

TOWNSHIP OF UPPER DEERFIELD
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2007

INDEX

	<u>Page</u>
<u>PART I</u>	1
Independent Auditor's Report	2-3
Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4-5
<u>CURRENT FUND</u>	6
A Comparative Balance Sheet	7-8
A-1 Comparative Statement of Operations and Change in Fund Balance	9-10
A-2 Statement of Revenues	11-12
A-3 Statement of Expenditures	13-20
<u>TRUST FUND</u>	21
B Comparative Balance Sheet	22-23
<u>GENERAL CAPITAL FUND</u>	24
C Comparative Balance Sheet	25
<u>WATER & SEWER UTILITY FUND</u>	26
D Comparative Balance Sheet	27-28
D-1 Comparative Statement of Operations and Change in Fund Balance	29
D-2 Statement of Fund Balance - Utility Capital Fund	30
D-3 Statement of Revenues	31
D-4 Statement of Expenditures	32
<u>PUBLIC ASSISTANCE FUND</u>	33
E Comparative Balance Sheet	34
<u>GENERAL FIXED ASSETS</u>	35
F Statement of General Fixed Assets	36
<u>NOTES TO FINANCIAL STATEMENTS</u>	37-50
<u>SUPPLEMENTARY DATA</u>	51-57

INDEX
(CONTINUED)

	<u>Page</u>
<u>CURRENT FUND</u>	58
A-4 Schedule of Cash - Treasurer	59
A-5 Schedule of Current Fund Cash and Reconciliation per N.J.S.A. 40A:5-5 - Treasurer	60
A-6 Schedule of Cash - Collector	61
A-7 Schedule of Current Fund Cash and Reconciliation per N.J.S.A. 40A:5-5 - Collector	62
A-8 Schedule of Grants Receivable	63
A-9 Schedule of Taxes Receivable and Analysis of Property Tax Levy	64-65
A-10 Schedule of Tax Title Liens Receivable	66
A-11 Schedule of Property Acquired for Taxes	66
A-12 Schedule of Revenue Accounts Receivable	67
A-13 Schedule of Deferred Charges - N.J.S.A. 40A:4-53 Special Emergency	68
A-14 Schedule of 2006 Appropriation Reserves	69
A-15 Schedule of Encumbrances Payable	70
A-16 Schedule of Due State of New Jersey-Senior Citizen and Veterans Deductions	71
A-17 Schedule of Local District School Tax Payable	72
A-18 Schedule of Regional High School Tax Payable	72
A-19 Schedule of Reserve for Grants - Appropriated	73
A-20 Schedule of Reserve for Grants - Unappropriated	73
 <u>TRUST FUND</u>	 74
B-1 Schedule of Trust Fund Cash - Treasurer	75
B-2 Schedule of Trust Fund Cash and Reconciliation per N.J.S.A. 40A:5-5 - Treasurer	76
B-3 Schedule of Cash - Collector	77
B-4 Schedule of Cash and Reconciliation per N.J.S.A. 40A:5-5 - Collector	78
B-5 Schedule of Reserve for Dog Fund Expenditures	79

INDEX
(CONTINUED)

	<u>Page</u>
<u>GENERAL CAPITAL FUND</u>	80
C-1 Schedule of General Capital Cash - Treasurer	81
C-2 Schedule of General Capital Cash and Reconciliation per N.J.S.A. 40A:5-5 - Treasurer	82
C-3 Schedule of Investments - Bond Anticipation Note - Utility Capital Fund	82
C-4 Analysis of General Capital Cash	83
C-5 Schedule of Deferred Charges to Future Taxation - Unfunded	84
C-6 Schedule of Capital Improvement Fund	85
C-7 Schedule of Improvement Authorizations	86
C-8 Schedule of Encumbrance Payable	87
C-9 Schedule of Bonds & Notes Authorized but not Issued	88
 <u>WATER & SEWER UTILITY FUND</u>	 89
D-5 Schedule of Water & Sewer Utility Cash - Treasurer	90
D-6 Schedule of Water & Sewer Utility Cash and Reconciliation per N.J.S.A. 40A:5-5 - Treasurer	91
D-7 Schedule of Water & Sewer Utility Cash - Collector	92
D-8 Schedule of Water & Sewer Utility Cash and Reconciliation per N.J.S.A. 40A:5-5 - Collector	93
D-9 Analysis of Water & Sewer Utility Capital Fund Cash	94
D-10 Schedule of Consumer Accounts Receivable	95
D-11 Schedule of Fixed Capital	96
D-12 Schedule of Fixed Capital Authorized and Uncompleted	97
D-13 Schedule of 2006 Appropriation Reserves	98
D-14 Schedule of Encumbrances Payable	98
D-15 Schedule of Improvement Authorizations	99
D-16 Schedule of Capital Improvement Fund	100
D-17 Schedule of Reserve for Amortization	100
D-18 Schedule of Deferred Reserve for Amortization	101
D-19 Schedule of Notes Payable - General Capital Fund	102
D-20 Schedule of Loan Payable	102
D-21 Schedule of Bond Anticipation Notes	103
D-22 Schedule of Bonds and Notes Authorized but not Issued	104
 <u>PUBLIC ASSISTANCE FUND</u>	 105
E-1 Schedule of Cash - Treasurer	106
E-2 Schedule of Public Assistance Cash and Reconciliation per N.J.S.A. 40A:5-5 - Treasurer	106

INDEX
(CONTINUED)

	<u>Page</u>
<u>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND</u> <u>FINDINGS AND QUESTIONED COSTS</u>	107
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	108-110
1 Schedule of Expenditures of Federal Awards	111
2 Notes to Schedule of Expenditures of Federal Awards	112
3 Schedule of Findings and Questioned Costs	113-114
4 Summary Schedule of Prior Audit Findings	115
 <u>PART II</u>	 116
General Comments	117-119
Other Comments	119-120
Findings and Recommendations	120

PART I

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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, 2007 and 2006, 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, 2007. 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, 2007, 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, 2007 and 2006, 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, 2007 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 19, 2008 on our consideration of the Township of Upper Deerfield’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Township of Upper Deerfield taken as a whole. The accompanying supplemental schedules 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement 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



May 19, 2008

PETRONI & ASSOCIATES

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

Honorable Chairman and Members
of the Township Committee
Township of Upper Deerfield
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, 2007, and have issued our report thereon dated May 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township of Upper Deerfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Upper Deerfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Upper Deerfield's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Upper Deerfield's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Upper Deerfield's financial statements that is more than inconsequential will not be prevented or detected by the Township of Upper Deerfield's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Upper Deerfield's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Township of Upper Deerfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the "Findings and Recommendations" section.

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

A handwritten signature in cursive script that reads "Petroni & Associates".

May 19, 2008

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND

	<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
<u>Regular Fund</u>				
	Cash - Treasurer	A-4	6,363,114.26	6,452,090.10
	Cash - Collector	A-6	338,825.30	229,616.86
	Change Fund		150.00	150.00
			<u>6,702,089.56</u>	<u>6,681,856.96</u>
Receivables and Other Assets with Full Reserves:				
	Delinquent Property Taxes Receivable	A-9	488,273.23	369,254.60
	Tax Title Liens Receivable	A-10	10,121.38	8,337.72
	Property Acquired for Taxes - Assessed Valuation	A-11	82,800.00	82,800.00
	Revenue Accounts Receivable	A-12	13,741.11	38,010.20
	Due from Animal Control Trust Fund	B	18,027.32	7,569.66
	Due from Tax Sale Premium Trust Fund	B	6.76	35.78
	Due from Public Assistance Fund	E	43.98	556.87
	Due from Accumulated Absence Trust Fund	B	130.81	456.69
	Due from Escrow Trust Fund			8,034.84
	Due from General Capital Fund	C	2,729.74	56,776.37
	Due from Recreation Trust Fund	B	289.09	28.00
	Due from Snow Removal Trust Fund	B	136.59	8.36
			<u>616,300.01</u>	<u>571,869.09</u>
Deferred Charges:				
	Special Emergency Appropriation	A-13	48,924.00	61,155.00
			<u>7,367,313.57</u>	<u>7,314,881.05</u>
<u>Federal and State Grant Fund</u>				
	Grants Receivable	A-8	553,596.89	943,157.19
	Due from Current Fund	A	105,355.07	162,541.26
			<u>658,951.96</u>	<u>1,105,698.45</u>
			<u>8,026,265.53</u>	<u>8,420,579.50</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</u> <u>Dec. 31, 2007</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
<u>Regular Fund</u>			
Liabilities:			
Appropriation Reserves	A-3:A-14	289,078.80	321,150.22
Encumbrances Payable	A-15	619,188.58	565,343.11
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	33,219.22	31,244.62
Prepaid Taxes		154,233.16	161,885.34
Tax Overpayments		82,781.15	10,147.85
Payroll Taxes Payable		15,788.60	13,346.99
Reserve for Sanitary Landfill		36,491.69	34,628.16
Reserve for Home Rehabilitation		15,956.00	4,730.00
Reserve for Garden State Trust		201.54	
Reserve for Tax Appeals Pending	A-2	220,000.00	
Due Federal and State Grant Fund	A	105,355.07	162,541.26
Due Public Defender Trust Fund	B	946.38	1,051.74
Due Utility Operating Fund	D	21,483.99	21,940.71
Due County for Added & Omitted Taxes		93,465.14	263,144.43
Regional High School Tax Payable	A-18	11,219.92	4,231.68
		<hr/>	<hr/>
		1,699,409.24	1,595,386.11
Reserve for Receivables		616,300.01	571,869.09
Fund Balance	A-1	5,051,604.32	5,147,625.85
		<hr/>	<hr/>
		7,367,313.57	7,314,881.05
		<hr/>	<hr/>
<u>Federal and State Grant Fund</u>			
Encumbrances Payable	A-15	173,175.92	106,416.00
Due Utility Operating Fund	D	14,510.77	14,607.77
Reserve for Grants - Appropriated	A-19	448,138.85	961,912.72
Reserve for Grants - Unappropriated	A-20	23,126.42	22,761.96
		<hr/>	<hr/>
		658,951.96	1,105,698.45
		<hr/>	<hr/>
		8,026,265.53	8,420,579.50
		<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 2007</u>	<u>Year 2006</u>
Fund Balance Utilized	A-2	1,439,053.87	1,589,705.50
Miscellaneous Revenue Anticipated	A-2	2,767,508.49	2,616,563.26
Receipts from Delinquent Taxes	A-2	370,223.31	545,706.14
Receipts from Current Taxes	A-2	14,402,318.74	14,476,694.94
Non-Budget Revenue	A-2	876,378.21	798,342.07
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	295,424.64	164,070.04
Encumbrances Payable - Canceled	A-15	317.00	33,238.03
Interfund Loan Returned		65,938.49	1,202,216.57
		<hr/>	<hr/>
Total Income		20,217,162.75	21,426,536.55
		<hr/>	<hr/>
<u>Expenditures</u>			
Budget Appropriations :			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	997,890.17	882,755.00
Other Expenses	A-3	1,737,166.00	1,160,855.00
Deferred Charges and Statutory			
Expenditures	A-3	84,523.00	90,419.14
Appropriations Excluded from "CAPS":			
Operations:			
Salaries and Wages	A-3	29,000.00	112,926.00
Other Expenses	A-3	264,154.54	954,367.97
Capital Improvements	A-3	754,000.00	679,500.00
Deferred Charges	A-3	12,231.00	
Debt Service			29,675.25
County Taxes	A-9	5,802,287.67	5,487,191.88
Due County for Added Taxes	A-9	93,465.14	263,144.43
Local District School Tax	A-9	5,947,810.00	5,734,243.50
Regional High School Tax	A-9	3,146,102.89	2,953,326.55
Prior Year Deductions Disallowed	A-16	5,500.00	3,750.00
Interfund Loan Advanced			54,625.99
		<hr/>	<hr/>
Total Expenditures		18,874,130.41	18,406,780.71
		<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>Ref.</u>	<u>Year 2007</u>	<u>Year 2006</u>
Excess In Revenue		1,343,032.34	3,019,755.84
Adjustments to Income before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding			
Year			61,155.00
Statutory Excess to Fund Balance		1,343,032.34	3,080,910.84
<u>Fund Balance</u>			
Balance January 1	A	5,147,625.85	3,656,420.51
		6,490,658.19	6,737,331.35
Decreased by:			
Utilization as Anticipated Revenue	A-1	1,439,053.87	1,589,705.50
Balance December 31	A	<u>5,051,604.32</u>	<u>5,147,625.85</u>

