

**TOWNSHIP OF FRANKLIN
COUNTY OF WARREN
STATE OF NEW JERSEY**

**REPORT OF AUDIT
DECEMBER 31, 2012**

TOWNSHIP OF FRANKLIN

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2012

AUDITORS' REPORTS



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Franklin
P.O. Box 547
County of Warren
Broadway, New Jersey 08808

Report on the Financial Statements

We have audited the accompanying balance sheets-regulatory basis of the various funds of the Township of Franklin as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance-regulatory basis for the year then ended and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with generally accepted auditing standards in the United States of America; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

-Continued-

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

As described in Note 1, the Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the fifth paragraph, the financial statements referred to above do not present fairly the respective financial position of the Township of Franklin at December 31, 2012 and 2011, or the results of its operations, in conformity with generally accepted accounting principles in the United States of America.

However, in our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2012 and 2011, and the results of operations and changes in fund balance-regulatory basis of such funds for the year then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year then ended, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

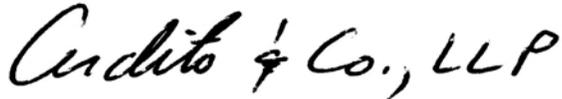
In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1 to the financial statements.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2013, on our consideration of the Township's internal control over financial reporting and on 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 with 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 in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP

A handwritten signature in black ink that reads "Ardito & Co., LLP". The script is cursive and fluid.

Frenchtown, New Jersey

April 8, 2013

A handwritten signature in black ink that reads "Anthony Ardito". The script is cursive and fluid.

Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

April 8, 2013

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 2,017,387	\$ 2,248,059
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	325,447	297,734
Tax Title Liens Receivable	A-7	82,674	82,579
Penalties & Interest on Taxes	A	4,905	5,232
Property Acquired for Taxes - Assessed Valuation	A-8	289,300	289,300
Revenue Accounts Receivable	A-9	2,187	4,870
Amount Due From Dog License Fund	B	1	4,782
Amount Due From Grant Fund	A	87,209	122,010
Amount Due From General Capital Fund	C	-	32
Amount Due From Other Trust Fund	B	<u>32,034</u>	<u>45,371</u>
Subtotal		<u>823,757</u>	<u>851,910</u>
		<u>2,841,144</u>	<u>3,099,969</u>
Federal And State Grant Fund:			
Amount Due From General Capital Fund	C	40,300	40,300
Federal And State Grants Receivable	A-21	<u>142,316</u>	<u>183,770</u>
Subtotal		<u>182,616</u>	<u>224,070</u>
TOTAL ASSETS		<u>\$ 3,023,760</u>	<u>\$ 3,324,039</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

LIABILITIES, RESERVES AND FUND BALANCE	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Liabilities:			
Appropriation Reserves	A-3:10	\$ 97,461	\$ 103,579
Reserve For Encumbrances	A-11	56	22,137
Amount Due To Other Trust Fund	B	102,837	72,232
Accounts Payable	A	2,781	2,768
Taxes Collected In Advance	A-12	30,724	45,635
Tax Overpayments	A-13	102,866	67,352
County Taxes Payable-Added/Omitted	A-14	2,397	4,197
Local District School Taxes Payable	A-15	69,768	70,056
Regional High School Taxes Payable	A-16	631,583	914,529
Municipal Open Space Tax - Due Other Trust Fund	A-17	140	4,166
Amount Due To State Of New Jersey For Senior Citizens And Veterans Deductions	A-18	2,690	2,690
Reserve - Joint Court	A-19	7,905	7,905
Reserve for Garden State Trust Fund	A-20	5,099	5,099
Subtotal		1,056,307	1,322,345
 Reserve For Receivables And Other Assets	 A	 823,757	 851,910
Fund Balance	A-1	961,080	925,713
Subtotal		2,841,144	3,099,968
 Federal And State Grant Fund:			
Due Current Fund	A	87,209	122,011
Reserve For State Grants - Unappropriated	A-23	12,054	13,121
Reserve For State Grants	A-22	83,353	88,939
Subtotal		182,616	224,071
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 3,023,760	\$ 3,324,039

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

A-1

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR</u> <u>2012</u>	<u>YEAR</u> <u>2011</u>
Fund Balance Utilized	A-2	\$ 923,000	\$ 923,212
Miscellaneous Revenue Anticipated	A-2	490,349	615,463
Receipts From Delinquent Taxes	A-2	301,164	376,022
Receipts from Current Taxes	A-2	11,339,935	11,332,972
Non-Budget Revenues	A-2	122,957	120,927
Other Credits To Income:			
Unexpended Balance Of Appropriation Reserves	A-10	57,943	98,744
Interfund Returns	A	<u>48,170</u>	<u>52,428</u>
TOTAL INCOME		<u>13,283,518</u>	<u>13,519,768</u>
 <u>EXPENDITURES</u> 			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages	A-3	453,581	456,492
Other Expenses	A-3	817,831	717,600
Deferred Charges and Statutory Expenditures	A-3	77,104	80,767
Appropriations Excluded From "CAP":			
Operations:			
Salaries and Wages			
Other Expenses	A-3	40,317	57,224
Capital Improvements	A-3	205,000	268,770
Debt Service	A-3	135,224	163,785
Deferred Charges and Statutory Expenditures	A-3	-	95,840
County Taxes	A-14	2,867,615	2,826,544
Amount Due County For Added and Omitted Taxes	A-14	2,397	4,196
Local District School Taxes	A-15	4,027,033	4,038,164
Regional High School Taxes	A-16	3,530,347	3,616,239
Municipal Open Space Tax	A-6	168,144	274,142
Refund of Prior Year Revenue	A-4	558	-
Interfund Advances	B	<u>-</u>	<u>754</u>
TOTAL EXPENDITURES		<u>12,325,151</u>	<u>12,600,517</u>
Statutory Excess To Fund Balance		958,367	919,251
Fund Balance January 1	A	<u>925,713</u>	<u>929,674</u>
		1,884,080	1,848,925
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>923,000</u>	<u>923,212</u>
Fund Balance December 31	A	<u>\$ 961,080</u>	<u>\$ 925,713</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
Fund Balance Anticipated	A-2	\$ 923,000	\$ 923,000	-
Miscellaneous Revenues				
Local Revenues:				
Licenses:				
Alcoholic Beverages	A-9	800	2,326	\$ 1,526
Fees and Permits	A-9	8,000	2,740	(5,260)
Fines and Costs:				
Interest and Costs on Taxes	A-5	60,000	68,409	8,409
Interest on Investments and Deposits	A-9	<u>5,000</u>	<u>1,751</u>	<u>(3,249)</u>
Total Local Revenues		<u>73,800</u>	<u>75,226</u>	<u>1,426</u>
State Aid:				
Consolidated Municipal Property Tax Relief Aid	A-9	8,641	8,641	
Energy Receipts Tax	A-9	246,950	246,950	
Garden State Trust Fund	A-20	<u>5,099</u>	<u>5,099</u>	-
Total State Aid		<u>260,690</u>	<u>260,690</u>	-
Dedicated Uniform Construction Code Fees				
Offset with Appropriations:				
Uniform Construction Code Fees	A-9	<u>25,000</u>	<u>22,487</u>	<u>(2,513)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services- Public and Private Revenues:				
NJ Transportation Trust Fund-Halfway House	A-21	115,000	115,000	
Clean Communities Program	A-21	9,819	9,819	
Municipal Alliance on Alcoholism and Drug Abuse	A-21	3,796	3,796	
Recyclign Tonnage Grant	A-23	3,331	3,331	-
Total Public and Private Revenues		<u>131,946</u>	<u>131,946</u>	-
Total Miscellaneous Revenue		<u>491,436</u>	<u>490,349</u>	(1,087)
Receipts From Delinquent Taxes	A-2	<u>180,000</u>	<u>301,164</u>	<u>121,164</u>
Local Tax for Municipal Purposes	A-2	<u>741,807</u>	<u>1,000,970</u>	<u>259,163</u>
Total General Revenues		2,336,243	2,715,483	379,240
Non-Budget Revenues:				
Other Non-Budget Revenues	A-2	-	<u>122,957</u>	<u>122,957</u>
		<u>\$ 2,336,243</u>	<u>\$ 2,838,440</u>	<u>\$ 502,197</u>
REF.		A-3		

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

REF.

