

TOWNSHIP OF UPPER DEERFIELD
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2003

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PART I

PETRONI & ASSOCIATES

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

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Marian T. Fean, CPA
Shawn Glynn, CPA
Denise R. Nevico, CPA
Deanna Roller, CPA, RMA
Kelly Schowalter, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
County of Cumberland, New Jersey

We have audited the accompanying balance sheets – statutory basis of the various funds and account groups of the Township of Upper Deerfield as of December 31, 2003 and 2002, and the related statements of operations and changes in fund balance – statutory basis for the years then ended and the related statements of revenues – statutory basis, and statement of expenditures – statutory basis of the various funds, as listed in the table of contents for the year ended December 31, 2003. These financial statements are the responsibility of the Township of Upper Deerfield's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township of Upper Deerfield prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, because of the effects of preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Upper Deerfield as of December 31, 2003, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the various funds and account groups of the Township of Upper Deerfield as of December 31, 2003 and 2002, and the results of operations and changes in fund balance – statutory basis of such funds for the years then ended and the statement of revenues – statutory basis and statement of expenditures – statutory basis of the various funds for the year ended December 31, 2003 on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2004 on our consideration of the Township of Upper Deerfield’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Township of Upper Deerfield taken as a whole. The accompanying supplemental schedules and information presented in the “Supplementary Data”, “General Comments” and “Findings and Recommendations” sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Upper Deerfield. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PETRONI & ASSOCIATES

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

May 24, 2004

PETRONI & ASSOCIATES

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

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Kelly Schowalter, CPA

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

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
County of Cumberland, New Jersey

We have audited the financial statements of the Township of Upper Deerfield as of and for the year ended December 31, 2003, and have issued our report thereon dated May 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Compliance

As part of obtaining reasonable assurance about whether the Township of Upper Deerfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township of Upper Deerfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control

components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

PETRONI & ASSOCIATES

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

May 24, 2004

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND

	<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2003</u>	Balance <u>Dec. 31, 2002</u>
<u>Regular Fund</u>				
	Cash - Treasurer	A-4	5,035,415.61	5,029,904.90
	Cash - Collector	A-6	338,375.68	325,574.90
	Change Fund		150.00	150.00
			<u>5,373,941.29</u>	<u>5,355,629.80</u>
Receivables and Other Assets with Full Reserves:				
	Delinquent Property Taxes Receivable	A-9	386,714.86	246,254.86
	Tax Title Liens Receivable	A-10	37,487.16	32,817.93
	Property Acquired for Taxes - Assessed Valuation	A-11	124,900.00	124,900.00
	Revenue Accounts Receivable	A-12	18,944.82	19,102.41
	Due from Animal Control Trust Fund	B	9,192.35	10,083.13
	Due from Tax Sale Premium Trust Fund	B	16.27	63.66
	Due from Public Assistance Fund	E	20.35	27.22
	Due from Payroll Account		49.85	324.15
	Due from Escrow Trust Fund	B	371.46	370.53
	Due from Utility Operating Fund	D	23,646.71	17,305.72
	Due from General Capital Fund			24.58
			<u>601,343.83</u>	<u>451,274.19</u>
			<u>5,975,285.12</u>	<u>5,806,903.99</u>
<u>Federal and State Grant Fund</u>				
	Grants Receivable	A-8	214,465.35	382,011.10
	Due from Current Fund	A	39,115.66	15,253.03
			<u>253,581.01</u>	<u>397,264.13</u>
			<u>6,228,866.13</u>	<u>6,204,168.12</u>

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

COMPARATIVE BALANCE SHEET - CURRENT FUND

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2003</u>	<u>Balance Dec. 31, 2002</u>
<u>Regular Fund</u>			
Liabilities:			
Appropriation Reserves	A-3:A-13	98,422.24	108,552.51
Encumbrances Payable	A-14	104,433.06	73,730.83
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-15	32,622.09	29,679.85
Prepaid Taxes		118,017.04	158,597.46
Tax Overpayments		1,589.69	1,615.81
Reserve for Sanitary Landfill		32,528.35	32,154.00
Due Federal and State Grant Fund	A	39,115.66	15,253.03
Due Public Defender Trust Fund	B	369.70	372.75
Due General Capital Fund	C	128.88	
Due Accumulated Absence Trust Fund	B	100.00	
Due County for Added & Omitted Taxes		35,417.88	63,969.60
Regional High School Tax Payable	A-17	42,487.48	0.03
		<hr/>	<hr/>
		505,232.07	483,925.87
Reserve for Receivables		601,343.83	451,274.19
Fund Balance	A-1	4,868,709.22	4,871,703.93
		<hr/>	<hr/>
		5,975,285.12	5,806,903.99
<u>Federal and State Grant Fund</u>			
Encumbrances Payable			5,067.90
Reserve for Grants - Appropriated	A-18	241,739.08	392,196.23
Reserve for Grants - Unappropriated	A-19	11,841.93	
		<hr/>	<hr/>
		253,581.01	397,264.13
		<hr/>	<hr/>
		6,228,866.13	6,204,168.12
		<hr/> <hr/>	<hr/> <hr/>

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

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

<u>Revenue and Other Income Realized</u>	<u>Ref</u>	<u>Year 2003</u>	<u>Year 2002</u>
Fund Balance Utilized	A-2	730,935.37	762,022.59
Miscellaneous Revenue Anticipated	A-2	2,308,233.28	2,134,187.93
Receipts from Delinquent Taxes	A-2	257,688.98	271,998.33
Receipts from Current Taxes	A-2	10,070,038.19	9,154,082.02
Non-Budget Revenue	A-2	402,425.83	366,246.35
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-13	54,405.55	79,925.63
Encumbrances Payable - Canceled	A-14	1,365.53	12,605.71
Interfund Loan Returned		343.22	295,990.90
Reserve for Grants Unappropriated - Canceled			875.00
Tax Overpayments Canceled			0.12
Prior Year Grant Adjustment			3,082.61
Total Income		<u>13,825,435.95</u>	<u>13,081,017.19</u>
<u>Expenditures</u>			
Budget Appropriations :			
Operations:			
Salaries and Wages	A-3	705,197.52	690,305.41
Other Expenses	A-3	1,703,207.60	1,504,996.21
Capital Improvements	A-3	175,000.00	134,500.00
Debt Service	A-3	59,350.25	59,350.49
Statutory Expenditures	A-3	58,838.79	56,797.19
County Taxes	A-9	3,819,203.35	3,510,551.69
Due County for Added Taxes	A-9	35,417.88	63,969.60
Local District School Tax	A-9	4,331,402.00	3,663,587.50
Regional High School Tax	A-9	2,200,135.06	2,076,907.05
Prior Year Deductions Disallowed	A-15	3,272.97	5,011.31
Interfund Loan Advanced		6,469.87	356.23
Prior Year Sanitary Landfill Reserve Adjustment			987.96
Prior Year Lien Redeemed			1,433.30
Total Expenditures		<u>13,097,495.29</u>	<u>11,768,753.94</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

		<u>Year 2003</u>	<u>Year 2002</u>
Statutory Excess to Fund Balance		727,940.66	1,312,263.25
<u>Fund Balance</u>			
Balance January 1	A	4,871,703.93	4,321,463.27
		5,599,644.59	5,633,726.52
Decreased by:			
Utilization as Anticipated Revenue	A-1	730,935.37	762,022.59
Balance December 31	A	<u>4,868,709.22</u>	<u>4,871,703.93</u>

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

STATEMENT OF REVENUES

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget 2003	Special N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	<u>730,935.37</u>		<u>730,935.37</u>	
Miscellaneous Revenues:					
Fines and Costs:					
Municipal Court	A-12	100,000.00		129,915.83	29,915.83
Legislative Initiative Municipal Block Grant	A-12	30,310.00		30,310.00	
Consolidated Municipal Property Tax Relief Act	A-12	384,544.00		384,544.00	
Energy Receipts Tax	A-12	1,402,699.56		1,402,699.56	
Uniform Construction Code Fees	A-12	69,715.00		122,709.00	52,994.00
NJ Transportation Trust Fund Authority Act	A-8		140,000.00	140,000.00	
NJ Statewide Liveable Communities Grant	A-8		20,000.00	20,000.00	
Clean Communities Program	A-8		11,666.78	11,666.78	
Municipal Alliance on Alcoholism & Drug Abuse	A-8	37,700.00		37,700.00	
Handicapped Recreation Opportunities Grant	A-8	5,400.00		5,400.00	
Older Americans Act Title IIIB	A-8	4,500.00		4,500.00	
Uniform Fire Safety Act	A-12	15,384.39		18,788.11	3,403.72
Total Miscellaneous Revenues		<u>2,050,252.95</u>	<u>171,666.78</u>	<u>2,308,233.28</u>	<u>86,313.55</u>
Receipts from Delinquent Taxes	A-2	<u>230,000.00</u>		<u>257,688.98</u>	<u>27,688.98</u>
Budget Totals		<u>3,011,188.32</u>	<u>171,666.78</u>	<u>3,296,857.63</u>	<u>114,002.53</u>
Non-Budget Revenues:					
From "Allocation of Current Tax Collections"	A-2			26,879.90	
Other Non-Budget Revenue	A-2			402,425.83	
		<u>3,011,188.32</u>	<u>171,666.78</u>	<u>3,726,163.36</u>	
Ref.		A-3	A-3		

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

STATEMENT OF REVENUES

<u>Analysis of Realized Revenue</u>	<u>Ref.</u>	
Allocation of Current Tax Collections:		
Revenue from Collections	A-9	10,070,038.19
Allocated to:		
School and County Taxes		10,386,158.29
Balance for Support of Municipal Budget Appropriation		<u>(316,120.10)</u>
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	343,000.00
Amount for Support of Municipal Budget Appropriation	A-2	<u><u>26,879.90</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-9	255,104.23
Tax Title Liens Receivable	A-10	2,584.75
	A-2	<u><u>257,688.98</u></u>
 <u>Analysis of Non-Budget Revenue</u> 		
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-12	95,684.42
Tax Searches	A-12	354.00
Interest & Costs on Taxes	A-12	64,008.50
Licenses	A-12	125.00
Fees & Permits	A-12	48,302.38
Refunds	A-12	46,903.60
Payments in Lieu of Taxes	A-12	117,076.58
Cable Franchise	A-12	16,204.15
Miscellaneous	A-12	13,767.20
	A-2	<u><u>402,425.83</u></u>