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

STATEMENT OF REVENUES

	<u>Ref.</u>	<u>Anticipated Budget 2007</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	1,439,053.87	1,439,053.87	
Miscellaneous Revenues:				
Fines and Costs:				
Municipal Court	A-12	120,778.00	105,394.19	(15,383.81)
Emergency Medical Services				
Billings	A-12	125,000.00	177,708.25	52,708.25
Legislative Initiative Municipal				
Block Grant	A-12	30,310.00	30,310.00	
Consolidated Municipal				
Property Tax Relief Act	A-12	183,491.00	183,491.00	
Energy Receipts Tax	A-12	1,626,335.00	1,626,335.00	
Municipal Property Tax Assistance	A-12	36,332.00	36,332.00	
Uniform Construction Code				
Fees	A-12	124,900.00	236,304.00	111,404.00
Deerfield Township - Uniform				
Construction Code	A-12	29,000.00	28,917.88	(82.12)
NJ Transportation Trust Fund	A-8	145,000.00	145,000.00	
Recycling Tonnage Grant	A-8	21,896.00	21,896.00	
Clean Communities Program	A-8	8,626.14	8,626.14	
Municipal Alliance on Alcoholism				
and Drug Abuse	A-8	37,700.00	37,700.00	
Handicapped Recreation				
Opportunities Grant	A-8	5,483.00	5,483.00	
Older Americans Act Title IIIB	A-8	4,656.00	4,656.00	
Neighborhood Preservation	A-8	100,000.00	100,000.00	
Uniform Fire Safety Act	A-12	21,028.70	19,355.03	(1,673.67)
Total Miscellaneous Revenues		2,620,535.84	2,767,508.49	146,972.65
Receipts from Delinquent Taxes	A-2	375,000.00	370,223.31	(4,776.69)
Budget Totals		4,434,589.71	4,576,785.67	142,195.96
Non-Budget Revenues:				
From "Allocation of Current				
Tax Collections"	A-2		(31,721.96)	
Other Non-Budget Revenue	A-2		876,378.21	
		4,434,589.71	5,421,441.92	
	Ref.	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	14,622,318.74
Less: Reserve for Tax Appeals Pending	A	220,000.00
		14,402,318.74
Allocated to:		
School and County Taxes		14,989,665.70
Deficiency Supported by Municipal Revenue		(587,346.96)
Decreased by: Appropriation "Reserve for Uncollected Taxes"	A-3	555,625.00
Amount Added to Non-Budget Revenue	A-2	(31,721.96)
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-2:A-9	370,223.31

Analysis of Non-Budget Revenue

	<u>Ref.</u>	
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-12	447,916.30
Tax Searches	A-12	172.00
Interest & Costs on Taxes	A-12	68,809.51
Fees & Permits	A-12	65,113.09
Payments in Lieu of Taxes	A-12	266,983.40
Cable Franchise	A-12	21,087.05
Miscellaneous	A-12	6,296.86
	A-2	876,378.21

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT FUNCTIONS</u>					
General Administration					
Salaries and Wages	61,600.00	62,600.00	57,130.12		5,469.88
Other Expenses	23,200.00	23,200.00	16,743.14	3,186.55	3,270.31
Mayor and Township Committee					
Salaries and Wages	55,120.00	55,120.00	55,120.00		
Other Expenses	16,750.00	17,250.00	17,111.86	103.30	34.84
Municipal Clerk					
Salaries and Wages	31,400.00	32,400.00	31,227.67		1,172.33
Other Expenses	32,000.00	32,000.00	23,589.89	2,184.61	6,225.50
Financial Administration					
Salaries and Wages	48,650.00	48,650.00	43,262.56		5,387.44
Other Expenses	12,500.00	12,500.00	7,481.15	32.99	4,985.86
Audit Services					
Other Expenses	19,350.00	19,350.00	3,300.00	16,050.00	
Revenue Administration					
Salaries and Wages	30,500.00	30,500.00	29,888.84		611.16
Other Expenses:	9,500.00	9,500.00	5,480.53	441.98	3,577.49
Tax Assessment					
Salaries and Wages	15,000.00	15,000.00	13,141.80		1,858.20
Other Expenses	26,500.00	36,500.00	9,360.43	26,249.23	890.34
Legal Services and Costs					
Salaries and Wages	7,212.00	7,212.00	7,212.00		
Other Expenses	35,000.00	35,000.00	27,018.45		7,981.55
Engineering Services and Costs					
Salaries and Wages	4,056.00	4,056.00	4,056.00		
Other Expenses	5,000.00	5,000.00		1,320.00	3,680.00
Economic Development					
Salaries and Wages	600.00	600.00	540.00		60.00
Other Expenses	27,500.00	22,400.00	15,184.69	40.00	7,175.31

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

STATEMENT OF EXPENDITURES

	<u>Appropriations</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
Historic Commission					
Salaries and Wages	500.00	600.00	590.00		10.00
Other Expenses	2,500.00	2,500.00	1,147.94	686.00	666.06
<u>LAND USE ADMINISTRATION</u>					
Municipal Land Use Law (N.J.S.A.40:55D-1)					
Planning Board					
Salaries and Wages	22,500.00	22,500.00	22,339.31		160.69
Other Expenses	34,000.00	39,000.00	21,095.85	16,303.24	1,600.91
Zoning Board of Adjustment					
Salaries and Wages	8,500.00	8,500.00	7,840.82		659.18
Other Expenses	1,200.00	1,200.00	1,050.11	17.50	132.39
Zoning Officer					
Salaries and Wages	41,300.00	41,300.00	39,109.08		2,190.92
Other Expenses	7,000.00	7,000.00	4,014.39	619.84	2,365.77
<u>CODE ENFORCEMENT & ADMINISTRATION</u>					
Housing Official					
Salaries and Wages	35,800.00	35,800.00	34,878.04		921.96
<u>INSURANCE</u>					
Liability Insurance	38,108.00	38,108.00	35,268.28		2,839.72
Worker Compensation	84,908.00	74,908.00	72,341.72		2,566.28
Employee Group Insurance	374,000.00	374,000.00	302,316.04	25,985.58	45,698.38
Payments in Lieu of Benefits	30,000.00	30,000.00	24,448.12		5,551.88
<u>PUBLIC SAFETY FUNCTIONS</u>					
Emergency Management					
Salaries and Wages	5,191.00	5,191.00	5,099.34		91.66
Other Expenses	8,900.00	8,900.00	4,995.82	3,754.06	150.12
Aid to Volunteer Fire Companies					
Other Expenses	69,500.00	69,500.00	40,769.44	27,869.88	860.68
Utilities	36,000.00	42,500.00	37,539.69	1,357.19	3,603.12

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
Ambulance					
Salaries and Wages	75,000.00	75,000.00	71,265.43		3,734.57
Other Expenses	50,950.00	50,950.00	42,510.64	3,271.83	5,167.53
Utilities	24,000.00	24,000.00	19,955.84	771.08	3,273.08
First Aid Organization - Contribution	20,000.00	20,000.00	4,610.00		15,390.00
Fire Safety Official					
Salaries and Wages	11,074.00	11,074.00	8,032.97		3,041.03
Other Expenses	8,500.00	8,500.00	5,207.35	30.62	3,262.03
Municipal Prosecutor					
Salaries and Wages	18,953.00	18,953.00	18,843.00		110.00
Other Expenses	250.00	250.00			250.00
<u>PUBLIC WORKS FUNCTIONS</u>					
Streets and Roads					
Salaries and Wages	93,934.17	84,934.17	77,903.31		7,030.86
Other Expenses	50,000.00	59,000.00	49,948.97	7,115.10	1,935.93
Utilities	28,500.00	33,500.00	31,802.82	1,082.96	614.22
Snow Removal					
Salaries and Wages	6,000.00	2,000.00	1,817.30		182.70
Other Expenses	25,000.00	29,000.00	23,442.30	5,291.00	266.70
Shade Tree Committee					
Salaries and Wages	500.00	500.00	270.00		230.00
Other Expenses	10,000.00	10,000.00	6,267.90		3,732.10
Solid Waste Convenience Center					
Salaries and Wages	45,500.00	45,500.00	38,441.65		7,058.35
Other Expenses	102,000.00	102,000.00	77,121.40	12,055.49	12,823.11
Utilities	3,500.00	3,500.00	3,290.41		209.59
Buildings and Grounds					
Salaries and Wages	81,500.00	81,500.00	70,575.56		10,924.44
Other Expenses	46,500.00	46,500.00	35,164.52	10,861.15	474.33
Utilities	44,500.00	44,500.00	35,423.79		9,076.21

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>HEALTH AND HUMAN SERVICES</u>					
Board of Health					
Salaries and Wages	5,422.00	5,422.00	4,326.44		1,095.56
Other Expenses	1,800.00	1,800.00	540.50	122.00	1,137.50
Environmental Committee					
Salaries and Wages	600.00	600.00	591.67		8.33
Other Expenses	12,000.00	2,000.00	954.11	17.50	1,028.39
Animal Control					
Salaries and Wages	4,500.00	4,500.00	3,738.14		761.86
Other Expenses	27,500.00	27,500.00	24,645.00		2,855.00
<u>PARK AND RECREATION FUNCTIONS</u>					
Community Pride & Relations Committee					
Salaries and Wages	300.00	300.00			300.00
Other Expenses	2,000.00	2,000.00	1,419.97		580.03
Senior Center					
Salaries and Wages	25,700.00	25,700.00	23,593.85		2,106.15
Other Expenses	5,750.00	5,750.00	5,207.37	373.26	169.37
Utilities	14,000.00	14,000.00	11,610.69		2,389.31
Maintenance of Parks					
Salaries and Wages	45,500.00	40,500.00	39,524.10		975.90
Other Expenses	58,000.00	50,500.00	21,509.55	12,315.58	16,674.87
Bostwick Lake Commission					
Other Expenses	3,000.00	3,000.00		3,000.00	
<u>OTHER OPERATING FUNCTIONS</u>					
Accumulated Leave Compensation	100.00	7,500.00	7,500.00		
<u>UTILITY EXPENSES & BULK PURCHASES</u>					
Street Lighting	117,500.00	117,500.00	98,419.95	9,145.98	9,934.07
<u>SOLID WASTE DISPOSAL COSTS</u>					
Landfill Disposal Costs					
Other Expenses	140,000.00	140,000.00	126,858.90	12,081.28	1,059.82

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

STATEMENT OF EXPENDITURES

	Appropriations		Paid or Charged	Expended	
	Budget	Budget After Modifications		Encumbered	Reserved
<u>MUNICIPAL COURT</u>					
Municipal Court					
Salaries and Wages	121,400.00	121,400.00	119,390.07		2,009.93
Other Expenses	10,000.00	10,000.00	3,674.40	5,475.36	850.24
Public Defender					
Salaries and Wages	3,578.00	3,578.00	3,578.00		
Other Expenses	7,000.00	7,000.00	5,755.00	88.00	1,157.00
<u>UNIFORM CONSTRUCTION CODE</u>					
Construction Code					
Salaries and Wages	91,000.00	94,000.00	91,903.91		2,096.09
Other Expenses	21,500.00	16,600.00	10,217.82	2,882.39	3,499.79
Electrical Subcode					
Salaries and Wages	1,500.00	1,500.00	1,500.00		
Plumbing Subcode					
Salaries and Wages	10,400.00	10,400.00	10,321.99		78.01
Fire Subcode					
Salaries and Wages	500.00	500.00	500.00		
Total Operations Within "CAPS"	<u>2,738,056.17</u>	<u>2,735,056.17</u>	<u>2,260,869.71</u>	<u>212,182.53</u>	<u>262,003.93</u>
Detail:					
Salaries and Wages	1,010,790.17	997,890.17	937,552.97		60,337.20
Other Expenses	<u>1,727,266.00</u>	<u>1,737,166.00</u>	<u>1,323,316.74</u>	<u>212,182.53</u>	<u>201,666.73</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>Budget</u>	<u>Budget After Modifications</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>
<u>DEFERRED CHARGES & STATUTORY EXPENDITURES</u>					
Statutory Expenditures:					
Contribution to:					
Social Security System	78,587.50	81,587.50	78,587.50		3,000.00
Unemployment Compensation	2,935.50	2,935.50	1,062.81		1,872.69
Total Deferred Charges & Statutory Expenditures	<u>81,523.00</u>	<u>84,523.00</u>	<u>79,650.31</u>		<u>4,872.69</u>
Total Appropriations Within "CAPS"	<u>2,819,579.17</u>	<u>2,819,579.17</u>	<u>2,340,520.02</u>	<u>212,182.53</u>	<u>266,876.62</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
<u>STATUTORY EXPENDITURES</u>					
Public Employees' Retirement System	<u>27,571.00</u>	<u>27,571.00</u>	<u>27,517.20</u>		<u>53.80</u>
<u>INTERLOCAL MUNICIPAL SERVICES AGREEMENTS</u>					
Construction Code					
Salaries and Wages	29,000.00	29,000.00	21,226.86		7,773.14
Elk Township - Office of Tax Assessor	34,125.80	34,125.80	22,750.56		11,375.24
Total Interlocal Municipal Service Agreements	<u>63,125.80</u>	<u>63,125.80</u>	<u>43,977.42</u>		<u>19,148.38</u>

