,202.75
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		382,735.32	204,804.32
Reserve for Improvements to Municipal Buildings and Facilities		32,875.00	15,923.22
Reserve for Purchase of Emergency and Fire Vehicles		915.31	123,915.31
Reserve for Purchase of Public Works Vehicle		175,080.00	175,080.00
Reserve for Document Imaging			2,520.43
Fund Balance	C-1	10,110.12	1,266.56
		<u>2,095,545.21</u>	<u>2,228,554.64</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, 2011	Ref. C	1,266.56
Increased by:		
Various Reserves Canceled		<u>8,843.56</u>
Balance December 31, 2012	C	<u><u>10,110.12</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, 2012	Balance Dec. 31, 2011
Operating Fund			
Cash - Treasurer	D-5	816,019.63	1,091,233.10
Due from Current Fund			1,132.80
		<u>816,019.63</u>	<u>1,092,365.90</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable - Water	D-7	72,531.58	47,692.25
Consumer Accounts Receivable - Sewer	D-7	91,150.43	35,940.36
Connection Fees Receivable	D-8	60,671.50	198,905.74
Fire Suppression Lines Receivable	D-8	216,077.07	53,160.00
Water Liens	D-9	749.05	2,845.31
Sewer Liens	D-9	1,193.28	4,788.17
		<u>442,372.91</u>	<u>343,331.83</u>
Total Operating Fund		<u>1,258,392.54</u>	<u>1,435,697.73</u>
Capital Fund			
Cash - Treasurer	D-5	807,386.25	1,265,059.88
Due from Utility Operating Fund	D	4,786.07	5,347.61
Grant Receivable	D-19	651,000.00	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>11,828,672.32</u>	<u>12,220,095.49</u>
Total Capital Fund		<u>13,087,064.86</u>	<u>13,655,793.22</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, 2012	Balance Dec. 31, 2011
Operating Fund			
Liabilities:			
Appropriation Reserves	D-4:D-12	72,964.00	277,815.91
Encumbrances Payable	D-13	32,899.05	51,965.44
Water Rent Overpayments		940.64	2,303.89
Sewer Rent Overpayments		399.53	2,209.05
Accrued Interest on Notes			1,809.63
Accrued Interest on Loan		16,910.43	6,775.68
Due Utility Capital Fund	D	4,786.07	5,347.61
Due Current Fund	A	32,391.20	
Reserve for Debt Service			12,503.21
Due Federal and State Grant Fund			1,754.66
		<u>161,290.92</u>	<u>362,485.08</u>
Reserve for Receivables		442,372.91	343,331.83
Fund Balance	D-1	654,728.71	729,880.82
Total Operating Fund		<u>1,258,392.54</u>	<u>1,435,697.73</u>
Capital Fund			
Loan Payable	D-17	5,880,830.05	4,089,892.32
Bond Anticipation Notes Payable			3,197,702.00
Encumbrances Payable	D-13	607,292.99	89,820.87
Improvement Authorizations:			
Funded	D-14	76,893.48	133,912.26
Unfunded			1,001,957.60
Capital Improvement Fund	D-15	440,187.60	440,187.60
Reserve for:			
Water Tower Repairs		8,153.20	8,072.11
Love Lane Tower Improvements		135,012.00	135,012.00
Seabrook Tower Improvements		36,358.46	36,358.46
Radionuclide Treatment		150,000.00	
Reserve for Amortization		4,420,629.51	3,061,949.93
Deferred Reserve for Amortization	D-16	64,040.44	15,955.75
Fund Balance	D-2	9,274.59	9,274.59
Total Capital Fund		<u>11,828,672.32</u>	<u>12,220,095.49</u>
		<u>13,087,064.86</u>	<u>13,655,793.22</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 2012	Year 2011
Fund Balance Utilized	D-3	558,153.03	775,751.07
Sewer Rents	D-3	696,057.87	678,874.67
Water Rents	D-3	630,659.26	403,187.66
Seabrook Water			109,089.14
Sewer Installment Plan Reconciliation of Payments	D-3	102,241.76	102,241.76
Reserve for Debt Service	D-3	12,503.21	
Miscellaneous Revenue Not Anticipated	D-3	177,459.42	97,977.06
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-12	277,651.96	129,707.93
Total Income		2,454,726.51	2,296,829.29
Expenditures			
Operating	D-4	1,314,180.00	1,204,600.00
Capital Improvements	D-4	150,000.00	
Debt Service	D-4	491,745.59	491,883.07
Deferred Charges and Statutory Expenditures	D-4	15,800.00	16,535.00
Total Expenditures		1,971,725.59	1,713,018.07
Statutory Excess to Fund Balance		483,000.92	583,811.22
Fund Balance			
Balance January 1	D	729,880.82	921,820.67
		1,212,881.74	1,505,631.89
Decreased by:			
Utilization as Anticipated Revenue	D-1	558,153.03	775,751.07
Balance December 31	D	654,728.71	729,880.82

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, 2011	Ref. D	9,274.59
Balance December 31, 2012	D	<u>9,274.59</u>

EXHIBIT D-3

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

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	D-1	558,153.03	558,153.03	
Sewer Rents	D-3	650,000.00	696,057.87	46,057.87
Water Rents	D-3	650,000.00	630,659.26	(19,340.74)
Sewer Installment Plan				
Reconciliation of Payments	D-8	102,241.76	102,241.76	
Reserve for Debt Service	D	12,503.21	12,503.21	
Non-Budget Revenue	D-3		177,459.42	177,459.42
		<u>1,972,898.00</u>	<u>2,177,074.55</u>	<u>204,176.55</u>
	Ref. D-4			

Analysis of Realized Revenue

	Ref.	Sewer	Water
Rents:			
Consumer Accounts Receivable:			
Collected	D-7	687,526.53	624,216.16
Overpayments Applied	D-7	2,209.05	2,303.89
Liens	D-9	6,322.29	4,139.21
	D-3	<u>696,057.87</u>	<u>630,659.26</u>