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<u>GENERAL GOVERNMENT FUNCTIONS</u>						
General Administration						
Salaries and Wages	63,358.46	63,358.46	43,674.19			19,684.27
Other Expenses	6,950.00	3,950.00	2,368.83	107.96	473.21	1,000.00
Human Resources						
Other Expenses	3,600.00	3,600.00	3,236.46	99.98	263.56	
Mayor and Township Committee						
Salaries and Wages	42,290.56	42,290.56	41,529.74			760.82
Other Expenses	16,300.00	16,300.00	14,702.13	370.00	1,227.87	
Municipal Clerk						
Salaries and Wages	23,584.08	23,584.08	23,584.08			
Other Expenses:	33,400.00	33,400.00	25,815.79	3,404.09	2,180.12	2,000.00
Financial Administration						
Salaries and Wages	30,797.94	30,797.94	30,625.49			172.45
Other Expenses	17,600.00	28,100.00	27,171.96		928.04	
Audit Services						
Other Expenses	17,000.00	17,000.00	2,800.00	14,200.00		
Revenue Administration						
Salaries and Wages	33,962.45	33,962.45	27,008.36			6,954.09
Other Expenses:	14,800.00	11,300.00	8,696.46	509.50	94.04	2,000.00
Tax Assessment						
Salaries and Wages	20,055.36	20,055.36	19,669.36			386.00
Other Expenses	12,500.00	12,500.00	10,162.45		1,837.55	500.00
Legal Services and Costs						
Salaries and Wages	6,165.12	6,165.12	6,165.00		0.12	
Other Expenses	30,000.00	33,965.39	33,965.39			
Engineering Services and Costs						
Salaries and Wages	7,500.00	7,500.00	7,500.00			
Other Expenses	1,800.00	1,800.00				1,800.00
Economic Development						
Salaries and Wages	5,600.00	1,330.00	480.00			850.00
Other Expenses	24,900.00	16,650.87	14,277.94	271.00	2,101.93	

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Historic Commission						
Salaries and Wages	200.00	300.00	250.00			50.00
Other Expenses	5,700.00	5,600.00	4,126.76		473.24	1,000.00
<u>LAND USE ADMINISTRATION</u>						
Municipal Land Use Law (NJSA40:55D-1)						
Planning Board						
Salaries and Wages	28,225.78	28,225.78	27,143.35			1,082.43
Other Expenses	16,225.00	40,525.00	40,497.32	15.00	12.68	
Zoning Board of Adjustment						
Salaries and Wages	8,259.12	8,259.12	7,820.76			438.36
Other Expenses	1,115.00	1,115.00	563.97	15.00	36.03	500.00
Zoning Officer						
Salaries and Wages	28,304.26	32,585.05	32,585.05			
Other Expenses	3,925.00	3,914.21	1,192.29		721.92	2,000.00
<u>CODE ENFORCEMENT & ADMINISTRATION</u>						
Housing Official						
Salaries and Wages	31,296.18	35,581.94	35,581.94			
Other Expenses	5,675.00	5,599.24	1,467.67		1,131.57	3,000.00
<u>INSURANCE</u>						
Liability Insurance	54,100.00	54,100.00	53,393.75			706.25
Worker Compensation	53,345.00	53,345.00	53,341.00		4.00	
Employee Group Insurance	473,882.00	480,051.10	480,051.10			
<u>PUBLIC SAFETY FUNCTIONS</u>						
Emergency Management						
Salaries and Wages	4,615.52	4,616.00	4,616.00			
Other Expenses	8,900.00	8,899.52	4,242.44	2,508.00	649.08	1,500.00
Aid to Volunteer Fire Companies	83,260.00	79,260.00	69,793.20	6,830.71	2,636.09	
First Aid Organization - Contribution	37,950.00	37,950.00	28,202.37	92.25	4,655.38	5,000.00
Fire Safety Official						
Salaries and Wages	7,329.00	7,329.00	7,329.00			
Other Expenses	7,200.00	7,200.00	6,136.58	229.94	333.48	500.00

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Municipal Prosecutor						
Salaries and Wages	12,183.60	12,183.96	12,183.96			
Other Expenses	5,650.00	5,649.64			5,649.64	
<u>PUBLIC WORKS FUNCTIONS</u>						
Streets and Roads						
Salaries and Wages	82,094.08	82,094.08	59,202.52		2,808.39	20,083.17
Other Expenses	120,250.00	116,284.61	61,491.81	25,952.99	8,839.81	20,000.00
Shade Tree Committee						
Salaries and Wages	420.00	420.00	300.00			120.00
Other Expenses	15,000.00	15,000.00	5,176.45	3,500.00	323.55	6,000.00
Solid Waste Convenience Center						
Salaries and Wages	47,028.68	47,028.68	42,447.02			4,581.66
Other Expenses	81,775.00	81,775.00	73,450.17	2,088.00	6,236.83	
Buildings and Grounds						
Salaries and Wages	80,821.76	75,611.76	66,177.60			9,434.16
Other Expenses	58,250.00	58,250.00	52,355.76		2,894.24	3,000.00
<u>HEALTH AND HUMAN SERVICES</u>						
Board of Health						
Salaries and Wages	5,242.68	5,242.68	4,525.31			717.37
Other Expenses	685.00	685.00	218.00	245.25	221.75	
Animal Control						
Salaries and Wages	3,862.14	3,862.14	3,862.14			
Other Expenses	20,900.00	20,900.00	20,577.50		322.50	
<u>PARK AND RECREATION FUNCTIONS</u>						
Community Pride & Relations Committee						
Salaries and Wages	420.00	420.00				420.00
Other Expenses	2,000.00	2,000.00	155.62		344.38	1,500.00
Senior Center						
Salaries and Wages	14,811.28	14,811.28	9,496.48			5,314.80
Other Expenses	1,500.00	1,500.00	226.23		1,273.77	

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Maintenance of Parks						
Salaries and Wages	41,344.99	41,344.99	37,849.58			3,495.41
Other Expenses	56,200.00	56,200.00	21,727.83	22,558.63	11,913.54	
Bostwick Lake Commission						
Other Expenses	3,000.00	3,000.00	3,000.00			
<u>OTHER OPERATING FUNCTIONS</u>						
Accumulated Leave Compensation	100.00	100.00	100.00			
<u>UTILITY EXPENSES & BULK PURCHASES</u>						
Electricity	56,250.00	48,750.00	35,029.22		13,720.78	
Street Lighting	120,000.00	98,015.42	86,866.26		11,149.16	
Telephone and Telegraph	17,500.00	19,500.00	18,857.27		642.73	
Water	1,650.00	1,650.00	397.87		1,252.13	
Natural Gas	14,375.00	15,359.58	15,359.58			
Fuel Oil	5,500.00	7,280.03	7,280.03			
Sewage Disposal	1,890.00	1,890.00	1,890.00			
Gasoline	8,200.00	10,700.00	10,697.88		2.12	
<u>SOLID WASTE DISPOSAL COSTS</u>						
Landfill Disposal Costs						
Other Expenses	129,000.00	129,000.00	128,479.17		520.83	
<u>MUNICIPAL COURT</u>						
Municipal Court						
Salaries and Wages	91,041.64	91,276.31	91,276.31			
Other Expenses	15,400.00	15,165.33	5,387.21	2,219.00	2,559.12	5,000.00
Public Defender						
Salaries and Wages	3,057.60	3,057.60			3,057.60	
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code						
Salaries and Wages	34,227.26	36,675.13	36,675.13			
Other Expenses	15,500.00	13,052.13	7,751.80	2,041.99	1,258.34	2,000.00
Electrical Subcode						
Salaries and Wages	8,175.44	8,175.44	8,175.00		0.44	
Other Expenses	165.00	165.00			165.00	

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Plumbing Subcode						
Salaries and Wages	6,509.36	7,509.36	7,500.00		9.36	
Other Expenses	200.00	200.00			200.00	
Fire Subcode						
Salaries and Wages	4,088.24	4,088.24	4,087.92		0.32	
Other Expenses	850.00	850.00			850.00	
<u>PUBLIC & PRIVATE PROGRAMS</u>						
Matching Funds for Grants	3,000.00	2,420.00			2,420.00	
Clean Communities Program		11,666.78	11,666.78			
County of Cumberland - Alliance for						
Substance Abuse Prevention Program	37,700.00	37,700.00	37,700.00			
Handicapped Recreation Opportunities Act	6,000.00	6,580.00	6,580.00			
Older Americans Act	3,200.00	3,200.00	3,200.00			
Older Americans Act Title III F	1,600.00	1,600.00	1,600.00			
Statewide Liveable Communities Grant		20,000.00	20,000.00			
Total Operations	<u>2,510,289.58</u>	<u>2,541,956.36</u>	<u>2,222,749.59</u>	<u>87,259.29</u>	<u>98,396.24</u>	<u>133,551.24</u>
Detail:						
Salaries and Wages	776,872.58	779,742.51	699,321.29		5,876.23	74,544.99
Other Expenses	<u>1,733,417.00</u>	<u>1,762,213.85</u>	<u>1,523,428.30</u>	<u>87,259.29</u>	<u>92,520.01</u>	<u>59,006.25</u>
<u>CAPITAL IMPROVEMENTS</u>						
Expansion of Facilities for Township Park	10,000.00	10,000.00	10,000.00			
Improvements to Municipal Buildings						
and Facilities	25,000.00	25,000.00	12,274.00	12,700.00	26.00	
NJ Transportation Trust Fund						
Authority Act		140,000.00	140,000.00			
Total Capital Improvements	<u>35,000.00</u>	<u>175,000.00</u>	<u>162,274.00</u>	<u>12,700.00</u>	<u>26.00</u>	

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<u>DEBT SERVICE</u>						
Green Trust Loan Program Loan Repayments for Principal and Interest	59,350.49	59,350.49	59,350.25			0.24
<u>STATUTORY EXPENDITURES</u>						
Contribution to:						
Public Employees' Retirement System	500.00	500.00				500.00
Social Security System (O.A.S.I)	59,048.25	59,048.25	55,495.16			3,553.09
Unemployment Compensation Insurance	4,000.00	4,000.00	3,343.63			656.37
Total Statutory Expenditures	63,548.25	63,548.25	58,838.79			4,709.46
Total General Appropriations for Municipal Purposes	2,668,188.32	2,839,855.10	2,503,212.63	99,959.29	98,422.24	138,260.94
RESERVE FOR UNCOLLECTED TAXES	343,000.00	343,000.00	343,000.00			
TOTAL GENERAL APPROPRIATIONS	<u>3,011,188.32</u>	<u>3,182,855.10</u>	<u>2,846,212.63</u>	<u>99,959.29</u>	<u>98,422.24</u>	<u>138,260.94</u>
Ref.	A-2			A-14	A	
	<u>Ref.</u>					
Budget	A-3	3,011,188.32				
Appropriated by 40A:4-87	A-2	171,666.78				
		<u>3,182,855.10</u>				
		<u>Ref.</u>				
Due Accumulated Absence Trust Fund			100.00			
Reserve for Grants		A-18	220,746.78			
Reserve for Uncollected Taxes		A-2	343,000.00			
Disbursed		A-4	2,282,365.85			
			<u>2,846,212.63</u>			