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
<u>PUBLIC AND PRIVATE PROGRAMS</u>				
<u>OFFSET BY REVENUES</u>				
Matching Funds for Grants	3,000.00	3,000.00		3,000.00
Clean Communities Program	8,626.14	8,626.14	8,626.14	
Alliance for Substance Abuse Prevention Program	37,700.00	37,700.00	37,700.00	
Handicapped Recreation Opportunities	6,579.60	6,579.60	6,579.60	
Older Americans Act	4,656.00	4,656.00	4,656.00	
Recycling Tonnage	21,896.00	21,896.00	21,896.00	
Neighborhood Preservation	120,000.00	120,000.00	120,000.00	
Total Public and Private Programs	<u>202,457.74</u>	<u>202,457.74</u>	<u>199,457.74</u>	<u>3,000.00</u>
Total Operations Excluded from "CAPS"	<u>293,154.54</u>	<u>293,154.54</u>	<u>270,952.36</u>	<u>22,202.18</u>
Detail:				
Salaries and Wages	29,000.00	29,000.00	21,226.86	7,773.14
Other Expenses	264,154.54	264,154.54	249,725.50	14,429.04
<u>CAPITAL IMPROVEMENTS</u>				
Capital Improvement Fund	250,000.00	250,000.00	250,000.00	
Purchase of Emergency & Fire Vehicles	225,000.00	225,000.00	225,000.00	
Improvements to Municipal Buildings & Facilities	25,000.00	25,000.00	25,000.00	
Improvements to Roads	29,000.00	29,000.00	29,000.00	
Improvements to Senior Center	10,000.00	10,000.00	10,000.00	
Improvements to Convenience Center	20,000.00	20,000.00	20,000.00	
Purchase of Land - Open Space/ Farmland Preservation	50,000.00	50,000.00	50,000.00	
New Jersey Transportation Trust Fund Authority Act	145,000.00	145,000.00	145,000.00	
Total Capital Improvements	<u>754,000.00</u>	<u>754,000.00</u>	<u>754,000.00</u>	

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<u>DEFERRED CHARGES</u>					
Special Emergency Authorization - 5 Years	12,231.00	12,231.00	12,231.00		
Total Appropriations Excluded from "CAPS"	<u>1,059,385.54</u>	<u>1,059,385.54</u>	<u>1,037,183.36</u>		<u>22,202.18</u>
Total General Appropriations for Municipal Purposes	3,878,964.71	3,878,964.71	3,377,703.38	212,182.53	289,078.80
RESERVE FOR UNCOLLECTED TAXES	555,625.00	555,625.00	555,625.00		
TOTAL GENERAL APPROPRIATIONS	<u>4,434,589.71</u>	<u>4,434,589.71</u>	<u>3,933,328.38</u>	<u>212,182.53</u>	<u>289,078.80</u>
Ref.	A-2	A-3		A-16	A
		<u>Ref.</u>			
Reserve for Grants		A-19	344,457.74		
Reserve for Uncollected Taxes		A-2	555,625.00		
Deferred Charges		A-13	12,231.00		
Payroll Taxes Withheld			1,404,785.72		
Disbursed		A-4	1,616,228.92		
			<u>3,933,328.38</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, 2007</u>	Balance <u>Dec. 31, 2006</u>
<u>Animal Control Trust Fund</u>			
Cash - Treasurer	B-1	37,756.36	28,655.96
Cash - Registrar	B-1	0.06	11.70
		<u>37,756.42</u>	<u>28,667.66</u>
<u>Escrow Trust Fund</u>			
Cash - Treasurer	B-1	269,121.16	219,749.44
<u>Tax Sale Premium Fund</u>			
Cash - Collector	B-3	1,020.62	6,958.46
<u>Municipal Alliance Trust Fund</u>			
Cash - Treasurer	B-1	1,608.19	2,496.82
<u>Public Defender Trust Fund</u>			
Cash - Treasurer	B-1	3,148.96	289.75
Due from Current Fund	A	946.38	1,051.74
		<u>4,095.34</u>	<u>1,341.49</u>
<u>Accumulated Absence Trust Fund</u>			
Cash - Treasurer	B-1	37,932.06	30,757.94
<u>Recreation Trust Fund</u>			
Cash - Treasurer	B-1	6,860.43	1,136.84
<u>Snow Removal Trust Fund</u>			
Cash - Treasurer	B-1	40,126.79	31,998.56
<u>Affordable Housing Trust Fund</u>			
Cash - Treasurer	B-1	70,779.83	
		<u>469,300.84</u>	<u>323,107.21</u>

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, 2007</u>	<u>Balance</u> <u>Dec. 31, 2006</u>
<u>Animal Control Trust Fund</u>			
Due Current Fund	A	18,027.32	7,569.66
Due State of New Jersey			4.20
Reserve for Dog Fund Expenditures	B-5	19,729.10	21,093.80
		37,756.42	28,667.66
 <u>Escrow Trust Fund</u>			
Due Current Fund			8,034.84
Reserve for Escrow Fees		269,121.16	211,714.60
		269,121.16	219,749.44
 <u>Tax Sale Premium Fund</u>			
Due Current Fund	A	6.76	35.78
Deposits for Redemption of Tax Sale Certificates		1,013.86	222.68
Premiums Received at Tax Sale			6,700.00
		1,020.62	6,958.46
 <u>Municipal Alliance Trust Fund</u>			
Reserve for Municipal Alliance		1,608.19	2,496.82
 <u>Public Defender Trust Fund</u>			
Due State of New Jersey		1,327.75	1,327.75
Reserve for Public Defender Fees		2,767.59	13.74
		4,095.34	1,341.49
 <u>Accumulated Absence Trust Fund</u>			
Due Current Fund	A	130.81	456.69
Reserve for Accumulated Absences		37,801.25	30,301.25
		37,932.06	30,757.94
 <u>Recreation Trust Fund</u>			
Due Current Fund	A	289.09	28.00
Reserve for Recreation		6,571.34	1,108.84
		6,860.43	1,136.84
 <u>Snow Removal Trust Fund</u>			
Due Current Fund	A	136.59	8.36
Reserve for Snow Removal		39,990.20	31,990.20
		40,126.79	31,998.56
 <u>Affordable Housing Trust Fund</u>			
Reserve for Affordable Housing		70,779.83	
		469,300.84	323,107.21

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, 2007</u>	Balance <u>Dec. 31, 2006</u>
Cash - Treasurer	C-1	1,361,603.61	990,851.99
Investment - Bond Anticipation Notes - Utility Capital Fund	C-3	235,000.00	255,000.00
Due from Utility Operating Fund	D	20,000.00	20,000.00
Deferred Charges to Future Taxation:			
Unfunded	C-5	104,611.71	104,611.71
		<u>1,721,215.32</u>	<u>1,370,463.70</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Encumbrances Payable	C-8	2,432.50	14,393.00
Improvement Authorizations:			
Funded	C-7	79,699.40	72,766.90
Unfunded	C-7	104,611.71	104,611.71
Capital Improvement Fund	C-6	483,642.98	233,642.98
Due Current Fund	A	2,729.74	56,776.37
Reserve for Sanitary Landfill Closure		429,649.50	429,649.50
Reserve for Improvement to Sewerage Collection System		6,323.13	6,323.13
Reserve for Street Overlay Program		155,439.32	155,439.32
Reserve for Improvements to Municipal Building		38,336.81	18,210.56
Reserve for Expansion of Facilities for Township Parks		18,222.94	28,022.94
Reserve for Purchase of Land - Farmland Preservation		50,000.00	
Reserve for Improvements to Convenience Center		43,125.00	23,125.00
Reserve for Improvements to Senior Center		10,000.00	
Reserve for Improvements to Roads		33,000.00	33,000.00
Reserve for Improvements to Municipal Buildings and Facilities		4,800.00	4,800.00
Reserve for Purchase of Emergency and Fire Vehicles		242,619.00	173,119.00
Reserve for Purchase of Court Video Conference Equipment		10,000.00	10,000.00
Reserve for Purchase of Public Works Vehicle		2,056.00	2,056.00
Reserve for Document Imaging		4,527.29	4,527.29
		<u>1,721,215.32</u>	<u>1,370,463.70</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>	Balance <u>Dec. 31, 2007</u>	Balance <u>Dec. 31, 2006</u>
<u>Operating Fund</u>			
Cash - Treasurer	D-5	1,431,271.06	1,587,955.38
Cash - Collector	D-7	6,881.79	24,292.87
Due from Utility Capital Fund	D	75,815.11	44,854.82
Due from Federal and State Grant Fund	A	14,510.77	14,607.77
Due from Current Fund	A	21,483.99	21,940.71
		<u>1,549,962.72</u>	<u>1,693,651.55</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable - Water	D-10	6,238.48	123,472.06
Consumer Accounts Receivable - Seabrook Water	D-10	7,580.25	
Consumer Accounts Receivable - Sewer	D-10	28,538.53	12,018.25
		<u>42,357.26</u>	<u>135,490.31</u>
Deferred Charges:			
Emergency Appropriation			75,000.00
Total Operating Fund		<u>1,592,319.98</u>	<u>1,904,141.86</u>
<u>Capital Fund</u>			
Cash - Treasurer	D-5	637,383.26	774,777.65
Fixed Capital	D-11	4,066,500.00	
Fixed Capital Authorized and Uncompleted	D-12	3,000,000.00	3,925,000.00
Total Capital Fund		<u>7,703,883.26</u>	<u>4,699,777.65</u>
		<u>9,296,203.24</u>	<u>6,603,919.51</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 Dec. 31, 2007</u>	<u>Balance Dec. 31, 2006</u>
<u>Operating Fund</u>			
Liabilities:			
Appropriation Reserves	D-4:D-13	59,153.09	131,867.48
Encumbrances Payable	D-14	57,812.94	60,665.32
Water Rent Overpayments		202.00	851.04
Sewer Rent Overpayments		207.77	1,656.39
Accrued Interest on Notes		4,080.00	4,489.50
Due General Capital Fund	C	20,000.00	20,000.00
		<u>141,455.80</u>	<u>219,529.73</u>
Reserve for Receivables		42,357.26	135,490.31
Fund Balance	D-1	1,408,506.92	1,549,121.82
		<u>1,592,319.98</u>	<u>1,904,141.86</u>
<u>Capital Fund</u>			
Loan Payable	D-20	1,978,765.19	2,017,171.73
Notes Payable - General Capital Fund	D-19	235,000.00	255,000.00
Bond Anticipation Notes Payable	D-21	680,000.00	730,000.00
Encumbrances Payable	D-14	50,347.50	
Improvement Authorizations:			
Funded			79,549.65
Unfunded	D-15	3,000,000.00	53,936.58
Capital Improvement Fund	D-16	340,187.60	241,687.60
Due Utility Operating Fund	D	75,815.11	44,854.82
Reserve for Preliminary Expenses - Construction of a Water Tower			64,046.05
Reserve for:			
Purchase of Land - Pumping Station			1,223.00
Water Tower Repairs		7,776.46	7,672.41
Centerton Road Water Main Project			65,940.54
Love Lane Tower Improvements		141,732.00	141,732.00
Purchase of Truck			4,135.00
Seabrook Tower Improvements		21,180.00	70,000.00
Reserve for Amortization	D-17	1,172,734.81	
Reserve for Deferred Amortization			922,828.27
Fund Balance	D-2	344.59	
		<u>7,703,883.26</u>	<u>4,699,777.65</u>
Total Capital Fund		<u>9,296,203.24</u>	<u>6,603,919.51</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 2007</u>	<u>Year 2006</u>
Fund Balance Utilized	D-3	476,436.00	442,441.00
Sewer Rents	D-3	594,949.83	615,350.07
Water Rents	D-3	251,575.31	252,049.81
Seabrook Water	D-3	50,876.61	
Miscellaneous Revenue Not Anticipated	D-3	217,407.98	260,060.80
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-13	118,761.87	99,163.64
Total Income		<u>1,710,007.60</u>	<u>1,669,065.32</u>
<u>Expenditures</u>			
Operating	D-4	929,384.00	898,989.00
Capital Improvements	D-4	125,000.00	221,000.00
Debt Service	D-4	225,279.50	232,452.00
Deferred Charges and Statutory Expenditures	D-4	90,700.00	15,000.00
Prior Year Accrued Interest Adjustment			4,489.50
Prior Year Grant Adjustment	A-20	3,823.00	
Total Expenditures		<u>1,374,186.50</u>	<u>1,371,930.50</u>
Excess in Revenue		335,821.10	297,134.82
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by			
Statute Deferred Charges to Budget of			
Succeeding Year			75,000.00
Statutory Excess to Fund Balance		335,821.10	372,134.82
<u>Fund Balance</u>			
Balance January 1	D	1,549,121.82	1,619,428.00
		<u>1,884,942.92</u>	<u>1,991,562.82</u>
Decreased by:			
Utilization as Anticipated Revenue	D-1	476,436.00	442,441.00
Balance December 31	D	<u><u>1,408,506.92</u></u>	<u><u>1,549,121.82</u></u>

