# TOWNSHIP OF LOWER ALLOWAYS CREEK
# REPORT OF AUDIT
# YEAR ENDED DECEMBER 31, 2011

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# PART I

# INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Lower Alloways Creek
501 Locust Road
Hancocks Bridge, New Jersey 08038

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the Township of Lower Alloways Creek as of December 31, 2011 and 2010, the related statements of operations and changes in fund balance – regulatory basis for the years then ended, and the related statements of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds, as listed in the table of contents for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township of Lower Alloways Creek's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements for the year ended December 31, 2010. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended December 31, 2010, is based on the report of the other auditor.

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 Lower Alloways Creek 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.

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 Lower Alloways Creek as of December 31, 2011 and 2010, or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Township of Lower Alloways Creek as of December 31, 2011 and 2010, and the results of its operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the years ended December 31, 2011 and 2010, on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 15, 2012, on our consideration of the Township of Lower Alloways Creek's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Lower Alloways Creek taken as a whole. The accompanying supplemental schedules and information presented in the "Supplementary Data," "General Comments" and "Findings and Recommendations" sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Lower Alloways Creek. The financial statements and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC

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

June 15, 2012

# CURRENT FUND

EXHIBIT A

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Regular Fund | | | |
| Cash - Treasurer | | | 3,219,892.28 |
| Cash - Collector | A-5 | 92,889.63 | 72,927.14 |
| Cash - Change Fund | A-6 | 350.00 | 350.00 |
| Investments - Treasurer | A-7 | 8,197,806.38 | |
| | | 8,291,046.01 | 3,293,169.42 |
| Receivables and Other Assets with Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-8 | 70,099.29 | 50,334.87 |
| Tax Title Liens Receivable | A-9 | 16,103.56 | 11,569.90 |
| Sewer Rents and Connection Fees Receivable | A-10 | 38,515.33 | 26,160.20 |
| Sewer Liens Receivable | A-11 | 3,086.43 | 1,207.52 |
| Property Acquired for Taxes - Assessed Valuation | | | 2,550.00 |
| Due from Animal Control Trust Fund | B | 449.00 | 903.64 |
| Revenue Accounts Receivable | A-12 | 3,046.72 | 3,192.73 |
| | | 131,300.33 | 95,918.86 |
| | | 8,422,346.34 | 3,389,088.28 |
| Federal and State Grant Fund | | | |
| Cash - Treasurer | A-4 | 390,243.11 | 256,340.96 |
| Federal and State Grants Receivable | A-17 | 23,876.04 | 126,191.59 |
| | | 414,119.15 | 382,532.55 |
| | | 8,836,465.49 | 3,771,620.83 |

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

EXHIBIT A
(Continued)

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|---|
| **LIABILITIES, RESERVES AND FUND BALANCE** | | | |
| Regular Fund | | | |
| Liabilities: | | | |
| Cash - Treasurer | A-4 | 3,644,574.91 | |
| Appropriation Reserves | A-3:A-14 | 800,834.64 | 517,783.41 |
| Encumbrances Payable | A-15 | 1,970,815.93 | 358,935.30 |
| Accounts Payable | | | 44,331.66 |
| Due State of New Jersey - Senior Citizen and Veterans Deductions | A-13 | 10,745.85 | 10,995.85 |
| Prepaid Taxes | | 44,389.94 | 39,034.86 |
| Tax Overpayments | | 45.76 | 2,432.15 |
| Sewer Overpayments | | 3,420.00 | |
| Due State of New Jersey - DCA Fees | | 779.00 | 247.00 |
| Payroll Taxes Payable | | 12,869.48 | |
| Due to Escrow Trust | B | 715.84 | |
| Reserve for Tax Title Lien Redemption | | | 82.99 |
| Reserve for Payment of Local School District Appropriation | | | 1,679,400.00 |
| Reserve for Garden State Preservation Trust | | 35,841.00 | 35,841.00 |
| | | 6,525,032.35 | 2,689,084.22 |
| Reserve for Receivables | | 131,300.33 | 95,918.86 |
| Fund Balance | A-1 | 1,766,013.66 | 604,085.20 |
| | | 8,422,346.34 | 3,389,088.28 |
| Federal and State Grant Fund | | | |
| Accounts Payable | | | 38.79 |
| Encumbrances Payable | A-20 | 1,869.00 | 29,744.15 |
| Reserve for Grants - Appropriated | A-18 | 269,059.47 | 225,844.92 |
| Reserve for Grants - Unappropriated | A-19 | 143,190.68 | 126,904.69 |
| | | 414,119.15 | 382,532.55 |
| | | 8,836,465.49 | 3,771,620.83 |

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

EXHIBIT A-1

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

| | Ref. | Year 2011 | Year 2010 |
|---|---|---|---|
| **Revenue and Other Income Realized** | | | |
| Fund Balance Utilized | A-2 | 444,000.00 | 3,000,000.00 |
| Miscellaneous Revenue Anticipated | A-2 | 10,282,312.03 | 7,300,874.03 |
| Receipts from Delinquent Taxes | A-2 | 51,958.19 | 74,687.73 |
| Receipts from Current Taxes | A-2 | 2,599,727.69 | 2,286,427.87 |
| Non-Budget Revenue | A-2 | 297,201.02 | 268,439.89 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | A-14 | 422,863.57 | 284,700.98 |
| Tax Overpayments Canceled | | | 267.20 |
| Encumbrances Payable - Canceled | A-15 | 86,663.40 | |
| Accounts Payable - Canceled | | 44,331.66 | |
| Interfund Loan Returned | | 903.64 | |
| Total Income | | 14,229,961.20 | 13,215,397.70 |
| **Expenditures** | | | |
| Budget Appropriations Within "CAPS" | | | |
| Operations: | | | |
| Salaries and Wages | A-3 | 2,496,554.00 | 3,056,854.00 |
| Other Expenses | A-3 | 3,273,300.00 | 3,239,180.00 |
| Deferred Charges and Statutory Expenditures | A-3 | 627,682.00 | 539,673.53 |
| Budget Appropriations Excluded from "CAPS" | | | |
| Operations: | | | |
| Salaries and Wages | A-3 | 251.37 | 185.64 |
| Other Expenses | A-3 | 161,045.00 | 223,876.06 |
| Deferred Charges | A-3 | 3,379,668.00 | 3,359,200.00 |
| County Taxes | A-8 | 2,663,703.47 | 2,339,707.17 |
| Due County for Added Taxes | A-8 | 10,137.94 | 1,988.12 |
| Prior Year Deductions Disallowed | A-13 | 250.00 | |
| Interfund Loan Advanced | | 11,440.96 | 25.61 |
| Total Expenditures | | 12,624,032.74 | 12,760,690.13 |
| Excess in Revenue | | 1,605,928.46 | 454,707.57 |
| **Fund Balance** | | | |
| Balance January 1 | A | 604,085.20 | 3,149,377.63 |
| | | 2,210,013.66 | 3,604,085.20 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1 | 444,000.00 | 3,000,000.00 |
| Balance December 31 | A | 1,766,013.66 | 604,085.20 |

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

EXHIBIT A-2

STATEMENT OF REVENUES - REGULATORY BASIS

| | Ref. | Anticipated Budget 2011 | Realized | Excess or (Deficit) |
|---|---|---|---|---|
| Fund Balance Anticipated | A-1 | 444,000.00 | 444,000.00 | |
| Miscellaneous Revenues: | | | | |
| Fines and Costs: | | | | |
| Municipal Court | A-12 | 32,000.00 | 29,173.13 | (2,826.87) |
| Interest on Investments and Deposits | A-12 | 1,586,000.00 | 2,244,079.67 | 658,079.67 |
| Police Agreement | A-12 | 85,000.00 | 88,750.00 | 3,750.00 |
| Trash Agreement | A-12 | 168,219.00 | 185,719.00 | 17,500.00 |
| Leisure Arms Rentals | A-12 | 144,018.00 | 145,777.81 | 1,759.81 |
| Sewer Rents | A-12 | 61,000.00 | 88,656.39 | 27,656.39 |
| Energy Receipts Tax | A-12 | 4,977,153.57 | 5,000,361.00 | 23,207.43 |
| Reserve for Garden State Trust Preservation | A-12 | 35,841.00 | 35,841.00 | |
| Uniform Construction Code Fees | A-12 | 8,000.00 | 33,536.00 | 25,536.00 |
| Recycling Tonnage Grant | A-17 | 9,962.26 | 9,962.26 | |
| Clean Communities | A-17 | 7,062.22 | 7,062.22 | |
| Alcohol Education and Rehabilitation Fund | A-17 | 251.37 | 251.37 | |
| Municipal Alliance on Alcoholism and Drug Abuse | A-17 | 3,513.34 | 3,513.34 | |
| Senior Citizen and Disabled Resident Transportation Grant | A-17 | 108,182.68 | 108,182.68 | |
| Body Armor Replacement Grant | A-17 | 1,446.16 | 1,446.16 | |
| Reserve for Self Insurance Fund-Canceled | A-17 | 2,300,000.00 | 2,300,000.00 | |
| Total Miscellaneous Revenues | | 9,527,649.60 | 10,282,312.03 | 754,662.43 |
| Receipts from Delinquent Taxes | A-2 | 40,000.00 | 51,958.19 | 11,958.19 |
| Budget Totals | | 10,011,649.60 | 10,778,270.22 | 766,620.62 |
| Non-Budget Revenues: | | | | |
| From "Allocation of Current Tax Collections" | A-2 | | (964.49) | |
| Other Non-Budget Revenue | A-2 | | 297,201.02 | |
| | | 10,011,649.60 | 11,074,506.75 | |
| | Ref. | A-3 | | |

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

EXHIBIT A-2
(Continued)