Analysis of Non-Budget Revenue

	Ref.	
Interest on Investments	D-5	23,485.15
Interest on Delinquent Accounts	D-5	11,142.86
Lease	D-5	60,480.00
Sewer Connection Fees	D-8	35,992.48
Fire Suppression Line Fees	D-8	27,322.93
CAP Fees	D-5	17,760.00
Miscellaneous	D-5	1,276.00
	D-3	<u>177,459.42</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	178,200.00	178,200.00	169,193.28		9,006.72	
Other Expenses	466,700.00	449,980.00	354,378.35	32,899.05	62,702.60	
Sewerage Treatment Contract - Cumberland County Utility Authority	686,000.00	686,000.00	685,777.00		223.00	
Capital Improvements:						
Reserve for Radionuclide Treatment	150,000.00	150,000.00	150,000.00			
Debt Service:						
Payment of Bond Principal	81,000.00	96,350.00	96,062.27			287.73
Payment of Bond Anticipation Notes and Capital Notes	198,000.00	198,000.00	197,702.00			298.00
Interest on Loans	153,798.00	172,668.00	172,340.48			327.52
Interest on Notes	43,500.00	25,900.00	25,640.84			259.16
Deferred Charges & Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Social Security System (OASI)	13,700.00	13,800.00	13,775.86		24.14	
Unemployment Compensation Insurance	2,000.00	2,000.00	992.46		1,007.54	
	<u>1,972,898.00</u>	<u>1,972,898.00</u>	<u>1,865,862.54</u>	<u>32,899.05</u>	<u>72,964.00</u>	<u>1,172.41</u>
Ref.	D-3	D-4		D-13	D	
		Ref.				
Interest on Loans & Notes			197,981.32			
Disbursed	D-5		<u>1,667,881.22</u>			
			<u>1,865,862.54</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, 2012	Balance Dec. 31, 2011
General Fixed Assets:		
Land, Buildings and Improvements	7,861,266.96	8,640,062.65
Furniture, Fixtures and Equipment	5,860,114.05	4,447,248.14
Vehicles	1,920,973.48	2,353,039.48
	<u>15,642,354.49</u>	<u>15,440,350.27</u>
Investment in General Fixed Assets	<u>15,642,354.49</u>	<u>15,440,350.27</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, 2012**

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 NJSA 40A:5-5.

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

B. Description of Funds and Account Groups

The accounting policies of the Township of Upper Deerfield conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Upper Deerfield accounts for its transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation as required by GAAP.

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

Trust Fund - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

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

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

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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 will 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 NJSA 54:5 et. seq.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 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 operation.

Fixed assets acquired through grants in aid or contributed capital has 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, 2012**

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.

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34." The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66, "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62." This statement, which resolves conflicts between Statements No. 10 and No. 54, provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Township's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Township's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Township's financial reporting.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with NJSA 40A:4 et seq. 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 NJSA 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 NJSA 40A:4-87.

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 (GUDPA) or in qualified investments established in New Jersey Statutes NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2012 and 2011, the carrying amounts of the Township's deposits were \$9,187,691.24 and \$10,319,837.09, respectively. As of December 31, 2012 and 2011, \$0 of the municipality's bank balance of \$9,850,847.36 and \$10,452,345.20, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2012, the Township held no investments.

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

Credit Risk - New Jersey Statutes NJSA 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,

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 4: INVESTMENTS (CONTINUED)

Credit Risk (Continued) - 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	2012	3,874,326.06	1,935,527.76
	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
Utility	2012	654,728.71	345,046.25
	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

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, 2012, the following deferred charges are shown on the balance sheets of the various funds.

	Balance Dec. 31, 2012	2013 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency Authorization	<u>152,640.00</u>	<u>50,880.00</u>	<u>101,760.00</u>

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Animal Control Trust	6,768.59	
Uniform Fire Safety Penalty Fund	21.90	
Accumulated Absence Trust Fund	53.81	
Escrow Trust Fund	7,924.90	
Tax Sale Premium Fund	47.46	
Recreation Trust Fund		515.30
Snow Removal Trust Fund	77.42	
Donations - Senior Citizen Center	13.57	
General Capital Fund		554.53
Federal & State Grant Fund		14,557.58
Public Defender Trust Fund	5.08	
Utility Operating Fund	32,391.20	
Federal and State Grant Fund:		
Current Fund	14,557.58	
Animal Control Trust Fund		
Current Fund		6,768.59
Escrow Trust Fund		
Current Fund		7,924.90
Tax Sale Premium Fund		
Current Fund		47.46
Public Defender Trust Fund		
Current Fund		5.08
Accumulated Absence Trust Fund		
Current Fund		53.81
Recreation Trust Fund		
Current Fund	515.30	
Snow Removal Trust Fund		
Current Fund		77.42
Uniform Fire Safety Penalty Fund		
Current Fund		21.90
Donations - Senior Citizen Center		
Current Fund		13.57
General Capital Fund		
Current Fund	554.53	
Utility Operating Fund		
Current Fund		32,391.20
Utility Capital Fund		4,786.07
Utility Capital Fund		
Utility Operating Fund	4,786.07	
	<u>67,717.41</u>	<u>67,717.41</u>

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 8: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2012:

	Dec. 31, 2011	Additions	Reclassify	Dec. 31, 2012
Land, Buildings & Improvements	8,640,062.65	8,311.32	(787,107.01)	7,861,266.96
Furniture, Fixtures & Equipment	4,447,248.14	21,521.90	1,391,344.01	5,860,114.05
Vehicles	2,353,039.48	172,171.00	(604,237.00)	1,920,973.48
	<u>15,440,350.27</u>	<u>202,004.22</u>		<u>15,642,354.49</u>

NOTE 9: LONG-TERM DEBT

During the calendar year 2012, the following changes occurred in the municipal debt of the Township:

	Balance Dec. 31, 2011	Issued/ Authorized	Retired/ Reductions	Balance Dec. 31, 2012	Due Within One Year
Issued:					
Utility Fund:					
Loans	4,089,892.32	1,887,000.00	96,062.27	5,880,830.05	115,126.37
Bond Anticipation Notes	<u>3,197,702.00</u>		<u>3,197,702.00</u>		
Net Debt Issued	<u>7,287,594.32</u>	<u>1,887,000.00</u>	<u>3,293,764.27</u>	<u>5,880,830.05</u>	<u>115,126.37</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>7,762,594.32</u>	<u>1,887,000.00</u>	<u>3,293,764.27</u>	<u>6,355,830.05</u>	<u>115,126.37</u>

Permanently funded debt as of December 31, 2012, 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, 2012, was \$1,758,870.49.

\$2,299,000.00 United States Department of Agriculture Rural Development Loan dated May 1, 2011, payable in semi-annual installments through May 1, 2051. Interest is paid semi-annually at a rate of 2.75% per annum. The balance remaining at December 31, 2012, was \$2,250,471.56.

\$1,887,000.00 United States Department of Agriculture Rural Development Loan dated May 28, 2012, payable in semi-annual installments through May 28, 2052. Interest is paid semi-annually at a rate of 2% per annum. The balance remaining at December 31, 2012, was \$1,871,488.00.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Year Ended <u>December 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Farmers Home Administration Loan			
2013	78,591.14	50,160.86	128,752.00
2014	76,308.51	52,443.49	128,752.00
2015	73,922.00	54,830.00	128,752.00
2016	71,426.89	57,325.11	128,752.00
2017	68,818.24	59,933.76	128,752.00
2018-2022	300,612.30	343,147.70	643,760.00
2023-2027	215,098.71	428,661.29	643,760.00
2028-2032	108,274.85	535,485.15	643,760.00
2033-2034	7,832.30	176,883.13	184,715.43
	<u>1,000,884.94</u>	<u>1,758,870.49</u>	<u>2,759,755.43</u>
USDA Loans			
2013	98,932.49	64,965.61	163,898.10
2014	97,372.64	66,525.36	163,898.00
2015	95,774.41	68,123.59	163,898.00
2016	94,136.83	69,761.17	163,898.00
2017	92,458.88	71,439.12	163,898.00
2018-2022	435,640.74	383,849.26	819,490.00
2023-2027	387,024.30	432,465.70	819,490.00
2028-2032	332,083.97	487,406.03	819,490.00
2033-2037	269,977.04	549,512.96	819,490.00
2038-2042	199,746.18	619,743.82	819,490.00
2043-2047	120,303.40	699,186.60	819,490.00
2048-2052	32,413.98	608,980.34	641,394.32
	<u>2,255,864.86</u>	<u>4,121,959.56</u>	<u>6,377,824.42</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 .075%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	7,881,771.64	7,881,771.64	
Utility Debt	5,880,830.05	5,880,830.05	
General Debt	475,000.00		475,000.00
	<u>14,237,601.69</u>	<u>13,762,601.69</u>	<u>475,000.00</u>

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

Net Debt \$475,000.00/Equalized Valuation Basis per NJSA 40A:2-2 as amended
\$636,044,091.00 = .075%.