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

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND

<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2003</u>	Balance <u>Dec. 31, 2002</u>
<u>Animal Control Trust Fund</u>			
Cash - Treasurer	B-1	27,769.45	28,979.63
<u>Escrow Trust Fund</u>			
Cash - Treasurer	B-1	33,508.42	33,217.41
<u>Tax Sale Premium Fund</u>			
Cash - Collector	B-3	13,586.20	65,063.66
<u>Municipal Alliance Trust Fund</u>			
Cash - Treasurer	B-1	2,057.69	13,465.05
<u>Public Defender Trust Fund</u>			
Cash - Treasurer	B-1	3,425.52	4,537.60
Due from Current Fund	A	369.70	372.75
		3,795.22	4,910.35
<u>Accumulated Absence Trust Fund</u>			
Due from Current Fund	A	100.00	
		80,816.98	145,636.10
 <u>LIABILITIES AND RESERVES</u>			
<u>Animal Control Trust Fund</u>			
Due Current Fund	A	9,192.35	10,083.13
Due State of New Jersey		7.20	
Reserve for Dog Fund Expenditures	B-5	18,569.90	18,896.50
		27,769.45	28,979.63
<u>Escrow Trust Fund</u>			
Due Current Fund	A	371.46	370.53
Reserve for Escrow Fees		33,136.96	32,846.88
		33,508.42	33,217.41
<u>Tax Sale Premium Fund</u>			
Due Current Fund	A	16.27	63.66
Deposits for Redemption of Tax Sale Certificates		269.93	
Premiums Received at Tax Sale		13,300.00	65,000.00
		13,586.20	65,063.66

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

COMPARATIVE BALANCE SHEET - TRUST FUND

<u>LIABILITIES AND RESERVES</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2003</u>	<u>Balance</u> <u>Dec. 31, 2002</u>
<u>Municipal Alliance Trust Fund</u>			
Reserve for Municipal Alliance		2,057.69	13,465.05
<u>Public Defender Trust Fund</u>			
Due State of New Jersey		1,327.75	1,327.75
Reserve for Public Defender Fees		2,467.47	3,582.60
		3,795.22	4,910.35
<u>Accumulated Absence Trust Fund</u>			
Reserve for Accumulated Absences		100.00	
		80,816.98	145,636.10

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

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL

<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2003</u>	Balance <u>Dec. 31, 2002</u>
Cash - Treasurer	C-1	616,287.37	1,099,929.06
Investment - Bond Anticipation Notes - Utility Capital Fund	C-3	315,000.00	335,000.00
Due from Current Fund	A	128.88	
Deferred Charges to Future Taxation:			
Funded		137,866.10	188,419.72
Unfunded	C-5	104,611.71	104,611.71
		<u>1,173,894.06</u>	<u>1,727,960.49</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Loan Payable	C-9	137,866.10	188,419.72
Encumbrance Payable	C-8	45,973.34	333,340.34
Improvement Authorizations:			
Funded	C-7	66,363.90	135,248.13
Unfunded	C-7	104,611.71	104,611.71
Capital Improvement Fund	C-6	58,642.98	158,642.98
Due Current Fund			24.58
Reserve for Sanitary Landfill Closure		501,490.50	518,727.50
Reserve for Improvement to Sewerage Collection System		6,323.13	6,323.13
Reserve for Street Overlay Program		148,208.85	148,208.85
Reserve for Improvements to Municipal Building		38.11	40,038.11
Reserve for Expansion of Facilities for Township Parks		45,815.94	35,815.94
Reserve for Purchase of Emergency Vehicles		50,000.00	50,000.00
Reserve for Purchase of Vehicles		53.00	53.00
Reserve for Improvements to Convenience Center		3,125.00	3,125.00
Reserve for Construction of a Senior Center		5,381.50	5,381.50
		<u>1,173,894.06</u>	<u>1,727,960.49</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

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2003</u>	<u>Balance</u> <u>Dec. 31, 2002</u>
<u>Operating Fund</u>			
Cash - Treasurer	D-4	1,742,352.41	1,597,437.03
Cash - Collector	D-6	12,764.57	38,034.86
Due from Utility Capital Fund	D	5,885.45	6,262.60
		<u>1,761,002.43</u>	<u>1,641,734.49</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable - Water	D-9	5,585.57	2,871.17
Consumer Accounts Receivable - Sewer	D-9	30,588.36	16,654.33
		<u>36,173.93</u>	<u>19,525.50</u>
Total Operating Fund		<u>1,797,176.36</u>	<u>1,661,259.99</u>
<u>Capital Fund</u>			
Cash - Treasurer	D-4	437,759.86	657,647.72
Fixed Capital Authorized and Uncompleted	D-10	3,925,000.00	3,925,000.00
		<u>4,362,759.86</u>	<u>4,582,647.72</u>
Total Capital Fund		<u>6,159,936.22</u>	<u>6,243,907.71</u>

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

COMPARATIVE BALANCE SHEET - WATER & SEWER UTILITY FUND

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2003</u>	<u>Balance</u> <u>Dec. 31, 2002</u>
<u>Operating Fund</u>			
Liabilities:			
Appropriation Reserves	D-3:D-11	2,671.27	5,285.31
Encumbrances Payable	D-12	42,717.51	6,695.61
Water Rent Overpayments		183.25	3,227.19
Sewer Rent Overpayments		184.26	10,323.86
Due Current Fund	A	23,646.71	17,305.72
		<hr/>	<hr/>
		69,403.00	42,837.69
Reserve for Receivables		36,173.93	19,525.50
Fund Balance	D-1	1,691,599.43	1,598,896.80
		<hr/>	<hr/>
Total Operating Fund		<u>1,797,176.36</u>	<u>1,661,259.99</u>
 <u>Capital Fund</u>			
Loan Payable	D-17	2,122,649.22	2,154,793.13
Notes Payable - General Capital Fund	D-16	315,000.00	335,000.00
Bond Anticipation Notes Payable	D-18	891,900.00	891,900.00
Encumbrances Payable	D-12	14,688.47	264,203.07
Improvement Authorizations:			
Funded	D-13	116,449.65	116,449.65
Unfunded	D-13	39,248.11	39,248.11
Capital Improvement Fund	D-14	32,687.60	32,687.60
Due Utility Operating Fund	D	5,885.45	6,262.60
Reserve for Preliminary Expenses - Construction of a Water Tower		64,046.05	64,046.05
Reserve for:			
Purchase of Land - Pumping Station		1,223.00	1,223.00
Water Tower Repairs		7,590.99	7,587.10
Centeron Road Water Main Project		65,940.54	65,940.54
Love Lane Tower Improvements		90,000.00	60,000.00
Reserve for Deferred Amortization	D-15	595,450.78	543,306.87
		<hr/>	<hr/>
Total Capital Fund		<u>4,362,759.86</u>	<u>4,582,647.72</u>
		<hr/> <hr/>	<hr/> <hr/>
		<u>6,159,936.22</u>	<u>6,243,907.71</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

<u>Revenue and Other Income Realized</u>	<u>Ref.</u>	<u>Year 2003</u>	<u>Year 2002</u>
Fund Balance Utilized	D-2	74,766.73	33,741.10
Sewer Rents	D-2	584,393.38	758,446.48
Water Rents	D-2	147,208.59	133,081.57
Miscellaneous Revenue Not Anticipated	D-2	72,038.66	101,697.09
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-11	976.95	2.96
Encumbrances Payable Canceled			200.00
		<hr/>	<hr/>
Total Income		879,384.31	1,027,169.20
		<hr/>	<hr/>
<u>Expenditures</u>			
Operating	D-3	512,890.33	574,570.55
Capital Improvements	D-3	30,000.00	15,000.00
Debt Service	D-3	161,060.22	148,752.00
Deferred Charges and Statutory Expenditures	D-3	7,964.40	7,350.41
		<hr/>	<hr/>
Total Expenditures		711,914.95	745,672.96
		<hr/>	<hr/>
Excess in Revenue		167,469.36	281,496.24
<u>Fund Balance</u>			
Balance January 1	D	1,598,896.80	1,351,141.66
		<hr/>	<hr/>
		1,766,366.16	1,632,637.90
Decreased by:			
Utilization as Anticipated Revenue	D-1	74,766.73	33,741.10
		<hr/>	<hr/>
Balance December 31	D	1,691,599.43	1,598,896.80
		<hr/> <hr/>	<hr/> <hr/>

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

STATEMENT OF REVENUES

	<u>Ref.</u>	<u>Anticipated Budget 2003</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	74,766.73	74,766.73	
Sewer Rents	D-2	540,640.00	584,393.38	43,753.38
Water Rents	D-2	96,700.00	147,208.59	50,508.59
Non-Budget Revenue	D-2		72,038.66	72,038.66
		<u>712,106.73</u>	<u>878,407.36</u>	<u>166,300.63</u>
	Ref.	D-3		

Analysis of Realized Revenue

	<u>Ref.</u>	<u>Sewer</u>	<u>Water</u>
Rents:			
Consumer Accounts Receivable:			
Collected	D-9	574,069.52	143,981.40
Overpayments Applied	D-9	10,323.86	3,227.19
	D-2	<u>584,393.38</u>	<u>147,208.59</u>

Analysis of Non-Budget Revenue

	<u>Ref.</u>	
Interest on Investments	D-4:D-6	29,935.61
Interest on Delinquent Accounts	D-6	2,312.12
Lease	D-4	36,000.00
Sewer Connection Fees	D-6	3,290.93
Tapping Fees	D-6	500.00
	D-2	<u>72,038.66</u>

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

STATEMENT OF EXPENDITURES

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
Operating:						
Salaries and Wages	107,965.00	104,271.03	104,271.03			
Other Expenses	157,650.00	161,333.62	116,111.78	42,550.90	2,670.94	
Sewerage Treatment Contract - Cumberland County Utility Authority	247,275.33	247,275.33	247,275.00		0.33	
Capital Improvements:						
Love Lane Tower Improvements	30,000.00	30,000.00	30,000.00			
Debt Service:						
Payment of Bond Principal	32,143.91	32,143.91	32,143.91			
Payment of Bond Anticipation Notes and Capital Notes	20,000.00	20,000.00	20,000.00			
Interest on Bonds	96,608.09	96,608.09	96,608.09			
Interest on Notes	12,500.00	12,500.00	12,308.22			191.78
Statutory Expenditures:						
Contribution to: Social Security System (O.A.S.I.)	7,964.40	7,974.75	7,974.75			
	<u>712,106.73</u>	<u>712,106.73</u>	<u>666,692.78</u>	<u>42,550.90</u>	<u>2,671.27</u>	<u>191.78</u>
Ref.	D-2	D-3	D-4	D-12	D	

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

PUBLIC ASSISTANCE FUND

COMPARATIVE BALANCE SHEET - PUBLIC ASSISTANCE FUND

<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2003</u>	Balance <u>Dec. 31, 2002</u>
Cash - Treasurer	E-1	9,869.11	9,875.98
<u>LIABILITIES AND RESERVES</u>			
Due Current Fund	A	20.35	27.22
Reserve for Public Assistance		9,848.76	9,848.76
		9,869.11	9,875.98

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

GENERAL FIXED ASSETS

EXHIBIT FSTATEMENT OF GENERAL FIXED ASSETS

	Balance Dec. 31, 2003	Balance Dec. 31, 2002
General Fixed Assets:		
Land	287,578.00	287,578.00
Buildings	1,247,937.19	1,247,937.19
Improvements	414,486.00	414,486.00
Equipment	2,609,192.90	2,265,361.67
	<u>4,559,194.09</u>	<u>4,215,362.86</u>
Investment in General Fixed Assets	<u>4,559,194.09</u>	<u>4,215,362.86</u>

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

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

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

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.