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

STATEMENT OF FUND BALANCE - UTILITY CAPITAL FUND

	<u>Ref.</u>	
Increased by:		
Cancellation of Reserves:		
Construction of a Water Tower		64,046.05
Purchase of Land - Pumping Stations		1,223.00
Centerton Road Water Main Projects		65,940.54
Purchase of Truck		4,135.00
		<hr/> 135,344.59
Decreased by:		
Appropriation to Finance Improvement Authorization	D-15	135,000.00
Balance December 31, 2007	D	<hr/> <hr/> 344.59

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

STATEMENT OF REVENUES

	<u>Ref.</u>	<u>Anticipated Budget 2007</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	476,436.00	476,436.00	0.00
Sewer Rents	D-3	600,000.00	594,949.83	(5,050.17)
Water Rents	D-3	252,000.00	251,575.31	(424.69)
Seabrook Water	D-3	45,000.00	50,876.61	5,876.61
Non-Budget Revenue	D-3		217,407.98	217,407.98
		<u>1,373,436.00</u>	<u>1,591,245.73</u>	<u>217,809.73</u>
	Ref.	D-4		

Analysis of Realized Revenue

	<u>Ref.</u>	<u>Sewer</u>	<u>Water</u>	<u>Seabrook Water</u>
Rents:				
Consumer Accounts Receivable:				
Collected	D-10	593,293.44	250,724.27	50,876.61
Overpayments Applied	D-10	1,656.39	851.04	
	D-3	<u>594,949.83</u>	<u>251,575.31</u>	<u>50,876.61</u>

Analysis of Non-Budget Revenue

	<u>Ref.</u>	
Interest on Investments	D-5:D-7	117,319.65
Interest on Delinquent Accounts	D-7	1,602.83
Lease	D-4	41,221.98
Sewer Connection Fees	D-7	47,600.00
Miscellaneous	D-5:D-7	9,663.52
	D-3	<u>217,407.98</u>

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

STATEMENT OF EXPENDITURES

	Appropriations		Expended			Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operating:						
Salaries and Wages	193,000.00	193,000.00	184,282.16		8,717.84	
Other Expenses	310,500.00	310,500.00	230,944.33	29,850.92	49,704.75	
Sewerage Treatment Contract - Cumberland County Utility Authority	425,884.00	425,884.00	425,884.00			
Capital Improvements:						
Capital Improvement Fund	125,000.00	125,000.00	125,000.00			
Debt Service:						
Payment of Bond Principal	38,406.54	38,406.54	38,406.54			
Payment of Bond Anticipation Notes and Capital Notes	70,000.00	70,000.00	70,000.00			
Interest on Bonds	90,345.46	90,345.46	90,345.46			
Interest on Notes	29,600.00	29,600.00	26,527.50			3,072.50
Deferred Charges & Statutory Expenditures:						
Deferred Charges:						
Emergency Authorizations	75,000.00	75,000.00	75,000.00			
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	14,700.00	14,700.00	13,460.48	509.02	730.50	
Unemployment Compensation Insurance	1,000.00	1,000.00	1,000.00			
	<u>1,373,436.00</u>	<u>1,373,436.00</u>	<u>1,280,850.47</u>	<u>30,359.94</u>	<u>59,153.09</u>	<u>3,072.50</u>
Ref.	D-3	D-4		D-14	D	
		<u>Ref.</u>				
Deferred Charges - Emergency Appropriation			75,000.00			
Interest on Notes			26,527.50			
Disbursed		D-5	1,179,322.97			
			<u>1,280,850.47</u>			

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, 2007</u>	Balance <u>Dec. 31, 2006</u>
Cash - Treasurer	E-1	<u>9,892.74</u>	<u>10,405.63</u>
 <u>LIABILITIES AND RESERVES</u>			
Due Current Fund	A	43.98	556.87
Reserve for Public Assistance		<u>9,848.76</u>	<u>9,848.76</u>
		<u>9,892.74</u>	<u>10,405.63</u>

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, 2007	Balance Dec. 31, 2006
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	3,090,019.90	2,943,439.90
	<u>5,040,021.09</u>	<u>4,893,441.09</u>
Investment in General Fixed Assets	<u>5,040,021.09</u>	<u>4,893,441.09</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, 2007

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.A. 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.

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

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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

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.

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.

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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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

C. Basis of Accounting (Cont'd)

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.

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

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 N.J.A.C. 5:30-5.6. 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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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

C. Basis of Accounting (Cont'd)

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.

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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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

C. Basis of Accounting (Cont'd)

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.

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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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

Deposits (Cont'd)

The carrying amount of the Township's cash and cash equivalents at December 31, 2007, was \$10,617,476.48 and the bank balance was \$11,228,774.96. Of the bank balance, \$316,642.72 was covered by federal depository insurance (including public and custodial funds) and \$10,912,132.24 was covered by a collateral pool maintained by the bank as required by New Jersey statutes.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2007, all of the Township's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Township does not have a policy for custodial credit risk.

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 N.J.S.A. 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, 2007

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

Investments (Cont'd)

During the period ended December 31, 2007, the Township held an investment in bond anticipation notes with the Township Utility Capital Fund in the amount of \$235,000.

Credit risk: The Township does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U. S. government.

Interest rate risk: The Township does not have a policy to limit interest rate risk.

Foreign currency risk: The Township does not have a policy for foreign currency risk since statutes preclude municipalities from investing in these types of securities.

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2007, the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance</u> <u>Dec. 31, 2007</u>	<u>2008 Budget</u> <u>Appropriation</u>	<u>To be Raised in</u> <u>Succeeding Year</u>
Current Fund			
Special Emergency Authorization	48,924.00	12,231.00	36,693.00

NOTE 4: FUND BALANCES APPROPRIATED

Of the \$5,051,604.32 Current Fund balance at December 31, 2007, \$1,859,148.76 was appropriated and included as anticipated revenue in the introduced budget for the year ending December 31, 2008.

Of the \$1,408,506.92 Utility Operating Fund balance at December 31, 2007, \$429,020.50 was appropriated and included as anticipated revenue in the introduced budget for the year ending December 31, 2008.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2007.

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Animal Control Trust Fund	18,027.32	
Tax Sale Premium Fund	6.76	
Public Assistance Fund	43.98	
Accumulated Absence Trust	130.81	
General Capital Fund	2,729.74	
Recreation Trust	289.09	
Snow Removal Trust	136.59	
Federal and State Grant Fund		105,355.07
Public Defender Trust		946.38
Utility Operating Fund		21,483.99
Federal and State Grant		
Current Fund	105,355.07	
Utility Operating Fund		14,510.77
Animal Control Trust Fund		
Current Fund		18,027.32
Tax Sale Premium Fund		
Current Fund		6.76
Public Defender Trust Fund		
Current Fund	946.38	
Accumulated Absence Trust Fund		
Current Fund		130.81
Recreation Trust Fund		
Current Fund		289.09
Snow Removal Trust		
Current Fund		136.59
General Capital Fund		
Utility Operating Fund	20,000.00	
Current Fund		2,729.74
Utility Operating Fund		
Utility Capital Fund	75,815.11	
Current Fund	21,483.99	
Federal and State Grant Fund	14,510.77	
General Capital Fund		20,000.00
Utility Capital Fund		
Utility Operating Fund		75,815.11
Public Assistance Fund		
Current Fund		43.98
	<u>259,475.61</u>	<u>259,475.61</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 6: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2007.

	Balance Dec. 31, 2006	Additions	Balance Dec. 31, 2007
Land	287,578.00		287,578.00
Building	1,247,937.19		1,247,937.19
Improvements	414,486.00		414,486.00
Equipment	2,943,439.90	146,580.00	3,090,019.90
	<u>4,893,441.09</u>	<u>146,580.00</u>	<u>5,040,021.09</u>

NOTE 7: LONG-TERM DEBT

Summary of Municipal Debt Service

During the calendar year 2007, the following changes occurred in the municipal debt of the Township.

	Balance Dec. 31, 2006	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2007
<u>ISSUED:</u>				
Water & Sewer Utility:				
Loan	2,017,171.73		38,406.54	1,978,765.19
Notes	985,000.00		70,000.00	915,000.00
Net Debt Issued	<u>3,002,171.73</u>		<u>108,406.54</u>	<u>2,893,765.19</u>
<u>AUTHORIZED BUT NOT ISSUED:</u>				
General:				
Bonds & Notes	104,611.71			104,611.71
Water & Sewer Utility:				
Bonds & Notes		<u>3,000,000.00</u>		<u>3,000,000.00</u>
Authorized but not Issued	<u>104,611.71</u>	<u>3,000,000.00</u>		<u>3,104,611.71</u>
Total Debt Issued and Authorized but Not Issued	<u>3,106,783.44</u>	<u>3,000,000.00</u>	<u>108,406.54</u>	<u>5,998,376.90</u>

Permanently funded debt as of December 31, 2007, consists of a Farmers Home Administration Loan as follows:

	Date of Issue	Maturities	Interest Rate	Amount
Capital Improvements	5/10/1994	2008-2034	4.50%	<u>1,978,765.19</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 7: LONG-TERM DEBT (CONT'D)

Summary of Municipal Debt Service (Cont'd)

Temporary unfunded debt as of December 31, 2007, consists of one year maturity or less of bond anticipation notes as follows:

	Interest Rates	Amount
Water & Sewer Utility Capital Fund:		
Various Water & Sewer System Capital Improvements	0.00%	235,000.00
Various Water & Sewer System Capital Improvements	3.60%	45,000.00
Various Water & Sewer System Capital Improvements	3.60%	310,000.00
Various Water System Capital Improvements	3.60%	325,000.00
		915,000.00

As of December 31, 2007, debt service requirements on long-term debt in future years are:

Year Ended December 31	Principal	Interest	Total
Farmers Home Administration Loan			
2008	40,154.28	88,597.72	128,752.00
2009	41,981.54	86,770.46	128,752.00
2010	43,891.97	84,860.03	128,752.00
2011	45,889.33	82,862.67	128,752.00
2012	47,977.58	80,774.42	128,752.00
2013-2017	274,693.22	369,066.78	643,760.00
2018-2022	343,147.70	300,612.30	643,760.00
2023-2027	428,661.29	215,098.71	643,760.00
2028-2032	535,485.15	108,274.85	643,760.00
2033-2034	176,883.13	7,832.29	184,715.42
	1,978,765.19	1,424,750.23	3,403,515.42

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 7: 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 .02%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School Debt	2,950,766.30	2,950,766.30	
Local School Debt	5,093,546.03	5,093,546.03	
Utility Debt	5,893,765.19	5,893,765.19	
General Debt	104,611.71		104,611.71
	<u>14,042,689.23</u>	<u>13,938,077.52</u>	<u>104,611.71</u>

Net Debt \$104,611.71/Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
\$586,079,365.67 = .02%

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

3 1/2% of Equalized Valuation Basis (Municipal)	20,512,777.80
Net Debt	<u>104,611.71</u>
Remaining Borrowing Power	<u>20,408,166.09</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	1,591,245.73
Deductions:	
Operating and Maintenance Costs	945,084.00
Debt Service	<u>225,279.40</u>
	1,170,363.40
Excess in Revenue	<u>420,882.33</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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, P.O. 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 5% 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>2007</u>	<u>2006</u>	<u>2005</u>
Total Payroll	1,226,738.06	1,128,808.49	950,274.21
PERS Covered Payroll	1,073,715.00	910,062.00	798,549.00
Employer Required Contribution	27,517.20	15,629.00	5,896.00
Percentage of PERS Covered Payroll	2.56%	1.72%	0.74%

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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, 2007 was \$83,881.23. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2007, the fund had a reserve balance of \$37,801.25.