Borrowing Power Under NJSA 40:A2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	22,261,543.19
Net Debt	475,000.00
Remaining Borrowing Power	<u>21,786,543.19</u>

Calculation of “Self-Liquidating Purpose” Water & Sewer Utility per NJSA 40:2-45

Cash Receipts from Fees, Rents or Other Charges	2,177,074.55
Deductions:	
Operating and Maintenance Costs	1,329,980.00
Debt Service	<u>491,745.59</u>
	<u>1,821,725.59</u>
Excess in Revenue	<u>355,348.96</u>

NOTE 10: PENSION FUNDS

Description of Plans - All eligible employees of the Township are covered by the Public Employees' Retirement System, (PERS) 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 System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS. The report 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/actuarial-rpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 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. The PERS contribution rate increased to 6.5% of base salary effective with the first payroll to be paid on or after October 1, 2011. Subsequent increases will then be phased in over 7 years (each July 1st) to bring the total pension contribution rate to 7.5% of

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 10: PENSION FUNDS (CONTINUED)

Funding Policy (Continued) - base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions to PERS for the years ending December 31, 2012, 2011 and 2010, were \$130,719, \$126,807 and \$97,373, respectively, equal to the required contributions for each year.

Defined Contribution Retirement Program (DCRP) - The Township established a Defined Contribution Retirement Program as required by Chapter 92 of the Laws of 2007 and NJSA 43:15C-1 et seq. DCRP provides for employee contributions of 5.5% and employer contributions of 3% of employees annual base salary. The Township's contributions to DCRP for the years ending December 31, 2012 and 2011, were \$3,630.81 and \$5,373.53, respectively, equal to the required contributions for each year.

NOTE 11: 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, 2012, was \$80,685.44. The Township has appropriated \$100.00 in the 2013 budget to fund a reserve for accumulated absences. As of December 31, 2012, the fund has a reserve balance of \$70,300.00

NOTE 12: POST-RETIREMENT BENEFITS

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2004 the Township of Upper Deerfield authorized participation in the SHBP's post-retirement

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 12: POST-RETIREMENT BENEFITS

Plan Description (Continued) - benefit program through resolution number 04-103. All employees who were part of a state administered pension system and have at least 25 years of government service are eligible to participate in the program.

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

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

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

The Township of Upper Deerfield's contributions to SHBP for the years ended December 31, 2012, 2011 and 2010, were \$10,182.36, \$9,982.68 and \$17,446.00, respectively, which equaled the required contributions for the year. There was one retired participant eligible at December 31, 2012, 2011 and 2010, respectively.

NOTE 13: DEFERRED COMPENSATION PLAN

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

NOTE 14: LABOR CONTRACTS

As of December 31, 2012, the Township had a total of approximately 45 employees. Of this total, 9 employees are represented by the United Auto Workers Local 2327. The union agreement expires on December 31, 2015.

**TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

NOTE 15: 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 Dec. 31, 2012	Balance Dec. 31, 2011
Prepaid Taxes - Cash Liability	<u>164,158.24</u>	<u>170,633.86</u>

NOTE 16: TAX ABATEMENT PROGRAMS

Tax abatement programs were established to encourage development in the Township. There are five year programs where real estate taxes on the approved improvements are abated and payments are made in lieu. Payments are based on financial agreements adopted through Township ordinances.

The Township also has long-term programs in accordance with the New Jersey Housing and Mortgage Finance Agency Law of 1983, as amended. These programs are for thirty years.

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 2012.

NOTE 19: LITIGATION

It is the Township of Upper Deerfield Counsel's opinion that 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 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and June 26, 2013, the date that the financial statements were issued, and no additional items have come to their attention that would require 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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Township of Upper Deerfield, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township of Upper Deerfield's basic financial statements, and have issued our report thereon dated June 26, 2013, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Upper Deerfield's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PETRONI & ASSOCIATES LLC



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

June 26, 2013

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Township of Upper Deerfield's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Township of Upper Deerfield's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Township of Upper Deerfield's compliance.

Opinion on Each Major Federal Program

In our opinion, the Township of Upper Deerfield complied, in all material respects, with the types of 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, 2012

Report on Internal Control Over Compliance

Management of the Township of Upper Deerfield is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township of Upper Deerfield's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

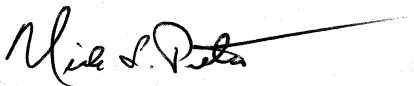
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133 and Expenditures of State Financial Assistance Required by NJ OMB 04-04

We have audited the financial statements of the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Township of Upper Deerfield as of and for

the year ended December 31, 2012, and have issued our report thereon dated June 26, 2013, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and NJ Circular 04-04 and are 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 schedule of expenditure of federal awards 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

June 26, 2013

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

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	300.00	110,000.00
Small Cities - CDBG Rehabilitation	14.228	189,000.00	90,000.00	30,965.58	1/1/12	N/A	178,046.80	178,046.80
Small Cities - CDBG Facilities	14.228	550,000.00	50,000.00	459,516.89	1/1/10	N/A	63,015.20	550,000.00
Small Cities - CDBG Facilities	14.228	420,000.00	20,000.00		1/1/12	N/A	251,585.92	251,585.92
Small Cities - CDBG Water Project	14.228	435,408.00	39,583.00	395,825.00	1/1/09	N/A	1,647.55	435,408.00
Department of Health and Human Services								
Older Americans Title IIIB	93.044	4,656.00		4,656.00	1/1/11	N/A	806.11	4,656.00
Older Americans Title IIIB	93.044	4,656.00		3,492.00	1/1/12	N/A	4,656.00	4,656.00
Department of Agriculture								
Rural Communities Grant/Loan Program	10.760	3,299,000.00		3,299,000.00	5/7/09	N/A	310.22	3,299,000.00
Rural Communities Grant/Loan Program	10.760	2,538,000.00		1,887,000.00	12/6/07	N/A	1,070,430.77	2,459,106.52
				<u>6,180,455.47</u>			<u>1,570,798.57</u>	<u>7,292,459.24</u>