Public Assistance Trust Fund – Receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey statutes.

Payroll Account – Receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Description of Funds and Account Groups (Cont'd)

General Fixed Assets – To account for fixed assets used in governmental operations.

C. Basis of Accounting

A modified accrual basis of accounting is followed. The more significant accounting principles are as follows:

Budget – The Township adopts an annual budget in accordance with N.J.S.A. 40:4. Once approved, the Township may make emergency appropriations for purposes which are not foreseen at the time the budget was adopted per N.J.S.A. 40A:4-46. After approval from the Director the Township may also make amendments for any special item of revenue made available by any public or private funding source per N.J.S.A. 40A:4-87.

Authorized budget amendments were approved as follows:

Special Item of Revenue:	
NJ Transportation Trust	140,000.00
Clean Communities Program	11,666.78
Liveable Communities	20,000.00

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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting (Cont'd)

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, whereas interest on utility indebtedness is on the accrual basis.

Property Taxes – Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually and are payable in quarterly installments on February 1, May 1, August 1, and November 1 of each year. All unpaid taxes levied become delinquent January 1 of the following year. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Foreclosed Property – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Insurance – Cost of insurance for all funds are recorded as expenditures at the time of payment. Insurance costs chargeable to future periods are not carried as prepayments.

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.

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, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting (Cont'd)

General Fixed Assets – In accordance with Technical Accounting Directive No. 85-2, 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.

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, in accordance with the State of New Jersey’s Technical Accounting Directive 85-2. However, land and improvements are recorded at its assessed value which is a departure from the aforementioned directive.

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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting (Cont'd)

Departures from Generally Accepted Accounting Principles – The accounting principles and practices followed by the Township of Upper Deerfield differ in some respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

Taxes and other receivables are fully reserved.

Interfund receivables in the Current Fund are fully reserved and recognized as revenue in the year of liquidation.

Unexpended and uncommitted appropriations are reflected as expenditures.

Overexpended appropriations and emergency appropriations are deferred to the succeeding year's operations.

No provision is made for accumulated vested vacation and sick leave.

Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.

Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Depreciation expense is not calculated on fixed assets.

Encumbrances are reported as a liability in the financial statement.

It was not practicable to determine the effect of such differences.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township of Upper Deerfield has defined cash and cash equivalents to consist primarily of petty cash, change funds, cash on deposit, certificates of deposit, money market accounts, and short term investments with original maturities of three months or less.

Investments are stated at cost or amortized cost, which approximates market.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits

New Jersey statutes require that municipalities deposit public funds in contracted depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds, under the Governmental Unit Deposit Protection Act (G.U.D.P.A.) N.J.S.A. 17:9-41, that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Although the pledged securities are not in the name of the municipality, the deposits are deemed collateralized under New Jersey law, and certificates to eligibility are issued every six months by the public depository under the provisions of G.U.D.P.A.

The carrying amount of the Township's cash and cash equivalents at December 31, 2003, was \$5,443,539.66 and the bank balance was \$5,617,569.43. Of the bank balance, \$117,112.37 was covered by federal depository insurance (including public and custodial funds) and \$5,500,457.06 was covered by a collateral pool maintained by the bank as required by New Jersey statutes.

Category 1 are deposits insured, registered or collateralized with securities held by the Township, or its agent, in the Township's name.

Category 2 are deposits uninsured, unregistered or collateralized with securities held by the pledging public depository or by its trust department, or by its agent, in the Township's name.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits (Cont'd)

Category 3 are deposits uninsured, unregistered or uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository or by its trust department, or its agent but not in the Township's name. Investments in the New Jersey Cash Management Fund are included in this category.

	Categories		
	1	2	3
Current Fund	3,935,782.72		
Trust Funds	80,829.36		
General Capital Fund	149,796.60		
Utility Operating Fund	962,407.38		
Utility Capital Fund	437,759.86		
Public Assistance Fund	9,869.11		
Payroll Account	41,124.40		
	5,617,569.43		

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than 397 days from the date of purchase.
- c. Bonds or other obligations of the Township or bonds or other obligations of the Township school district.
- d. 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.
- e. Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- f. Repurchase agreements (repos) of fully collateralized securities, subject to conditions, as indicated in NJSA 40A:5-15.1(a).
- g. Certificates of deposit at federally insured banks.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investments (Cont'd)

During the period ended December 31, 2003, the Township held investments in Bond Anticipation Notes and Certificates of Deposit. The carrying amount of the Township's investments was \$3,147,528.35 and the bank balance was \$2,832,528.35. Of the bank balance, \$100,000.00 was covered by Federal depository insurance (including public and custodial funds) and \$2,732,528.35 was covered by a collateral pool maintained by the bank as required by New Jersey statutes.

Category 1 are deposits insured, registered or collateralized with securities held by the Township, or its agent, in the Township's name.

Category 2 are deposits uninsured, unregistered or collateralized with securities held by the pledging public depository or by its trust department, or by its agent, in the Township's name.

Category 3 are deposits uninsured, unregistered or uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository or by its trust department, or its agent but not in the Township's name. Investments in the New Jersey Cash Management Fund are included in this category.

	Categories		
	1	2	3
Current Fund	1,532,528.35		
General Capital Fund	500,000.00		
Utility Operating Fund	800,000.00		
	2,832,528.35		

NOTE 3: FUND BALANCES APPROPRIATED

Of the \$4,868,709.22 Current Fund balance at December 31, 2003, \$921,807.15 was appropriated and included as anticipated revenue in the adopted budget for the year ending December 31, 2004.

Of the \$1,691,599.43 Water Operating Fund balance at December 31, 2003, \$215,858.31 was appropriated and included as anticipated revenue in the adopted budget for the year ending December 31, 2004.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2003.

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Animal Control Trust Fund	9,192.35	
Tax Sale Premium Fund	16.27	
Public Assistance	20.35	
Payroll Account	49.85	
Escrow Trust Fund	371.46	
Utility Operating Fund	23,646.71	
Federal and State Grant Fund		39,115.66
Public Defender Trust Fund		369.70
General Capital Fund		128.88
Accumulated Absence Trust Fund		100.00
Federal and State Grant		
Current Fund	39,115.66	
Animal Control Trust Fund		
Current Fund		9,192.35
Escrow Trust Fund		
Current Fund		371.46
Tax Sale Premium Fund		
Current Fund		16.27
Public Defender Trust Fund		
Current Fund	369.70	
Accumulated Absence Trust Fund		
Current Fund	100.00	
General Capital Fund		
Current Fund	128.88	
Utility Operating Fund		
Utility Capital Fund		5,885.45
Current Fund		23,646.71
Utility Capital Fund		
Utility Operating Fund	5,885.45	
Public Assistance Fund		
Current Fund		20.35
Payroll Account		
Current Fund		49.85
	<u>78,896.68</u>	<u>78,896.68</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2003.

	Balance <u>Dec. 31, 2002</u>	Additions	Balance <u>Dec. 31, 2003</u>
Land	287,578.00		287,578.00
Building	1,247,937.19		1,247,937.19
Improvements	414,486.00		414,486.00
Equipment	2,265,316.67	343,831.23	2,609,147.90
	<u>4,215,317.86</u>	<u>343,831.23</u>	<u>4,559,149.09</u>

NOTE 6: LONG-TERM DEBT

Summary of Municipal Debt Service

During the calendar year 2003, the following changes occurred in the municipal debt of the Township.

	Balance <u>Dec. 31, 2002</u>	Issued/ <u>Authorized</u>	Retired/ <u>Reduction</u>	Balance <u>Dec. 31, 2003</u>
<u>ISSUED:</u>				
General:				
Loan	188,419.72		50,553.62	137,866.10
Water & Sewer Utility:				
Loan	2,154,793.13		32,143.91	2,122,649.22
Notes	1,226,900.00		20,000.00	1,206,900.00
Net Debt Issued	<u>3,570,112.85</u>		<u>102,697.53</u>	<u>3,467,415.32</u>
<u>AUTHORIZED BUT NOT ISSUED:</u>				
General:				
Bonds & Notes	104,611.71			104,611.71
Authorized but not Issued	<u>104,611.71</u>			<u>104,611.71</u>
Total Debt Issued and Authorized but Not Issued	<u>3,674,724.56</u>		<u>102,697.53</u>	<u>3,572,027.03</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 6: LONG-TERM DEBT (CONT'D)

Summary of Municipal Debt Service (Cont'd)

Permanently funded debt as of December 31, 2003, consists of a Water Conservation Fund Loan and a Farmers Home Administration Loan as follows:

	<u>Date of Issue</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Amount</u>
Construction of a Water Supply System	3/2/1988	2004-2006	5.00%	137,866.10
Various Sewer & Water System Capital Improvements	5/10/1994	2004-2034	4.50%	2,122,649.22
				<u>2,260,515.32</u>

Temporary unfunded debt as of December 31, 2003, consists of one year maturity or less of bond anticipation notes as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Water & Sewer Utility Capital Fund:		
Various Water & Sewer System Capital Improvements	0.00%	40,000.00
Various Water & Sewer System Capital Improvements	0.00%	275,000.00
Various Water & Sewer System Capital Improvements	1.14%	96,900.00
Various Water & Sewer System Capital Improvements	1.14%	390,000.00
Various Water System Capital Improvements	1.14%	405,000.00
		<u>1,206,900.00</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 6: LONG-TERM DEBT (CONT'D)

Summary of Municipal Debt Service (Cont'd)

As of December 31, 2003, debt service requirements on long-term debt in future years are:

Year Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Conservation Loan			
2004	53,112.90	6,237.59	59,350.49
2005	55,801.74	3,548.75	59,350.49
2006	28,951.46	723.79	29,675.25
	<u>137,866.10</u>	<u>10,510.13</u>	<u>148,376.23</u>
Farmers Home Administration Loan			
2004	33,606.65	95,145.35	128,752.00
2005	35,135.96	93,616.04	128,752.00
2006	36,734.87	92,017.13	128,752.00
2007	38,406.54	90,345.46	128,752.00
2008	40,154.27	88,597.73	128,752.00
2009-2013	229,901.28	413,858.72	643,760.00
2014-2018	287,193.48	356,566.52	643,760.00
2019-2023	358,763.06	284,996.94	643,760.00
2024-2028	448,168.06	195,591.94	643,760.00
2029-2033	559,853.07	83,906.93	643,760.00
2034	54,731.98	1,231.44	55,963.42
	<u>2,122,649.22</u>	<u>1,795,874.20</u>	<u>3,918,523.42</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 6: LONG-TERM DEBT (CONT'D)

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 .06%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School Debt	3,524,698.96	3,524,698.96	
Local School Debt	7,690,117.87	7,690,117.87	
Utility Debt	3,329,549.22	3,329,549.22	
General Debt	242,477.81		242,477.81
	<u>14,786,843.86</u>	<u>14,544,366.05</u>	<u>242,477.81</u>

Net Debt \$242,477.81/Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
 \$376,568,474.67 = .06%

Borrowing Power under N.J.S.A. 40:A2-6 as Amended

3 1/2% of Equalized Valuation Basis (Municipal)	13,179,896.61
Net Debt	<u>242,477.81</u>
Remaining Borrowing Power	<u>12,937,418.80</u>

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

Cash Receipts from fees, rents, or other charges	878,407.36
Deductions:	
Operating and Maintenance Costs	479,940.92
Debt Service	<u>161,060.22</u>
	641,001.14
Excess in Revenue	<u>237,406.22</u>

NOTE 7: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2003, there were no deferred charges shown on the balance sheets of the various funds.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 8: PENSION FUNDS

Description of Plan – All required employees of the Township are covered by the Public Employees’ Retirement System which has been established by state statute and is administered by the New Jersey Department of Pension and Benefits. 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 retirement system. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employees’ Retirement System (PERS) – The Public Employees’ Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide 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 of New Jersey or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system. Members are eligible for retirement at age 60 with an annual benefit generally determined to be the number of years of service divided by 55, times the final average salary. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years’ compensation if other than the final three years). Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The system provides for employee contributions of 3% of employees’ annual base salary. Funding by the State and the Township are determined by the annual actuarial valuation. The State’s annual contribution approximates the actuarially determined pension cost for the year. Significant actuarial assumptions used to compute the pension contribution requirements are the same as those used to determine the pension benefit obligation.