NOTE 10: POSTRETIREMENT BENEFITS

In addition to the pension benefits described in Note 8, the State provides postretirement healthcare benefits, in accordance with State statutes, to all employees who retire and are already covered by the State Health Benefits Program (SHBP) through their employer. If a member of the Public Employees' Retirement System (PERS) is not eligible for employer-paid coverage, they may continue the coverage by paying the appropriate premium. The cost of these benefits are actuarially determined and advance funded through contributions by the State. As of December 31, 2007, there was 1 employee who met the requirements for postretirement healthcare benefits.

NOTE 11: 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 12: 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.

TOWNSHIP OF UPPER DEERFIELD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

NOTE 13: 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 2007		Year 2006	
	Amount	%	Amount	%
<u>Revenue & Other Income Realized</u>				
Fund Balance Utilized	1,439,053.87	7.12%	1,589,705.50	7.42%
Miscellaneous - From Other Than Local Property Tax Levies	3,939,628.34	19.49%	3,612,213.40	16.86%
Collection of Delinquent Taxes and Tax Title Liens	370,223.31	1.83%	545,706.14	2.55%
Collection of Current Tax Levy	14,402,318.74	71.23%	14,476,694.94	67.56%
Interfund Loans Returned	65,938.49	0.33%	1,202,216.57	5.61%
Total Income	20,217,162.75	100.00%	21,426,536.55	100.00%
<u>Expenditures</u>				
Budget Appropriations:				
Municipal Purposes	3,878,964.71	20.55%	3,910,498.36	21.24%
County Taxes	5,895,752.81	31.24%	5,750,336.31	31.24%
Local and Regional School Taxes	9,093,912.89	48.18%	8,687,570.05	47.20%
Other Expenditures	5,500.00	0.03%	58,375.99	0.32%
Total Expenditures	18,874,130.41	100.00%	18,406,780.71	100.00%
Less: Expenditures to be Raised by Future Taxes			61,155.00	
Total Adjusted Expenditures	18,874,130.41		18,345,625.71	
Excess in Revenue	1,343,032.34		3,080,910.84	
Fund Balance January 1	5,147,625.85		3,656,420.51	
	6,490,658.19		6,737,331.35	
Decreased by:				
Utilization as Anticipated Revenue	1,439,053.87		1,589,705.50	
Fund Balance December 31	5,051,604.32		5,147,625.85	

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

	Year 2007		Year 2006	
	Amount	%	Amount	%
<u>Revenue & Other Income Realized</u>				
Fund Balance Utilized	476,436.00	27.86%	442,441.00	26.51%
Miscellaneous - From Other Than Water & Sewer Rents	336,169.85	19.66%	359,224.44	21.52%
Collection of Water and Sewer Rents	897,401.75	52.48%	867,399.88	51.97%
Total Income	<u>1,710,007.60</u>	<u>100.00%</u>	<u>1,669,065.32</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Appropriations:				
Operating	929,384.00	67.63%	898,989.00	65.53%
Capital Improvements	125,000.00	9.10%	221,000.00	16.11%
Debt Service	225,279.50	16.39%	232,452.00	16.94%
Deferred Charges and Statutory Expenditures	90,700.00	6.60%	15,000.00	1.09%
Prior Year Adjustment	3,823.00	0.28%	4,489.50	0.33%
Total Expenditures	<u>1,374,186.50</u>	<u>100.00%</u>	<u>1,371,930.50</u>	<u>100.00%</u>
Less: Expenditures to be Raised by Future Taxes			75,000.00	
Total Adjusted Expenditures	<u>1,374,186.50</u>		<u>1,296,930.50</u>	
Excess in Revenue	335,821.10		372,134.82	
Fund Balance January 1	1,549,121.82		1,619,428.00	
	<u>1,884,942.92</u>		<u>1,991,562.82</u>	
Decreased by:				
Utilization as Anticipated Revenue	476,436.00		442,441.00	
Fund Balance December 31	<u>1,408,506.92</u>		<u>1,549,121.82</u>	

COMPARATIVE STATEMENT OF TAX RATE INFORMATION

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Tax Rate</u>	3.532	3.425	3.214
<u>Apportionment of Tax Rate</u>			
County	1.303	1.259	1.149
Local Health Service	0.059	0.054	0.049
County Open Space			
Preservation	0.014	0.013	0.012
Local School	1.410	1.389	1.357
Regional High School	0.746	0.714	0.647

Assessed Valuation

2007	421,881,678		
2006		414,074,483	
2005			399,407,924

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>
2007	15,120,621.41	14,622,318.74	96.70%
2006	14,854,691.52	14,476,694.94	97.46%
2005	13,060,155.31	12,571,089.26	96.26%

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>
2007	10,121.38	488,273.23	498,394.61	3.30%
2006	8,337.72	369,254.60	377,592.32	2.54%
2005	33,233.74	536,996.20	570,229.94	4.37%

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>
2007	82,800.00
2006	82,800.00
2005	102,900.00

COMPARISON OF WATER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2007	353,558.23	302,451.92
2006	295,664.63	252,049.81
2005	302,708.41	268,081.48

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2007	618,798.11	594,949.83
2006	587,288.26	615,350.07
2005	591,721.97	585,014.40

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2007	5,051,604.32	1,859,148.76 a
	2006	5,147,625.85	1,439,053.87
	2005	3,656,420.51	1,589,705.50
	2004	4,747,704.71	1,091,284.20
	2003	4,868,709.22	921,807.15
Water and Sewer Operating Fund	2007	1,408,506.92	429,020.50 a
	2006	1,549,121.82	476,436.00
	2005	1,619,428.00	442,441.00
	2004	1,701,395.43	416,471.53
	2003	1,691,599.43	215,858.31

a = Introduced budget.

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	
Brian J. Murphy	Engineer	
Roy Spoltore	Township Administrator	
	Township Clerk	
Ruth Moynihan	Chief Financial Officer, Treasurer	1,000,000
Andrea Penney	Tax Collector, Tax Search Officer & Utility Collector	1,000,000
Lucy Sparacio	Court Administrator	1,000,000
A. Paul Kienzle, Jr., Esq.	Magistrate	

Bonds were written with the JIF/MEL Joint Insurance Fund.

CURRENT FUND

SCHEDULE OF CASH - TREASURER

Balance December 31, 2006	<u>Ref.</u> A		6,452,090.10
Increased by Receipts:			
Transfer from Tax Collector	A-6	15,235,570.77	
Grants Receivable	A-8	691,025.44	
Revenue Accounts Receivable	A-12	2,919,836.91	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-16	139,580.00	
Reserve for Grants - Unappropriated	A-20	22,260.46	
Due from General Capital Fund		56,776.37	
Due from Accumulated Absence Trust		456.69	
Due from Escrow Trust		8,034.84	
Due from Snow Removal Trust		8.36	
Due from Public Assistance Fund		556.87	
Due from Utility Operating Fund - Federal and State Grant Fund		3,726.00	
Reserve for Home Rehabilitation		11,226.00	
Reserve for Garden State Trust		201.54	
Reserve for Sanitary Landfill		1,863.53	
			<u>19,091,123.78</u>
			25,543,213.88
Decreased by Disbursements:			
2007 Budget Appropriations	A-3	1,616,228.92	
2006 Appropriation Reserves	A-14	25,725.58	
Encumbrances Payable	A-15	256,227.06	
Reserve for Grants - Appropriated	A-19	697,087.69	
Tax Overpayments Refunded		29,672.79	
Payroll Taxes Payable		1,402,344.11	
County Taxes		5,802,287.67	
Due County for Added and Omitted Taxes		263,144.43	
Local District School Tax	A-17	5,947,810.00	
Regional High School Tax	A-18	3,139,114.65	
Due Utility Operating Fund		456.72	
			<u>19,180,099.62</u>
Balance December 31, 2007	A		<u><u>6,363,114.26</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2007	A-4	6,363,114.26
Increased by Receipts:		
Cash Receipts Record		4,460,222.76
		10,823,337.02
Decreased by Disbursements:		
Cash Disbursements Record		5,903,057.67
Balance March 31, 2008	A-5	4,920,279.35
<u>Cash Reconciliation - March 31, 2008</u>		
Balance per Statement		
Bank of America		6,027.54
The Bank		1,500,000.00
Colonial Bank		4,355,303.01
		5,861,330.55
Less: Outstanding Checks		941,051.20
Balance March 31, 2008	A-5	4,920,279.35

SCHEDULE OF CASH - COLLECTOR

Balance December 31, 2006	<u>Ref.</u> A		229,616.86
Increased by Receipts:			
Taxes Receivable	A-9	14,687,393.82	
Revenue Accounts Receivable	A-12	400,688.65	
Prepaid Taxes		154,233.16	
Tax Overpayments		102,463.58	
		<hr/>	15,344,779.21
			<hr/>
			15,574,396.07
Decreased by Disbursements:			
Paid to Treasurer	A-4		15,235,570.77
			<hr/>
Balance December 31, 2007	A		<u><u>338,825.30</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2007	A-6	338,825.30
Increased by Receipts:		
Cash Receipts Record		3,733,800.55
		4,072,625.85
Decreased by Disbursements:		
Cash Disbursements Record		3,832,796.44
Balance March 31, 2008	A-7	239,829.41
<u>Cash Reconciliation - March 31, 2008</u>		
Balance per Statement		
Colonial Bank		227,120.15
Add: Deposit in Transit		12,709.26
Balance March 31, 2008	A-7	239,829.41

SCHEDULE OF GRANTS RECEIVABLE

<u>Grant</u>	Balance Dec. 31, 2006	2007 Budget Revenue Realized	Received	Transfer from Unappropriated Reserves	Balance Dec. 31, 2007
Federal:					
Small Cities Community Development Block Grant	292,748.91		52,460.00		240,288.91
Older Americans Title IIIB	1,412.66	4,656.00	5,216.00		852.66
Older Americans Title IIIF	1,260.69				1,260.69
Small Cities Grant - Water Utility	383,219.00		383,219.00		
State:					
NJ Transportation Trust Fund Authority Act	124,138.43	145,000.00	123,454.70		145,683.73
Alliance for Substance Abuse Prevention Program	17,081.00	37,700.00	35,746.00		19,035.00
Handicapped Persons Recreational Opportunity Act	14,996.50	5,483.00	12,746.50		7,733.00
Clean Communities Program		8,626.14	8,626.14		
Green Communities Program	2,000.00				2,000.00
Recycling Tonnage Grant		21,896.00		21,896.00	
NJ Preparedness Grant	3,800.00				3,800.00
Stormwater Grant	2,500.00				2,500.00
Neighborhood Preservation	100,000.00	100,000.00	69,557.10		130,442.90
	<u>943,157.19</u>	<u>323,361.14</u>	<u>691,025.44</u>	<u>21,896.00</u>	<u>553,596.89</u>
Ref.	A	A-2	A-4	A-20	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2007 Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2006			2006	2007				Dec. 31, 2007
2004			627.40		627.40				
2005	2,298.88		1,409.34		3,708.22				
2006	366,955.72		23,829.20		365,887.69		8,933.26		15,963.97
	369,254.60		25,865.94		370,223.31		8,933.26		15,963.97
2007		15,120,621.41		161,885.34	14,460,275.91	157.49	24,209.75	1,783.66	472,309.26
	369,254.60	15,120,621.41	25,865.94	161,885.34	14,830,499.22	157.49	33,143.01	1,783.66	488,273.23
Ref.	A						A-10		A
				<u>Ref.</u>					
		Cash		A-6	14,687,393.82				
		Due State of New Jersey		A-16	143,105.40				
					14,830,499.22				

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:

Business Personalty Tax

44,914.78

General Property Tax

14,855,945.92

14,900,860.70

Added Taxes (54:4-63.1 et seq.)