ANALYSIS OF REALIZED REVENUES

Allocation Of Current Tax Collections:

Revenue from Collections	A-6	\$ 11,309,935
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>30,000</u>
	A-6	11,339,935

Allocated To:

School, County, and Municipal Open Space Taxes	A-1	<u>10,945,535</u>
Deficiency Supported by Municipal Revenues		394,400
Add(Decreased) by Appropriation: "Reserve For Uncollected Taxes"	A-3	<u>606,570</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 1,000,970</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES

Miscellaneous Revenue Not Anticipated:

Treasurer:

Comcast Franchise Tax	\$	8,098	
Lease of Farmlands		12,671	
Fees		20,606	
In Lieu Taxes		2,000	
Hurricane Irene		54,203	
Tropical Storm Lee		9,126	
Miscellaneous		<u>16,253</u>	
Total Miscellaneous Revenue Not Anticipated	A-4		<u>\$ 122,957</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELED</u>
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 10,200	\$ 10,200	\$ 10,120	\$ 80	
Other Expenses:					
Other Professional, Consul. and Spec. Serv.-Codification	5,000	5,000	5,000		
Miscellaneous Other Expenses	27,500	23,978	20,190	3,788	
Human Resources (Personnel):					
Education Program for Employees	2,500	1,250	515	735	
Mayor and Council:					
Salaries and Wages	16,540	16,540	16,538	2	
Municipal Clerk:					
Salaries and Wages	52,390	54,035	54,035		
Financial Administration(Treasury):					
Salaries and Wages	30,010	30,252	30,252		
Other Expenses	3,000	4,500	3,356	1,144	
Audit Services:					
Other Expenses	24,500	24,500	23,230	1,270	
Revenue Administration(Tax Collection):					
Salaries and Wages	26,891	26,891	26,891		
Other Expenses	2,500	2,500	2,011	489	
Tax Assessment Administration:					
Salaries and Wages	31,324	31,324	31,324		
Other Expenses	8,000	8,000	7,132	868	
Legal Services(Legal Dept.):					
Other Expenses	30,000	34,000	33,200	800	
Engineering Services:					
Other Expenses	62,000	87,000	82,457	4,543	
Historical Sites office:					
Other Expenses	500	895	895		

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELED</u>
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries and Wages	19,669	19,669	19,669		
Other Expenses	15,000	19,000	17,337	1,663	
Zoning Board Of Adjustment:					
Salaries and Wages	23,053	23,054	23,054		
Other Expenses	1,000	1,000	633	367	
CODE ENFORCEMENT AND ADMINISTRATION:					
Construction Official:					
Salaries and Wages	54,671	54,672	54,672		
Other Expenses	1,000	1,000		1,000	
INSURANCE:					
Liability Insurance	78,800	80,913	80,913		
Unemployment Insurance	3,200	3,200	2,678	522	
Workers Compensation Insurance	3,000	3,000	3,000		
Employee Group Insurance	65,220	57,712	50,002	7,710	
PUBLIC SAFETY FUNCTIONS:					
Office of Emergency Management:					
Salaries and Wages	8,100	8,100	8,061		39
Other Expenses	2,500	2,500	1,887		613
Aid to Volunteer Fire Companies	50,000	50,000	43,839	6,161	
First Aid Organization-Contributions	25,000	25,000	25,000		
Fire Department:					
Other Expenses:					
Fire Hydrant Service	13,000	13,000	11,583	1,417	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>	<u>BUDGET AFTER</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>		<u>BALANCE</u>
			<u>CHARGED</u>		<u>CANCELED</u>
PUBLIC WORKS FUNCTIONS:					
Streets and Road Maintenance:					
Salaries and Wages	174,420	161,441	161,441		
Other Expenses	277,950	258,287	252,920	5,367	
Solid Waste Collection:					
Salaries and Wages	8,854	8,854		8,854	
Other Expenses	6,500	8,596	8,596		
Buildings and Grounds:					
Other Expenses	45,000	45,000	42,937	2,063	
HEALTH AND HUMAN SERVICES FUNCTIONS:					
Animal Control Services(Dog Regulation):					
Salaries and Wages	8,549	8,549	8,034	515	
PARK AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Other Expenses	9,000	9,000	9,000		
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	15,000	15,000	12,177	2,823	
Street Lighting	14,000	14,000	14,000		
Gasoline	20,000	20,000	15,561	4,439	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELED</u>
Total Operations within "CAPS"	1,275,341	1,271,412	1,214,140	57,272	
Contingent					
Total Operations including contingent within "CAPS"	1,275,341	1,271,412	1,214,140	57,272	
Detail:					
Salaries and Wages	464,671	453,581	444,091	9,490	
Other Expenses	810,670	817,831	770,049	47,782	
DEFERRED CHARGES AND STATUTORY EXPENDITURES within "CAPS":					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	34,000	34,598	34,598		
Contribution To:					
PERS	42,506	42,506	42,317	189	
Total Deferred Charges and Statutory Expenditures within "CAPS"	76,506	77,104	76,915	189	
Total General Appropriations within "CAPS"	1,351,847	1,348,516	1,291,055	57,461	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>		<u>BALANCE</u> <u>CANCELED</u>
Operations Excluded from "CAPS":					
Insurance:					
Employee Insurance	3,780	3,780	3,780		
Total Operations Excluded From Caps	3,780	3,780	3,780		
PUBLIC AND PRIVATE PROGRAMS OFFSET BY APPROPRIATIONS- EXCLUDED FROM "CAPS":					
Interlocal Municipal Service Agreements:					
Municipal Court (Lopatcong Township):					
Other Expenses	15,000	18,331	18,331		
Total Interlocal Municipal Service Agreements	15,000	18,331	18,331		
Federal and State Grants:					
Municipal Alliance On Alcoholism and Drug Abuse:					
Other Expenses:					
Federal Share	3,796	3,796	3,796		
Local Share	1,260	1,260	1,260		
Clean Communities Program:					
Other Expenses	9,819	9,819	9,819		
Recycling Tonnage Grant:					
Other Expenses	3,331	3,331	3,331		
Total Public and Private Programs Offset by Revenues	18,206	18,206	18,206		
Total Operations Excluded from "CAPS"	36,986	40,317	40,317		
Detail:					
Salaries and Wages					
Other Expenses	36,986	40,317	40,317		
CAPITAL IMPROVEMENTS:					
Capital Improvement Fund	50,000	50,000	50,000		
Improvements to Building	30,000	30,000		30,000	
Recreation Equipment	10,000	10,000		10,000	
New Jersey Transportation Trust Fund Authority Act:					
Halfway House Road	115,000	115,000	115,000		
Total Capital Improvements	205,000	205,000	165,000	40,000	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

	<u>APPROPRIATION</u>	<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>	<u>CANCELED</u>
			<u>RESERVED</u>	
MUNICIPAL DEBT SERVICE:				
Payment of Notes	114,100	114,100	114,100	
Payment of Interest on Notes	21,740	21,740	21,124	\$ 616
Total Municipal Debt Service	135,840	135,840	135,224	616
Total General Appropriations Excluded from "CAPS"	377,826	381,157	340,541	616
Subtotal General Appropriations	1,729,673	1,729,673	1,631,596	616
Reserve For Uncollected Taxes	606,570	606,570	606,570	
TOTALS	\$ 2,336,243	\$ 2,336,243	\$ 2,238,166	\$ 616