STATEMENT OF REVENUES - REGULATORY BASIS

**Analysis of Realized Revenue**

| | Ref. | |
|---|---|---|
| Allocation of Current Tax Collections: | | |
| Revenue from Collections | A-8 | 2,599,727.69 |
| Allocated to: | | |
| County Taxes | A-8 | 2,673,841.41 |
| Deficiency Supported by Municipal Revenue | | (74,113.72) |
| Add: Appropriation "Reserve for Uncollected Taxes" | A-3 | 73,149.23 |
| Amount Added to Non-Budget Revenue | A-2 | (964.49) |
| Receipts from Delinquent Taxes: | | |
| Delinquent Tax Collection | A-8 | 51,958.19 |
| | A-2 | 51,958.19 |

**Analysis of Non-Budget Revenue**

| | | |
|---|---|---|
| Miscellaneous Revenue Not Anticipated: | | |
| Revenue Accounts Receivable: | | |
| Refunds | A-12 | 175,161.31 |
| Interest on Sewer Rents | A-12 | 3,975.38 |
| Interest and Costs on Taxes | A-12 | 11,543.58 |
| Tax Searches | A-12 | 130.00 |
| Fire Inspections | A-12 | 54.60 |
| Clerk Licenses | A-12 | 5,230.42 |
| Police Department Fees | A-12 | 524.50 |
| Planning & Zoning Fees | A-12 | 1,100.00 |
| Recycling | A-12 | 7,557.09 |
| Historical Books | A-12 | 120.00 |
| Mobile Home Fees | A-12 | 2,400.00 |
| Lunch Program | A-12 | 33,364.75 |
| Court Agreement | A-12 | 3,906.50 |
| Zoning/Housing Fees | A-12 | 1,223.67 |
| Stickers | A-12 | 3,515.20 |
| Hurricane Irene | A-12 | 9,123.32 |
| Brush Cleanup | A-12 | 1,706.16 |
| Sale of Property | A-12 | 9,370.24 |
| Fire Penalties | A-12 | 9,385.58 |
| Miscellaneous | A-12 | 17,808.72 |
| | A-2 | 297,201.02 |

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

EXHIBIT A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| **OPERATIONS WITHIN "CAPS"** | | | | | |
| **GENERAL GOVERNMENT** | | | | | |
| Purchasing Department | | | | | |
| Salaries & Wages | 35,756.00 | 35,756.00 | 35,065.00 | | 691.00 |
| Postage | 5,500.00 | 5,500.00 | 5,222.11 | | 277.89 |
| Other Expenses | 4,750.00 | 4,750.00 | 2,349.77 | | 2,400.23 |
| Mayor and Township Committee | | | | | |
| Salaries & Wages | 38,925.00 | 38,925.00 | 38,905.00 | | 20.00 |
| Other Expenses | 1,500.00 | 1,500.00 | 1,086.00 | | 414.00 |
| Township Clerk | | | | | |
| Salaries & Wages | 100,000.00 | 100,000.00 | 96,039.24 | | 3,960.76 |
| Printing and Legal Advertising | 3,000.00 | 3,000.00 | 1,588.90 | | 1,411.10 |
| Other Expenses | 23,000.00 | 23,000.00 | 10,866.71 | 2,117.25 | 10,016.04 |
| Financial Administration | | | | | |
| Salaries & Wages | 35,576.00 | 35,576.00 | 35,065.00 | | 511.00 |
| Other Expenses | 56,000.00 | 56,000.00 | 40,416.29 | 3,378.00 | 12,205.71 |
| Audit Services | | | | | |
| Other Expenses | 35,000.00 | 35,000.00 | 26,500.00 | | 8,500.00 |
| Revenue Administration (Tax Collection) | | | | | |
| Salaries & Wages | 19,300.00 | 19,300.00 | 18,479.00 | | 821.00 |
| Other Expenses | 7,550.00 | 7,550.00 | 2,991.35 | 1,308.30 | 3,250.35 |
| Tax Assessment Administration | | | | | |
| Salaries & Wages | 23,000.00 | 23,000.00 | 21,960.00 | | 1,040.00 |
| Other Expenses | 1,500.00 | 1,500.00 | 1,393.44 | 19.60 | 86.96 |
| Legal Services & Costs | | | | | |
| Other Expenses | 41,000.00 | 41,000.00 | 31,199.22 | | 9,800.78 |
| Engineering Services & Costs | | | | | |
| Other Expenses | 30,000.00 | 30,000.00 | 2,218.01 | | 27,781.99 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| **OPERATIONS WITHIN "CAPS"** | | | | | |
| **GENERAL GOVERNMENT (CONTINUED)** | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| **MUNICIPAL COURT FUNCTIONS** | | | | | |
| Municipal Court | | | | | |
| Salaries & Wages | 26,000.00 | 26,000.00 | 25,736.77 | | 263.23 |
| Other Expenses | 3,000.00 | 3,000.00 | 2,240.18 | 300.00 | 459.82 |
| Public Defender | | | | | |
| Other Expenses | 1,000.00 | 1,000.00 | | | 1,000.00 |
| **LAND USE ADMINISTRATION** | | | | | |
| Municipal Land Use Law (NJSA 40:55D-1) | | | | | |
| Planning Board | | | | | |
| Salaries & Wages | 5,187.00 | 5,187.00 | 5,187.00 | | |
| Other Expenses | 12,700.00 | 12,700.00 | 5,426.10 | 1,906.00 | 5,367.90 |
| Zoning Board of Adjustment | | | | | |
| Salaries & Wages | 4,900.00 | 4,900.00 | 4,773.00 | | 127.00 |
| **INSURANCE** | | | | | |
| Surety Bond Premiums | 3,000.00 | 3,000.00 | | | 3,000.00 |
| Workmens Compensation Insurance | 126,000.00 | 126,000.00 | | | 126,000.00 |
| Group Plans for Employees | 1,550,250.00 | 1,580,250.00 | 1,540,101.99 | | 40,148.01 |
| Unemployment Compensation Insurance | 9,000.00 | 9,000.00 | 8,716.54 | | 283.46 |
| **PUBLIC SAFETY FUNCTIONS** | | | | | |
| Police | | | | | |
| Salaries & Wages | 1,255,000.00 | 1,255,000.00 | 1,173,234.04 | | 81,765.96 |
| Other Expenses | 81,500.00 | 81,500.00 | 45,235.67 | 12,118.83 | 24,145.50 |
| Police Radio and Communications | | | | | |
| Salaries & Wages | 130,000.00 | 130,000.00 | 130,000.00 | | |
| Other Expenses | 4,000.00 | 4,000.00 | 1,069.28 | | 2,930.72 |
| Office of Emergency Management | | | | | |
| Salaries & Wages | 4,900.00 | 4,900.00 | 4,668.00 | | 232.00 |
| Other Expenses | 2,500.00 | 2,500.00 | 677.05 | | 1,822.95 |
| Fire | | | | | |
| Other Expenses | 28,000.00 | 28,000.00 | 13,183.95 | 8,593.34 | 6,222.71 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| Rescue | | | | | |
| Other Expenses | 15,350.00 | 16,350.00 | 7,585.85 | 8,106.80 | 657.35 |
| Municipal Prosecutor | | | | | |
| Salaries & Wages | 10,000.00 | 10,000.00 | 8,500.00 | | 1,500.00 |
| **PUBLIC WORKS FUNCTIONS** | | | | | |
| Supervision of Public Works | | | | | |
| Salaries & Wages | 30,000.00 | 30,000.00 | 30,000.00 | | |
| Other Expenses | 3,000.00 | 3,000.00 | 752.16 | | 2,247.84 |
| Road Repairs & Maintenance | | | | | |
| Salaries & Wages | 525,000.00 | 525,000.00 | 492,703.87 | | 32,296.13 |
| Other Expenses | | | | | |
| Miscellaneous Other Expenses | 42,500.00 | 42,500.00 | 26,986.83 | 6,710.00 | 8,803.17 |
| Municipal Garage | 98,000.00 | 98,000.00 | 68,022.14 | 27,879.96 | 2,097.90 |
| Solid Waste Collection | | | | | |
| Salaries & Wages | 165,000.00 | 165,000.00 | 141,269.09 | | 23,730.91 |
| Other Expenses | 4,000.00 | 4,000.00 | | | 4,000.00 |
| Public Buildings & Grounds | | | | | |
| Other Expenses | 91,000.00 | 91,000.00 | 46,610.50 | 29,305.13 | 15,084.37 |
| Mosquito Control | | | | | |
| Other Expenses | 70,200.00 | 29,200.00 | 80.00 | | 29,120.00 |
| **HEALTH AND HUMAN SERVICES** | | | | | |
| Public Health Services (Board of Health) | | | | | |
| Other Expenses | 5,000.00 | 5,000.00 | | | 5,000.00 |
| Dog Regulation | | | | | |
| Salaries & Wages | 6,700.00 | 6,700.00 | 6,458.00 | | 242.00 |
| Other Expenses | 11,000.00 | 11,000.00 | 9,029.82 | | 1,970.18 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| **PARK AND RECREATION FUNCTIONS** | | | | | |
| Farmland Preservation Program | 6,000.00 | 6,000.00 | | | 6,000.00 |
| Parks & Playgrounds | | | | | |
| Salaries & Wages | 3,000.00 | 1,000.00 | | | 1,000.00 |
| Other Expenses | 3,500.00 | 3,500.00 | 782.00 | | 2,718.00 |
| Historical Sites | | | | | |
| Other Expenses | 3,000.00 | 3,000.00 | 2,387.92 | | 612.08 |
| **EDUCATION FUNCTIONS** | | | | | |
| Aid to Salem County Community College (N.J.S. 18A:64A-14) | 25,000.00 | 25,000.00 | | | 25,000.00 |
| **OTHER COMMON OPERATING FUNCTIONS** | | | | | |
| Housing Program | | | | | |
| Other Expenses | 22,000.00 | 22,000.00 | 14,284.57 | 1,453.88 | 6,261.55 |
| Senior Citizen Lunch Program | | | | | |
| Salaries & Wages | 50,000.00 | 51,500.00 | 51,027.36 | | 472.64 |
| Other Expenses | 51,000.00 | 51,000.00 | 9,332.66 | 25,624.85 | 16,042.49 |
| **UTILITY EXPENSES AND BULK PURCHASES** | | | | | |
| Electricity | 173,000.00 | 183,000.00 | 180,303.39 | | 2,696.61 |
| Street Lighting | 31,000.00 | 31,000.00 | 30,131.22 | | 868.78 |
| Telephone | 30,400.00 | 30,400.00 | 26,785.91 | | 3,614.09 |
| Heating Oil | 70,000.00 | 70,000.00 | 32,140.88 | 4,570.92 | 33,288.20 |
| Sewer System | | | | | |
| Salaries & Wages | 4,500.00 | 4,500.00 | 4,351.00 | | 149.00 |
| Other Expenses | 205,000.00 | 205,000.00 | 23,730.29 | 131,145.00 | 50,124.71 |
| Gasoline | 200,000.00 | 200,000.00 | 185,468.94 | 6,421.72 | 8,109.34 |
| **LANDFILL AND SOLID WASTE DISPOSAL COSTS** | | | | | |
| Solid Waste Disposal Costs | 80,500.00 | 80,500.00 | 46,417.17 | 3,569.78 | 30,513.05 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| **UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)** | | | | | |
| State Uniform Construction Code | | | | | |
| Construction Official | | | | | |
| Salaries & Wages | 14,100.00 | 14,100.00 | 14,060.00 | | 40.00 |
| Other Expenses | 1,100.00 | 1,100.00 | | | 1,100.00 |
| Plumbing Inspection | | | | | |
| Salaries & Wages | 1,100.00 | 1,100.00 | 916.67 | | 183.33 |
| Electrical Subcode Official | | | | | |
| Salaries & Wages | 5,610.00 | 5,610.00 | 5,610.00 | | |
| Fire Inspection | | | | | |
| Salaries & Wages | 3,000.00 | 3,500.00 | 3,473.33 | | 26.67 |
| Total Operations within "CAPS" | 5,767,854.00 | 5,767,854.00 | 4,800,796.18 | 274,529.36 | 692,528.46 |
| Contingent | 2,000.00 | 2,000.00 | 500.00 | | 1,500.00 |
| Total Operations Including Contingent | 5,769,854.00 | 5,769,854.00 | 4,801,296.18 | 274,529.36 | 694,028.46 |
| Detail: | | | | | |
| Salaries & Wages | 2,496,554.00 | 2,496,554.00 | 2,347,481.37 | | 149,072.63 |
| Other Expenses | 3,273,300.00 | 3,273,300.00 | 2,453,814.81 | 274,529.36 | 544,955.83 |
| **STATUTORY EXPENDITURES** | | | | | |
| Contribution to: | | | | | |
| Public Employees' Retirement System | 165,043.00 | 165,043.00 | 165,043.00 | | |
| Social Security System (O.A.S.I.) | 240,000.00 | 240,000.00 | 182,109.26 | | 57,890.74 |
| Police and Firemen's Retirement System of NJ | 222,639.00 | 222,639.00 | 222,639.00 | | |
| Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS" | 627,682.00 | 627,682.00 | 569,791.26 | | 57,890.74 |
| Total General Appropriations for Municipal Purposes within "CAPS" | 6,397,536.00 | 6,397,536.00 | 5,371,087.44 | 274,529.36 | 751,919.20 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | Appropriations | | Expended | | |
|---|---|---|---|---|---|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| **LANDFILL AND SOLID WASTE DISPOSAL COSTS** | | | | | |
| Recycling Tax | | | | | |
| Other Expenses | 5,000.00 | 5,000.00 | 1,552.56 | | 3,447.44 |
| **PUBLIC SAFETY FUNCTIONS** | | | | | |
| Length of Service Awards Program (P.L. 1997, c. 388) | 25,000.00 | 25,000.00 | | | 25,000.00 |
| Total Other Operations - Excluded from "CAPS" | 30,000.00 | 30,000.00 | 1,552.56 | | 28,447.44 |
| **PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES** | | | | | |
| Senior Citizen/Disabled Resident Transportation Grant | 108,182.68 | 108,182.68 | 108,182.68 | | |
| Recycling Tonnage Grant | 9,962.26 | 9,962.26 | 9,962.26 | | |
| Body Armor Replacement Grant | 1,446.16 | 1,446.16 | 1,446.16 | | |
| Alcohol Education and Rehabilitation Fund | 251.37 | 251.37 | 251.37 | | |
| Municipal Alliance on Alcoholism and Drug Abuse | 4,391.68 | 4,391.68 | 4,391.68 | | |
| Clean Communities Program | 7,062.22 | 7,062.22 | 7,062.22 | | |
| Total Public and Private Programs Offset by Revenues - Excluded from "CAPS" | 131,296.37 | 131,296.37 | 131,296.37 | | |
| Total Operations Excluded from "CAPS" | 161,296.37 | 161,296.37 | 132,848.93 | | 28,447.44 |
| Detail: | | | | | |
| Salaries and Wages | 251.37 | 251.37 | 251.37 | | |
| Other Expenses | 161,045.00 | 161,045.00 | 132,597.56 | | 28,447.44 |
| Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:46-17.1 & 17.3) | 3,379,668.00 | 3,379,668.00 | 1,679,800.00 | 1,679,400.00 | 20,468.00 |