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

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		30,414.80	1/1/12	N/A	39,000.00	39,000.00
Clean Communities	4900-765-042-4900-004-VCMC-6020	12,914.47		12,914.47	1/1/12	N/A	12,914.47	12,914.47
Recycling Tonnage	4900-752-042-4900-001-VREV-6020	43,656.48		43,656.48	1/1/11	N/A	23,196.00	41,095.00
Energy Efficiency and Conservation	N/A	20,000.00		20,000.00	1/1/11	N/A	20,000.00	20,000.00
Department of Transportation								
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	180,000.00			1/1/11	N/A	28,878.75	155,017.45
				<u>106,985.75</u>			<u>123,989.22</u>	<u>268,026.92</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1: GENERAL

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

NOTE 2: BASIS OF PRESENTATION

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

NOTE 3: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Noncompliance material to general-purpose financial statements noted?

 yes X no

Federal Awards

Internal Control over major programs:

- | | | |
|--|-------------------|----------------------------|
| 1) Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| 2) Significant deficiencies(s) identified that are not considered to be material weaknesses? | <u> </u> 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 X no

Identification of major programs:

CFDA or Other Identifying Number(s)
10.760

Name of Federal Program or Cluster
Rural Communities Grant/Loan Program

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

Auditee qualified as low-risk auditee? X yes no

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 NJ OMB Circular Letter 04-04?	_____ yes	_____ no
--	-----------	----------

Identification of major programs:

State Grant Number(s)

Name of State Program

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

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

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, 2012

There were no prior year findings reported.

CURRENT FUND

SCHEDULE OF CASH - TREASURER

Balance December 31, 2011	Ref. A		5,628,406.17
Increased by Receipts:			
Investment - Utility Capital Fund	A-6	197,702.00	
Grants Receivable	A-7	211,466.84	
Taxes Receivable	A-8	15,331,202.18	
Tax Title Liens	A-9	63,714.11	
Tax Overpayments		27,623.14	
Prepaid Taxes		164,158.24	
Revenue Accounts Receivable	A-11	2,815,344.91	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	119,623.10	
Reserve for Grants - Unappropriated	A-20	47,283.75	
Payroll Taxes Payable		512,457.21	
Due from Animal Control Trust		23.96	
Due from Utility Operating Fund	D-5	1,754.66	
Petty Cash		50.00	
Due State - Fees		41,168.00	
Due Deerfield Township - UCC Fees		69,254.00	
Due from General Capital Fund		2,518.99	
Due from Escrow Fund		537.21	
Due from Tax Sale Fund		240.53	
Due from Recreation Trust		1,250.43	
Due from Accumulated Absence Trust		47.99	
Due from Uniform Fire Safety Penalty Monies		41.59	
Due from Snow Removal Trust		151.31	
Due from Donations Senior Center		8.26	
Reserve for POAA Fees		8.00	
			19,607,630.41
			25,236,036.58
Decreased by Disbursements:			
2012 Budget Appropriations	A-3	3,209,875.66	
2011 Appropriation Reserves	A-13	60,978.04	
Encumbrances Payable	A-14	289,803.27	
Accounts Payable	A-15	75,302.40	
Reserve for Grants - Appropriated	A-19	233,190.45	
Tax Overpayments Refunded		33,154.76	
Payroll Taxes Payable		519,908.30	
County Taxes		5,953,312.50	
Due County for Added and Omitted Taxes		13,811.22	
Local District School Tax	A-17	6,707,257.50	
Regional High School Tax	A-18	2,862,239.40	
Due Small Cities Revolving Loan Fund		31,067.19	
Due Deerfield Township - UCC Fees		66,459.00	
Due State - Fees		34,937.00	
Petty Cash Fund		50.00	
Change Fund	A-5	20.00	
Due Utility Operating Fund	D-5	33,524.00	
			20,124,890.69
Balance December 31, 2012	A		5,111,145.89

SCHEDULE OF CHANGE FUND

	Balance Dec. 31, 2011	Increased by Transfer	Balance Dec. 31, 2012
Change Fund	400.00	20.00	420.00
Ref.	A	A-4	A

SCHEDULE OF INVESTMENTS - BOND ANTICIPATION NOTES
UTILITY CAPITAL FUND

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

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2011	2012 Budget Revenue Realized	Received	Transfer from Reserve for Grants Unappropriated	Canceled	Balance Dec. 31, 2012
Federal:						
Small Cities Rehabilitation		180,000.00	30,965.58			149,034.42
Small Cities Facilities	40,483.11	400,000.00				440,483.11
Older Americans Title IIIB	2,113.39	4,656.00	4,877.00		728.39	1,164.00
State:						
NJ Transportation Trust Fund Authority Act	289,126.40		109,126.40			180,000.00
Alliance for Substance Abuse Prevention Program	10,326.92	39,000.00	40,741.72			8,585.20
Clean Communities Program		12,914.47	7,326.14	5,588.33		
Recycling Tonnage Grant		41,984.01		41,984.01		
Sharing Available Resources Efficiently	18,430.00		18,430.00			
	<u>360,479.82</u>	<u>678,554.48</u>	<u>211,466.84</u>	<u>47,572.34</u>	<u>728.39</u>	<u>779,266.73</u>
Ref.	A	A-2	A-4	A-20	A-1	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2011	Levy	Added Taxes	Collected		Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2012
				2011	2012			
2010	3,353.32		500.00		1,363.38		1.83	2,488.11
2011	490,116.08		6,250.00		480,370.25	250.00	13,842.47	1,903.36
	493,469.40		6,750.00		481,733.63	250.00	13,844.30	4,391.47
2012		15,777,152.98		170,633.86	14,971,718.55	37,274.01	42,296.59	555,229.97
	493,469.40	15,777,152.98	6,750.00	170,633.86	15,453,452.18	37,524.01	56,140.89	559,621.44
Ref.	A						A-9	A
		Cash		Ref.				
		Due State of New Jersey		A-4	15,331,202.18			
				A-16	122,250.00			
					15,453,452.18			

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:			
Business Personalty Tax	39,745.15		
General Property Tax	15,696,398.83		
		15,736,143.98	
Added Taxes (54:4-63.1 et seq.)		41,009.00	
			15,777,152.98

Tax Levied

	Ref.		
Local District School Tax (Abstract)	A-17	6,707,157.50	
Regional High School Tax (Abstract)	A-18	2,862,239.33	
County Taxes:			
County Tax (Abstract)	5,653,180.80		
Local Health Services Tax (Abstract)	236,719.89		
County Open Space Preservation			
Trust Fund Tax (Abstract)	63,411.81		
Due County for Added & Omitted Taxes	15,552.92		
Total County Taxes		5,968,865.42	
Local Tax for Municipal Purposes	185,000.00		
Add: Additional Taxes Levied	53,890.73		
		238,890.73	
			15,777,152.98