REF.	A-3	REF.	A	A-1
		A-22	\$ 133,206	
		A-2	606,570	
		A-11	1,498,390	
			\$ 2,238,166	

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

B

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Dog License Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	\$ 2,988	\$ 8,280
Other Trust Funds:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-2	845,812	1,056,611
Amount Due Current Fund	B-6	<u>70,943</u>	<u>31,027</u>
Total Other Trust Funds		<u>916,755</u>	<u>1,087,638</u>
TOTAL ASSETS		<u>\$ 919,743</u>	<u>\$ 1,095,918</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Amount Due Current Fund	B-5	\$ 1	\$ 4,782
Reserve for Dog Fund Expenditures	B-3	2,890	3,497
Due State of New Jersey	B-4	<u>97</u>	<u>1</u>
Total Dog License Fund		<u>2,988</u>	<u>8,280</u>
Other Trust Fund:			
Reserve for Planning Board Escrow Deposits	B-7	62,181	90,993
Amount Due General Capital Fund	B-8	9,830	9,830
Reserve for Road Opening Deposits	B-9	500	500
Reserve for COAH Deposits	B-10	52,170	60,074
Reserve for Tax Sale Premiums	B-11	77,792	53,692
Reserve for Municipal Open Space Tax	B-12	687,499	851,918
Reserve for Recreation Trust	B-13	<u>26,783</u>	<u>20,631</u>
Total Other Trust Fund		<u>916,755</u>	<u>1,087,638</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 919,743</u>	<u>\$ 1,095,918</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash - Treasurer	C-2	\$ 102,830	\$ 281,023
Accounts Receivable	C-4	250,560	250,560
Amount Due Open Space Trust	C-10	9,830	9,830
Deferred Charges To Future Taxation: Unfunded	C-5	<u>2,732,694</u>	<u>3,133,858</u>
TOTAL ASSETS		<u>\$3,095,914</u>	<u>\$ 3,675,271</u>

LIABILITIES, RESERVES AND FUND BALANCE

Amount Due Current Fund	C-3	-	32
Amount Due Grants Fund	C-12	40,300	40,300
Reserve for Road Improvements	C-7	32,625	32,625
Bond Anticipation Notes	C-9	1,620,694	1,759,358
Installment Purchase Agreement	C-11	525,000	787,500
Capital Improvement Fund	C-6	179,972	152,222
Capital Fund Balance	C-1	19,694	19,694
Improvement Authorizations - Unfunded	C-8	420,045	635,417
Improvement Authorizations - Funded	C-8	<u>257,584</u>	<u>248,123</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$3,095,914</u>	<u>\$ 3,675,271</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

REF.

Balance December 31, 2011	C	\$ 19,694
Balance December 31, 2012	C	<u>\$ 19,694</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

E

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash and Cash Equivalents:			
Cash - Treasurer	E-1	\$ 3,063	\$ 3,063
TOTAL ASSETS		<u>\$ 3,063</u>	<u>\$ 3,063</u>

LIABILITIES AND RESERVES

Reserve for Public Assistance		\$ 3,063	\$ 3,063
TOTAL LIABILITIES AND RESERVES		<u>\$ 3,063</u>	<u>\$ 3,063</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2012

F

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
General Fixed Assets:		
Land	\$ 3,246,819	\$ 3,246,819
Buildings	1,015,384	1,015,384
Machinery and Equipment	<u>1,821,114</u>	<u>1,821,114</u>
Total General Fixed Assets	<u>\$ 6,083,317</u>	<u>\$ 6,083,317</u>
Investment In General Fixed Assets	<u>\$ 6,083,317</u>	<u>\$ 6,083,317</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

<u>ASSETS</u>	BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>
Cash and Cash Equivalents:		
Cash - Treasurer	\$ <u>61,329</u>	\$ <u>52,786</u>
TOTAL ASSETS	\$ <u>61,329</u>	\$ <u>52,786</u>

LIABILITIES AND RESERVES

Imprest Balances	\$ <u>61,329</u>	\$ <u>52,786</u>
TOTAL LIABILITIES AND RESERVES	\$ <u>61,329</u>	\$ <u>52,786</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

The financial statements of the Township of Franklin include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as The financial statements of the Township do not include the operations of the Board of Education.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America(GAAP).

The accounting policies of the Township of Franklin 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 Franklin accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

Current Fund

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

Trust Funds

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

General Capital Fund

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Public Assistance Fund

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

General Fixed Assets Account Group

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

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

Revenues--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or 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 31st of each year and recorded as liabilities, except for amounts which may be cancelled 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. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Property Tax Revenue--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1.

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally.

If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid to the County by the Township quarterly on February 15, May 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, May 15, August 15 and November 15.

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

In accordance with the accounting Principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Deferred School Taxes--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

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

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

Inventories of Supplies--The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

General Fixed Assets--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Budget and Budgetary Procedures--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

The Township is not required to adopt budgets for the following funds:

**General Capital Fund
Public Assistance Fund
Trust Fund**

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers.

Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Tax Appeals and Other Contingent Losses--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Deferred Charges to Future Taxation Funded and Unfunded--Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the municipality's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Departures from Generally Accepted Accounting Principles--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

Statutory-Basis Financial Statements--The GASB Codification also defines the financial statements of a governmental unit to be presented to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

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

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2012, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

As of December 31, 2012, cash and cash equivalents of the municipality consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking	\$ 2,469,302	\$ 2,469,302
Certificates of Deposit	<u>564,107</u>	<u>564,107</u>
	<u>\$ 3,033,409</u>	<u>\$ 3,033,409</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2012, was \$3,033,409 and the bank balance was \$2,973,134. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$312,181 was covered by federal depository insurances and \$2,660,953 was covered by collateral pool.

Note 3: LONG-TERM DEBT

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Debt:				
Bond Anticipation Notes	\$ 1,759,358	\$ -	\$ 138,664	\$ 1,620,694
Installment Purchase Agreement	787,500		262,500	525,000
Compensated absences payable	None			None
Total Long-Term Debt	<u>\$ 2,546,858</u>	<u>-</u>	<u>\$ 401,164</u>	<u>\$ 2,145,694</u>

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT (Continued)

The Township debt is summarized as follows:

Summary of Municipal Debt

	YEAR <u>2012</u>	YEAR <u>2011</u>	YEAR <u>2010</u>
<u>Issued</u>			
Net Debt Issued	\$ 2,145,694	\$ 2,546,858	\$ 1,900,022
<u>Authorized But Not Issued</u>			
Total Authorized But Not Issued	<u>587,000</u>	<u>587,000</u>	<u>1,672,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 2,732,694</u>	<u>\$ 3,133,858</u>	<u>\$ 3,572,022</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.649%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 3,947,766	\$ 3,947,766	-
Local School District Debt	1,680,000	1,680,000	-
General Debt	<u>2,732,694</u>	<u>-</u>	<u>\$ 2,732,694</u>
	<u>\$ 8,360,460</u>	<u>\$ 5,627,766</u>	<u>\$ 2,732,694</u>

Net Debt \$2,732,694 Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended, \$ 421,200,694 equals 0.649%

Borrowing Power Under N.J.S.A. 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 14,742,024
Net Debt	<u>2,732,694</u>
Remaining Borrowing Power	<u>\$ 12,009,330</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT (Continued)

Bond Anticipation Notes

The Township has outstanding at December 31, 2012, a bond anticipation note in the amount of \$535,694 payable to PNC Bank. This note matures on October 18, 2013. The interest rate on the note was 1.69%. Principal and interest on this note is paid from the current fund budget and municipal open space trust fund reserve of the Township.

The Township has outstanding at December 31, 2012, a bond anticipation note in the amount of \$1,085,000 payable to PNC Bank. This note matures on February 20, 2013. The interest rate on the note was 2.1%. Principal and interest on this note is paid from the current fund budget.

Installment Loans

The Township has outstanding at December 31, 2012, installment notes in the amount of \$525,000 payable to the seller of B/L 26/3 known as the Siegler Farm. This note matures on December 31, 2014. The interest rate on the note is 2.5%, and is payable in annual principal installments of \$262,500. Principal and interest on this note is paid from the municipal open space trust fund reserve of the Township.