219,760.71

15,120,621.41

Ref.

Tax Levied

Local District School Tax (Abstract)

A-17

5,947,810.00

Regional High School Tax (Abstract)

A-18

3,146,102.89

County Taxes:

County Tax (Abstract)

5,496,369.48

Local Health Services Tax (Abstract)

247,097.40

County Open Space Preservation

Trust Fund Tax (Abstract)

58,820.79

Due County for Added & Omitted Taxes

93,465.14

Total County Taxes

5,895,752.81

Local Tax for Municipal Purposes

0.00

Add: Additional Taxes Levied

130,955.71

130,955.71

15,120,621.41

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2006	A	8,337.72
Increased by:		
Transfers from Taxes Receivable	A-9	1,783.66
Balance December 31, 2007	A	<u>10,121.38</u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	<u>Ref.</u>	
Balance December 31, 2006	A	<u>82,800.00</u>
Balance December 31, 2007	A	<u>82,800.00</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance	Accrued	Collected by		Balance
	Dec. 31, 2006	in 2007	Treasurer	Collector	Dec. 31, 2007
<u>Miscellaneous Revenue Anticipated</u>					
Fines and Costs:					
Municipal Court	7,295.78	106,617.23	105,394.19		8,518.82
Emergency Medical Services Billings		177,708.25	177,708.25		
Legislative Initiative Municipal Block Grant		30,310.00	30,310.00		
Consolidated Municipal Property Tax Relief		183,491.00	183,491.00		
Energy Receipts Tax		1,626,335.00	1,626,335.00		
Municipal Property Tax Assistance		36,332.00	36,332.00		
Uniform Construction Code Fees	25,193.00	213,294.00	236,304.00		2,183.00
Deerfield Township - Uniform					
Construction Code		28,917.88	28,917.88		
Uniform Fire Safety Act		19,355.03	19,355.03		
<u>Miscellaneous Revenue Not Anticipated</u>					
Interest on Investments	442.42	447,665.92	385,150.53	62,765.77	192.04
Tax Searches		172.00		172.00	
Interest & Costs on Taxes		68,809.51		68,809.51	
Fees & Permits	5,079.00	62,881.34	65,113.09		2,847.25
Payments in Lieu of Taxes		266,983.40		266,983.40	
Cable Franchise		21,087.05	21,087.05		
Miscellaneous		6,296.86	4,338.89	1,957.97	
	<u>38,010.20</u>	<u>3,296,256.47</u>	<u>2,919,836.91</u>	<u>400,688.65</u>	<u>13,741.11</u>
Ref.	A		A-4	A-6	A

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

Date Authorized	Purpose	Net Amount Authorized	1/5 of Net Amount Authorized	Balance Dec. 31, 2006	Raised in 2007 Budget	Balance Dec. 31, 2007
5/18/06	Revision and Codification of Ordinances	21,655.00	4,331.00	21,655.00	4,331.00	17,324.00
7/6/06	Master Plan Studies	39,500.00	7,900.00	39,500.00	7,900.00	31,600.00
		<u>61,155.00</u>	<u>12,231.00</u>	<u>61,155.00</u>	<u>12,231.00</u>	<u>48,924.00</u>
	Ref.			A	A-3	A

SCHEDULE OF 2006 APPROPRIATION RESERVES

	Balance Dec. 31, 2006	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages				
General Administration	676.76	676.76	269.94	406.82
Municipal Clerk	5,069.81	5,069.81	1,313.93	3,755.88
Financial Administration	1,611.60	1,611.60	465.38	1,146.22
Revenue Administration	4,341.57	4,341.57	502.78	3,838.79
Planning Board	646.69	646.69	114.69	532.00
Zoning Board of Adjustment	739.70	739.70	16.64	723.06
Zoning Officer	4,259.55	4,259.55	570.89	3,688.66
Housing Official	3,106.45	3,106.45	570.88	2,535.57
Emergency Management	387.51	387.51	47.03	340.48
Aid to Volunteer Fire Companies	6,232.27	6,232.27	247.45	5,984.82
Municipal Prosecutor	295.00	295.00	90.00	205.00
Streets & Roads	8,702.42	8,702.42	1,045.46	7,656.96
Solid Waste Convenience Center	2,224.34	2,224.34	741.61	1,482.73
Buildings and Grounds	1,998.17	1,998.17	1,187.46	810.71
Board of Health	1,190.87	1,190.87	35.06	1,155.81
Environmental Committee	327.94	327.94	3.70	324.24
Maintenance of Parks	3,571.19	3,571.19	648.80	2,922.39
Municipal Court	2,662.91	2,662.91	1,545.26	1,117.65
Construction Code	58,710.28	58,710.28	58.56	58,651.72
Other Expenses				
General Administration	662.75	662.75	225.09	437.66
Municipal Clerk	5,658.61	5,658.61	486.90	5,171.71
Financial Administration	1,238.25	1,238.25	1,041.07	197.18
Legal Services and Costs	11,762.74	9,512.74	2,068.51	7,444.23
Planning Board	7,493.68	7,493.68	690.18	6,803.50
Zoning Officer	492.31	492.31	75.00	417.31
Emergency Management	258.16	1,008.16	945.00	63.16
Aid to Volunteer Fire Companies	4,949.64	4,949.64	25.00	4,924.64
Ambulance	10,433.48	10,433.48	8,352.88	2,080.60
Streets & Roads	5,498.44	5,498.44	1,174.39	4,324.05
Senior Center	260.36	260.36	6.16	254.20
Construction Code	69.12	1,569.12	1,159.88	409.24
Other Accounts - No Change	165,617.65	165,617.65		165,617.65
	<u>321,150.22</u>	<u>321,150.22</u>	<u>25,725.58</u>	<u>295,424.64</u>
Ref.	A		A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal & State Grant Fund</u>
Balance December 31, 2006	A	565,343.11	106,416.00
Increased by:			
Charges to 2007 Appropriations	A-3	212,182.53	
Charges to Reserve for Grants	A-19		173,175.92
		<u>777,525.64</u>	<u>279,591.92</u>
Decreased by:			
Payments	A-4	158,020.06	98,207.00
Canceled	A-1:A-19	317.00	8,209.00
		<u>158,337.06</u>	<u>106,416.00</u>
Balance December 31, 2007	A	<u>619,188.58</u>	<u>173,175.92</u>

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

	<u>Ref.</u>	
Balance December 31, 2006	A	31,244.62
Increased by:		
Receipts	A-4	139,580.00
		170,824.62
Decreased by:		
2007 Deductions Per Tax Duplicate		140,500.00
2007 Deductions Allowed by Collector		5,000.00
2007 Deductions Disallowed by Collector		(2,394.60)
		143,105.40
Prior Year Deduction Disallowed	A-1	(5,500.00)
		137,605.40
Balance December 31, 2007	A	33,219.22

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Increased by:		
2007 Calendar Year School Levy	A-9	5,947,810.00
Decreased by:		
Payments	A-4	5,947,810.00
		<hr/>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	<u>Ref.</u>	
Balance December 31, 2006	<u>A</u>	4,231.68
Increased by:		
2007 Calendar Year School Levy	A-9	3,146,102.89
		<hr/>
		3,150,334.57
Decreased by:		
Payments	A-4	3,139,114.65
		<hr/>
Balance December 31, 2007	A	<u><u>11,219.92</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2006	Transferred from 2007 Budget Appropriation	Paid or Charged	Encumbrance Canceled	Balance Dec. 31, 2007
Federal Grants:					
Small Cities Community Development Block Grant	339,019.06		187,643.00		151,376.06
Older Americans Title IIIB	461.84	4,656.00	4,656.00		461.84
Older Americans Title IIIF	892.97				892.97
Small Cities Block Grant - Water Utility	377,183.23		383,336.00	8,209.00	2,056.23
State Grants:					
NJ Transportation Trust Fund	73,611.52	145,000.00	137,592.01		81,019.51
Alliance for Substance Abuse Prevention Program	400.00	37,700.00	37,700.00		400.00
Clean Communities Program	14,855.39	8,626.14	8,626.14		14,855.39
Handicapped Persons Recreational Opportunity Act	27,933.57	6,579.60			34,513.17
Special Legislative Grant	605.00				605.00
Recycling Tonnage Grant	38,568.26	21,896.00	795.00		59,669.26
Neighborhood Preservation	75,176.16	120,000.00	106,092.46		89,083.70
Stormwater Grant	7,000.00				7,000.00
NJ State Police SLAEHOP	6,205.72				6,205.72
	<u>961,912.72</u>	<u>344,457.74</u>	<u>866,440.61</u>	<u>8,209.00</u>	<u>448,138.85</u>
Ref. A		A-3		A-15	A
		Ref.			
Cash		A-4	697,087.69		
Encumbered		A-15	173,175.92		
Prior Year					
Adjustment		D-1	(3,823.00)		
			<u>866,440.61</u>		

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance Dec. 31, 2006	Received	Appropriated in 2007	Balance Dec. 31, 2007
State Grants:				
Recycling Tonnage Grant	21,896.57	21,392.96	21,896.00	21,393.53
Clean Communities	865.39	867.50		1,732.89
	<u>22,761.96</u>	<u>22,260.46</u>	<u>21,896.00</u>	<u>23,126.42</u>
	A	A-4	A-8	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

	Ref.	Animal Control Trust Fund		Escrow Trust Fund	Municipal	Public	Accumulated	Recreation	Snow	Affordable
		Registrar	Treasurer		Alliance Trust Fund	Defender Trust Fund	Absence Trust Fund	Trust Fund	Removal Trust	Housing Trust
Balance December 31, 2006	B	11.70	28,655.96	219,749.44	2,496.82	289.75	30,757.94	1,136.84	31,998.56	
Increased by Receipts:										
Dog License Fees:										
Municipal Share	B-5	9,023.60								
State Share		1,952.40								
Interest Earned		46.58	1,739.87	14,020.86	133.36	105.36	1,741.87	261.09	1,738.11	2,731.23
Transfer from Registrar	B-1		9,077.62							
Escrow Deposits				97,036.53						
Program Income					5,673.20					
Public Defender Fees						2,847.50				
Accumulated Absence Reserve							7,500.00			
Recreation Fees								11,212.50		
Transfer from Current Fund									8,000.00	
Affordable Housing Funds										68,048.60
		11,022.58	10,817.49	111,057.39	5,806.56	2,952.86	9,241.87	11,473.59	9,738.11	70,779.83
		11,034.28	39,473.45	330,806.83	8,303.38	3,242.61	39,999.81	12,610.43	41,736.67	70,779.83
Decreased by Disbursements:										
Paid to State of New Jersey		1,956.60								
Transfer to Treasurer	B-1	9,077.62								
Transfer to Current Fund			1,717.09	20,574.92			2,067.75		1,609.88	
Escrow Charges				41,110.75						
Municipal Alliance Expenses					6,695.19					
Public Defender Expenses						93.65				
Recreation Expenses								5,750.00		
		11,034.22	1,717.09	61,685.67	6,695.19	93.65	2,067.75	5,750.00	1,609.88	
Balance December 31, 2007	B	0.06	37,756.36	269,121.16	1,608.19	3,148.96	37,932.06	6,860.43	40,126.79	70,779.83

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

	Ref.	<u>Animal Control Trust Fund</u>		Escrow Trust Fund	Municipal Alliance Trust Fund	Public Defender Trust Fund	Accumulated Absence Trust Fund	Recreation Trust Fund	Snow Removal Trust Fund	Affordable Housing Trust Fund
		Registrar	Treasurer							
Balance December 31, 2007	B-1	0.06	37,756.36	269,121.16	1,608.19	3,148.96	37,932.06	6,860.43	40,126.79	70,779.83
Increased by Receipts:										
Cash Receipts Record		5,505.32	3,361.10	1,028.25	44.67	1,169.83	553.54	4,336.39	375.15	659.52
		5,505.38	41,117.46	270,149.41	1,652.86	4,318.79	38,485.60	11,196.82	40,501.94	71,439.35
Decreased by Disbursements:										
Cash Disbursements Record		3,715.21	359.29	115.50	609.30	309.15	201.49	2,665.50		
Balance March 31, 2008	B-2	1,790.17	40,758.17	270,033.91	1,043.56	4,009.64	38,284.11	8,531.32	40,501.94	71,439.35