Trend Information

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total Payroll	833,797.84	805,309.42	768,233.10
PERS Covered Payroll	728,975.00	707,278.00	688,634.00
Employer Required Contribution	None	None	None
Percentage of PERS Covered Payroll	0.00%	0.00%	0.00%

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 9: ACCUMULATED ABSENCE BENEFITS

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

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

The total value of compensated absences owed to employees as of December 31, 2003 was \$55,751.98. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2003 the fund had a reserve balance of \$100.

NOTE 10: 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 11: 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.

NOTE 12: LITIGATION

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

SUPPLEMENTARY DATA

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

	Year 2003		Year 2002	
	Amount	%	Amount	%
<u>Revenue & Other Income Realized</u>				
Fund Balance Utilized	730,935.37	5.29%	762,022.59	5.83%
Miscellaneous - From Other Than Local Property Tax Levies	2,766,430.19	20.01%	2,596,923.35	19.85%
Collection of Delinquent Taxes and Tax Title Liens	257,688.98	1.86%	271,998.33	2.08%
Collection of Current Tax Levy	10,070,038.19	72.84%	9,154,082.02	69.98%
Interfund Loans Returned	343.22		295,990.90	2.26%
Total Income	<u>13,825,435.95</u>	<u>100.00%</u>	<u>13,081,017.19</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Appropriations:				
Municipal Purposes	2,701,594.16	20.63%	2,445,949.30	20.78%
County Taxes	3,854,621.23	29.43%	3,574,521.29	30.37%
Local and Regional School Taxes	6,531,537.06	49.87%	5,740,494.55	48.78%
Other Expenditures	9,742.84	0.07%	7,788.80	0.07%
Total Expenditures	<u>13,097,495.29</u>	<u>100.00%</u>	<u>11,768,753.94</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	727,940.66		1,312,263.25	
Fund Balance January 1	4,871,703.93		4,321,463.27	
	<u>5,599,644.59</u>		<u>5,633,726.52</u>	
Decreased by:				
Utilization as Anticipated Revenue	730,935.37		762,022.59	
Fund Balance December 31	<u>4,868,709.22</u>		<u>4,871,703.93</u>	

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

	Year 2003		Year 2002	
	Amount	%	Amount	%
<u>Revenue & Other Income Realized</u>				
Fund Balance Utilized	74,766.73	8.50%	33,741.10	3.28%
Miscellaneous - From Other Than Water & Sewer Rents	73,015.61	8.30%	101,900.05	9.92%
Collection of Water and Sewer Rents	731,601.97	83.20%	891,528.05	86.80%
Total Income	<u>879,384.31</u>	<u>100.00%</u>	<u>1,027,169.20</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Appropriations:				
Operating	512,890.33	72.05%	574,570.55	77.05%
Capital Improvements	30,000.00	4.21%	15,000.00	2.01%
Debt Service	161,060.22	22.62%	148,752.00	19.95%
Deferred Charges and Statutory Expenditures	7,964.40	1.12%	7,350.41	0.99%
Total Expenditures	<u>711,914.95</u>	<u>100.00%</u>	<u>745,672.96</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	167,469.36		281,496.24	
Fund Balance January 1	1,598,896.80		1,351,141.66	
	<u>1,766,366.16</u>		<u>1,632,637.90</u>	
Decreased by:				
Utilization as Anticipated Revenue	74,766.73		33,741.10	
Fund Balance December 31	<u>1,691,599.43</u>		<u>1,598,896.80</u>	

COMPARATIVE STATEMENT OF TAX RATE INFORMATION

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Tax Rate</u>	2.696	2.435	2.226
 <u>Apportionment of Tax Rate</u>			
County	0.941	0.873	0.863
Local Health Service	0.044	0.041	0.041
County Open Space			
Preservation	0.011	0.010	0.010
Local School	1.127	0.964	0.878
Regional High School	0.573	0.547	0.502
Local Purpose - REAP			(0.068)
 <u>Assessed Valuation</u>			
2003	384,445,670		
2002		380,351,093	
2001			376,848,238

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2003	10,462,103.17	10,070,038.19	96.25%
2002	9,423,214.60	9,154,082.02	97.14%
2001	8,691,355.86	8,414,046.67	96.81%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Amount of Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2003	37,487.16	386,714.86	424,202.02	4.05%
2002	32,817.93	246,254.86	279,072.79	2.96%
2001	23,386.63	266,808.16	290,194.79	3.34%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2003	124,900.00
2002	124,900.00
2001	180,500.00

COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2003	149,922.99	147,208.59
2002	125,973.08	133,056.84
2001	101,752.23	95,876.16

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2003	598,327.41	584,393.38
2002	738,883.87	758,338.98
2001	611,644.72	598,135.66

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2003	4,868,709.22	921,807.15
	2002	4,871,703.93	730,935.37
	2001	4,321,463.27	762,022.59
	2000	3,982,328.12	702,785.37
	1999	3,415,613.82	652,445.35
Water and Sewer Operating Fund	2003	1,691,599.43	215,858.31
	2002	1,598,896.80	74,766.73
	2001	1,351,141.66	33,741.10
	2000	1,247,841.43	87,152.00
	1999	1,016,575.19	40,075.74

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
C. Kenneth Hill	Chairman	
Ralph A. Cocove, Sr.	Vice Chairman	
James P. Crilley	Committeeman	
George E. Joyce, Jr.	Committeeman	
Douglas M. Rainear	Committeeman	
Theodore E. Baker, Esq.	Solicitor	
Alvin C. Herman	Engineer	
Louis C. Joyce, IV	Township Administrator (to 7/3)	
Ruth Moynihan	Chief Financial Officer, Treasurer	162,000
William F. Sray	Township Clerk	
Sherri Ball	Tax Collector, Tax Search Officer & Utility Collector (to 2/14)	251,000
Andrea Penney	Tax Collector, Tax Search Officer & Utility Collector (from 4/7)	251,000
Lucy Sparacio	Court Administrator (A)	50,000
A. Paul Kienzle, Jr., Esq.	Magistrate (A)	50,000

All of the bonds were examined and were properly executed.

Bonds were written with the Traveler's Casualty and Surety Company and the Western Surety Company.

(A) A blanket fidelity bond covers municipal court personnel.

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>		
Balance December 31, 2002	A		5,029,904.90
Increased by Receipts:			
Transfer from Tax Collector	A-6	10,291,081.43	
Grants Receivable	A-8	386,812.53	
Revenue Accounts Receivable	A-12	2,299,627.89	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-15	162,363.58	
Reserve for Grants - Unappropriated	A-19	11,841.93	
Due from Utility Operating Fund		17,305.72	
Due from Public Assistance Fund		16.02	
Reserve for Sanitary Landfill		374.35	
Due from Payroll Account		324.15	
		<hr/>	
			13,169,747.60
			<hr/>
			18,199,652.50
Decreased by Disbursements:			
2003 Budget Appropriations	A-3	2,282,365.85	
2002 Appropriation Reserves	A-13	53,601.96	
Encumbrances Payable	A-14	73,504.43	
Reserve for Grants - Appropriated	A-18	371,203.93	
Tax Overpayments Refunded		11,338.16	
County Taxes		3,819,203.35	
Due County for Added and Omitted Taxes		63,969.60	
Local District School Tax	A-16	4,331,402.00	
Regional High School Tax	A-17	2,157,647.61	
		<hr/>	
			13,164,236.89
			<hr/>
Balance December 31, 2003	A		<u><u>5,035,415.61</u></u>

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

Balance December 31, 2003	<u>Ref.</u> A-4	5,035,415.61
Increased by Receipts:		
Cash Receipts Record		3,207,381.09
		<hr/> 8,242,796.70
Decreased by Disbursements:		
Cash Disbursements Record		4,128,469.75
Balance April 30, 2004	A-5	<hr/> <hr/> 4,114,326.95
<u>Cash Reconciliation - April 30, 2004</u>		
Balance per Statement		
Fleet Bank		2,588,903.51
Hudson United Bank		866.87
Colonial Bank		1,532,609.44
		<hr/> 4,122,379.82
Less: Outstanding Checks		8,052.87
Balance April 30, 2004	A-5	<hr/> <hr/> 4,114,326.95

SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>		
Balance December 31, 2002	A		325,574.90
Increased by Receipts:			
Taxes Receivable	A-9	10,003,314.33	
Tax Title Liens	A-10	2,584.75	
Revenue Accounts Receivable	A-12	191,764.44	
Prepaid Taxes		118,017.04	
Tax Overpayments		11,848.36	
		<hr/>	10,327,528.92
			<hr/>
			10,653,103.82
Decreased by Disbursements:			
Paid to Treasurer	A-4	10,291,081.43	
Transfer to Utility Operating Fund	D-6	23,646.71	
		<hr/>	10,314,728.14
			<hr/>
Balance December 31, 2003	A		<u><u>338,375.68</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2003	A-6	338,375.68
Increased by Receipts:		
Cash Receipts Record		3,846,177.21
		<hr/> 4,184,552.89
Decreased by Disbursements:		
Cash Disbursements Record		3,012,927.42
		<hr/> 1,171,625.47
Balance April 30, 2004	A-7	<hr/> <hr/> 1,171,625.47
		<u>Cash Reconciliation - April 30, 2004</u>
Balance per Statement		
Fleet Bank		1,155,249.26
Add: Deposit in Transit		16,376.21
		<hr/> 1,171,625.47
Balance April 30, 2004	A-7	<hr/> <hr/> 1,171,625.47