	<u>Debt Outstanding</u>
Total General Capital Loans Above	<u>\$ 2,145,694</u>

Note 4: GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance End of Year</u>
Land	\$ 3,246,819	-		\$ 3,246,819
Buildings and Improvements	1,015,384	-		1,015,384
Machinery and Equipment	<u>1,821,114</u>	<u>\$ -</u>	<u>-</u>	<u>1,821,114</u>
	<u>\$ 6,083,317</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 6,083,317</u>

There was no capital asset activity for the current year.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2012, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013, were as follows:

Current Fund - \$852,000 (Introduced)

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the Township had no deferred charges that are required to be included in subsequent year's budgets

The appropriations in the 2013 Budget are not less than that required by statute.

Note 7: SCHOOL TAXES

Local District Tax and Regional High School Tax have been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	TOTAL DEFERRED TAX <u>12/31/12</u>	LOCAL DISTRICT <u>SCHOOL TAX</u> BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>	TOTAL DEFERRED TAX <u>12/31/11</u>	REGIONAL <u>HIGH SCHOOL TAX</u> BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>
Balance of Tax		\$ 1,728,142	\$ 1,728,430		\$ 1,940,173	\$ 1,873,119
Deferred		<u>1,658,374</u>	<u>1,658,374</u>		<u>1,308,590</u>	<u>958,590</u>
Tax Payable		<u>\$ 69,768</u>	<u>\$ 70,056</u>		<u>\$ 631,583</u>	<u>\$ 914,529</u>
Tax Deferred	<u>\$ 2,966,964</u>			<u>\$ 2,616,964</u>		

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 8: PENSIONS

Description of Plans - All required employees of the Township are covered by the Public Employees' Retirement System which has been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) 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 mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service as defined or under the disability provisions of the

System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Township's normal contributions to the Fund may be reduced based on the revaluation of assets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 8: PENSIONS (Continued)

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2012	\$42,317	100%	-0-
2011	\$46,767	100%	-0-
2010	\$37,575	100%	-0-

Note 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 10: LEASES

The Township has not entered into any long-term lease agreements except for equipment which can be capitalized as installment purchases of fixed assets in accordance with Technical Accounting Directive No. 85-2.

Note 11: ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township has permitted employees to accrue unused sick pay, which may be otherwise resolved at a later date. There is no provision for accruing of vacation days if not currently used. The amount of such accrual as of December 31, 2012, is -0-.

In accordance with New Jersey principles, the amount is not reported as an expenditure or liability in the financial statements.

Note 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

LITIGATION

There are no pending lawsuits against the Township.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 13: OTHER REQUIRED DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- A. Summary disclosures of debt service requirements for all types of outstanding debt. This requirement is met by Note 3.
- B. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 4.
- C. Summary disclosures of changes in general long-term debt. This requirement is met by Note 3.
- D. Excesses of expenditures over appropriations in individual funds. There were no excess of expenditures over appropriations in any of the individual funds where budgets were required or employed as a management control device.
- E. Deficit fund balances or retained earnings balances of individual funds. There were no deficits in fund balances or retained earnings in any of the individual funds, except as noted in Note 6.
- F. Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2012:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 119,244	\$ 102,977
Federal/State Grants Fund	40,300	87,209
Dog License Fund	-	1
Other Trust Funds	70,943	-
General Capital Fund	-	40,300
	<u>\$ 230,487</u>	<u>\$ 230,487</u>

Note 14: RISK FINANCING

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

PART II
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

CURRENT FUND
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance December 31, 2011	A	\$ 2,248,059
Increased by Receipts:		
Collector	A-5	\$ 11,700,495
Miscellaneous Revenue Not Anticipated	A-2	122,957
Revenue Accounts Receivable	A-9	286,125
Municipal Open Space	A-17	8,938
Amount Due State of N.J. for Senior Citizens/Veterans Deductions	A-18	30,000
Garden State Trust Fund	A-20	5,099
State Grant Funds	A-21	169,926
State Grant Funds	A-23	2,264
Interfund Returns - Other Trust	B	<u>30,605</u>
		<u>12,356,409</u>
		14,604,468
Decreased by Disbursements:		
2011 Appropriation Reserves	A-10	45,636
Reserve for Encumbrances	A-11	1,490,767
Tax Overpayments	A-13	345
County Taxes	A-14	2,871,812
Local District School Tax	A-15	4,027,321
Regional High School Tax	A-16	3,813,293
Municipal Open Space	A-17	181,108
State Grant Funds	A-22	138,649
Interfund Returns - Animal Control	B	4,781
Interfund Returns - Other Trust	B	13,337
Amount Due General Capital Fund	C	<u>32</u>
		<u>12,587,081</u>
Balance December 31, 2012	A	<u>\$ 2,017,387</u>

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Interest and Costs on Taxes	A-2	\$ 68,409	
Taxes Receivable	A-6	11,565,503	
2012 Prepaid Taxes	A-12	30,724	
Tax Overpayments	A-13	<u>35,859</u>	<u>\$ 11,700,495</u>
Decreased by Disbursements:			
Payments to Treasurer	A-4		<u>\$ 11,700,495</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 82,579
Increased by:		
Transfers from Taxes Receivable	A-6	<u>2,572</u>
		85,151
Decreased by:		
Canceled		<u>2,477</u>
Balance December 31, 2012	A	<u>\$ 82,674</u>

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES -
ASSESSED VALUATION

A-8

REF.

Balance December 31, 2011

A \$ 289,300

Balance December 31, 2012

A \$ 289,300

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

	REF.	BALANCE 12/31/11	ACCRUED IN 2012	COLLECTED BY TREASURER	BALANCE 12/31/12
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		\$ 2,326	\$ 2,326	
Fees and Permits	A-2		2,740	2,740	
Municipal Court:					
Fines and Costs	A-2	\$ 1,230		1,230	
Interest on Investments and Deposits	A-2		1,751	1,751	
Uniform Construction Code Fees	A-2	3,640	21,034	22,487	\$ 2,187
Consolidated Municipal Property Tax Relief Aid	A-2		8,641	8,641	
Energy Receipts Tax	A-2		246,950	246,950	
Totals		\$ 4,870	\$ 283,442	\$ 286,125	\$ 2,187
	REF.		A	A-4	A

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

A-10

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses	\$ 3,587	\$ 3,587	\$ 1,214	\$ 2,373
Financial Administration:				
Other Expenses	229	286	286	-
Tax Collections:				
Other Expenses	34	34	30	4
Tax Assessment Administration:				
Other Expenses	3,831	1,905	440	1,465
Legal Services:				
Other Expenses	224	224	160	64
Engineering Services:				
Other Expenses	150	5,965	4,307	1,658
Land Use Board:				
Other Expenses	2,717	3,024	2,993	31
Zoning Board:				
Other Expenses	1,116	1,116	141	975
Aid to Volunteer Fire Companies	1,018	1,966	1,966	-
Contribution to First Aid Organizations	25,000	25,000	25,000	-
Fire Department:				
Other Expenses	131	131		131
Streets and Road Maintenance:				
Other Expenses	6,270	6,270	3,717	2,553
Solid Waste:				
Salary and Wages	3,840	191		191
Other Expenses	2,689	524	179	345
Buildings and Grounds:				
Other Expenses	3,995	3,995	3,264	731
Animal Control:				
Salary and Wages	515	515	500	15
Electricity	1,118	1,118	826	292
Gasoline		613	613	-
Other Accounts - No Change	47,115	47,115		47,115
TOTALS	\$ 103,579	\$ 103,579	\$ 45,636	\$ 57,943

REF.	A	A-4	A-1
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CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

	<u>REF.</u>		
Balance December 31, 2011	A	\$	22,137
Increased by:			
Budget Encumbrances Appropriated	A-3	\$ 1,498,390	
Additional Encumbrances		-	1,498,390
			1,520,527
Decreased by:			
Prior Year Encumbrances Canceled	A-1	29,704	
Encumbrances Paid	A-4	1,490,767	1,520,471
Balance December 31, 2012	A	\$	56

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 45,635
Increased by:		
2013 Taxes Collected in Advance	A-5	<u>30,724</u> 76,359
Decreased by:		
Applied to 2012 Taxes Receivable	A-6	<u>45,635</u>
Balance December 31, 2012	A	<u>\$ 30,724</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-13