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2011	A		143,102.60
Increased by:			
Transfers from Taxes Receivable	A-8	56,140.89	
Interest and Costs Accrued by Sale of June 27, 2012		<u>1,702.97</u>	
			<u>57,843.86</u>
			200,946.46
Decreased by:			
Collected	A-4	63,714.11	
Transfer to Property Acquired for Taxes	A-10	<u>71,298.46</u>	
			<u>135,012.57</u>
Balance December 31, 2012	A		<u><u>65,933.89</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	Ref.		
Balance December 31, 2011	A		82,800.00
Increased by:			
Transfer from Tax Title Liens	A-9	71,298.46	
Add: Adjustment to Assessed Valuation		<u>397,101.54</u>	
			<u>468,400.00</u>
Balance December 31, 2012	A		<u><u>551,200.00</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2011	Accrued	Collected	Balance Dec. 31, 2012
Miscellaneous Revenue Anticipated				
Fines and Costs:				
Municipal Court	5,290.96	101,301.71	82,250.78	24,341.89
Emergency Medical Services Billings		320,048.20	320,048.20	
Energy Receipts Tax		1,354,938.00	1,354,938.00	
Uniform Construction Code Fees		96,696.00	96,696.00	
Deerfield Township - Uniform Construction Code	21,915.06	22,773.56	44,688.62	
Uniform Fire Safety Act		23,114.30	23,114.30	
Miscellaneous Revenue Not Anticipated				
Interest on Investments		82,502.80	82,502.80	
Interest & Costs on Taxes		117,096.91	117,096.91	
Fees & Permits		85,564.91	85,564.91	
Cable TV Franchise Fees		32,871.64	32,871.64	
Recycling Receipts		9,128.94	9,128.94	
Payments in Lieu of Taxes		300,793.78	300,793.78	
Snow and Storm Cost Reimbursements		94,861.07	94,861.07	
Refunds		37,412.33	37,412.33	
Shared Service Municipal Court		127,785.64	127,785.64	
Miscellaneous		5,590.99	5,590.99	
	<u>27,206.02</u>	<u>2,812,480.78</u>	<u>2,815,344.91</u>	<u>24,341.89</u>
Ref.	A		A-4	A

SCHEDULE OF DEFERRED CHARGES
NJSA 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, 2011</u>	<u>Raised in 2012 Budget</u>	<u>Balance Dec. 31, 2012</u>
11/18/2010	Revaluation Program	254,400.00	50,880.00	203,520.00	50,880.00	152,640.00
	Ref.			A	A-3	A

SCHEDULE OF 2011 APPROPRIATION RESERVES

	Balance Dec. 31, 2011	Paid or Charged	Balance Lapsed
Salaries and Wages			
Financial Administration	2,890.39	83.32	2,807.07
Fire Official	1,675.32	60.68	1,614.64
Prosecutor	124.68	99.68	25.00
Plumbing Subcode	73.32	73.32	
Municipal Court	2,948.87	171.32	2,777.55
Other Expenses			
General Administration	12,357.10	193.81	12,163.29
Legal	14,938.79	5,545.17	9,393.62
Engineering Services and Costs	11,002.84	562.50	10,440.34
Zoning Officer	5,137.28	36.99	5,100.29
Employee Group Insurance	95,567.23	18,368.71	77,198.52
Aid to Volunteer Fire Companies			
Utilities	6,385.88	804.35	5,581.53
Ambulance			
Utilities	3,398.20	1,407.53	1,990.67
Streets & Roads			
Utilities	1,861.49	1,861.49	
Solid Waste Convenience Center	18,825.55	7,693.43	11,132.12
Buildings and Grounds			
Utilities	11,266.16	1,797.39	9,468.77
Senior Center			
Utilities	4,960.03	165.21	4,794.82
Maintenance of Parks	7,289.49	590.79	6,698.70
Accumulated Leave	7,600.00	7,500.00	100.00
Street Lighting	18,638.89	317.07	18,321.82
Landfill Disposal Costs	28,084.79	11,456.96	16,627.83
Construction Code	11,694.94	283.98	11,410.96
Ambulance	6,876.17	1,904.34	4,971.83
Other Accounts - No Change	291,795.54		291,795.54
	<u>565,392.95</u>	<u>60,978.04</u>	<u>504,414.91</u>
Ref.	A	A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Regular Fund	Federal & State Grant Fund
Balance December 31, 2011	A	<u>201,043.56</u>	<u>139,709.71</u>
Increased by:			
Charges to Appropriations	A-3	310,943.75	
Charges to Reserve for Grants	A-19		390,856.35
		<u>511,987.31</u>	<u>530,566.06</u>
Decreased by:			
Payments	A-4	150,261.12	139,542.15
Canceled	A-1:A-19	15,032.44	167.56
Transfer to Accounts Payable	A-15	35,750.00	
		<u>201,043.56</u>	<u>139,709.71</u>
Balance December 31, 2012	A	<u><u>310,943.75</u></u>	<u><u>390,856.35</u></u>

SCHEDULE OF ACCOUNTS PAYABLE

	Ref.	
Balance December 31, 2011	A	80,390.40
Increased by:		
Transfer from Encumbrances Payable	A-14	<u>35,750.00</u>
		116,140.40
Decreased by:		
Payments	A-4	<u>75,302.40</u>
Balance December 31, 2012	A	<u><u>40,838.00</u></u>

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

	Ref.		
Balance December 31, 2011	A		33,984.56
Increased by:			
Receipts	A-4		119,623.10
			<u>153,607.66</u>
Decreased by:			
2012 Deductions Per Tax Duplicate		123,250.00	
2012 Deductions Allowed by Collector		2,750.00	
2012 Deductions Disallowed by Collector		(3,750.00)	
		<u>122,250.00</u>	
Prior Year Deduction Disallowed	A-8	(6,750.00)	
	A-1	<u>(6,750.00)</u>	
			<u>115,500.00</u>
Balance December 31, 2012	A		<u><u>38,107.66</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	Ref.		
Increased by:			
2012 Calendar Year School Levy	A-8		6,707,157.50
Decreased by:			
Payments	A-4		6,707,257.50
Balance December 31, 2012	A		<u><u>(100.00)</u></u>

SCHEDULE OF PREPAID REGIONAL HIGH SCHOOL TAX

	Ref.	
Balance December 31, 2011	A	59.94
Increased by:		
Payments	A-4	<u>2,862,239.40</u>
		2,862,299.34
Decreased by:		
2012 Calendar Year School Levy	A-8	<u>2,862,239.33</u>
Balance December 31, 2012	A	<u><u>60.01</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2011	Transferred from 2012 Budget Appropriation	Paid	Encumbered	Encumbrance Canceled	Canceled	Balance Dec. 31, 2012
Federal Grants:							
Small Cities Community Development Block Grant	17,779.75					17,779.75	
Small Cities Rehabilitation	300.00	189,000.00	94,509.20	83,837.60			10,953.20
Small Cities Facilities	63,015.20	420,000.00	27,518.62	287,082.50	167.56		168,581.64
Older Americans Title IIIB	806.11	4,656.00	5,462.11				0.00
Small Cities Block Grant - Water Utility	1,647.55		1,647.55				
State Grants:							
NJ Transportation Trust Fund	53,861.30		18,877.50	10,001.25			24,982.55
Alliance for Substance Abuse Prevention Program		39,000.00	39,000.00				
Clean Communities Program		12,914.47	12,914.47				
Recycling Tonnage Grant	132,379.11	41,984.01	13,261.00	9,935.00			151,167.12
Energy Efficiency & Conservation	20,000.00		20,000.00				
	<u>289,789.02</u>	<u>707,554.48</u>	<u>233,190.45</u>	<u>390,856.35</u>	<u>167.56</u>	<u>17,779.75</u>	<u>355,684.51</u>
Ref.	A	A-3	A-4	A-14	A-14	A-1	A