Cash Reconciliation - March 31, 2008

Balance per Statement										
Colonial Bank		1,547.77	40,758.17	204,169.83	1,043.56	4,009.64	38,284.11	8,081.32	40,501.94	71,439.35
Bank of America				57,084.64						
Hudson United Bank				8,894.94						
Add: Deposit in Transit		242.40						450.00		
		1,790.17	40,758.17	270,149.41	1,043.56	4,009.64	38,284.11	8,531.32	40,501.94	71,439.35
Less: Outstanding Checks				115.50						
Balance March 31, 2008	B-2	1,790.17	40,758.17	270,033.91	1,043.56	4,009.64	38,284.11	8,531.32	40,501.94	71,439.35

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2006	<u>Ref.</u> B		6,958.46
Increased by:			
Deposits for Redemption of Tax Sale Certificates		78,521.66	
Interest Earned		406.11	
		<hr/>	<hr/>
			78,927.77
			<hr/>
			85,886.23
Decreased by:			
Refunds Upon Redemption		84,430.48	
Due Current Fund		435.13	
		<hr/>	<hr/>
			84,865.61
Balance December 31, 2007	B		<hr/> <hr/>
			1,020.62

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

	<u>Ref.</u>	
Balance December 31, 2007	B-3	1,020.62
Increased by:		
Cash Receipts Record		12,156.48
		13,177.10
Decreased by:		
Cash Disbursements Record		801.81
Balance March 31, 2008	B-4	12,375.29

Cash Reconciliation - March 31, 2008

Balance per Statement Colonial Bank		3,983.64
Add: Deposit in Transit		8,391.65
Balance March 31, 2008	B-4	12,375.29

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2006	<u>Ref.</u> B	21,093.80
Increased by:		
Municipal Share of Dog License Fees	B-1	9,023.60
		<hr/>
		30,117.40
Decreased by:		
Statutory Excess Due Current Fund		10,388.30
		<hr/>
Balance December 31, 2007	B	<hr/> <hr/> 19,729.10

License Fees Collected

<u>Year</u>	<u>Amount</u>
2005	10,245.10
2006	9,484.00
	<hr/>
	<hr/> <hr/> 19,729.10

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

Balance December 31, 2006	<u>Ref.</u> C		990,851.99
Increased by:			
Interest Earned		29,317.40	
Budget Appropriation:			
Capital Improvement Fund	C-6	250,000.00	
Improvements to Senior Center		10,000.00	
Improvements to Convenience Center		20,000.00	
Purchase of Land - Farmland Preservation		50,000.00	
Improvements to Municipal Building and Facilities		20,126.25	
Purchase of Emergency and Fire Vehicles		225,000.00	
Due from Current Fund			
Due from Utility Operating Fund	C-3	20,000.00	
		<hr/>	624,443.65
			<hr/> 1,615,295.64
Decreased by:			
Improvement Authorizations	C-7	146,580.00	
Encumbrances Payable	C-8	14,393.00	
Reserve for Expansion of Facilities for Township Parks		9,355.00	
Due Current Fund		83,364.03	
		<hr/>	253,692.03
Balance December 31, 2007	C		<hr/> <hr/> 1,361,603.61

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, 2007	C-1	1,361,603.61
Increased by:		
Cash Receipts Record		8,008.31
		<hr/>
		1,369,611.92
Decreased by:		
Cash Disbursements Record		2,228.63
		<hr/>
Balance March 31, 2008	C-2	<u>1,367,383.29</u>

Cash Reconciliation - March 31, 2008

Balance per Statement		
Bank of America		3,195.23
Colonial Bank		864,175.80
The Bank		500,000.00
Add: Due from Bank		12.26
		<hr/>
Balance March 31, 2008	C-2	<u>1,367,383.29</u>

EXHIBIT C-3

SCHEDULE OF INVESTMENTS - BOND ANTICIPATION NOTES

UTILITY CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2006	C	255,000.00
Decreased by:		
Due from Utility Operating Fund	C-1	20,000.00
		<hr/>
Balance December 31, 2007	C	<u>235,000.00</u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2006	Receipts		Disbursements			Balance Dec. 31, 2007
		Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	Transfers	
Capital Improvement Fund	233,642.98	250,000.00					483,642.98
Reserve for Sanitary Landfill Closure	429,649.50						429,649.50
Reserve for Improvements to Sewerage Collection System	6,323.13						6,323.13
Reserve for Street Overlay Program	155,439.32						155,439.32
Reserve for Improvements to Municipal Building	18,210.56	20,126.25					38,336.81
Reserve for Expansion of Facilities for Township Parks	28,022.94				9,355.00	(445.00)	18,222.94
Reserve for Purchase of Land - Farmland Preservation		50,000.00					50,000.00
Reserve for Improvements to Convenience Center	23,125.00	20,000.00					43,125.00
Reserve for Construction of a Senior Center		10,000.00					10,000.00
Reserve for Improvements to Roads	33,000.00						33,000.00
Reserve for Purchase of Emergency and Fire Vehicles	173,119.00	225,000.00				(155,500.00)	242,619.00
Reserve for Purchase of Public Works Vehicle	2,056.00						2,056.00
Reserve for Purchase of Court Video Conference Equipment	10,000.00						10,000.00
Reserve for Improvements to Municipal Buildings and Facilities	4,800.00						4,800.00
Reserve for Document Imaging	4,527.29						4,527.29
Encumbrances Payable	14,393.00				14,393.00	2,432.50	2,432.50
Due Current Fund	56,776.37		29,317.40		83,364.03		2,729.74
Due Utility Operating Fund	(20,000.00)						(20,000.00)
Improvement Authorizations:							
Ordinance							
Number							
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
509 Purchase of an Emergency Vehicle	42.65						42.65
531 Reconstruction of Bostwick Lake Dam	20,000.00						20,000.00
567 Purchase of Emergency Transport Vehicle	6,403.00						6,403.00
584 Purchase of Ambulance				146,580.00		153,512.50	6,932.50
	<u>1,245,851.99</u>	<u>575,126.25</u>	<u>29,317.40</u>	<u>146,580.00</u>	<u>107,112.03</u>		<u>1,596,603.61</u>
Ref.	C	C-1:C-6	C-1	C-7	C-1		C

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - UNFUNDED

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Balance Dec. 31, 2006</u>	<u>Balance Dec. 31, 2007</u>	<u>Analysis of Balance Dec. 31, 2007 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, 2006	C	233,642.98
Increased by:		
2007 Budget Appropriation	C-1	<u>250,000.00</u>
Balance December 31, 2007	C	<u><u>483,642.98</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

<u>Purpose</u>	<u>Ordinance</u>		<u>Balance Dec. 31, 2006</u>		<u>2007 Authorization Reserve for Various Improvements</u>	<u>Paid or Charged</u>	<u>Balance Dec. 31, 2007</u>	
	<u>Number</u>	<u>Amount</u>	<u>Funded</u>	<u>Unfunded</u>			<u>Funded</u>	<u>Unfunded</u>
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 Emergency Vehicle	509	295,000.00	42.65				42.65	
Reconstruction of Bostwick Lake Dam	531	70,000.00	20,000.00				20,000.00	
Purchase of Emergency Transport Vehicle	567	45,000.00	6,403.00				6,403.00	
Purchase of Ambulance	584	155,500.00			155,500.00	148,567.50	6,932.50	
			<u>72,766.90</u>	<u>104,611.71</u>	<u>155,500.00</u>	<u>148,567.50</u>	<u>79,699.40</u>	<u>104,611.71</u>
	Ref.	C	C	C	C-4		C	C
					<u>Ref.</u>			
				Disbursed	C-1	146,580.00		
				Encumbered	C-8	1,987.50		
						<u>148,567.50</u>		

SCHEDULE OF ENCUMBRANCE PAYABLE

	<u>Ref.</u>		
Balance December 31, 2006	C		14,393.00
Increased by:			
2007 Improvement Authorizations	C-7	1,987.50	
Charges to Reserve for Expansion of Facilities for Township Parks	C-4	445.00	
		<hr/>	2,432.50
			<hr/>
			16,825.50
Decreased by:			
Disbursed	C-1		14,393.00
			<hr/>
Balance December 31, 2007	C		<hr/> <hr/>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance</u> <u>Number</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2006</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
259, 266	Construction of a Water Supply System	<u>104,611.71</u>	<u>104,611.71</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, 2006	D	1,587,955.38	774,777.65
Increased by:			
Transfer from Collector	D-7	968,060.41	
Interest on Investments	D-3	82,704.57	30,960.29
Lease	D-3	41,221.98	
Miscellaneous	D-3	7,175.90	
Due Federal & State Grant Fund		383,219.00	
Due Current Fund		456.72	
Budget Appropriation:			
Capital Improvement Fund	D-16		125,000.00
Reserve for Water Tower Repairs			104.05
		<u>1,482,838.58</u>	<u>156,064.34</u>
		3,070,793.96	930,841.99
Decreased by:			
2007 Appropriations	D-4	1,179,322.97	
2006 Appropriation Reserves	D-13	13,105.61	
Encumbrances Payable	D-14	33,212.32	
Improvement Authorizations	D-15		274,986.23
Due Federal & State Grant Fund		386,945.00	
Interest on Notes		26,937.00	
Reserve for Preliminary Expenses			
Seabrook Water District			18,472.50
		<u>1,639,522.90</u>	<u>293,458.73</u>
Balance December 31, 2007	D	<u><u>1,431,271.06</u></u>	<u><u>637,383.26</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, 2007	D-5	1,431,271.06	637,383.26
Increased by:			
Cash Receipts Record		279,695.69	5,146.46
		1,710,966.75	642,529.72
Decreased by:			
Cash Disbursements Record		197,401.40	13,215.70
Balance March 31, 2008	D-6	<u>1,513,565.35</u>	<u>629,314.02</u>
<u>Cash Reconciliation - March 31, 2008</u>			
Balance per Statement			
Bank of America			78,389.78
Colonial Bank		716,252.49	549,470.62
Hudson United Bank			7,801.62
The Bank		800,000.00	
		1,516,252.49	635,662.02
Less: Outstanding Checks		2,687.14	6,348.00
Balance March 31, 2008	D-6	<u>1,513,565.35</u>	<u>629,314.02</u>

SCHEDULE OF WATER & SEWER UTILITY CASH - COLLECTOR

Balance December 31, 2006	<u>Ref.</u> D		24,292.87
Increased by Receipts:			
Consumer Accounts Receivable - Water	D-10	250,724.27	
Consumer Accounts Receivable - Seabrook Water	D-10	50,876.61	
Consumer Accounts Receivable - Sewer	D-10	593,293.44	
Rent Overpayments		409.77	
Sewer Connection Fees	D-2	47,600.00	
Interest on Delinquent Accounts	D-2	1,602.83	
Interest on Investments	D-2	3,654.79	
Miscellaneous	D-2	2,487.62	
		<hr/>	950,649.33
			<hr/>
			974,942.20
Decreased by Disbursements:			
Transfer to Treasurer	D-5		968,060.41
			<hr/>
Balance December 31, 2007	D		<u><u>6,881.79</u></u>

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

Balance December 31, 2007	<u>Ref.</u> D-7	6,881.79
Increased by:		
Cash Receipts Record		253,423.64
		<hr/> 260,305.43
Decreased by:		
Cash Disbursements Record		247,169.82
Balance March 31, 2008	D-8	<hr/> <u>13,135.61</u>
		<u>Cash Reconciliation - March 31, 2008</u>
Balance per Statement		
Colonial Bank	D-8	<hr/> <u>13,135.61</u>