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 67,352
Increased by:		
Tax Overpayments	A-5	<u>35,859</u>
		103,211
Decreased by:		
Refunds	A-4	<u>345</u>
Balance December 31, 2012	A	<u>\$ 102,866</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 4,197
Increased by:		
2012 Levy:		
County Taxes		\$ 2,412,887
County Library Taxes		200,755
County Open Space Tax		253,973
Prior Year Added and Omitted Taxes		<u>2,397</u>
	A-1:6	<u>\$ 2,870,012</u>
		2,874,209
Decreased by:		
Payments	A-4	<u>2,871,812</u>
Balance December 31, 2012	A	<u>\$ 2,397</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2011:			
School Tax Payable	A	\$ 70,056	
School Tax Deferred		<u>1,658,374</u>	\$ 1,728,430
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>4,027,033</u>
			5,755,463
Decreased by:			
Payments	A-4		<u>4,027,321</u>
Balance December 31, 2012:			
School Tax Payable	A	69,768	
School Tax Deferred		<u>1,658,374</u>	<u>\$ 1,728,142</u>
2012 Liability for Local District School Tax:			
Tax Paid			\$ 4,027,321
Tax Payable 12/31/12			<u>1,728,142</u>
			5,755,463
Less -- Tax Deferred for 2012			-
Less -- Tax Payable 12/31/11			<u>1,728,430</u>
Amount Charged to 2012 Operations	A-1		<u>\$ 4,027,033</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2011:			
School Tax Payable	A	\$ 914,529	
School Tax Deferred		<u>958,590</u>	\$ 1,873,119
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>3,880,347</u>
			5,753,466
Decreased by:			
Payments	A-4		<u>3,813,293</u>
Balance December 31, 2012:			
School Tax Payable	A	631,583	
School Tax Deferred		<u>1,308,590</u>	<u>\$ 1,940,173</u>
2012 Liability for Regional High School Tax:			
Tax Paid			\$ 3,813,293
Tax Payable 12/31/12			<u>1,940,173</u>
			5,753,466
Less -- Tax Deferred for 2012			350,000
Less -- Tax Payable 12/31/11			<u>1,873,119</u>
Amount Charged to 2012 Operations	A-1		<u>\$ 3,530,347</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-17

	<u>REF.</u>		
Balance December 31, 2011	A	\$	4,166
Increased by:			
Interfund Returned	A-4	\$	8,938
2012 Municipal Open Space Tax, Including Added/Omitted	A-6	<u>168,144</u>	<u>\$ 177,082</u>
			181,248
Decreased by:			
Smith Recreation Complex Design Costs	A-4	5,396	
Transfer Levy to Open Space Trust Account	A-4	168,004	
Salary & Wages Paid by Current Fund	A-4	<u>7,708</u>	<u>181,108</u>
Balance December 31, 2012	A	\$	<u>140</u>
<u>Detail:</u>			
Added/Omitted Taxes - 2012		\$	<u>140</u>

CURRENT FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-18

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 2,690
Increased by:		
Received in Cash from State	A-4	<u>30,000</u>
		32,690
Decreased by:		
Senior Citizens and Veterans Deductions per Tax Billings		<u>30,000</u>
Balance December 31, 2012	A	<u>\$ 2,690</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR JOINT COURT

A-19

	<u>REF.</u>	
Balance December 31, 2011	A	<u>\$ 7,905</u>
Balance December 31, 2012	A	<u>\$ 7,905</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR GARDEN STATE TRUST FUND

A-20

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 5,099
Increased by:		
Receipts for 2013 Budget	A-4	<u>5,099</u>
		10,198
Decreased by:		
Realized as Revenue in 2012 Budget	A-2	<u>5,099</u>
Balance December 31, 2012	A	<u>\$ 5,099</u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-21

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/12</u>
Storm Water Grant	\$ 5,000				\$ 5,000
Clean Communities		\$ 9,819	\$ 9,676	\$ 143	-
Municipal Alliance		3,796			3,796
DOT Grant - Asbury Broadway/Bryan Safe School	74,000		74,000		-
DOT Grant - Asbury Historic Pedestrian	104,770				104,770
DOT Grant - Halfway House Road	-	<u>115,000</u>	<u>86,250</u>	-	<u>28,750</u>
Totals	<u>\$ 183,770</u>	<u>\$ 128,615</u>	<u>\$ 169,926</u>	<u>\$ 143</u>	<u>\$ 142,316</u>
REF.	A	A-2	A-4	A-22	A

CURRENT FUND
SCHEDULE OF STATE GRANTS

A-22

	BALANCE <u>12/31/11</u>	TRANSFER FROM			BALANCE <u>12/31/12</u>
		2012 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	
Clean Communities - CY 12		\$ 9,819		\$ 143	\$ 9,676
Clean Communities - CY 10	\$ 9,354		\$ 1,632		7,722
Clean Communities - CY 09	4,566		4,566		-
Storm Water Grant	5,377		377		5,000
Municipal Alliance - State	4,611	3,796			8,407
Municipal Alliance - Local	63	1,260	1,197		126
Solid Waste and Stormwater Grant	3,874		155		3,719
Tonnage Grant	3,534	3,331			6,865
ANJEC Open Space Grant	11,500				11,500
Highland Grant	7,428				7,428
Volunteer Fire Grant	766		422		344
DOT Grant - Asbury Historic Pedestrian	37,866		15,300		22,566
DOT Grant - Halfway House Road		115,000	115,000		
Totals	<u>\$ 88,939</u>	<u>\$ 133,206</u>	<u>\$ 138,649</u>	<u>\$ 143</u>	<u>\$ 83,353</u>
REF.	A	A-3	A-4	A-21	A

CURRENT FUND
SCHEDULE OF UNAPPROPRIATED RESERVE FOR STATE GRANTS

A-23

	<u>BALANCE</u> <u>12/31/11</u>	<u>RECEIVED</u>	<u>TRANSFER</u> <u>TO BUDGET</u>	<u>BALANCE</u> <u>12/31/12</u>
Clean Communities Grant:				
CY2011	\$ 9,790			\$ 9,790
Recycling Grant	3,331	\$ 2,264	\$ 3,331	2,264
	<u>\$ 13,121</u>	<u>\$ 2,264</u>	<u>\$ 3,331</u>	<u>\$ 12,054</u>
REF.	A	A-4	A-2	A

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

		<u>DOG</u>	
	<u>REF.</u>	<u>LICENSES</u>	<u>OTHER</u>
Balance December 31, 2011	B	\$ 8,280	\$ 1,056,611
Increased by Receipts:			
Dog License Fees	B-3	3,885	
State Dog License Fees	B-4	823	
Amount Due Current Fund	B-5	1	
Amount Due Current Fund	B-6		168,004
Planning Board Deposits	B-7		122,129
COAH Deposits	B-10		96
Open Space Deposits	B-12	-	5,745
Total Receipts		<u>4,709</u>	<u>295,974</u>
		<u>12,989</u>	<u>1,352,585</u>
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	4,492	
State Dog License Fees Paid	B-4	727	
Amount Due Current Fund	B-5	4,782	
Amount Due Current Fund	B-6		20,043
Planning Board Escrow Returns	B-7		150,941
COAH Payments	B-10		8,000
Open Space Payments	B-12	-	327,789
Total Disbursements		<u>10,001</u>	<u>506,773</u>
Balance December 31, 2012	B	<u>\$ 2,988</u>	<u>\$ 845,812</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 3,497
Increased by:		
Dog License Fees Collected	B-2	<u>3,885</u>
		7,382
Decreased by:		
Expenditures Under R.S. 4:29-15.11	B-2	\$ 4,492
Expenditures Under R.S. 4:29-15.11	B-5	<u>-</u> <u>4,492</u>
Balance December 31, 2012	B	<u>\$ 2,890</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF
NEW JERSEY DEPARTMENT OF HEALTH

B-4

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 1
Increased by:		
Collected in 2012:		
State Board of Health Fees	B-2	\$ 823
		<u>824</u>
Decreased by:		
Payments	B-2	<u>727</u>
Balance December 31, 2012	B	<u>\$ 97</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 4,782
Increased by:		
Interest Credits Due Current Fund	B-2	<u> 1</u> 4,783
Decreased by:		
Interfund Returned	B-2	<u>4,782</u>
Balance December 31, 2012	B	<u>\$ 1</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND
OTHER TRUST FUND