SCHEDULE OF GRANTS RECEIVABLE

<u>Grant</u>	Balance	2003 Budget		Balance
	Dec. 31, 2002	Revenue Realized	Received	Dec. 31, 2003
Federal:				
Small Cities Community Development Block Grant	313,892.16		213,838.25	100,053.91
Older Americans Title IIIB	524.50	4,500.00	4,334.41	690.09
Older Americans Title IIIF	1,260.69			1,260.69
State:				
NJ Transportation Trust Fund Authority Act	39,616.00	140,000.00	92,499.34	87,116.66
Alliance for Substance Abuse Prevention Program	19,217.75	37,700.00	37,690.75	19,227.00
Handicapped Persons Recreational Opportunity Act	5,500.00	5,400.00	6,783.00	4,117.00
Clean Communities Program		11,666.78	11,666.78	
Green Communities Program	2,000.00			2,000.00
Statewide Liveable Communities Grant		20,000.00	20,000.00	
	<u>382,011.10</u>	<u>219,266.78</u>	<u>386,812.53</u>	<u>214,465.35</u>
Ref.	A	A-2	A-4	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2003 Levy	Added Taxes	Collected		Canceled	Overpayments Applied	Transferred to Tax Title Liens	Balance
	Dec. 31, 2002			2002	2003				Dec. 31, 2003
1999	482.07				480.92			1.15	
2000	1,005.14		828.42		1,831.34			2.22	
2001	1,894.62		3,505.25		5,388.46			2.29	9.12
2002	242,873.03		7,590.26		247,403.51	1,250.00		248.38	1,561.40
	<u>246,254.86</u>		<u>11,923.93</u>		<u>255,104.23</u>	<u>1,250.00</u>		<u>254.04</u>	<u>1,570.52</u>
2003		10,462,103.17		158,597.46	9,910,904.41		536.32	6,920.64	385,144.34
	<u>246,254.86</u>	<u>10,462,103.17</u>	<u>11,923.93</u>	<u>158,597.46</u>	<u>10,166,008.64</u>	<u>1,250.00</u>	<u>536.32</u>	<u>7,174.68</u>	<u>386,714.86</u>
Ref.	A							A-10	A

	<u>Ref.</u>	
Cash	A-6	10,003,314.33
Due State of New Jersey	A-15	162,694.31
		<u>10,166,008.64</u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVYAnalysis of Property Tax LevyTax Yield

General Purpose Tax:			
Business Personalty Tax		50,511.45	
General Property Tax		10,324,853.11	
		<hr/>	
			10,375,364.56
Added Taxes (54:4-63.1 et seq.)			86,738.61
			<hr/>
			<u>10,462,103.17</u>

	<u>Ref.</u>		
<u>Tax Levied</u>			
Local District School Tax (Abstract)	A-16		4,331,402.00
Regional High School Tax (Abstract)	A-17		2,200,135.06
County Taxes:			
County Tax (Abstract)		3,613,908.85	
Local Health Services Tax (Abstract)		165,840.61	
County Open Space Preservation			
Trust Fund Tax (Abstract)		39,453.89	
Due County for Added & Omitted Taxes		35,417.88	
		<hr/>	
Total County Taxes			3,854,621.23
Local Tax for Municipal Purposes		0.00	
Add: Additional Taxes Levied		75,944.88	
		<hr/>	
			75,944.88
			<hr/>
			<u>10,462,103.17</u>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>		
Balance December 31, 2002	A		32,817.93
Increased by:			
Transfers from Taxes Receivable	A-9	7,174.68	
Interest and Costs Accrued by Sale of October 24, 2003		<u>79.30</u>	
			<u>7,253.98</u>
			40,071.91
Decreased by:			
Collections	A-6		<u>2,584.75</u>
Balance December 31, 2003	A		<u><u>37,487.16</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance December 31, 2002	A	<u>124,900.00</u>
Balance December 31, 2003	A	<u><u>124,900.00</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance	Accrued	Collected by		Balance
	Dec. 31, 2002	in 2003	Treasurer	Collector	Dec. 31, 2003
<u>Miscellaneous Revenue Anticipated</u>					
Fines and Costs:					
Municipal Court	7,754.28	134,473.46	129,915.83		12,311.91
Legislative Initiative Municipal Block Grant		30,310.00	30,310.00		
Consolidated Municipal Property Tax Relief		384,544.00	384,544.00		
Energy Receipts Tax		1,402,699.56	1,402,699.56		
Uniform Construction Code Fees	9,940.22	117,308.06	122,709.00		4,539.28
Uniform Fire Safety Act		18,788.11	18,788.11		
<u>Miscellaneous Revenue Not Anticipated</u>					
Interest on Investments	49.91	95,682.14	90,292.69	5,391.73	47.63
Tax Searches		354.00		354.00	
Interest & Costs on Taxes		64,008.50		64,008.50	
Licenses		125.00	125.00		
Fees & Permits	1,358.00	48,990.38	48,302.38		2,046.00
Refunds		46,903.60	46,903.60		
Payments in Lieu of Taxes		117,076.58		117,076.58	
Cable Franchise		16,204.15	16,204.15		
Miscellaneous		13,767.20	8,833.57	4,933.63	
	<u>19,102.41</u>	<u>2,491,234.74</u>	<u>2,299,627.89</u>	<u>191,764.44</u>	<u>18,944.82</u>
Ref.	A		A-4	A-6	A

SCHEDULE OF 2002 APPROPRIATION RESERVES

	Balance Dec. 31, 2002	Balance After Transfers	Paid or Charged	Balance Lapsed
Other Expenses				
General Administration	401.34	1,691.34	1,130.63	560.71
Mayor and Township Clerk	55.42	180.42	176.81	3.61
Financial Administration	1,220.78	1,220.78	1,218.34	2.44
Audit Services	14,050.00	14,050.00	14,050.00	
Tax Assessment	1.51	301.51	301.00	0.51
Planning Board	247.38	257.38	252.48	4.90
Zoning Board	52.30	52.30	50.72	1.58
Zoning Officer	19.36	19.36	19.36	
Aid to Volunteer Fire Companies	2,884.31	2,884.31	561.63	2,322.68
First Aid Organization - Contribution	6,113.78	6,113.78	916.61	5,197.17
Prosecutor	5,650.00	5,650.00	3,350.00	2,300.00
Streets and Roads	1,670.51	2,195.51	1,815.40	380.11
Solid Waste Convenience Center	10,321.78	8,071.78	3,431.20	4,640.58
Buildings and Grounds	3,268.54	3,268.54	653.42	2,615.12
Community Pride and Relations Committee	429.39	429.39	65.94	363.45
Maintenance of Parks	6,928.11	6,928.11	1,807.35	5,120.76
Electricity	8,449.27	8,449.27	3,145.43	5,303.84
Street Lighting	11,404.77	11,404.77	8,433.20	2,971.57
Telephone and Telegraph	2,093.86	2,093.86	923.89	1,169.97
Water	423.56	423.56	161.68	261.88
Natural Gas	1,366.70	1,366.70	1,366.70	
Fuel Oil	1,273.95	1,273.95	474.94	799.01
Landfill Disposal Costs	20,328.33	20,328.33	9,439.63	10,888.70
Municipal Court	400.60	400.60	400.60	
Other Accounts - No Change	9,496.96	9,496.96		9,496.96
	<u>108,552.51</u>	<u>108,552.51</u>	<u>54,146.96</u>	<u>54,405.55</u>
Ref.	A			A-1
		<u>Ref.</u>		
	Disbursed	A-4	53,601.96	
	Encumbered	A-14	545.00	
			<u>54,146.96</u>	

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal & State Grant Fund</u>
Balance December 31, 2002	A	73,730.83	5,067.90
Increased by:			
Charges to 2003 Appropriations	A-3	99,959.29	
Charges to 2002 Appropriation Reserves	A-13	545.00	
		<u>174,235.12</u>	<u>5,067.90</u>
Decreased by:			
Payments	A-4	68,436.53	5,067.90
Canceled	A-1	1,365.53	
		<u>69,802.06</u>	<u>5,067.90</u>
Balance December 31, 2003	A	<u>104,433.06</u>	

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

	<u>Ref.</u>	
Balance December 31, 2002	A	29,679.85
Increased by:		
Receipts	A-4	162,363.58
		192,043.43
Decreased by:		
2003 Deductions Per Tax Duplicate		158,000.00
2003 Deductions Allowed by Collector		6,500.00
2003 Deductions Disallowed by Collector		(1,805.69)
		162,694.31
Prior Year Deductions Disallowed	A-1	(3,272.97)
		159,421.34
Balance December 31, 2003	A	32,622.09

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
2003 Calendar Year School Levy	A-9	4,331,402.00
Decreased by:		
Payments	A-4	4,331,402.00
		<hr/>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance December 31, 2002	<u>A</u>	0.03
Increased by:		
2003 Calendar Year School Levy	A-9	2,200,135.06
		<hr/>
		2,200,135.09
Decreased by:		
Payments	A-4	2,157,647.61
		<hr/>
Balance December 31, 2003	A	42,487.48
		<hr/> <hr/>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2002	Transferred from 2003 Budget Appropriation	Paid or Charged	Balance Dec. 31, 2003
Federal Grants:				
Small Cities Community Development Block Grant	300,044.73		161,437.89	138,606.84
Older Americans Title IIIB	461.84	3,200.00	3,200.00	461.84
Older Americans Title IIIF	892.32	1,600.00	1,599.35	892.97
State Grants:				
NJ Transportation Trust Fund	40,066.97	140,000.00	111,189.45	68,877.52
Alliance for Substance Abuse Prevention Program		37,700.00	37,700.00	
Clean Communities Program		11,666.78	11,666.78	
Handicapped Persons Recreational Opportunity Act	8,653.86	6,580.00	7,015.46	8,218.40
Special Legislative Grant	18,000.00		17,395.00	605.00
Recycling Tonnage Grant	24,076.51			24,076.51
Statewide Liveable Communities Grant		20,000.00	20,000.00	
	<u>392,196.23</u>	<u>220,746.78</u>	<u>371,203.93</u>	<u>241,739.08</u>
Ref.	A	A-3	A-4	A

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Received	Balance Dec. 31, 2003
Recycling Tonnage Grant	11,841.93	11,841.93
Ref.	A-4	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

	Ref.	Animal Control Trust Fund		Escrow Trust Fund	Municipal Alliance Trust Fund	Public Defender Trust Fund
		Registrar	Treasurer			
Balance December 31, 2002	B		28,979.63	33,217.41	13,465.05	4,537.60
Increased by Receipts:						
Dog License Fees:						
Municipal Share	B-5	8,856.40				
State Share		2,061.60				
Interest Earned		9.35	334.38	301.54	95.60	63.07
Transfer from Registrar	B-1		8,872.95			
Escrow Deposits				11,236.00		
Program Income					6,170.38	
Public Defender Fees						3,812.10
		<u>10,927.35</u>	<u>9,207.33</u>	<u>11,537.54</u>	<u>6,265.98</u>	<u>3,875.17</u>
		10,927.35	38,186.96	44,754.95	19,731.03	8,412.77
Decreased by Disbursements:						
Paid to State of New Jersey		2,054.40				
Transfer to Treasurer	B-1	8,872.95				
Transfer to Current Fund			10,417.51	276.53		60.02
Escrow Charges				10,970.00		
Municipal Alliance Expenses					17,673.34	
Public Defender Expenses						4,927.23
		<u>10,927.35</u>		<u>11,246.53</u>	<u>17,673.34</u>	<u>4,987.25</u>
Balance December 31, 2003	B		<u>27,769.45</u>	<u>33,508.42</u>	<u>2,057.69</u>	<u>3,425.52</u>