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

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

| | | Appropriations | | Expended | | |
|---|---|---|---|---|---|---|
| | | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | | 3,540,964.37 | 3,540,964.37 | 1,812,648.93 | 1,679,400.00 | 48,915.44 |
| Subtotal General Appropriations | | 9,938,500.37 | 9,938,500.37 | 7,183,736.37 | 1,953,929.36 | 800,834.64 |
| **RESERVE FOR UNCOLLECTED TAXES** | | 73,149.23 | 73,149.23 | 73,149.23 | | |
| TOTAL GENERAL APPROPRIATIONS | | 10,011,649.60 | 10,011,649.60 | 7,256,885.60 | 1,953,929.36 | 800,834.64 |
| | Ref. | A-2 | A-3 | | A-15 | A |

| | Ref. | |
|---|---|---|
| Reserve for Federal and State Grants | A-18 | 131,296.37 |
| Reserve for Uncollected Taxes | A-2 | 73,149.23 |
| Disbursed | A-4 | 7,052,440.00 |
| | | 7,256,885.60 |

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

# TRUST FUND

EXHIBIT B

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Animal Control Trust Fund | | | |
| Cash - Treasurer | B-1 | 9,605.27 | 6,699.64 |
| Trust Other Funds | | | |
| Cash - Treasurer | | | 1,569,142.56 |
| Investments | B-2 | 23,219,153.36 | 23,174,965.18 |
| Due from Current Fund | A | 715.84 | |
| | | 23,219,869.20 | 24,744,107.74 |
| | | 23,229,474.47 | 24,750,807.38 |
| **LIABILITIES, RESERVES AND FUND BALANCE** | | | |
| Animal Control Trust Fund | | | |
| Due to Current Fund | A | 449.00 | 903.64 |
| Reserve for Animal Control Fund Expenditures | B-3 | 8,226.60 | 5,796.00 |
| | | 8,675.60 | 6,699.64 |
| Trust Other Funds | | | |
| Cash - Treasurer | B-1 | 1,016,778.49 | |
| Payroll Deductions Payable | | | 1,015.12 |
| Reserve for Escrow | B-4 | 4,036.63 | 1,773.93 |
| Reserve for Planning Board Escrow | | | 2,173.21 |
| Reserve for Self-Insurance Fund | B-4 | 22,177,917.19 | 24,718,175.86 |
| Reserve for Tax Sale Redemption | B-4 | 82.99 | |
| Reserve for Municipal Drug Alliance Funds | B-4 | 3,777.60 | 3,340.65 |
| Reserve for Recreation Activities | B-4 | 16,981.32 | 16,981.32 |
| Reserve for Public Defender Fees | B-4 | 1,224.65 | 647.65 |
| | | 23,220,798.87 | 24,744,107.74 |
| | | 23,229,474.47 | 24,750,807.38 |

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

# GENERAL CAPITAL FUND

EXHIBIT C

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL- REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash - Treasurer | C-2 | 30,690,922.09 | 30,731,390.00 |
| Investments | C-3 | 10,000,000.00 | 10,000,000.00 |
| | | 40,690,922.09 | 40,731,390.00 |
| **LIABILITIES, RESERVES AND FUND BALANCE** | | | |
| Encumbrances Payable | C-7 | 102,996.77 | 37,682.06 |
| Contracts Payable | | | 64,524.28 |
| Capital Improvement Fund | C-5 | 39,080,722.49 | 40,265,058.32 |
| Improvement Authorizations-Funded | C-6 | 1,354,347.90 | 333,266.04 |
| Fund Balance | C-1 | 152,854.93 | 30,859.30 |
| | | 40,690,922.09 | 40,731,390.00 |

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

EXHIBIT C-1

SCHEDULE OF FUND BALANCE - GENERAL CAPITAL FUND-REGULATORY BASIS

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | C | 30,859.30 |
| Increased by: | | |
| Cash Receipts | C-2 | 121,995.63 |
| Balance December 31, 2011 | C | 152,854.93 |

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

# GENERAL FIXED ASSETS ACCOUNT GROUP

EXHIBIT D

STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

| | 2011 | 2010 |
|---|---|---|
| Land | 771,565.36 | 771,565.36 |
| Buildings and Improvements | 2,050,350.00 | 2,050,350.00 |
| Equipment | 4,289,674.86 | 4,102,813.86 |
| | 7,111,590.22 | 6,924,729.22 |
| Investment in General Fixed Assets | 7,111,590.22 | 6,924,729.22 |

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

The Township of Lower Alloways Creek was incorporated in 1798 and is located in Salem County, New Jersey. The Township of Lower Alloways Creek is primarily a rural area 45 square miles in size and the population according to the 2010 census is 1,770.