B-6

	<u>REF.</u>		<u>DUE FROM/(TO)</u>
Balance December 31, 2011	B		\$ 31,027
Increased by:			
Interfund Balance Returned to Current Fund-COAH	B-2	\$ 13,690	
Open Space Salaries Reimbursed to Current Fund	B-2	6,353	
Open Space Levy	B-12	168,144	
Tax Sale Premiums Received in Current Fund	B-11	60,100	
Recreation Receipts Received in Current Fund	B-13	<u>25,431</u>	<u>273,718</u>
			304,745
Decreased by:			
Open Space Levy Transferred to Trust	B-2	168,004	
Tax Sale Premiums Refunded from Current Fund	B-11	36,000	
Open Space Expenses Paid from Current Fund	B-12	10,519	
COAH Expenses Paid from Current Fund	B-10		
Recreation Expenses Paid from Current Fund	B-13	<u>19,279</u>	<u>233,802</u>
Balance December 31, 2012	B		<u>\$ 70,943</u>
<u>Detail:</u>			
COAH			\$ (32,180)
Municipal Open Space			140
Recreation			26,783
Tax Sale Premiums			<u>76,200</u>
			<u>\$ 70,943</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PLANNING BOARD DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 90,993
Increased by:		
Planning Board Deposits	B-2	<u>122,129</u> 213,122
Decreased by:		
Escrow Expenditures	B-2	<u>150,941</u>
Balance December 31, 2012	B	<u>\$ 62,181</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE FROM GENERAL CAPITAL FUND
OTHER TRUST FUND

B-8

	<u>REF.</u>	
Balance December 31, 2011	B	\$ <u>9,830</u>
Balance December 31, 2012	B	\$ <u>9,830</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ROAD OPENING DEPOSITS

B-9

	<u>REF.</u>	
Balance December 31, 2011	B	<u>\$ 500</u>
Balance December 31, 2012	B	<u>\$ 500</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS

B-10

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 60,074
Increased by:		
COAH Receipts	B-2	<u> 96</u> 60,170
Decreased by:		
COAH Payments	B-2	<u> 8,000</u>
Balance December 31, 2012	B	<u>\$ 52,170</u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-11

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 53,692
Increased by:		
Tax Sale Premium Receipts	B-6	<u>60,100</u>
		113,792
Decreased by:		
Tax Sale Premium Refunds	B-6	<u>36,000</u>
Balance December 31, 2012	B	<u>\$ 77,792</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TAX

B-12

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 851,918
Increased by:		
Tax Levy	B-6	\$ 168,144
Miscellaneous Receipts-Appraisal Reimbursements	B-2	5,500
Interest Credits	B-2	245
		<u>173,889</u>
		1,025,807
Decreased by:		
Open Space Expenses Paid by Current Fund - Professional Services	B-6	10,519
Open Space Expenses	B-2	19,456
Open Space Debt Service-Bond Anticipation Notes	B-2	26,145
Sigler Farm Installment Purchase Payment	B-2	282,188
		<u>338,308</u>
Balance December 31, 2012	B	<u>\$ 687,499</u>
<u>Detail Activity:</u>		
Tax Levy 2000		\$ 75,984
Tax Levy 2001		85,652
Tax Levy 2002		140,244
Tax Levy 2003		151,425
Tax Levy 2004		240,451
Tax Levy 2005		242,828
Tax Levy 2006		267,108
Tax Levy 2007		270,571
Tax Levy 2008		273,187
Tax Levy 2009		275,497
Tax Levy 2010		276,015
Tax Levy 2011		274,142
Tax Levy 2012		168,144
Interest Credits - 2001		4,769
Interest Credits - 2002		3,291
Interest Credits - 2003		1,643
Interest Credits - 2004		1,428
Interest Credits - 2005		2,563
Interest Credits - 2006		1,141
Interest Credits - 2007		3,132
Interest Credits - 2008		3,146
Interest Credits - 2009		1,067
Interest Credits - 2010		2,541
Interest Credits - 2011		415
Interest Credits - 2012		244
Enginneering & Administrative Costs-CY 2004		(34,456)
Enginneering & Administrative Costs-CY 2005		(2,758)
Enginneering & Administrative Costs-CY 2006		(35,554)
Purchase of Smith Property (Partial) - CY 2006		(186,308)
Payment of Debt Service - CY 2007		(257,987)
Enginneering & Administrative Costs-CY 2007		(79,108)
Payment of Debt Service - CY 2008		(237,028)
Enginneering & Administrative Costs-CY 2008		(47,640)
Acquisition of Development Easement-CY 2008		(217,325)
Sigler/Gardner Reimbursements-CY 2009		33,780
Payment of Debt Service - CY 2009		(36,171)
Enginneering & Administrative Costs-CY 2009		(15,926)
Acquisition of Development Easement-CY 2009		(23,250)
Payment of Debt Service - CY 2010		(28,249)
Enginneering & Administrative Costs-CY 2010		(52,789)
Acquisition of Development Easement-CY 2010		(148,593)
Payment of Debt Service - CY 2011		(315,463)
Enginneering & Administrative Costs-CY 2011		(44,424)
Acquisition of Development Easement-CY 2011		(17,073)
Payment of Debt Service - CY 2012		(308,333)
Enginneering & Administrative Costs-CY 2012		(13,956)
Acquisition of Development Easement-CY 2012		(10,519)
		<u>\$ 687,498</u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST DEPOSITS

B-13

	<u>REF.</u>	
Balance December 31, 2012	B	\$ 20,631
Increased by:		
Recreation Deposits Received by Current Fund	B-6	<u>25,431</u>
		46,062
Decreased by:		
Recreation Expenses Paid by Current Fund	B-6	<u>19,279</u>
Balance December 31, 2012	B	<u>\$ 26,783</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 281,023
Increased by Receipts:		
Interest Credits	C-3	<u>39</u>
		281,062
Decreased by Disbursements:		
Interfund Advanced to Current Fund	C-3	\$ 150,943
Improvements Authorizations Paid	C-8	<u>27,289</u>
		<u>178,232</u>
Balance December 31, 2012	C	<u>\$ 102,830</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

	<u>REF.</u>		
Balance December 31, 2011	C	\$	(32)
Increased by:			
Current Fund Budgeted Appropriation - Capital Improvement Fund	C-6	\$ 50,000	
Interfund Reimbursed to Current Fund	C-2	<u>150,943</u>	<u>200,943</u>
			200,911
Decreased by:			
Interest Credits Due Current Fund	C-2	39	
Improvement Authorizations paid by Current Fund	C-8	<u>200,872</u>	<u>200,911</u>
Balance December 31, 2012	C	<u>\$</u>	<u>-</u>

GENERAL CAPITAL FUND
SCHEDULE OF ACCOUNTS RECEIVABLE

C-4

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 250,560
Balance December 31, 2012	C	<u>\$ 250,560</u>

	<u>Original</u>	<u>Prior Years Receipts</u>	<u>Current Year Receipts</u>		<u>Balance</u>
<u>Detail:</u>					
Due fom Developer's - Mountain Road	\$ 19,560				\$ 19,560
State of New Jersey - DOT Grant - Morris Canal	200,000	-			200,000
State of New Jersey - DOT Grant - Stewartsville/Millbrook/Willowgrove Roads	<u>181,000</u>	<u>\$ 150,000</u>	-		<u>31,000</u>
	<u>\$ 400,560</u>	<u>\$ 150,000</u>	<u>-</u>		<u>\$ 250,560</u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-
UNFUNDED