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance Dec. 31, 2011	Received	Transfer to Grants Receivable	Balance Dec. 31, 2012
State Grants:				
Recycling Tonnage Grant	41,984.01	41,004.77	41,984.01	41,004.77
Clean Communities	5,588.33	5,331.89	5,588.33	5,331.89
Alcohol Education and Rehabilitation		947.09		947.09
	<u>47,572.34</u>	<u>47,283.75</u>	<u>47,572.34</u>	<u>47,283.75</u>
Ref.	A	A-4	A-7	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	Revolving Loan Fund
Balance December 31, 2011	B	<u>21,646.95</u>	<u>309,306.95</u>	<u>1,949.50</u>	<u>1,142.11</u>	<u>55,347.99</u>	<u>19,823.27</u>	<u>59,141.51</u>	<u>50,641.42</u>	<u>38,462.97</u>	<u>2,486.59</u>	<u>293.27</u>	
Increased by Receipts:													
Dog License Fees:													
Municipal Share	B-3	9,797.20											
State Share		1,852.80											
Interest Earned		295.30	2,576.62	17.07	26.17	620.30	202.74	838.40	508.74	386.41	24.76	5.31	308.30
Transfer from Current Fund								84,000.00					
Escrow Deposits			40,493.94										
Program Income				1,000.00								355.00	41,631.08
Public Defender Fees					6,942.56								
Accumulated Absence Reserve						15,000.00							
Recreation Fees							12,089.00						
		<u>11,945.30</u>	<u>43,070.56</u>	<u>1,017.07</u>	<u>6,968.73</u>	<u>15,620.30</u>	<u>12,291.74</u>	<u>84,838.40</u>	<u>508.74</u>	<u>386.41</u>	<u>24.76</u>	<u>360.31</u>	<u>41,939.38</u>
		<u>33,592.25</u>	<u>352,377.51</u>	<u>2,966.57</u>	<u>8,110.84</u>	<u>70,968.29</u>	<u>32,115.01</u>	<u>143,979.91</u>	<u>51,150.16</u>	<u>38,849.38</u>	<u>2,511.35</u>	<u>653.58</u>	<u>41,939.38</u>
Decreased by Disbursements:													
Paid to State of New Jersey		1,844.40											
Transfer to Current Fund		268.46	3,171.44		21.09	614.48	1,453.17	903.35			44.45		
Escrow Charges			122,942.34										
Municipal Alliance Expenses				2,059.91									
Recreation Expenses							11,832.76						
Small Cities Expenditures													8,384.75
		<u>2,112.86</u>	<u>126,113.78</u>	<u>2,059.91</u>	<u>21.09</u>	<u>614.48</u>	<u>13,285.93</u>	<u>903.35</u>			<u>44.45</u>		<u>8,384.75</u>
Balance December 31, 2012	B	<u>31,479.39</u>	<u>226,263.73</u>	<u>906.66</u>	<u>8,089.75</u>	<u>70,353.81</u>	<u>18,829.08</u>	<u>143,076.56</u>	<u>51,150.16</u>	<u>38,849.38</u>	<u>2,466.90</u>	<u>653.58</u>	<u>33,554.63</u>

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2011	Ref. B		20,940.77
Increased by:			
Deposits for Redemption of Tax Sale Certificates		543,302.75	
Tax Sale Premiums		10,700.00	
Interest Earned		333.71	
		<hr/>	554,336.46
			<hr/>
			575,277.23
Decreased by:			
Refunds Upon Redemption		367,695.29	
Due Current Fund		526.78	
		<hr/>	368,222.07
Balance December 31, 2012	B		<hr/> <hr/>
			207,055.16

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2011	Ref. B	21,621.79
Increased by:		
Municipal Share of Dog License Fees	B-1	9,797.20
		<u>31,418.99</u>
Decreased by:		
Statutory Excess Due Current fund		6,717.79
Balance December 31, 2012	B	<u><u>24,701.20</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	12,547.00
2011	12,154.20
	<u>24,701.20</u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL FUND CASH - TREASURER

Balance December 31, 2011	Ref. C		1,753,554.64
Increased by:			
Interest Earned		12,186.72	
Budget Appropriation:			
Purchase of Emergency & Fire Vehicles		55,000.00	
Improvements to Municipal Building & Facilities		17,875.00	
Improvements to Roads		177,931.00	
Purchase of Land - Open Space/Farmland Preservation		28,015.00	
			<u>291,007.72</u>
			2,044,562.36
Decreased by:			
Improvement Authorizations	C-6	388,613.21	
Encumbrances Payable	C-7	10,329.54	
Due Current Fund		14,705.71	
Various Reserves		10,923.22	
			<u>424,571.68</u>
Balance December 31, 2012	C		<u><u>1,619,990.68</u></u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

		Balance	Receipts	Disbursements		Balance	
		Dec. 31, 2011	Miscellaneous	Improvement Authorizations	Miscellaneous	Transfers	Dec. 31, 2012
Capital Improvement Fund		376,934.52				(17,658.75)	359,275.77
Fund Balance		1,266.56				8,843.56	10,110.12
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		180,202.75	28,015.00				208,217.75
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		204,804.32	177,931.00				382,735.32
Reserve for Purchase of Emergency and Fire Vehicles		123,915.31	55,000.00			(178,000.00)	915.31
Reserve for Purchase of Public Works Vehicle		175,080.00					175,080.00
Reserve for Improvements to Municipal Buildings and Facilities		15,923.22	17,875.00		923.22		32,875.00
Reserve for Document Imaging		2,520.43				(2,520.43)	
Reserve for Preliminary Expense for Addition to Ambulance Building					10,000.00	10,000.00	
Encumbrances Payable		23,403.22			10,329.54	5,707.18	18,780.86
Accounts Payable						12,745.00	12,745.00
Due Current Fund		1,964.46	12,186.72		14,705.71		(554.53)
Improvement Authorizations:							
Ordinance							
Number							
615	Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	7,841.25				(7,841.25)	
663	Purchase and Installation of Municipal Facilities Improvements	20,602.03					20,602.03
680	Farmland Preservation and Open Space					328.68	328.68
684	Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	25,000.00		203,613.21		(10,280.86)	(188,894.07)
692	Purchase of New Ambulance			185,000.00		185,000.00	
		<u>1,753,554.64</u>	<u>291,007.72</u>	<u>388,613.21</u>	<u>35,958.47</u>		<u>1,619,990.68</u>
Ref.		C	C-2	C-6	C-2		C