The form of government is known as a Township pursuant to N.J.S.A. 40A:63-1 et seq. The government consists of five (5) Committee Members who are elected at large to three (3) year staggered terms. The Mayor is elected from and by the Members of the Committee and serves a one (1) year term. Under the statutes the Mayor is the head of the government and has executive powers not assigned to the Mayor.

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

### B. Description of Funds and Account Groups

The accounting policies of the Township of Lower Alloways Creek 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 Lower Alloways Creek accounts for its transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation as required by G.A.A.P.

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

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

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Description of Funds and Account Groups (Continued

**Payroll/Payroll Agency Account** - Receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

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

### C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differs in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting principles are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

**Revenues** - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes and sewer rents are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

**Expenditures** - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Grant appropriations are charged upon budget adoption to create separate spending reserves. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted to the extent permitted or required by law. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basis of Accounting (Continued)

**Property Taxes** - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August and November. Any taxes that have not been paid by the 11th day of the 11th month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with N.J.S.A. 54:5 et. seq.

The municipality is responsible for remitting 100% of the county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the county. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

**Interest on Delinquent Taxes** - It is the policy of the Township to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first $1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of $1,500.00 becoming delinquent after due date and if a delinquency is in excess of $10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

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

**School Taxes** - The Township is responsible for levying, collecting and remitting school taxes for the Township of Lower Alloways Creek School District, if any is required. For 2011 and prior years, the governing body has chosen to appropriate sufficient funds in the municipal budget for transfers to the Board of Education to eliminate the need for a local school tax.

**Cash** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gains or losses on investments have not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under accounting principles generally accepted in the United States of America inter-funds are not reserved.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basis of Accounting (Continued)

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America inventory would be recorded as an asset on the balance sheet.

**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.

**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 assets accounting and reporting system.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Township capitalizes fixed assets with an original cost in excess of $5,000.00.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

No depreciation has been provided for in the financial statements.

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

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues – regulatory basis and the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

## NOTE 2: BUDGETARY INFORMATION

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

## NOTE 3: FUND BALANCES APPROPRIATED

| | Year | Balance December 31 | Utilized in Budget of Succeeding Year |
|---|---|---|---|
| | 2011 | 1,766,013.66 | 1,734,319.53 |
| | 2010 | 608,085.20 | 444,000.00 |
| Current Fund | 2009 | 3,149,377.63 | 3,000,000.00 |
| | 2008 | 4,980,393.51 | 2,335,000.00 |
| | 2007 | 4,825,872.48 | 1,700,000.00 |

## NOTE 4: CASH AND CASH EQUIVALENTS

**Custodial Credit Risk - Deposits**
Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statues N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2011, the carrying amount of the Township's deposits was $26,522,656.70. As of December 31, 2011, $0 of the municipality's bank balance of $27,644,156.61 was exposed to Custodial Credit Risk.

## NOTE 5: INVESTMENTS

**Custodial Credit Risk - Investments**
Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are considered to be exposed to Custodial Credit Risk if they are: uninsured, are not registered in the name of the Township, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. None of the Township's $41,416,959.74 investments in government bonds are held by the counterparty.

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

**Credit Risk** - New Jersey Statues N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statues. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk** - The Township places no limit on the amount the Township may invest in any one issuer.

**NOTE 5: INVESTMENTS (CONTINUED)**

As of December 31, 2011, the Township had the following investments and maturities:

| Investment | Maturities | Amortized Cost | Fair Value |
|---|---|---|---|
| US TSY Inflation Index | 1/15/2021 | 8,197,806.38 | 9,235,799.55 |
| NJ EDA St Pension | 2/15/2029 | 1,969,099.31 | 2,430,940.00 |
| NJ EDA St Pension | 2/15/2029 | 2,966,932.80 | 3,646,410.00 |
| NJ EDA St Pension | 2/15/2018 | 1,464,802.62 | 1,544,720.00 |
| NJ EDA St Pension | 2/15/2029 | 1,283,078.37 | 1,533,298.33 |
| Cumberland Co NJ Impr Series B | 4/15/2020 | 4,000,000.00 | 4,513,560.00 |
| Bergen County Improvement Authority | 6/1/2040 | 1,993,004.66 | 2,494,760.00 |
| South Jersey Port Corp Term P | 1/1/2040 | 3,530,320.00 | 3,684,930.00 |
| NJ State EFA Rev Series B | 7/1/2040 | 3,974,510.26 | 3,998,448.00 |
| NJ EDA Sch Fac Constr | 12/15/2015 | 2,037,405.34 | 2,059,560.00 |
| New Brunswick NJ Pgk Auth | 9/1/2031 | 5,000,000.00 | 5,732,650.00 |
| NJ State Transp Trust Fund | 12/15/2028 | 5,000,000.00 | 5,391,200.00 |
| | | 41,416,959.74 | 46,266,275.88 |

**NOTE 6: 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. Employee health and accident insurance and public official bonds are provided through commercial insurance.

The Township has adopted a plan of self-insurance for general liability coverage. Plan reserves are charged for premium costs for commercial liability coverage as well as funding policy deductibles. In addition, the Township has elected to self-insure all equipment with a value less than $25,000.00. The balance in the self-insurance fund at December 31, 2011, was $22,177,917.19. $225,000.00 of this balance was utilized as revenue in the Township's 2012 budget. The Township maintains excess liability insurance for buildings and content with a $5,000.00 deductible and $1,000,000.00 excess liability insurance for automobiles with a $1,000.00 deductible.

## NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

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

| | Due From | Due To |
|---|---|---|
| Current Fund | | |
| Animal Control Trust | 449.00 | |
| Escrow Trust Fund | | 715.84 |
| Animal Control Trust Fund | | |
| Current Fund | | 449.00 |
| Escrow Trust Fund | | |
| Current Fund | 715.84 | |
| | 1,164.84 | 1,164.84 |

Interfunds were created due to reclassification of receipts.

## NOTE 8: ACCUMULATED ABSENCE BENEFITS

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. The liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Township and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Township and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Employees of the Township are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. Employees are represented by labor unions, and each contract contains different provisions for employee-compensated absences. The total value of compensated absences owed to employees as of December 31, 2011, was $47,834.52.

## NOTE 9: 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.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Township's financial statements.

## NOTE 10: FIXED ASSETS

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

| | Balance Dec. 31, 2010 | Additions | Deletions | Balance Dec. 31, 2011 |
|---|---|---|---|---|
| Land | 771,565.36 | | | 771,565.36 |
| Buildings & Improvements | 2,050,350.00 | | | 2,050,350.00 |
| Equipment | 4,102,813.86 | 199,552.00 | 12,691.00 | 4,289,674.86 |
| | 6,924,729.22 | 199,552.00 | 12,691.00 | 7,111,590.22 |

## NOTE 11: ECONOMIC DEPENDENCY

The Township of Lower Alloways Creek is not economically dependent on any one business or industry within the Township.

## NOTE 12: LENGTH OF SERVICE AWARD PROGRAM

The Township's Length of Service Awards Program (L.O.S.A.P.) was created by a Township Ordinance which was adopted on August 19, 2008, in accordance with Chapter 338 of the Laws of 1997. L.O.S.A.P. provides tax deferred income benefits to active volunteer firefighters. Amounts deferred under section 457 plans must be held in trust for the exclusive benefit of the participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the L.O.S.A.P., the balances and activities of the L.O.S.A.P. are not reported in the Township's financial statements. The Township's budget appropriation for 2011 and 2010 are $25,000.00 and $25,000.00, respectively.

## NOTE 13: PENSION FUNDS

**Description of Plans** - All eligible employees of the Township are covered by either the Public Employees' Retirement System or Police and Firemen's Retirement System, a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm.

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

## NOTE 13: PENSION FUNDS (CONTINUED)

**Police and Firemen's Retirement System (P.F.R.S.)** - The Police and Firemen's Retirement System was established in July, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Enrollment is required for permanent, full-time employees appointed to positions of law enforcement or firefighting in the State of New Jersey.

**Funding Policy** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provides for employee contributions of 5.5% and 6.5% effective October 1, 2011, of employees' annual compensation, as defined. P.F.R.S. provides for employees contributions of 8 ½% and 10% effective October 1, 2011, of employees' annual compensation, as defined. Employers are required to contribute at an actuarial determined rate in P.E.R.S. and P.F.R.S. The P.E.R.S. and P.F.R.S. rates in effect for 2011 are 11.05% and 29.36% of covered payroll, respectively, as reported on June 30, 2009. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Township's contributions to P.E.R.S. for the years ending December 31, 2011, 2010 and 2009, were $165,043.00, $130,509.00 and $111,046.00, respectively, equal to the required contributions for each year. The Township's contributions to P.F.R.S. for the years ending December 31, 2011, 2010 and 2009, were $222,639.00, $198,019.00 and $176,155.00, respectively, equal to the required contributions for each year.

## NOTE 14: POST-EMPLOYMENT HEALTHCARE PLAN

**Plan Description** - The Township's defined benefit postemployment healthcare plan allows retiring police officers who completed 20 years of public employment with the Township and retiring employees who completed 25 years of public employment (at least 20 years of service with the Township) to receive fully paid health, dental and prescription benefits for themselves and dependents. Additionally, employees of the Township are eligible for benefits upon retirement provided they have completed 15 years of public employments and are at least age 62.

The Township also provides life insurance. Police officers receive $15,000.00 of life insurance and other employees receive $10,000.00 of life insurance until the age of 65 when the life insurance decreases 20% each year to a minimum of $2,000.00.

The benefit provisions of the plan may be established or amended by the Township Committee. The plan does not issue a separate financial report.

**Funding Policy** - The contribution requirements of the Township healthcare plan are established by negotiated labor contracts and the Township employee manual. The required contribution is based on projected pay-as-you-go financing requirements. For calendar year 2011 the Township contributed $957,723.76 to the plan for current premiums. Plan members receiving benefits are not required to make contributions.