C-5

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>PAID BY</u> <u>OPEN SPACE</u> <u>TRUST BUDGET</u>	<u>PAID BY</u> <u>CURRENT</u> <u>BUDGET</u>	<u>ANALYSIS OF BALANCE</u>		
				<u>BALANCE</u> <u>12/31/12</u>	<u>DEBT</u> <u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>BONDS/</u> <u>NOTES</u>
Millbrook and Other Road Improvements	\$ 64,000		\$ 16,000	\$ 48,000		\$ 48,000
Halfway House/Good Springs Rds.Improvements	20,000		5,000	15,000		15,000
Mountain View Road	180,500			180,500	\$ 180,500	
Open Space Acquisition	98,258	\$ 24,564		73,694		73,694
Restoration of Morris Canal	66,500			66,500	66,500	-
Acquisition of Real Property	332,500		66,500	266,000		266,000
Road Improvements	159,600		26,600	133,000		133,000
Paving, Fire Pumper, Township Building Improvements.	1,425,000			1,425,000	340,000	1,085,000
Installment Purchase of Siegler Farm B26/L3 & 8	787,500	262,500		525,000		525,000
	\$3,133,858	\$ 287,064	\$ 114,100	\$2,732,694	\$ 587,000	\$ 2,145,694
REF.	C	C-9:11	C-9	C		
					C-9	\$ 1,620,694
					C-11	525,000
						<u>\$ 2,145,694</u>

GENERAL CAPITAL FUND
STATEMENT OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 152,222
Increased by:		
General Fund Budget Appropriation - Capital Improvement Fund	C-3	<u>50,000</u> 202,222
Decreased by:		
Improvement Authorizations	C-8	<u>22,250</u>
Balance December 31, 2012	C	<u>\$ 179,972</u>

GENERAL CAPITAL FUND
SCHEDULE OF RESERVE FOR ROAD IMPROVEMENTS

C-7

	<u>REF.</u>	
Balance December 31, 2011	C	<u>\$ 32,625</u>
Balance December 31, 2012	C	<u>\$ 32,625</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-8

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE</u>		<u>BALANCE</u> <u>12/31/11</u>		<u>CAPITAL</u> <u>IMPROVEMENT</u> <u>FUND</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>12/31/12</u>	
		<u>DATE</u>	<u>AMOUNT</u>	<u>FUNDED</u>	<u>UNFUNDED</u>			<u>FUNDED</u>	<u>UNFUNDED</u>
Purchase Fire/First Aid/Road Equipment and Land Acquisition	99-15	7-26-99	\$ 600,000		\$ 30,658			\$	30,658
Purchase of Fire Equipment	00-08	5-8-00	\$ 12,000	\$ 12,000				\$	12,000
Halfway House/Good Springs Rds.Imp.	04-14	1-3-05	\$ 77,000		61,163				61,163
Road and Parking Lot Improvements	05-05	4-4-05	\$ 50,000	4,897				4,897	
Mountain View Road	05-09	8-1-05	\$ 190,000		31,265				31,265
Restoration of Morris Canal	06-08	9-11-06	\$ 270,000	202,101	66,500			202,101	66,500
Road Improvements - Stewartville Rd, Millbrook Road, Willow Grove Rd	07-14	9-10-07	\$ 461,000		62,651				62,651
DPW Furnace & Insulation	09-8	9-14-09	\$ 21,864	3,950				3,950	
Entrance Door & Monitoring	09-9	9-14-09	\$ 18,000	10,072				10,072	
DPW Mowing Equipment	10-09	7-12-10	\$ 13,700	10				10	
Paving, Fire Pumper, Township Building Improvements.	10-10	8-2-10	\$ 1,500,000		383,180		\$ 215,372		167,808
Recreation Equipment for Community Center	10-15	12-6-10	\$ 9,000	5,200				5,200	
Repairs and Construction of Sidewalks	11-4	3-7-11	\$ 9,000	9,000				9,000	
New DPW Dump Truck and Accessories	11-05	3-7-11	\$ 66,000	893				893	
Various Building Improvements- Security/Surveillance, Equipment and Building Furniture	12-07	5-7-12	\$ 22,250			\$ 22,250	12,789	9,461	
				\$248,123	\$ 635,417	\$ 22,250	\$ 228,161	\$ 257,584	\$ 420,045

REF.

C C C-6 C C

C-2 \$ 27,289
C-3 200,872
\$ 228,161

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-9

<u>Ordinance</u>	<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/11</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE 12/31/12</u>
04-14	Halfway House/Good Springs Road	\$ 70,000	3-04-05	10-19-12	10-18-13	1.69%	\$ 20,000		\$ 5,000	\$ 15,000
04-03	Millbrook Road	\$ 160,000	3-04-05	10-19-12	10-18-13	1.69%	64,000		16,000	48,000
05-12	Open Space	\$ 810,000	11-28-05	10-19-12	10-18-13	1.69%	98,258		24,564	73,694
		\$ 400,000	12-29-06	10-19-12	10-18-13	1.69%				
06-13	Acquisition of Real Property	\$ 665,000	12-29-06	10-19-12	10-18-13	1.69%	332,500		66,500	266,000
07-14	Road Improvements	\$ 266,000	10-25-07	10-19-12	10-18-13	1.69%	159,600		26,600	133,000
10-10	Paving, Fire Pumper, Township Building Improvements.	\$ 350,000	2-22-11	2-21-12	2-20-13	2.10%	350,000			350,000
10-10	Paving, Fire Pumper, Township Building Improvements.	\$ 735,000	9-7-11	2-21-12	2-20-13	2.10%	735,000			735,000
							\$ 1,759,358	-	\$ 138,664	\$ 1,620,694

REF.

C

C-5

C

Municipal Open Space Trust Fund Reserve
Current Fund Budget

\$ 24,564
114,100
\$ 138,664

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE OPEN SPACE TRUST FUND

C-10

REF.

Balance December 31, 2011	C	<u>\$ (9,830)</u>
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Balance December 31, 2012	C	<u>\$ (9,830)</u>
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GENERAL CAPITAL FUND
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENTS

C-11

<u>Ordinance</u>	<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/11</u>	<u>DECREASED</u>	<u>BALANCE 12/31/12</u>
2010-11	Purchase of Siegler Farm B26/L3 & 8	\$ 1,100,000	11-1-10	12-31-12	\$262,500	2.50%	\$ 787,500	\$ 262,500	\$ 525,000
				12-31-13	262,500				
				12-31-14	262,500				
							\$ 787,500	\$ 262,500	\$ 525,000
	REF.						C	C-5	C

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE GRANTS FUND

C-12

REF.

Balance December 31, 2011	C	<u>\$ 40,300</u>
Balance December 31, 2012	C	<u>\$ 40,300</u>

PUBLIC ASSISTANCE FUND SCHEDULES

PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

E-1

	<u>REF.</u>	<u>P.A.T.F.</u> <u>#1</u>	<u>P.A.T.F.</u> <u>#2</u>	<u>FUND</u> <u>TOTAL</u>
Balance December 31, 2011	E	<u>\$ 3,063</u>	<u>\$ -</u>	<u>\$ 3,063</u>
Increased by Receipts:				
Transfer				-
Interest Credits				-
Total Receipts		-	-	-
		<u>3,063</u>	<u>-</u>	<u>3,063</u>
Decreased by Disbursements:				
Transfer to Warren County				-
		-	-	-
Balance December 31, 2012	E	<u>\$ 3,063</u>	<u>-</u>	<u>\$ 3,063</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
DECEMBER 31, 2012
SCHEDULE OF ADDITIONS AND RETIREMENTS

F-1

	<u>BALANCE</u> <u>12/31/11</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/12</u>
General Fixed Assets:				
Land	\$ 3,246,819			\$ 3,246,819
Buildings and Improvements	1,015,384			1,015,384
Machinery and Equipment	<u>1,821,114</u>	<u>-</u>	<u>-</u>	<u>1,821,114</u>
Total General Fixed Assets	<u>\$ 6,083,317</u>	<u>-</u>	<u>-</u>	<u>\$ 6,083,317</u>
 Investment In General Fixed Assets	 <u>\$ 6,083,317</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 6,083,317</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

**Report on Internal Control over Financial Reporting
and Compliance and Other Matters based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

The audit of the financial statements of the Township of Franklin, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and the records of the various outside departments.

Contracts and Agreements Requiring Advertisement for Bids

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2011, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$36,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

The Minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

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 determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory thresholds "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.40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method of 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 3, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes.