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2011	C	376,934.52
Increased by:		
Improvement Authorization Canceled	C-6	<u>7,841.25</u>
		384,775.77
Decreased by:		
Appropriation to Finance Improvement Authorization	C-6	7,000.00
Appropriation to Finance Reserve for Preliminary		
Expense for Addition to Ambulance Building		<u>18,500.00</u>
		25,500.00
Balance December 31, 2012	C	<u><u>359,275.77</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION- UNFUNDED

Purpose	Ordinance Number	Balance Dec. 31, 2011	Balance Dec. 31, 2012	Analysis of Balance Dec. 31, 2012	
				Expenditures	Unexpended Improvement Authorizations
Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	684	475,000.00	475,000.00	188,894.07	286,105.93
	Ref.	C	C	C-3	C-6

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Purpose	Ordinance		Balance Dec. 31, 2011		2012 Authorization	Paid	Encumbrance Payable	Encumbrance Canceled	Canceled	Balance Dec. 31, 2012	
	Number	Amount	Funded	Unfunded						Funded	Unfunded
Overlay & Drainage Improvements for Holly Ave., Olaf Rd. & Horton Ave.	615	40,000.00	7,841.25						7,841.25		
Purchase and Installation of Municipal Facilities Improvements	663	70,000.00	20,602.03							20,602.03	
Farmland Preservation & Open Space	680	21,385.00						328.68		328.68	
Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	684	500,000.00	25,000.00	475,000.00		203,613.21	10,280.86				286,105.93
Purchase of New Ambulance	692	185,000.00			185,000.00	185,000.00					
			<u>53,443.28</u>	<u>475,000.00</u>	<u>185,000.00</u>	<u>388,613.21</u>	<u>10,280.86</u>	<u>328.68</u>	<u>7,841.25</u>	<u>20,930.71</u>	<u>286,105.93</u>
	Ref.		C	C		C-2	C-7	C-7	C-4	C	C
Capital Improvement Fund				Ref. C-4	7,000.00						
Various Reserves					<u>178,000.00</u>						
					<u>185,000.00</u>						

SCHEDULE OF ENCUMBRANCE PAYABLE

Balance December 31, 2011	Ref. C		23,403.22
Increased by:			
Improvement Authorizations	C-6	10,280.86	
Various Reserves		8,500.00	
		<hr/>	18,780.86
			<hr/>
			42,184.08
Decreased by:			
Disbursed	C-2	10,329.54	
Canceled - Improvement Authorizations	C-6	328.68	
Transfer to Accounts Payable	C	12,745.00	
		<hr/>	23,403.22
Balance December 31, 2012	C		<hr/> <hr/>
			18,780.86

SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance Dec. 31, 2011	Balance Dec. 31, 2012
684	Emergency Repair of Love Lane & Other Drainage Infrastructure Damaged by Storms	475,000.00	475,000.00

WATER & SEWER UTILITY FUND

SCHEDULE OF WATER & SEWER UTILITY FUND CASH - TREASURER

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2011	D	<u>1,091,233.10</u>	<u>1,265,059.88</u>
Increased by:			
Consumer Accounts Receivable:			
Water	D-7	624,216.16	
Sewer	D-7	687,526.53	
Water Liens	D-9	4,139.21	
Sewer Liens	D-9	6,322.29	
Rent Overpayments		1,340.17	
Connection Fees Receivable	D-3:D-8	138,234.24	
Fire Suppression Line Fees	D-3:D-8	27,322.93	
Interest on Investments	D-3	12,361.41	11,123.74
Interest on Delinquent Accounts	D-3	11,142.86	
Lease	D-3	60,480.00	
CAP Fees	D-3	17,760.00	
Miscellaneous	D-3	1,276.00	
Loan Proceeds	D-17		1,887,000.00
Grant Receivable	D-19		584,188.00
Reserve for Water Tower Repairs			81.09
Reserve for Radionuclide Treatment			150,000.00
Due from Current Fund	A-4	33,524.00	
Due from Utility Capital Fund	D-5	10,562.20	
		<u>1,636,208.00</u>	<u>2,632,392.83</u>
		<u>2,727,441.10</u>	<u>3,897,452.71</u>
Decreased by:			
Appropriations	D-4	1,667,881.22	
Appropriation Reserves	D-12	163.95	
Encumbrances Payable	D-13	51,965.44	62,751.48
Improvement Authorizations	D-14		16,752.78
Bond Anticipation Notes	D-18		3,000,000.00
Due Utility Operating Fund	D-5		10,562.20
Due Federal and State Grant Fund	A-4	1,754.66	
Interest on Loans and Notes		189,656.20	
		<u>1,911,421.47</u>	<u>3,090,066.46</u>
Balance December 31, 2012	D	<u>816,019.63</u>	<u>807,386.25</u>

ANALYSIS OF WATER & SEWER UTILITY FUND CAPITAL FUND CASH

					Disbursements					
		Balance	Receipts		Improvement	Bond		Transfers		Balance
		Dec. 31, 2011	Loans	Miscellaneous	Authorizations	Anticipation	Miscellaneous	From	To	Dec. 31, 2012
						Notes				
Capital Improvement Fund		440,187.60								440,187.60
Fund Balance		9,274.59								9,274.59
Due Utility Operating Fund		(5,347.61)		11,123.74			10,562.20			(4,786.07)
Reserve for Water Tower Repairs		8,072.11		81.09						8,153.20
Reserve for Love Lane Tower Improvements		135,012.00								135,012.00
Reserve for Seabrook Tower Improvements		36,358.46								36,358.46
Reserve for Radionuclide Treatment				150,000.00						150,000.00
Encumbrances Payable		89,820.87					62,751.48		580,223.60	607,292.99
Grant Receivable		(584,188.00)		584,188.00				651,000.00		(651,000.00)
Improvement Authorizations:										
Ordinance										
Number										
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	1,001,957.60	1,887,000.00		16,752.78	3,000,000.00			204,688.66	76,893.48
629	Construction of Seabrook Water Treatment Project	133,912.26						133,912.26		
		1,265,059.88	1,887,000.00	745,392.83	16,752.78	3,000,000.00	73,313.68	784,912.26	784,912.26	807,386.25
Ref.	D	D-17	D-5	D-14	D-18	D-5				D

EXHIBIT D-7

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Ref.	Water	Sewer
Balance December 31, 2011	D	47,692.25	35,940.36
Increased by:			
Utility Rents Levied		653,120.28	747,378.67
		<u>700,812.53</u>	<u>783,319.03</u>
Decreased by:			
Collections	D-5	624,216.16	687,526.53
Overpayments Applied		2,303.89	2,209.05
Transfer to Liens	D-9	1,760.90	2,433.02
		<u>628,280.95</u>	<u>692,168.60</u>
Balance December 31, 2012	D	<u><u>72,531.58</u></u>	<u><u>91,150.43</u></u>