ANALYSIS OF WATER & SEWER UTILITY CAPITAL FUND CASH

	Balance Dec. 31, 2006	Receipts		Disbursements		Transfers		Balance Dec. 31, 2007
		Budget	Miscellaneous	Improvement	Miscellaneous	From	To	
		Appropriation		Authorizations				
Capital Improvement Fund	241,687.60	125,000.00				26,500.00		340,187.60
Fund Balance						135,000.00	135,344.59	344.59
Due Utility Operating Fund	44,854.82		30,960.29					75,815.11
Reserve for Preliminary Expenses - Construction of a Water Tower	64,046.05					64,046.05		
Reserve for Preliminary Expenses - Seabrook Water District					18,472.50	1,527.50	20,000.00	
Reserve for Purchase of Land - Pumping Station	1,223.00					1,223.00		
Reserve for Water Tower Repairs	7,672.41		104.05					7,776.46
Reserve for Centerton Road Water Main Project	65,940.54					65,940.54		
Reserve for Love Lane Tower Improvements	141,732.00							141,732.00
Reserve for Seabrook Tower Improvements	70,000.00					48,820.00		21,180.00
Reserve for Purchase of Truck	4,135.00					4,135.00		
Encumbrances Payable							50,347.50	50,347.50
Improvement Authorizations:								
Ordinance								
Number								
361 Various Sewer and Water System Capital Improvements	11,278.47			11,278.47				
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	79,549.65			79,549.65				
523 Various Water System Capital Improvements	3,410.00			3,410.00				
581 Purchase of Seabrook Water Company				141,500.00			141,500.00	
	<u>774,777.65</u>	<u>125,000.00</u>	<u>31,064.34</u>	<u>274,986.23</u>	<u>18,472.50</u>	<u>347,192.09</u>	<u>347,192.09</u>	<u>637,383.26</u>
Ref.	D	D-16	D-5	D-15	D-5			D

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	<u>Water</u>	<u>Seabrook Water</u>	<u>Sewer</u>
Balance December 31, 2006	D	123,472.06		12,018.25
Increased by:				
Utility Rents Levied		295,101.37	58,456.86	618,798.11
		<u>418,573.43</u>	<u>58,456.86</u>	<u>630,816.36</u>
Decreased by:				
Collections	D-7	250,724.27	50,876.61	593,293.44
Overpayments Applied		851.04		1,656.39
Canceled		160,759.64		7,328.00
		<u>412,334.95</u>	<u>50,876.61</u>	<u>602,277.83</u>
Balance December 31, 2007	D	<u><u>6,238.48</u></u>	<u><u>7,580.25</u></u>	<u><u>28,538.53</u></u>

SCHEDULE OF FIXED CAPITAL

<u>Purpose</u>	<u>Additions By Ordinance</u>	<u>Balance Dec. 31, 2007</u>
Various Sewer and Water System Capital Improvements	3,490,000.00	3,490,000.00
Expenses Associated with Conveyance of Land and Easements	30,000.00	30,000.00
Various Water System Capital Improvements	405,000.00	405,000.00
Purchase of Seabrook Water Company	141,500.00	141,500.00
	<u>4,066,500.00</u>	<u>4,066,500.00</u>
	Ref. D-12	D

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance Dec. 31, 2006	2007 Authorizations		Costs to Fixed Capital	Balance Dec. 31, 2007
		Date	Amount		Deferred Reserve for Amortization	Deferred Charges to Future Taxation		
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	
581	Purchase of Seabrook Water Company	2/15/07	141,500.00		141,500.00		141,500.00	
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000.00			3,000,000.00		3,000,000.00
				<u>3,925,000.00</u>	<u>141,500.00</u>	<u>3,000,000.00</u>	<u>4,066,500.00</u>	<u>3,000,000.00</u>
			Ref.	D	D-18	D-15	D-11	D

SCHEDULE OF 2006 APPROPRIATION RESERVES

	Balance Dec. 31, 2006	Disbursed	Balance Lapsed
Operating:			
Salaries and Wages	3,284.31	2,654.91	629.40
Other Expenses	126,921.73	10,450.70	116,471.03
Social Security System Contribution	731.67		731.67
Unemployment Compensation Insurance	929.77		929.77
	<u>131,867.48</u>	<u>13,105.61</u>	<u>118,761.87</u>
Ref.	D	D-5	D-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Capital Fund
Balance December 31, 2006	D	60,665.32	
Increased by:			
Charges to 2007 Appropriations	D-4	30,359.94	
Reserve for Seabrook Tower Improvements			48,820.00
Reserve for Preliminary Expenses Seabrook Water District			1,527.50
		<u>91,025.26</u>	<u>50,347.50</u>
Decreased by:			
Payments	D-5	33,212.32	
Balance December 31, 2007	D	<u>57,812.94</u>	<u>50,347.50</u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Ordinance		Balance Dec. 31, 2006		2007 Authorizations			Paid or Charged	Balance Dec. 31, 2007 Unfunded
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Fund Balance	Deferred Charges to Future Revenue		
361	Various Sewer and Water System Capital Improvements	08/30/90	2,900,000.00		11,278.47				11,278.47	
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	79,549.65					79,549.65	
523	Various Water System Capital Improvements	07/02/02	405,000.00		3,410.00				3,410.00	
581	Purchase of Seabrook Water Company	2/15/07	141,500.00			6,500.00	135,000.00		141,500.00	
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	12/6/07	3,000,000.00					3,000,000.00		3,000,000.00
				79,549.65	53,936.58	6,500.00	135,000.00	3,000,000.00	274,986.23	3,000,000.00
	Ref.			D	D	D-16	D-2	D-12	D-5	D

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2006	D	241,687.60
Increased by:		
2007 Budget Appropriation	D-5	125,000.00
		<u>366,687.60</u>
Decreased by:		
Appropriation to Finance Improvement Authorizations	D-15	6,500.00
Charges for Preliminary Costs of Improvements:		
Professional Services for the Seabrook Water District		20,000.00
		<u>26,500.00</u>
Balance December 31, 2007	D	<u><u>340,187.60</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Increased by:		
Transfer from Deferred Reserve for Amortization	D-18	1,172,734.81
Balance December 31, 2007	D	<u><u>1,172,734.81</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, 2006</u>	<u>Fixed Capital Authorized</u>	<u>Paid from Operating Budget</u>	<u>To Reserve for Amortization</u>
361	Various Sewer and Water System Capital Improvements	8/30/90	743,954.01		65,334.02	809,288.03
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	28,874.26		3,072.52	31,946.78
484	Various Sewer and Water System Capital Improvements	10/15/98	60,000.00		20,000.00	80,000.00
523	Various Water System Capital Improvements	7/2/02	60,000.00		20,000.00	80,000.00
581	Purchase of Seabrook Water Company	2/15/07		141,500.00		141,500.00
			<u>922,828.27</u>	<u>141,500.00</u>	<u>108,406.54</u>	<u>1,172,734.81</u>
		Ref.	D	D-12	D-19:D-20:D-21	D-17

EXHIBIT D-19

SCHEDULE OF NOTES PAYABLE - GENERAL CAPITAL FUND

	<u>Ref.</u>	
Balance December 31, 2006	D	255,000.00
Decreased by:		
Payments	D-18	20,000.00
Balance December 31, 2007	D	<u>235,000.00</u>

EXHIBIT D-20

SCHEDULE OF LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2006	D	2,017,171.73
Decreased by:		
Payments	D-18	38,406.54
Balance December 31, 2007	D	<u>1,978,765.19</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, 2006</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2007</u>
361	Various Sewer and Water System Capital Improvements	10/18/02	10/12/07	10/12/08	3.60%	55,000.00	10,000.00	45,000.00
484	Various Sewer and Water System Capital Improvements	10/18/02	10/12/07	10/12/08	3.60%	330,000.00	20,000.00	310,000.00
523	Various Water System Capital Improvements	10/18/02	10/12/07	10/12/08	3.60%	345,000.00	20,000.00	325,000.00
						<u>730,000.00</u>	<u>50,000.00</u>	<u>680,000.00</u>
					Ref.	<u>D</u>	<u>D-18</u>	<u>D</u>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>2007 Authorization</u>	<u>Balance Dec. 31, 2007</u>
602	Construction of a Radionuclide Treatment Plant & Related Improvements to the Water System	<u>3,000,000.00</u>	<u>3,000,000.00</u>

PUBLIC ASSISTANCE TRUST FUND

EXHIBIT E-1

SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2006	E	10,405.63
Increased by:		
Interest Earned		603.02
		<u>11,008.65</u>
Decreased by:		
Due Current Fund		1,115.91
Balance December 31, 2007	E	<u><u>9,892.74</u></u>

EXHIBIT E-2

STATEMENT OF PUBLIC ASSISTANCE CASH AND RECONCILIATION

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

	<u>Ref.</u>	
Balance December 31, 2007	E-1	9,892.74
Increased by:		
Cash Receipts Record		158.77
		<u>10,051.51</u>
Decreased by:		
Cash Disbursements Record		67.00
Balance March 31, 2008	E-2	<u><u>9,984.51</u></u>
		<u>Cash Reconciliation - March 31, 2008</u>
Balance per Statement		
Colonial Bank	E-2	<u><u>9,984.51</u></u>

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND FINDINGS AND QUESTIONED COSTS**

PETRONI & ASSOCIATES

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Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

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

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

Compliance

We have audited the compliance of the Township of Upper Deerfield with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. As described in Note 1, the Township of Upper Deerfield prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Township of Upper Deerfield's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Township of Upper Deerfield's management. Our responsibility is to express an opinion on the Township of Upper Deerfield's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and audit requirements as prescribed by the State of New Jersey. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit

includes examining, on a test basis, evidence about the Township of Upper Deerfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Upper Deerfield's compliance with those requirements.

In our opinion, the Township of Upper Deerfield complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

A control deficiency in a township's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the township's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the township's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

PETRONI & ASSOCIATES

Petroni & Associates

May 19, 2008

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Amount</u>	<u>Funds Received</u>	<u>Grant Period</u>		<u>Amount of Expenditures</u>
				<u>From</u>	<u>To</u>	
Department of Housing and Urban Development						
Community Development Block Grant	14.228	220,000.00		10/2/05	12/31/07	187,643.00
Community Development Block Grant - Utility Fund	14.228	400,000.00	400,000.00	12/1/04	5/31/06	375,127.00
Department of Health and Human Services						
Special Program for the Aging - Title IIIB	93.044	4,656.00	4,656.00	1/1/07	12/31/07	4,656.00
		<u>624,656.00</u>	<u>404,656.00</u>			<u>567,426.00</u>

TOWNSHIP OF UPPER DEERFIELD
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A: BASIS OF PRESENTATION

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

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
2) Significant deficiencies(s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to general-purpose financial statements noted?	<u> X </u> yes	<u> </u> no

Federal Awards

Type of auditor's report issued on compliance for major programs:		<u>Unqualified</u>
Internal Control over major programs:		
1) Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
2) Significant deficiencies(s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.23	Community Development Block Grant - Utility

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

Auditee qualified as low-risk auditee? yes X no

State Awards N/A

TOWNSHIP OF UPPER DEERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007

Section II – Financial Statement Findings

See Findings and Recommendations in Part II

Section III – Federal and State Awards Findings and Questioned Costs

FEDERAL AWARDS

No matters were reported.

STATE AWARDS – N/A

TOWNSHIP OF UPPER DEERFIELD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2007

There were no prior year findings reported.

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:

Ambulance
Home Rehabilitation

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

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

Our examination of expenditures revealed one individual payment, contract or agreement in excess of the bid threshold “for the performance of any work or the furnishing or hiring of any materials or supplies,” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6. The Township obtained a three year contract for waste disposal service in 2003. This contract has expired and a new contract was never put out to bid.

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 4, 2007, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 18, 2007 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>
2007	4
2006	4
2005	13

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. 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 compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements as follows:

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

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

During the year statements were not sent to developer escrow applicants showing an accounting of funds as required by Chapter 54, P.L. This has been corrected in 2008.

The cash balances in the developer escrow funds do not agree with the amount in the subsidiary accounting records. The Chief Financial Officer is in the process of reviewing all balances.

Tax Collector/Utility Collector

The records maintained by the Tax Collector were found to be in compliance with requirements prescribed by the Division of Local Government Services.

Ancillary Departments

The financial records maintained by the Construction Code Office, Housing and Zoning Office, Planning Board, Vital Statistics and the Township Clerk were found to be properly maintained.

Corrective Action Plan

A corrective action plan was not required for the year 2006.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE

1. Finding: Payments were made for an expenditure in excess of the bid threshold where bids had not been sought as required by N.J.S.A. 40A:11-6.

Recommendation: Bids be sought for all expenditures over the bid threshold as required by N.J.S.A. 40A:11-6.

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

Petroni & Associates