## NOTE 14: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

**Annual O.P.E.B. Cost and Net O.P.E.B. Obligation** - The Township's annual other postemployment benefit (O.P.E.B.) cost (expense) is calculated based on the *annual required contribution of the employer (A.R.C.)*, an amount actuarially determined in accordance with the parameters of G.A.S.B. Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual O.P.E.B. cost for the year, the amount actually contributed to the plan, and changes in the Township's net O.P.E.B. obligation to the plan:

| | |
|---|---|
| Interest on Net O.P.E.B. Obligation | $0 |
| Adjustment to Annual Required Contribution | $56,231.68 |
| Annual O.P.E.B. Cost (Expense) | $1,618,222.68 |
| Contributions Made | $957,723.76 |
| Increase in Net O.P.E.B. Obligation | $660,498.92 |
| Net O.P.E.B. Obligation - Beginning of Year | $2,194,655.20 |
| Net O.P.E.B. Obligation - End of Year | $2,855,154.12 |

The Township's most recent actuarial valuation to determine A.R.C. was performed for the year ended December 31, 2009. The next actuarial valuation is expected to be performed for the year ending December 31, 2012. G.A.S.B. 45 permits the calculation of A.R.C. in the intervening years to be based on the annual rate of inflation. In determining the A.R.C. for the year ended 2011, the Township utilized the US Bureau of Labor Statistics annual report on inflation for medical care costs, which yielded a rate of inflation of 3.6%. The Township's annual O.P.E.B. cost, the percentage of annual O.P.E.B. cost contributed to the plan, and the net O.P.E.B. obligation for 2011 follows:

| Calendar Year Ended | Annual O.P.E.B Cost | Percentage of Annual O.P.E.B. Cost Contributed | Net O.P.E.B. Obligation |
|---|---|---|---|
| 12/31/2011 | 1,618,222.68 | 59.18% | $2,855,154.12 |

**Funded Status and Funding Progress** - As of December 31, 2011, the Township is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The Actuarial Accrued Liability ("A.A.L.") is the present value of all future expected post-retirement medical payments and administrative costs which are attributable to past service. The Township's unfunded A.A.L. is calculated to be $17,726,299.00 as of December 31, 2009.

## NOTE 14: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The December 31, 2009 actuarial valuation, utilized the projected unit credit method with amortization on a straight line basis was utilized, for a period of 30 years.

## NOTE 15: TAXES COLLECTED IN ADVANCE

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

| | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|
| Prepaid Taxes - Cash Liability | 44,389.94 | 39,034.86 |

## NOTE 16: PROPERTY TAX INFORMATION

COMPARATIVE STATEMENT OF TAX RATE INFORMATION

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Tax Rate | 1.268 | 1.116 | 1.336 |
| Apportionment of Tax Rate: | | | |
| County | 1.268 | 1.116 | 1.336 |
| Assessed Valuation | 210,220,890 | 209,692,566 | 209,925,314 |

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.

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Tax Levy | 2,674,295.83 | 2,342,237.56 | 2,792,469.61 |
| Cash Collections | 2,599,727.69 | 2,286,427.87 | 2,714,257.76 |
| Percentage of Collections | 97.21% | 97.62% | 97.20% |

## NOTE 16: PROPERTY TAX INFORMATION (CONTINUED)

DELINQUENT TAXES AND TAX TITLE LIENS

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

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Amount of Tax Title Liens | 16,103.56 | 11,569.90 | 7,153.15 |
| Delinquent Taxes | 70,099.29 | 50,334.87 | 75,740.16 |
| Total Delinquent | 88,213.85 | 61,904.77 | 82,893.31 |
| Percentage of Tax Levy | 3.30% | 2.64% | 2.97% |

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:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Property Acquired for Taxes (Assessed Valuation) | None | 2,550.00 | 2,550.00 |

## NOTE 17: CONTINGENCIES

The Township participates in federal and state assisted grant programs. The Township is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

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

## SUPPLEMENTARY DATA

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

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

Honorable Mayor and Members
of the Township Committee
Township of Lower Alloways Creek
501 Locust Road
Hancocks Bridge, New Jersey 08038

We have audited the financial statements – regulatory basis of the Township of Lower Alloways Creek, State of New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Township of Lower Alloways Creek 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 a modified accrual basis of accounting and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control over Financial Reporting**

Management of the Township of Lower Alloways Creek is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township of Lower Alloways Creek'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 – regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Township of Lower Alloways Creek's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Lower Alloways Creek's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency in internal control over financial reporting as described in item 2011-1. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Lower Alloways Creek's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and recommendations as item 2011-1.

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

PETRONI & ASSOCIATES LLC

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

June 15, 2012

# CURRENT FUND

EXHIBIT A-4

## SCHEDULE OF CURRENT FUND CASH - TREASURER

| | Ref. | Current Fund | Grant Fund |
|---|---|---|---|
| Balance December 31, 2010 | A | 3,219,892.28 | 256,340.96 |
| Increased by Receipts: | | | |
| Collector | A-5 | 2,715,175.36 | |
| Grants Receivable | A-17 | | 105,828.89 |
| Revenue Accounts Receivable | A-12 | 10,322,053.25 | |
| Due State of New Jersey - Senior Citizen and Veterans Deductions | A-13 | 27,500.00 | |
| Due State of New Jersey - Fees | | 1,833.00 | |
| Grants Unappropriated | A-19 | | 143,190.68 |
| Payroll Taxes Payable | | 1,015.12 | |
| County Energy Receipts Tax | | 2,195,000.00 | |
| Due from Animal Control Trust Fund | | 903.64 | |
| Due from Current Fund | A-4 | | 839.55 |
| Due from General Capital | | 507.24 | |
| Due from Trust Funds | | 46,303.64 | |
| Petty Cash | | 1,100.00 | |
| | | 15,311,391.25 | 249,859.12 |
| | | 18,531,283.53 | 506,200.08 |
| Decreased by Disbursements: | | | |
| 2011 Budget Appropriations | A-3 | 7,052,440.00 | |
| 2010 Appropriation Reserves | A-14 | 78,033.27 | |
| Encumbrances Payable | A-15 | 272,271.90 | |
| Federal & State Grant Encumbrances Payable | A-20 | | 29,744.15 |
| Reserve for Grants - Appropriated | A-18 | | 86,212.82 |
| County Taxes | | 2,663,703.47 | |
| Due County Added & Omitted Taxes | | 10,137.94 | |
| County Energy Receipts Tax | | 2,195,000.00 | |
| Due State of New Jersey - Fees | | 1,301.00 | |
| Local District School Appropriation | A-16 | 1,679,400.00 | |
| Due to Trust Funds | | 1,846.44 | |
| Due to Grant Fund | A-4 | 839.55 | |
| Purchase of Investments | A-7 | 8,219,784.87 | |
| Petty Cash | | 1,100.00 | |
| | | 22,175,858.44 | 115,956.97 |
| Balance December 31, 2011 | A | (3,644,574.91) | 390,243.11 |

EXHIBIT A-5

## SCHEDULE OF CURRENT FUND CASH - COLLECTOR

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 72,927.14 |
| Increased by Receipts: | | | |
| Taxes Receivable | A-8 | 2,581,653.37 | |
| Prepaid Taxes | | 44,389.94 | |
| Tax Overpayments | | 611.26 | |
| Sewer Overpayments | | 3,420.00 | |
| Revenue Accounts Receivable | A-12 | 105,063.28 | |
| | | | 2,735,137.85 |
| | | | 2,808,064.99 |
| Decreased by Disbursements: | | | |
| Transfers to Treasurer | A-4 | | 2,715,175.36 |
| Balance December 31, 2011 | A | | 92,889.63 |

EXHIBIT A-6

SCHEDULE OF CHANGE FUND

| | Balance Dec. 31, 2011 | Balance Dec. 31, 2010 |
|---|---|---|
| Municipal Clerk | 50.00 | 50.00 |
| Tax Collector | 100.00 | 100.00 |
| Municipal Court | 150.00 | 150.00 |
| Assistant Treasurer | 50.00 | 50.00 |
| | 350.00 | 350.00 |
| Ref. | A | A |

EXHIBIT A-7

SCHEDULE OF CURRENT FUND INVESTMENTS-TREASURER

| | Ref. | |
|---|---|---|
| Increased by: | | |
| Purchase of investments | A-4 | 8,219,784.87 |
| Decreased by: | | |
| Amortization of Premium/Discount | A-12 | 21,978.49 |
| Balance December 31, 2011 | A | 8,197,806.38 |

Schedule of Investments December 31, 2011

| | Date of Issue | Date of Maturity | Interest Rate | Market Value | Amortized Cost |
|---|---|---|---|---|---|
| US TSY Inflation Index | 3/16/2011 | 1/15/2021 | 1.125% | 9,235,799.55 | 8,197,806.38 |
| | | | | 9,235,799.55 | 8,197,806.38 |

EXHIBIT A-8

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

| Year | Balance Dec. 31, 2010 | 2010 Levy | Added Taxes | Collected 2010 | Collected 2011 | Overpayments Applied | Canceled | Transferred to Tax Title Liens | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|
| 2008 | | | 274.78 | | 274.78 | | | | |
| 2009 | 6.97 | | 598.53 | | 605.50 | | | | |
| 2010 | 50,327.90 | | 819.53 | | 51,077.91 | | 42.14 | | 27.38 |
| | 50,334.87 | | 1,692.84 | | 51,958.19 | | 42.14 | | 27.38 |
| 2011 | | 2,674,295.83 | | 39,034.86 | 2,557,695.18 | 2,997.65 | | 4,496.23 | 70,071.91 |
| | 50,334.87 | 2,674,295.83 | 1,692.84 | 39,034.86 | 2,609,653.37 | 2,997.65 | 42.14 | 4,496.23 | 70,099.29 |
| Ref. | A | | | | | | | A-9 | A |

| | Ref. | |
|---|---|---|
| Cash - Collector | A-5 | 2,581,653.37 |
| Due State of New Jersey | A-13 | 28,000.00 |
| | | 2,609,653.37 |