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

	<u>Ref.</u>	<u>Animal Control Trust Fund</u>		<u>Escrow Trust Fund</u>	<u>Municipal Alliance Trust Fund</u>	<u>Public Defender Trust Fund</u>
		<u>Registrar</u>	<u>Treasurer</u>			
Balance December 31, 2003	B-1		27,769.45	33,508.42	2,057.69	3,425.52
Increased by Receipts:						
Cash Receipts Record		9,307.03	5,270.86	10,805.94	332.88	1,779.07
		9,307.03	33,040.31	44,314.36	2,390.57	5,204.59
Decreased by Disbursements:						
Cash Disbursements Record		6,506.62	73.04	1,455.96	1,505.20	
Balance April 30, 2004	B-2	2,800.41	32,967.27	42,858.40	885.37	5,204.59

Cash Reconciliation - April 30, 2004

Balance per Statement						
Colonial Bank			32,967.27			
Fleet Bank		2,800.41		34,200.98	907.45	5,204.59
Hudson United Bank				8,657.42		
		2,800.41	32,967.27	42,858.40	907.45	5,204.59
Less: Outstanding Checks					22.08	
Balance April 30, 2004	B-2	2,800.41	32,967.27	42,858.40	885.37	5,204.59

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2002	<u>Ref.</u> B		65,063.66
Increased by:			
Deposits for Redemption of Tax Sale Certificates		768,294.49	
Interest Earned		830.33	
		<hr/>	769,124.82
			<hr/>
			834,188.48
Decreased by:			
Refunds Upon Redemption		819,724.56	
Due Current Fund		877.72	
		<hr/>	820,602.28
			<hr/>
Balance December 31, 2003	B		<hr/> <hr/> 13,586.20

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

	<u>Ref.</u>	
Balance December 31, 2003	B-3	13,586.20
Increased by:		
Cash Receipts Record		138,441.32
		152,027.52
Decreased by:		
Cash Disbursements Record		151,963.64
		63.88
Balance April 30, 2004	B-4	63.88

Cash Reconciliation - April 30, 2004

Balance per Statement		
Fleet Bank	B-4	63.88
		63.88

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2002	<u>Ref.</u> B	18,896.50
Increased by:		
Municipal Share of Dog License Fees	B-1	8,856.40
		<hr/>
		27,752.90
Decreased by:		
Statutory Excess Due Current Fund		9,183.00
		<hr/>
Balance December 31, 2003	B	<hr/> <hr/> 18,569.90

License Fees Collected

<u>Year</u>	<u>Amount</u>
2001	9,334.70
2002	9,235.20
	<hr/>
	18,569.90
	<hr/> <hr/>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

	<u>Ref.</u>		
Balance December 31, 2002	C		1,099,929.06
Increased by:			
Interest Earned		5,008.94	
Budget Appropriation:			
Reserve for Expansion of Facilities for Township Parks		10,000.00	
Due from Utility Operating Fund	C-3	20,000.00	
		<hr/>	35,008.94
			<hr/> 1,134,938.00
Decreased by:			
Encumbrances Payable	C-8	324,947.00	
Improvement Authorizations	C-7	171,304.23	
Reserve for Landfill Closure		17,237.00	
Due Current Fund		5,162.40	
		<hr/>	518,650.63
Balance December 31, 2003	C		<hr/> <hr/> 616,287.37

EXHIBIT C-2

SCHEDULE OF GENERAL CAPITAL CASH AND RECONCILIATION

PER N.J.S.A. 40A:5-5 -- TREASURER

	<u>Ref.</u>	
Balance December 31, 2003	C-1	616,287.37
Increased by:		
Cash Receipts Record		431.14
		<hr/>
		616,718.51
Decreased by:		
Cash Disbursements Record		35,502.37
		<hr/>
Balance April 30, 2004	C-2	<u>581,216.14</u>

Cash Reconciliation - April 30, 2004

Balance per Statement		
Fleet Bank		81,241.14
Colonial Bank		500,000.00
		<hr/>
		581,241.14
Less: Outstanding Transfer		25.00
		<hr/>
Balance April 30, 2004	C-2	<u>581,216.14</u>

EXHIBIT C-3

SCHEDULE OF INVESTMENTS - BOND ANTICIPATION NOTES

UTILITY CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2002	C	335,000.00
Decreased by:		
Due from Utility Operating Fund	C-1	20,000.00
		<hr/>
Balance December 31, 2003	C	<u>315,000.00</u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2002	Receipts		Disbursements			Balance Dec. 31, 2003
		Budget Appropriation	Miscellaneous	Improvement Authorization	Miscellaneous	Transfers	
Capital Improvement Fund	158,642.98					(100,000.00)	58,642.98
Reserve for Sanitary Landfill Closure	518,727.50				17,237.00		501,490.50
Reserve for Improvements to Sewerage Collection System	6,323.13						6,323.13
Reserve for Street Overlay Program	148,208.85						148,208.85
Reserve for Improvements to Municipal Building	40,038.11					(40,000.00)	38.11
Reserve for Expansion of Facilities for Township Parks	35,815.94	10,000.00					45,815.94
Reserve for Purchase of Emergency Vehicles	50,000.00						50,000.00
Reserve for Purchase of Vehicles	53.00						53.00
Reserve for Improvements to Convenience Center	3,125.00						3,125.00
Reserve for Construction of a Senior Center	5,381.50						5,381.50
Due Current Fund	24.58		5,008.94		5,162.40		(128.88)
Improvement Authorizations:							
<u>Ordinance #</u>							
363 Construction of a Sanitary Sewer System and Water Supply System	45,028.25						45,028.25
446 Refurbishment of a 1979 Fire Pumper	1,293.00						1,293.00
478 Purchase of Maintenance Equipment	3,664.23			3,664.23			
497 Purchase of Maintenance Equipment	9,570.00			9,570.00			
503 Purchase of Maintenance Vehicle	5,650.00			5,650.00			
509 Purchase of an Emergency Vehicle	42.65						42.65
531 Reconstruction of Bostwick Lake Dam	70,000.00			50,000.00			20,000.00
536 Municipal Building Cupola Restoration				102,420.00		102,420.00	
Encumbrances Payable	333,340.34				324,947.00	37,580.00	45,973.34
	<u>1,434,929.06</u>	<u>10,000.00</u>	<u>5,008.94</u>	<u>171,304.23</u>	<u>347,346.40</u>		<u>931,287.37</u>
Ref.	C	C-1	C-1	C-1:C-7	C-1		C

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - UNFUNDED

<u>Ordinance #</u>	<u>Purpose</u>	<u>Balance Dec. 31, 2002</u>	<u>Balance Dec. 31, 2003</u>	<u>Analysis of Balance Dec. 31, 2003 Unexpended Improvement Authorizations</u>
259,266	Construction of Water Supply System	104,611.71	104,611.71	104,611.71
	Ref.	C	C	C-7

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2002	C	158,642.98
Decreased by:		
Amount Appropriated to Finance Improvement Authorization	C-7	100,000.00
Balance December 31, 2003	C	<u>58,642.98</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Purpose	Ordinance		Balance Dec. 31, 2002		2003 Authorizations		Balance Dec. 31, 2003		
	Number	Amount	Funded	Unfunded	Capital Improvement Fund	Reserve for Improvements to Municipal Building	Paid or Charged	Funded	Unfunded
Construction of Water Supply System	259,266	838,000.00		104,611.71					104,611.71
Construction of a Sanitary Sewer System and a Water Supply System	363	45,028.25	45,028.25					45,028.25	
Refurbishment of a 1979 Fire Pumper Truck	446	35,000.00	1,293.00					1,293.00	
Purchase of Maintenance Equipment	478	15,000.00	3,664.23			3,664.23			
Purchase of Maintenance Equipment	497	80,000.00	9,570.00			9,570.00			
Purchase of Maintenance Vehicle	503	35,000.00	5,650.00			5,650.00			
Purchase of Emergency Vehicle	509	295,000.00	42.65					42.65	
Reconstruction of Bostwick Lake Dam	531	70,000.00	70,000.00			50,000.00		20,000.00	
Municipal Building Cupola Restoration	536	140,000.00			100,000.00	40,000.00	140,000.00		
			<u>135,248.13</u>	<u>104,611.71</u>	<u>100,000.00</u>	<u>40,000.00</u>	<u>208,884.23</u>	<u>66,363.90</u>	<u>104,611.71</u>
	Ref.	C	C	C	C-6			C	C
						<u>Ref.</u>			
					Cash	C-1	171,304.23		
					Encumbered	C-8	37,580.00		
							<u>208,884.23</u>		

EXHIBIT C-8

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2002	C	333,340.34
Increased by:		
Improvement Authorizations	C-7	37,580.00
		<hr/>
		370,920.34
Decreased by:		
Disbursed	C-1	324,947.00
		<hr/>
Balance December 31, 2003	C	<u><u>45,973.34</u></u>

EXHIBIT C-9

SCHEDULE OF LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2002	C	188,419.72
Decreased by:		
Payments		50,553.62
		<hr/>
Balance December 31, 2003	C	<u><u>137,866.10</u></u>

EXHIBIT C-10

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance</u>		<u>Balance</u>	<u>Balance</u>
<u>Number</u>	<u>Improvement Description</u>	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2003</u>
259,266	Construction of a Water Supply System	<u><u>104,611.71</u></u>	<u><u>104,611.71</u></u>

WATER & SEWER UTILITY FUND

SCHEDULE OF WATER & SEWER UTILITY CASH - TREASURER

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2002	D	1,597,437.03	657,647.72
Increased by:			
Transfer from Collector	D-6	774,092.94	
Interest on Investments	D-2	23,894.69	5,422.21
Lease	D-2	36,000.00	
Due from Utility Capital Fund	D-2	5,799.36	
Reserve for Water Tower Repairs			3.89
Reserve for Love Lane Tower Improvements			30,000.00
		<u>839,786.99</u>	<u>35,426.10</u>
		<u>2,437,224.02</u>	<u>693,073.82</u>
Decreased by:			
2003 Appropriations	D-3	666,692.78	
2002 Appropriation Reserves	D-11	4,308.36	
Encumbrances Payable	D-12	6,529.00	249,514.60
Overpayments Refunded		35.75	
Due Current Fund		17,305.72	
Due Utility Operating Fund	D-2		5,799.36
		<u>694,871.61</u>	<u>255,313.96</u>
Balance December 31, 2003	D	<u><u>1,742,352.41</u></u>	<u><u>437,759.86</u></u>