EXHIBIT D-8

SCHEDULE OF OTHER FEES RECEIVABLE

	Ref.	Sewer Connection Fees	Fire Suppression Line Fees
Balance December 31, 2011	D	198,905.74	53,160.00
Increased by:			
Billings			190,240.00
		<u>198,905.74</u>	<u>243,400.00</u>
Decreased by:			
Collections	D-5	138,234.24	27,322.93
Balance December 31, 2012	D	<u><u>60,671.50</u></u>	<u><u>216,077.07</u></u>

SCHEDULE OF UTILITY LIENS RECEIVABLE

	Ref.	Water	Sewer
Balance December 31, 2011	D	<u>2,845.31</u>	<u>4,788.17</u>
Increased by:			
Transfer from Water & Sewer	D-7	1,760.90	2,433.02
Interest and Costs Accrued by Sale of June 27, 2012		<u>282.05</u>	<u>294.38</u>
		<u>4,888.26</u>	<u>7,515.57</u>
Decreased by:			
Collections	D-5	<u>4,139.21</u>	<u>6,322.29</u>
Balance December 31, 2012	D	<u><u>749.05</u></u>	<u><u>1,193.28</u></u>

SCHEDULE OF FIXED CAPITAL

Purpose	Balance Dec. 31, 2011	Balance Dec. 31, 2012
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
	<u>4,066,500.00</u>	<u>4,066,500.00</u>
Ref.	D	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance	Balance
		Date	Amount	Dec. 31, 2011	Dec. 31, 2012
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 2011 APPROPRIATION RESERVES

	Balance Dec. 31, 2011	Disbursed	Balance Lapsed
Operating:			
Salaries and Wages	8,988.02		8,988.02
Other Expenses	265,176.73	163.95	265,012.78
Utilities Authority	1,417.00		1,417.00
Social Security System Contribution	919.32		919.32
Unemployment	1,314.84		1,314.84
	<u>277,815.91</u>	<u>163.95</u>	<u>277,651.96</u>
Ref.	D	D-5	D-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2011	D	51,965.44	89,820.87
Increased by:			
Charges to Current Year Appropriations	D-4	32,899.05	
Charges to Improvement Authorizations	D-14		591,988.21
		<u>84,864.49</u>	<u>681,809.08</u>
Decreased by:			
Canceled	D-14		11,764.61
Payments	D-5	51,965.44	62,751.48
		<u>51,965.44</u>	<u>74,516.09</u>
Balance December 31, 2012	D	<u>32,899.05</u>	<u>607,292.99</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Ordinance		Balance Dec. 31, 2011		Paid or Charged	Encumbrance Canceled	Reclassified	Balance Dec. 31, 2012
		Date	Amount	Funded	Unfunded				Funded
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000.00		1,001,957.60	1,070,430.77		145,366.65	76,893.48
629	Construction of Seabrook Water Treatment Plant	5/7/09	3,299,000.00	133,912.26		310.22	11,764.61	(145,366.65)	
				133,912.26	1,001,957.60	1,070,740.99	11,764.61		76,893.48
		Ref.		D	D		D-13		D
					Ref.				
		Cash			D-5	16,752.78			
		Payment of Note Proceeds			D-18	462,000.00			
		Encumbered			D-13	591,988.21			
						1,070,740.99			

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2011	D	440,187.60
Balance December 31, 2012	D	<u>440,187.60</u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ordinance Number	Purpose	Date of Ordinance	Balance Dec. 31, 2011	Paid From Operating Budget Loans	Balance Dec. 31, 2012
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07		15,512.00	15,512.00
629	Construction of Seabrook Water Treatment Plant	5/7/09	15,955.75	32,572.69	48,528.44
			<u>15,955.75</u>	<u>48,084.69</u>	<u>64,040.44</u>
		Ref.	D		D

SCHEDULE OF LOAN PAYABLE

Balance December 31, 2011	Ref. D	4,089,892.32
Increased by:		
Loan Proceeds	D-5	1,887,000.00
		<hr/> 5,976,892.32
Decreased by:		
Payments		96,062.27
Balance December 31, 2012	D	<hr/> <hr/> 5,880,830.05

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, 2011	Decreased
484	Various Sewer and Water System Capital Improvements	10/18/02	12/9/11	12/7/12	3.00%	100,000.00	100,000.00
523	Various Water System Capital Improvements	10/18/02	12/9/11	12/7/12	3.00%	97,702.00	97,702.00
629	Construction of Seabrook Water Treatment Plant	3/5/10	3/5/10	3/4/11	1.50%		
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>3,197,702.00</u>	<u>3,197,702.00</u>
					Ref.	D	
						Ref	
					Paid by Budget Appropriation	D-4	197,702.00
					Paid by Ordinance	D-5:D-14	462,000.00
					Cash	D-5	2,538,000.00
							<u>3,197,702.00</u>

SCHEDULE OF GRANT RECEIVABLE

Balance December 31, 2011	Ref. D	584,188.00
Increased by:		
Grant Receivable		651,000.00
		<hr/> 1,235,188.00
Decreased by:		
Receipts	D-5	584,188.00
Balance December 31, 2012	D	<hr/> <hr/> 651,000.00

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 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:

- Modular Ambulance
- Home Rehabilitation Contracts
- East Loop Water Main Extension
- Seabrook Village Phase IV Sanitary Sewer, Storm Sewer and Sidewalk Project

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 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 payments, contracts or agreements 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 NJSA 40A:11-6.

NJSA 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 5, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, under the provisions of NJSA 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 NJSA 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 27, 2012, 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>
2012	21
2011	33
2010	27

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. All 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.

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Levy	15,777,152.98	16,093,457.47	15,645,973.47
Cash Collections	15,142,352.41	15,526,951.11	14,829,009.76
Percentage of Collections	95.98%	96.48%	94.78%

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	2.497	3.787	3.716
Apportionment of Tax Rate:			
Municipal	0.030		
County	0.947	1.570	1.467
Local School	1.065	1.547	1.542
Regional High School	0.455	0.670	0.707
Assessed Valuation	630,201,916	424,194,653	419,994,185

Comparative Schedule of Delinquent Taxes and Tax Title Liens

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

Comparative Schedule of Delinquent Taxes and Tax Title Liens (Continued)

	2012	2011	2010
Amount of Tax Title Liens	65,933.89	143,102.60	88,607.62
Delinquent Taxes	559,621.44	493,469.40	700,030.40
Total Delinquent	625,555.33	636,572.00	788,638.02
Percentage of Tax Levy	3.96%	3.96%	5.04%

Comparative Schedule of Property Acquired by Tax Title Lien Liquidation

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

	2012	2011	2010
Property Acquired for Taxes (Assessed Valuation)	551,200.00	82,800.00	82,800.00

OTHER COMMENTS**Accounting Procedures**

A general ledger has been established as required by NJAC 5:30-5.7.

An encumbrance accounting system has been established as required by NJAC 5:30-5.2.

A fixed asset accounting and reporting system has been established as required by NJAC 5:30-5.6.

Corrective Action Plan

A corrective action plan was not required for the year 2011.

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