EXHIBIT A-8
(Continued)

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

**Analysis of Property Tax Levy**

**Tax Yield**

| | | | |
|---|---|---|---|
| General Purpose Tax: | | | |
| Business Personalty Tax | 5,368.59 | | |
| General Property Tax | 2,660,232.12 | | |
| | | 2,665,600.71 | |
| Added Taxes (54:4-63.1 et seq.) | | 8,695.12 | |
| | | | 2,674,295.83 |

**Tax Levied**

| | | | |
|---|---|---|---|
| County Taxes: | | | |
| County Tax (Abstract) | 2,604,066.99 | | |
| Due County for Open Space | 59,636.48 | | |
| Due County for Added Taxes (54:4-63.1 et seq.) | 10,137.94 | | |
| Total County Taxes | | 2,673,841.41 | |
| Add: Additional Taxes Levied | 454.42 | | |
| | | 454.42 | |
| | | | 2,674,295.83 |

EXHIBIT A-9

## SCHEDULE OF TAX TITLE LIENS RECEIVABLE

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 11,569.90 |
| Increased by: | | | |
| Transfers from Taxes Receivable | A-8 | 4,496.23 | |
| Interest and Costs | | 37.43 | |
| | | | 4,533.66 |
| Balance December 31, 2011 | A | | 16,103.56 |

EXHIBIT A-10

## SCHEDULE OF SEWER RENTS AND CONNECTION FEES RECEIVABLE

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 26,160.20 |
| Increased by: | | | |
| Sewer Rents Levied | | | 114,851.29 |
| | | | 141,011.49 |
| Decreased by: | | | |
| Cash Receipts | A-5 | 88,656.39 | |
| Canceled | | 12,039.77 | |
| Transfer to Liens | A-11 | 1,800.00 | |
| | | | 102,496.16 |
| Balance December 31, 2011 | A | | 38,515.33 |

EXHIBIT A-11

## SCHEDULE OF SEWER LIENS RECEIVABLE

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 1,207.52 |
| Increased by: | | | |
| Transfers from Sewer Rents Receivable | A-10 | 1,800.00 | |
| Interest and Costs | | 78.91 | |
| | | | 1,878.91 |
| Balance December 31, 2011 | A | | 3,086.43 |

EXHIBIT A-12

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

| | Balance Dec. 31, 2010 | Accrued in 2011 | Collected Treasurer | Collected Collector | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|
| **Miscellaneous Revenue Anticipated** | | | | | |
| Fines and Costs: | | | | | |
| Municipal Court | 2,960.36 | 28,986.69 | 29,173.13 | | 2,773.92 |
| Interest on Investments and Deposits | | 2,244,079.67 | 2,243,696.74 | 382.93 | |
| Police Agreement | | 88,750.00 | 88,750.00 | | |
| Trash Agreement | | 185,719.00 | 185,719.00 | | |
| Leisure Arms Rentals | | 145,777.81 | 145,777.81 | | |
| Sewer Rents | | 88,656.39 | | 88,656.39 | |
| Energy Receipts Tax | | 5,000,361.00 | 5,000,361.00 | | |
| Reserve for Garden State Trust Preservation | | 35,841.00 | 35,841.00 | | |
| Uniform Construction Code Fees | | 33,536.00 | 33,536.00 | | |
| Reserve for Self Insurance Fund-Canceled | | 2,300,000.00 | 2,300,000.00 | | |
| **Miscellaneous Revenue Not Anticipated** | | | | | |
| Refunds | | 175,161.31 | 175,161.31 | | |
| Interest on Sewer Rents | | 3,975.38 | | 3,975.38 | |
| Interest and Costs on Taxes | | 11,543.58 | | 11,543.58 | |
| Tax Searches | | 130.00 | | 130.00 | |
| Fire Inspections | | 54.60 | 54.60 | | |
| Clerk Licenses | 232.37 | 5,270.85 | 5,230.42 | | 272.80 |
| Police Department Fees | | 524.50 | 524.50 | | |
| Planning & Zoning Fees | | 1,100.00 | 1,100.00 | | |
| Recycling | | 7,557.09 | 7,557.09 | | |
| Historical Books | | 120.00 | 120.00 | | |
| Mobile Home Fees | | 2,400.00 | 2,400.00 | | |
| Lunch Program | | 33,364.75 | 33,364.75 | | |
| Court Agreement | | 3,906.50 | 3,906.50 | | |
| Zoning/Housing Fees | | 1,223.67 | 1,223.67 | | |
| Stickers | | 3,515.20 | 3,515.20 | | |
| Hurricane Irene | | 9,123.32 | 9,123.32 | | |
| Brush Cleanup | | 1,706.16 | 1,706.16 | | |
| Sale of Property | | 9,370.24 | 9,370.24 | | |
| Fire Penalties | | 9,385.58 | 9,385.58 | | |
| Miscellaneous | | 17,808.72 | 17,433.72 | 375.00 | |
| | 3,192.73 | 10,448,949.01 | 10,344,031.74 | 105,063.28 | 3,046.72 |
| Ref. | A | | | A-5 | A |

| | Ref. | |
|---|---|---|
| Cash | A-4 | 10,322,053.25 |
| Investments | A-7 | 21,978.49 |
| | | 10,344,031.74 |

EXHIBIT A-13

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

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 10,995.85 |
| Increased by: | | | |
| Cash Receipts | A-4 | | 27,500.00 |
| | | | 38,495.85 |
| Decreased by: | | | |
| 2011 Deductions Per Tax Duplicate | | 27,000.00 | |
| 2011 Deductions Allowed by Collector | | 1,000.00 | |
| | A-8 | 28,000.00 | |
| 2010 Deductions Disallowed by Collector | A-1 | (250.00) | |
| | | | 27,750.00 |
| Balance December 31, 2011 | A | | 10,745.85 |

EXHIBIT A-14

SCHEDULE OF 2010 APPROPRIATION RESERVES

| | Balance Dec. 31, 2010 | Balance After Transfers | Paid or Charged | Balance Lapsed |
|---|---|---|---|---|
| Salaries and Wages | | | | |
| Tax Assessment | 2,265.47 | 2,265.47 | 1,720.00 | 545.47 |
| Road Repairs & Maintenance | 41,570.19 | 41,570.19 | 27,900.00 | 13,670.19 |
| Solid Waste Collection | 23,189.44 | 23,189.44 | 18,600.00 | 4,589.44 |
| Other Expenses | | | | |
| Purchasing Department | 1,887.41 | 1,887.41 | 10.88 | 1,876.53 |
| Mayor & Township Committee | 843.00 | 843.00 | 50.00 | 793.00 |
| Township Clerk | 10,819.32 | 10,819.32 | 183.01 | 10,636.31 |
| Tax Collection | 1,729.53 | 1,729.53 | 23.39 | 1,706.14 |
| Municipal Court | 410.54 | 410.54 | 333.50 | 77.04 |
| Engineering | 14,587.71 | 14,587.71 | 1,929.47 | 12,658.24 |
| Planning Board | 2,377.30 | 2,377.30 | 449.10 | 1,928.20 |
| Group Insurance | 7,997.57 | 7,997.57 | 1,190.82 | 6,806.75 |
| Unemployment Insurance | 2,653.15 | 2,653.15 | 337.54 | 2,315.61 |
| Police | 19,071.40 | 19,071.40 | 784.56 | 18,286.84 |
| Police Radio & Communications | 5,512.28 | 5,512.28 | 455.00 | 5,057.28 |
| Fire | 4,350.40 | 4,350.40 | 685.00 | 3,665.40 |
| Supervision of Public Works | 682.30 | 682.30 | 520.00 | 162.30 |
| Road Repairs & Maintenance | 1,757.37 | 1,757.37 | 126.11 | 1,631.26 |
| Public Buildings & Grounds | 20,461.04 | 20,461.04 | 1,270.50 | 19,190.54 |
| Dog Regulation | 123.95 | 123.95 | 80.00 | 43.95 |
| Farmland Preservation Program | 4,600.00 | 4,600.00 | 3,400.00 | 1,200.00 |
| Sewer System | 27,261.09 | 27,261.09 | 8,412.50 | 18,848.59 |
| Gasoline | 63,644.89 | 63,644.89 | 8,969.63 | 54,675.26 |
| Social Security | 22,193.79 | 22,193.79 | 3,688.83 | 18,504.96 |
| Losap | 25,000.00 | 25,000.00 | 13,800.00 | 11,200.00 |
| Other Accounts - No Change | 212,794.27 | 212,794.27 | | 212,794.27 |
| | 517,783.41 | 517,783.41 | 94,919.84 | 422,863.57 |
| Ref. | A | | | A-1 |

| | | Ref. | |
|---|---|---|---|
| | Encumbered | A-15 | 16,886.57 |
| | Cash Disbursed | A-4 | 78,033.27 |
| | | | 94,919.84 |

EXHIBIT A-15

## SCHEDULE OF ENCUMBRANCES PAYABLE

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | A | | 358,935.30 |
| Increased by: | | | |
| Charges to 2011 Appropriations | A-3 | 1,953,929.36 | |
| Appropriation Reserves | A-14 | 16,886.57 | |
| | | | 1,970,815.93 |
| | | | 2,329,751.23 |
| Decreased by: | | | |
| Payments | A-4 | 272,271.90 | |
| Canceled | A-1 | 86,663.40 | |
| | | | 358,935.30 |
| Balance December 31, 2011 | A | | 1,970,815.93 |

EXHIBIT A-16

## SCHEDULE OF RESERVE FOR PAYMENTS OF LOCAL SCHOOL DISTRICT APPROPRIATION

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | | 1,679,400.00 |
| Decreased by: | | |
| Payments | A-4 | 1,679,400.00 |