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

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2003	D-4	1,742,352.41	437,759.86
Increased by:			
Cash Receipts Record		266,195.34	1,506.82
		<u>2,008,547.75</u>	<u>439,266.68</u>
Decreased by:			
Cash Disbursements Record		202,356.01	1,470.33
Balance April 30, 2004	D-5	<u>1,806,191.74</u>	<u>437,796.35</u>
<u>Cash Reconciliation - April 30, 2004</u>			
Balance per Statement			
Fleet Bank		1,006,612.32	430,203.03
Colonial Bank		800,000.00	
Hudson United Bank			7,593.32
		<u>1,806,612.32</u>	<u>437,796.35</u>
Less: Outstanding Checks		420.58	
Balance April 30, 2004	D-5	<u>1,806,191.74</u>	<u>437,796.35</u>

SCHEDULE OF WATER & SEWER UTILITY CASH - COLLECTOR

	<u>Ref.</u>		
Balance December 31, 2002	D		38,034.86
Increased by Receipts:			
Consumer Accounts Receivable - Water	D-9	143,981.40	
Consumer Accounts Receivable - Sewer	D-9	574,069.52	
Rent Overpayments		403.26	
Sewer Connection Fees	D-2	3,290.93	
Tapping Fees	D-2	500.00	
Interest on Delinquent Accounts	D-2	2,312.12	
Interest on Investments	D-2	618.71	
Transfer from Current Fund	A-6	23,646.71	
		<hr/>	748,822.65
			<hr/>
			786,857.51
Decreased by Disbursements:			
Transfer to Treasurer	D-4		774,092.94
			<hr/>
Balance December 31, 2003	D		<u><u>12,764.57</u></u>

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

Balance December 31, 2003	<u>Ref.</u> D-6	12,764.57
Increased by:		
Cash Receipts Record		373,124.17
		<u>385,888.74</u>
Decreased by:		
Cash Disbursements Record		240,504.52
Balance April 30, 2004	D-7	<u>145,384.22</u>
	<u>Cash Reconciliation - April 30, 2004</u>	
Balance per Statement		
Fleet Bank	D-7	<u>145,384.22</u>

ANALYSIS OF WATER & SEWER UTILITY CAPITAL FUND CASH

	Balance Dec. 31, 2002	Receipts Miscellaneous	Disbursements Miscellaneous	Balance Dec. 31, 2003
Capital Improvement Fund	32,687.60			32,687.60
Due Utility Operating Fund	6,262.60	5,422.21	5,799.36	5,885.45
Reserve for Preliminary Expenses - Construction of a Water Tower	64,046.05			64,046.05
Reserve for Purchase of Land - Pumping Station	1,223.00			1,223.00
Reserve for Water Tower Repairs	7,587.10	3.89		7,590.99
Reserve for Centerton Road Water Main Project	65,940.54			65,940.54
Reserve for Love Lane Tower Improvements	60,000.00	30,000.00		90,000.00
Improvement Authorizations:				
<u>Ordinance #</u>				
484 Various Sewer and Water Capital Improvements	39,248.11			39,248.11
Reappropriation of Unexpended Balance of Ordinance				
Various Sewer and Water Capital Improvements	116,449.65			116,449.65
Encumbrances Payable	264,203.07		249,514.60	14,688.47
	<u>657,647.72</u>	<u>35,426.10</u>	<u>255,313.96</u>	<u>437,759.86</u>
Ref.	D	D-4	D-4	D

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Water</u>	<u>Sewer</u>
Balance December 31, 2002	D	2,871.17	16,654.33
Increased by:			
Utility Rents Levied		149,922.99	598,327.41
		<u>152,794.16</u>	<u>614,981.74</u>
Decreased by:			
Collections	D-6	143,981.40	574,069.52
Overpayments Applied		3,227.19	10,323.86
		<u>147,208.59</u>	<u>584,393.38</u>
Balance December 31, 2003	D	<u>5,585.57</u>	<u>30,588.36</u>

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Ordinance</u>		<u>Balance</u>	<u>Balance</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2002</u>	<u>Dec. 31, 2003</u>
361	Various Sewer and Water System Capital Improvements	8/30/90	2,900,000.00	2,900,000.00	2,900,000.00
393	Expenses Associated with Conveyance of Land and Easements	7/2/92	30,000.00	30,000.00	30,000.00
405	Various Sewer and Water System Capital Improvements	3/4/93	200,000.00	200,000.00	200,000.00
484	Various Sewer and Water System Capital Improvements	10/5/98	390,000.00	390,000.00	390,000.00
523	Various Water System Capital Improvements	7/2/02	405,000.00	405,000.00	405,000.00
				<u>3,925,000.00</u>	<u>3,925,000.00</u>
			Ref.	<u>D</u>	<u>D</u>

EXHIBIT D-11

SCHEDULE OF 2002 APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2002</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operating:			
Other Expenses	5,285.31	4,308.36	976.95
	<u>5,285.31</u>	<u>4,308.36</u>	<u>976.95</u>
Ref.	D	D-4	D-1

EXHIBIT D-12

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2002	D	6,695.61	264,203.07
Increased by:			
Charges to 2003 Appropriations	D-3	42,550.90	
		<u>49,246.51</u>	<u>264,203.07</u>
Decreased by:			
Payments	D-4	6,529.00	249,514.60
Balance December 31, 2003	D	<u>42,717.51</u>	<u>14,688.47</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Ordinance #</u>	<u>Purpose</u>	<u>Ordinance</u>		<u>Balance Dec. 31, 2002</u>		<u>Balance Dec. 31, 2003</u>	
		<u>Date</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
484	Various Sewer and Water System Capital Improvements	10/15/98	390,000.00		39,248.11		39,248.11
	Reappropriation of Unexpended Balance of Ordinance:						
	Various Sewer and Water System Capital Improvements	08/15/02	116,449.65	116,449.65		116,449.65	
				<u>116,449.65</u>	<u>39,248.11</u>	<u>116,449.65</u>	<u>39,248.11</u>
			Ref.	<u>D</u>	<u>D</u>	<u>D</u>	<u>D</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2002	<u>Ref.</u> D	<u>32,687.60</u>
Balance December 31, 2003	D	<u><u>32,687.60</u></u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2002</u>	<u>Paid from Operating Budget</u>	<u>Balance Dec. 31, 2003</u>
361	Various Sewer and Water System Capital Improvements	8/30/90	495,442.32	49,572.40	545,014.72
393	Expenses Associated with Conveyance of Land and Easements	7/2/92	30,000.00		30,000.00
405	Various Sewer and Water System Capital Improvements	3/4/93	17,864.55	2,571.51	20,436.06
			<u>543,306.87</u>	<u>52,143.91</u>	<u>595,450.78</u>
		Ref.	D	D-16:D-17	D

EXHIBIT D-16

SCHEDULE OF NOTES PAYABLE - GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2002	D	335,000.00
Decreased by:		
Payments	D-15	20,000.00
Balance December 31, 2003	D	<u>315,000.00</u>

EXHIBIT D-17

SCHEDULE OF LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2002	D	2,154,793.13
Decreased by:		
Payments	D-15	32,143.91
Balance December 31, 2003	D	<u>2,122,649.22</u>

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Date of Original Issue of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2002</u>	<u>Balance Dec. 31, 2003</u>
361	Various Sewer and Water System Capital Improvements	10/18/02	10/16/03	10/14/04	1.14%	96,900.00	96,900.00
484	Various Sewer and Water System Capital Improvements	10/18/02	10/16/03	10/14/04	1.14%	390,000.00	390,000.00
523	Various Water System Capital Improvements	10/18/02	10/16/03	10/14/04	1.14%	405,000.00	405,000.00
						<u>891,900.00</u>	<u>891,900.00</u>
					Ref.	<u>D</u>	<u>D</u>

PUBLIC ASSISTANCE TRUST FUND

PAYROLL

SCHEDULE OF CASH - TREASURER

Balance December 31, 2002	<u>Ref.</u> G		3,213.17
Increased by:			
Interest Earned		156.59	
Gross Pay		833,797.84	
Employer Taxes		68,934.76	
Refunds		350.25	
		<hr/>	903,239.44
			<hr/>
			906,452.61
Decreased by:			
Net Payroll Disbursed		571,739.25	
Payroll Taxes Paid		331,935.09	
Due Current Fund		32.15	
		<hr/>	903,706.49
			<hr/>
Balance December 31, 2003	G		<hr/> <hr/> 2,746.12
		<u>Analysis of Balances</u>	
Due Current Fund			49.85
Payroll Taxes Payable			2,696.27
			<hr/>
			<hr/> <hr/> 2,746.12

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

	<u>Ref.</u>	
Balance December 31, 2003	G-1	2,746.12
Increased by:		
Cash Receipts Record		<u>314,775.90</u>
		317,522.02
Decreased by:		
Cash Disbursements Record		<u>312,165.62</u>
Balance April 30, 2004	G-2	<u><u>5,356.40</u></u>
		<u>Cash Reconciliation - April 30, 2004</u>
Balance per Statement		
Fleet Bank		21,689.27
Less: Outstanding Checks		<u>16,332.87</u>
Balance April 30, 2004	G-2	<u><u>5,356.40</u></u>

PART II

GENERAL COMMENTS

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

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

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

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

- Home Rehabilitation Program
- Waste Disposal Service
- Cupola Restoration
- Resurfacing Hickory Drive, Malaga Drive, Seville Drive & Granada Drive
- Leaf Collector

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S.A. 40A:11.5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual 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 N.J.S.A. 40A:11-6.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 2, 2003, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 24, 2003 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>
2003	16
2002	18
2001	15

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.

OTHER COMMENTS

Chief Financial Officer

The records maintained by the Chief Financial Officer were found to be in very good condition.

A general ledger has been established as required by the Division of Local Government Services Technical Directive 85-03. The general ledger is the official permanent financial record of the Borough, which provides a summary of all financial transactions as they have been recorded in the books of original entry utilizing a "double entry" accounting system.

An encumbrance accounting system has been established as required by the Division of Local Government Services Technical Directive 85-1. An encumbrance accounting system must be designed to record charges against amounts appropriated for other expenses as financial obligations are entered into, as opposed to when bills are actually rendered or paid.

There are interfund loans existing as of year end. Generally, they were the result of December interest earned. These interfunas are routinely cleared in the subsequent year.

Tax Collector

The records maintained by the Tax Collector were found to be in very good condition.

Township Clerk

The records maintained by the Township Clerk were found to be in very good condition.

Water and Sewer Utility Collector

The records maintained by the Water Utility Collector were found to be in very good condition.

Municipal Court

The records maintained by the Court Administrator were found to be in good condition.

Housing and Zoning Official

The records maintained by the Housing and Zoning Official were found to be in good condition.

Construction Code Official

The records maintained by the Construction Code Official were found to be in good condition.

Planning Board

The records maintained by the Planning Board Secretary were found to be in good condition.

Corrective Action Plan

The Chief Financial Officer filed a corrective action plan for the year 2002 with the Division of Local Government Services. All recommendations were corrected.

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

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