EXHIBIT A-17

SCHEDULE OF GRANTS RECEIVABLE

| | Balance Dec. 31, 2010 | 2011 Budget Revenue Realized | Received | From Grants Unappropriated | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|
| **Federal Grants** | | | | | |
| Buffer Zone Protection Program | 104,979.08 | | 102,041.62 | | 2,937.46 |
| | 104,979.08 | | 102,041.62 | | 2,937.46 |
| **State Grants** | | | | | |
| Recycling Tonnage Grant | | 9,962.26 | | 9,962.26 | |
| Municipal Court Alcohol Education & Rehab Fund | | 251.37 | | 251.37 | |
| Clean Communities | | 7,062.22 | | 7,062.22 | |
| Automatic License Plate Recognition System | 6,336.59 | | | | 6,336.59 |
| Senior Citizen & Disabled Resident Transportation Assistance Act Program | | 108,182.68 | | 108,182.68 | |
| Body Armor Replacement Fund | | 1,446.16 | | 1,446.16 | |
| Municipal Alliance on Alcohol and Drug Abuse | 14,875.92 | 3,513.34 | 3,787.27 | | 14,601.99 |
| | 21,212.51 | 130,418.03 | 3,787.27 | 126,904.69 | 20,938.58 |
| | 126,191.59 | 130,418.03 | 105,828.89 | 126,904.69 | 23,876.04 |
| Ref. | A | A-2 | A-4 | A-19 | A |

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

| | Balance Dec. 31, 2010 | Transferred from 2011 Budget Appropriation | Disbursed | Encumbered | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|
| **Federal Grants** | | | | | |
| Buffer Zone Protection Program | 4,909.98 | | | | 4,909.98 |
| Bulletproof Vest Partnership Grant Act | 2,449.03 | | 2,449.03 | | |
| Municipal Stormwater Regulation Program | 6,573.66 | | | | 6,573.66 |
| | 13,932.67 | | 2,449.03 | | 11,483.64 |
| **State Grants** | | | | | |
| Senior Citizen & Disabled Resident Transportation Assistance Act Program | 132,549.21 | 108,182.68 | 72,916.72 | 969.00 | 166,846.17 |
| Municipal Court Alcohol Education & Rehab Fund | 9,785.95 | 251.37 | | | 10,037.32 |
| Recycling Tonnage Grant | 50,125.54 | 9,962.26 | | | 60,087.80 |
| Body Armor Replacement Fund | 817.43 | 1,446.16 | 1,500.00 | | 763.59 |
| Clean Communities | 4,689.13 | 7,062.22 | 4,744.09 | 900.00 | 6,107.26 |
| Drunk Driving Enforcement Fund | 10,128.21 | | 207.50 | | 9,920.71 |
| Municipal Alliance on Alcohol and Drug Abuse | 3,816.78 | 4,391.68 | 4,395.48 | | 3,812.98 |
| | 211,912.25 | 131,296.37 | 83,763.79 | 1,869.00 | 257,575.83 |
| | 225,844.92 | 131,296.37 | 86,212.82 | 1,869.00 | 269,059.47 |
| Ref. | A | A-3 | A-4 | A-20 | A |

EXHIBIT A-19

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

| | Balance Dec. 31, 2010 | Received | To Grants Receivable | Balance Dec. 31, 2011 |
|---|---|---|---|---|
| **State Grants** | | | | |
| Recycling Tonnage Grant | 9,962.26 | 9,493.60 | 9,962.26 | 9,493.60 |
| Body Armor Replacement Fund | 1,446.16 | 1,437.28 | 1,446.16 | 1,437.28 |
| Municipal Court Alcohol Education & Rehab Func | 251.37 | | 251.37 | |
| Clean Communities | 7,062.22 | 6,786.82 | 7,062.22 | 6,786.82 |
| Senior Citizen & Disabled Resident Transportation Assistance Act Program | 108,182.68 | 125,472.98 | 108,182.68 | 125,472.98 |
| | 126,904.69 | 143,190.68 | 126,904.69 | 143,190.68 |
| Ref. | A | A-4 | A-17 | A |

EXHIBIT A-20

## SCHEDULE OF FEDERAL AND STATE GRANT ENCUMBRANCES PAYABLE

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | A | 29,744.15 |
| Increased by: | | |
| Charges to Reserve for Grants Appropriated | A-18 | 1,869.00 |
| | | 31,613.15 |
| Decreased by: | | |
| Payments | A-4 | 29,744.15 |
| Balance December 31, 2011 | A | 1,869.00 |

# TRUST FUND

EXHIBIT B-1

## SCHEDULE OF TRUST FUND CASH - TREASURER

| | Ref. | Animal Control Trust Fund | Other Trust Funds |
|---|---|---|---|
| Balance December 31, 2010 | B | 6,699.64 | 1,569,142.56 |
| Increased by Receipts: | | | |
| Dog License Fees: | | | |
| Municipal Share | B-3 | 3,929.60 | |
| State Share | | 679.40 | |
| Tax Sale Redemptions | B-4 | | 82.99 |
| Self Insurance | B-4 | | 1,000.00 |
| Public Defender Fees | B-4 | | 1,552.00 |
| Municipal Alliance | B-4 | | 2,086.95 |
| Escrow Fees | B-4 | | 2,676.90 |
| Due to Current Fund | | 26.03 | 170.67 |
| | | 4,635.03 | 7,569.51 |
| | | 11,334.67 | 1,576,712.07 |
| Decreased by Disbursements: | | | |
| Due State of New Jersey | | 679.40 | |
| Escrow Fees | B-4 | | 3,303.25 |
| Expenditures Under RS 4:19-15.11 | B-3 | 1,050.00 | |
| Public Defender Fees | B-4 | | 450.00 |
| Self Insurance | B-4 | | 2,541,258.67 |
| Municipal Alliance | B-4 | | 1,650.00 |
| Due Current Fund | | | 46,828.64 |
| | | 1,729.40 | 2,593,490.56 |
| Balance December 31, 2011 | B | 9,605.27 | (1,016,778.49) |

EXHIBIT B-2

## SCHEDULE OF TRUST FUND INVESTMENTS - TREASURER

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | B | 23,174,965.18 |
| Increased by Receipts: | | |
| Amortization of Premium/Discount | | 44,188.18 |
| Balance December 31, 2011 | B | 23,219,153.36 |

Schedule of Investments December 31, 2011

| | Date of Issue | Date of Maturity | Interest Rate | Market Value | Amortized Cost |
|---|---|---|---|---|---|
| NJ EDA St Pension | 6/15/1997 | 2/15/2029 | 7.425% | 2,430,940.00 | 1,969,099.31 |
| NJ EDA St Pension | 6/15/1997 | 2/15/2029 | 7.425% | 3,646,410.00 | 2,966,932.80 |
| NJ EDA St Pension | 6/30/1997 | 2/15/2018 | 7.605% | 1,544,720.00 | 1,464,802.62 |
| NJ EDA St Pension | 4/6/2009 | 2/15/2029 | 7.425% | 1,533,298.33 | 1,283,078.37 |
| Cumberland County NJ Impr Series B | 10/22/2009 | 4/15/2020 | 5.094% | 4,513,560.00 | 4,000,000.00 |
| Bergen County Improvement Authority | 3/31/2010 | 6/1/2040 | 5.760% | 2,494,760.00 | 1,993,004.66 |
| South Jersey Port Corp Term P | 10/30/2009 | 1/1/2040 | 7.370% | 3,684,930.00 | 3,530,320.00 |
| NJ State EFA Rev Series B | 1/14/2010 | 7/1/2040 | 7.400% | 3,998,448.00 | 3,974,510.26 |
| NJ EDA Sch Fac Constr | 5/17/2010 | 12/15/2015 | 3.640% | 2,059,560.00 | 2,037,405.34 |
| | | | | 25,906,626.33 | 23,219,153.36 |

EXHIBIT B-3

## SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | B | | 5,796.00 |
| Increased by: | | | |
| Municipal Share of Dog License Fees | B-1 | | 3,929.60 |
| | | | 9,725.60 |
| Decreased by: | | | |
| Expenditures Under R.S.4:19-15.11 | B-1 | 1,050.00 | |
| Due Current Fund | | 449.00 | |
| | | | 1,499.00 |
| Balance December 31, 2011 | B | | 8,226.60 |

**License Fees Collected**

| Year | Amount |
|---|---|
| 2009 | 4,762.20 |
| 2010 | 4,181.80 |
| | 8,944.00 |

EXHIBIT B-4

SCHEDULE OF RESERVE FOR OTHER TRUST FUNDS

| | Balance Dec. 31, 2010 | Receipts: Deposits, Fees and Donations | Receipts: Due from Current Fund | Disbursements: Disbursements | Disbursements: Due to Current Fund | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Reserve for Escrow | 1,773.93 | | 2,262.70 | | | 4,036.63 |
| Reserve for Planning Board Escrow | 2,173.21 | 2,676.90 | | 3,303.25 | 1,546.86 | |
| Reserve for Self-Insurance Fund | 24,718,175.86 | 1,000.00 | | 2,541,258.67 | | 22,177,917.19 |
| Reserve for Municipal Drug Alliance Fund | 3,340.65 | 2,086.95 | | 1,650.00 | | 3,777.60 |
| Reserve for Recreation Activities | 16,981.32 | | | | | 16,981.32 |
| Reserve for Public Defender Fees | 647.65 | 1,552.00 | | 450.00 | 525.00 | 1,224.65 |
| Reserve for Tax Sale Redemption | | 82.99 | | | | 82.99 |
| | 24,743,092.62 | 7,398.84 | 2,262.70 | 2,546,661.92 | 2,071.86 | 22,204,020.38 |
| Ref. | B | B-1 | | B-1 | | B |

# GENERAL CAPITAL FUND

EXHIBIT C-2

SCHEDULE OF GENERAL CAPITAL CASH-TREASURER

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | C | | 30,731,390.00 |
| Increased by: | | | |
| Due from Current Fund | | 507.24 | |
| Fund Balance | C-1 | 121,995.63 | |
| | | | 122,502.87 |
| | | | 30,853,892.87 |
| Decreased by: | | | |
| Improvement Authorizations | C-6 | 113,418.86 | |
| Encumbrances Payable | C-7 | 10,667.53 | |
| Contracts Payable | C-8 | 38,377.15 | |
| Due Current Fund | | 507.24 | |
| | | | 162,970.78 |
| Balance December 31, 2011 | C | | 30,690,922.09 |

EXHIBIT C-3

SCHEDULE OF GENERAL CAPITAL INVESTMENTS-TREASURER

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | C | 10,000,000.00 |
| Balance December 31, 2011 | C | 10,000,000.00 |

Schedule of Investments December 31, 2011:

| | Date of Issue | Date of Maturity | Interest Rate | Market Value | Amortized Cost |
|---|---|---|---|---|---|
| New Brunswick NJ Pkg Auth | 12/15/10 | 9/1/31 | 8.02% | 5,732,650.00 | 5,000,000.00 |
| NJ State Transp Trust Fund | 10/21/10 | 12/15/28 | 6.01% | 5,391,200.00 | 5,000,000.00 |
| | | | | 11,123,850.00 | 10,000,000.00 |

EXHIBIT C-4

ANALYSIS OF GENERAL CAPITAL FUND CASH

| | | Balance Dec. 31, 2010 | Receipts Miscellaneous | Disbursements Improvement Authorizations | Disbursements Miscellaneous | Transfers To/(From) | Balance Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|
| Encumbrances Payable | | 37,682.06 | | | 10,667.53 | 75,982.24 | 102,996.77 |
| Contracts Payable | | 64,524.28 | | | 38,377.15 | (26,147.13) | |
| Due Current Fund | | | 507.24 | | 507.24 | | |
| Capital Improvement Fund | | 40,265,058.32 | | | | (1,184,335.83) | 39,080,722.49 |
| Fund Balance | | 30,859.30 | 121,995.63 | | | | 152,854.93 |
| Improvement Authorizations: | | | | | | | |
| Ordinance Number | | | | | | | |
| 02-09 | Engineering for New Bridge | 124,335.00 | | | | | 124,335.00 |
| 04-16 | Hancocks Bridge Bank Improvements | 88,729.02 | | 8,079.54 | | | 80,649.48 |
| 06-13 | Road Improvements | 1,618.73 | | | | (1,618.73) | |
| 07-16 | Equipment for Police Department | 9,800.00 | | | | (9,800.00) | |
| 07-10 | Road Repairs | 45,349.70 | | | | (45,349.70) | |
| 08-05 | Improvements to Municipal Building & Grounds | 10,981.39 | | | | (9,820.84) | 1,160.55 |
| 08-05 | Purchase of Public Works Equipment | 21,591.46 | | 7,876.32 | | | 13,715.14 |
| 09-08 | Generators for Waste Water Plant | 1,397.00 | | | | (1,397.00) | |
| 10-08 | Reconstruction of Hogate Blvd Section II | 26,463.74 | | | | (26,463.74) | |
| 10-09 | Dilution Study | 3,000.00 | | | | (3,000.00) | |
| 11-01 | New Well at Liesure Arms | | | 47,000.00 | | 47,000.00 | |
| 11-03 | Dump Truck with Snowplow | | | 13,984.00 | | 125,000.00 | 111,016.00 |
| 11-03 | Waste Oil Heaters | | | 12,340.00 | | 12,340.00 | |
| 11-03 | Improvements to Municipal Building & Grounds | | | 24,139.00 | | 47,136.73 | 22,997.73 |
| 11-09 | Solar Electric Generation Equipment | | | | | 1,000,000.00 | 1,000,000.00 |
| 11-09 | Jaws of Life Hydraulic Pump | | | | | 474.00 | 474.00 |
| | | 40,731,390.00 | 122,502.87 | 113,418.86 | 49,551.92 | | 40,690,922.09 |
| | Ref. | C | C-2 | C-6 | C-2 | | C |

EXHIBIT C-5

## SCHEDULE OF CAPITAL IMPROVEMENT FUND

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | C | 40,265,058.32 |
| Increased by: | | |
| Improvement Authorizations Canceled | C-6 | 117,664.17 |
| | | 40,382,722.49 |
| Decreased by: | | |
| Funding of Ordinance | C-6 | 1,302,000.00 |
| Balance December 31, 2011 | C | 39,080,722.49 |

EXHIBIT C-6

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ordinance Number | Improvement Description | Amount | Balance Dec. 31, 2010 Funded | 2011 Authorizations | Disbursed | Contracts Canceled | Encumbered | Canceled | Balance Dec. 31, 2011 Funded |
|---|---|---|---|---|---|---|---|---|---|
| 02-09 | Engineering for New Bridge | 135,000.00 | 124,335.00 | | | | | | 124,335.00 |
| 04-16 | Hancocks Bridge Bank Improvements | 310,000.00 | 88,729.02 | | 8,079.54 | | | | 80,649.48 |
| 06-13 | Road Improvements | | 1,618.73 | | | | | 1,618.73 | |
| 07-16 | Equipment for Police Department | 40,000.00 | 9,800.00 | | | | | 9,800.00 | |
| 07-10 | Road Repairs | 70,000.00 | 45,349.70 | | | | | 45,349.70 | |
| 08-05 | Improvements to Municipal Building & Grounds | 40,000.00 | 10,981.39 | | | | 9,820.84 | | 1,160.55 |
| 08-05 | Purchase of Public Works Equipment | 40,000.00 | 21,591.46 | | 7,876.32 | | | | 13,715.14 |
| 09-08 | Generators for Waste Water Plant | 30,000.00 | 1,397.00 | | | | | 1,397.00 | |
| 10-08 | Reconstruction of Hogate Blvd Section II | 142,000.00 | 26,463.74 | | | 26,147.13 | 26,772.13 | 25,838.74 | |
| 10-09 | Dilution Study | 70,000.00 | 3,000.00 | | | | | 3,000.00 | |
| 11-01 | New Well at Liesure Arms | 50,000.00 | | 50,000.00 | 47,000.00 | | | 3,000.00 | |
| 11-03 | Dump Truck with Snowplow | 125,000.00 | | 125,000.00 | 13,984.00 | | | | 111,016.00 |
| 11-03 | Waste Oil Heaters | 40,000.00 | | 40,000.00 | 12,340.00 | | | 27,660.00 | |
| 11-03 | Improvements to Municipal Building & Grounds | 75,000.00 | | 75,000.00 | 24,139.00 | | 27,863.27 | | 22,997.73 |
| 11-09 | Solar Electric Generation Equipment | 1,000,000.00 | | 1,000,000.00 | | | | | 1,000,000.00 |
| 11-09 | Jaws of Life Hydraulic Pump | 12,000.00 | | 12,000.00 | | | 11,526.00 | | 474.00 |
| | | | 333,266.04 | 1,302,000.00 | 113,418.86 | 26,147.13 | 75,982.24 | 117,664.17 | 1,354,347.90 |
| | | Ref. | C | C-5 | C-2 | C-8 | C-7 | C-5 | C |

EXHIBIT C-7

## SCHEDULE OF ENCUMBRANCES PAYABLE

| | Ref. | |
|---|---|---|
| Balance December 31, 2010 | C | 37,682.06 |
| Increased by: | | |
| Charges | C-6 | 75,982.24 |
| | | 113,664.30 |
| Decreased by: | | |
| Payments | C-2 | 10,667.53 |
| Balance December 31, 2011 | C | 102,996.77 |

EXHIBIT C-8

## SCHEDULE OF CONTRACTS PAYABLE

| | Ref. | | |
|---|---|---|---|
| Balance December 31, 2010 | C | | 64,524.28 |
| Decreased by: | | | |
| Payments | C-2 | 38,377.15 | |
| Canceled | C-6 | 26,147.13 | |
| | | | 64,524.28 |

# PART II

## LETTER OF COMMENTS AND RECOMMENDATIONS

## YEAR ENDED DECEMBER 31, 2011

## GENERAL COMMENTS

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

The governing body of the Township 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 various items including:

Drilling of new well

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

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

Our examination of expenditures did reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

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

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

The governing body on January 2, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

> WHEREAS, RS. 54:4-66 states that taxes shall be payable in quarterly installments on the first day of February, May, August, and November, and shall become delinquent after the tenth day of February, May, August, and November; and

WHEREAS, RS. 54:4-67 provides that the governing body may, by Resolution, fix the rate of interest to be charged for non-payment of taxes or assessments on or before the date they would become delinquent.

NOW, THEREFORE, BE IT RESOLVED by the Township Committee of the Township of Lower Alloways Creek does hereby establish that the rate of interest to be charged for the non-payment of taxes or assessments on or before the above quarterly due dates, when interest becomes chargeable, shall be at 8% per annum on the first $1,500.00 for delinquency, and 18% per annum on any amount in excess of $1,500.00.

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

**Delinquent Taxes and Tax Title Liens**
The last tax sale was held on December 31, 2011, and was complete.

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

| Year | Number of Liens |
|---|---|
| 2011 | 9 |
| 2010 | 8 |
| 2009 | 8 |

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. 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 with the following exception:

The general ledger is not properly maintained.

**Tax/Sewer Collector**
The records maintained by the Tax/Sewer Collector were found to be in good condition.

**Municipal Clerk**
The records maintained by the Municipal Clerk were found to be in good condition.

**Corrective Action Plan**
A corrective action plan for the 2010 audit was filed with the Division of Local Government Services by the Chief Financial Officer.

## FINDINGS AND RECOMMENDATIONS

(2011-1) Finding: A general ledger is not properly maintained as required by N.J.A.C. 5:30-5.7.

Recommendation: A general ledger should be properly maintained as required by N.J.A.C. 5:30-5.7.

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The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

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,

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