RESOLUTION 2012-14 RESOLUTION OF THE TOWNSHIP OF FRANKLIN, COUNTY OF WARREN, STATE OF NEW JERSEY, FIXING THE RATE OF INTEREST TO BE CHARGED ON DELINQUENT TAXES OF THE ASSESSMENTS

"**WHEREAS**, N.J.S.A. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes as provided by law; and,

WHEREAS, N.J.S.A. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500. of the delinquency and 18% per annum on any amount in excess of \$1,500. and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000. on properties that fail to pay the delinquency prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Township Committee of the Township of Franklin, County of Warren, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500. of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500. becoming delinquent after due date and if a delinquency is in excess of \$10,000. and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

Effective January 1, 2012, there will be a ten (10) day grace period of quarterly tax payments made by cash, check or money order.

Any payments not made in accordance with paragraph two of this resolution shall be charged interest from due date as set forth in paragraph one of this resolution."

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body included in the above resolution, provisions enabling the \$10,000. delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2012, include only real property items on the 2007, 2011 and 2012 tax levies. The prior year balances are from bankrupt properties.

The last tax sale was held on December 3, 2012 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates from tax sales were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2012	9
2011	11
2010	10

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 taxpaying basis.

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 6, 2012. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax				
Date of Circulars - November 6, 2012				
Verification Type	Request Form	Total No. of Items	Total No. of Circular	Total No. Returned
2012 Property Tax	Positive	1,750	60	19
2013 Property Tax	Positive	1,750	60	19
2012 Delinquent Tax	Negative	664	25	6

Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Franklin to these new directives are as follows:

<u>Requirement</u>	FY 2012 Required <u>Implementation</u>	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

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

REVENUE AND OTHER INCOME REALIZED

	<u>YEAR 2012</u>	<u>%</u>	<u>YEAR 2011</u>	<u>%</u>
Fund Balance Utilized	\$ 923,000	6.95%	\$ 923,212	6.83%
Miscellaneous - From Other Than				
Local Property Tax Levies	719,419	5.42%	887,562	6.56%
Collection of Delinquent Taxes and				
Tax Title Liens	301,164	2.27%	376,022	2.78%
Collection of Current Tax Levy	<u>11,339,935</u>	<u>85.37%</u>	<u>11,332,972</u>	<u>83.83%</u>
Total Income	<u>13,283,518</u>	<u>100.00%</u>	<u>13,519,768</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:

Municipal Purposes	1,729,615	14.03%	1,840,478	14.61%
County Taxes	2,870,012	23.29%	2,830,740	22.47%
Local and Regional Taxes	7,557,380	61.32%	7,654,403	60.75%
Municipal Open Space Tax	168,144	1.36%	274,142	2.18%
Interfund Advances	<u>-</u>	<u>0.00%</u>	<u>754</u>	<u>0.01%</u>
Total Expenditures	<u>\$12,325,151</u>	<u>100.00%</u>	<u>\$ 12,600,517</u>	<u>100.00%</u>

Statutory Excess To Fund Balance	958,367		919,251	
Fund Balance January 1	925,713		929,674	
Less:				
Utilization as Anticipated Revenue	<u>923,000</u>		<u>923,212</u>	
Fund Balance December 31	<u>\$ 961,080</u>		<u>\$ 925,713</u>	

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.783</u>	<u>\$2.761</u>	<u>\$2.748</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.177	\$0.176	\$0.171
Municipal Open Space Tax	\$0.040	\$0.065	\$0.065
County	\$0.683	\$0.671	\$0.687
Local School	\$0.959	\$0.959	\$0.952
Regional High School	\$0.924	\$0.890	\$0.873

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2012	\$420,009,129
2011	\$421,131,591
2010	\$422,376,843

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$11,698,606	\$11,339,935	96.93%
2011	\$11,644,684	\$11,332,972	97.32%
2010	\$11,669,010	\$11,310,905	96.93%

Delinquent Taxes and Tax Title Liens

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

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$82,674	\$325,447	\$408,121	3.49%
2011	\$82,579	\$297,734	\$380,313	3.27%
2010	\$98,560	\$347,300	\$445,860	3.82%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2012	\$289,300
2011	\$289,300
2010	\$289,300

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>Regular</u>	<u>Utilized In Budget of Succeeding Year</u>	<u>Defer School Tax (C.63, P.L.1991)</u>
2012	\$ 961,080	\$ 502,000		\$350,000
2011	\$ 925,713	\$ 793,000		\$130,000
2010	\$ 929,674	\$ 753,212		\$170,000
2009	\$ 990,953	\$ 480,000		\$510,000
2008	\$ 784,845	\$ 566,000		\$200,000
2007	\$ 764,086	\$ 755,000		NONE
2006	\$ 758,730	\$ 552,711		\$150,000

Officials in Office and Surety Bonds

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Bonnie Butler	Mayor		
Michael Toretta	Committeeperson		
Jacob Pence	Committeeperson		
Joe Flynn	Committeeperson		
Sarah Payne	Committeeperson		
Denise L. Cicerelle	Clerk; Registrar of Vital Statistics; Assessment Search Officer		
Karin Kneafsey	Collector; Tax Search Officer	\$1,000,000	MEL/JIF Blanket Coverage

Officials in Office and Surety Bonds (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Dawn Stanchina	Certified Municipal Finance Officer	\$1,000,000	MEL/JIF Blanket Coverage
Peggy Houseman	Land Use Board Secretary; Open Space Secretary; Dog Licensing Official		
Eloise Hagaman	Assessor		
James Onembo	Zoning Officer		
Walter VanLieu	Construction Official		
Dominick C. Santini	Magistrate		
Roseanne McPartland	Court Administrator		
Betty and Gary Wysocki	Animal Control Officer		

The minimum bond coverage for the Tax Collector based on prior year tax levies is as follows:

<u>Year</u>	<u>Tax Collector</u>
2012	\$108,612

Employee bonds were not maintained for the Franklin Municipal Court for 2012 as the court is part of an inter-local service provided by Knowlton Township.

There is a public employees' blanket bond in the amount of \$5,000 provided by the Selective Insurance Services for coverage of those positions not otherwise bonded by statute.

All the bonds were examined and were properly executed.



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

The Honorable Mayor and
Members of the Township Committee
Township of Franklin
P.O. Box 547
County of Warren, New Jersey
Broadway, New Jersey 08808

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the financial statements of the Township of Franklin in the County of Warren, State of New Jersey, as of and for the fiscal year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Township of Franklin's basic financial statements, and have issued our report thereon dated April 8, 2013, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

-Continued-

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

ARDITO & CO., LLP



Frenchtown, New Jersey
April 8, 2013



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 8, 2013

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PROGRAM TITLE	CFDA	GRANT PERIOD	AWARD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE		DISBURSEMENTS PROGRAM	CASH ACCRUED OR DEFERRED REVENUE	
					BALANCE AT 1/1/12	RECEIPTS PROGRAM		BALANCE AT 12/31/12	CUMMULATIVE EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY									
Disaster Grants - Public Assist (Presidentially Declared)-Hurr. Irene	97.036	2012	\$ 54,203	A		\$ 54,203		\$ (54,203)	\$ 54,203
Disaster Grants - Public Assist (Presidentially Declared)-TS Lee	97.036	2012	9,126	A	-	9,126		(9,126)	9,126
			<u>\$ 63,329</u>			<u>-</u>		<u>\$ (63,329)</u>	<u>\$ 63,329</u>

Note: This Schedule was not subject to an audit in accordance with OMB Circular A-133.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

STATE GRANTOR/PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE			DISBURSEMENTS		CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/12	
					BALANCE AT 1/1/12	RECEIPTS PROGRAM	OTHER	PROGRAM	OTHER		
DEPT. OF COMMUNITY AFFAIRS											
Municipal Alliance Program											
N.J.S.40A:11-5(a)	N/A	\$ 3,796	2012	A						-	
		\$ 3,796	2010	A	\$	3,796				\$ 3,796	
		\$ 3,868	2008	A		401				401	
		\$ 3,435	2009	A		414				414	
DEPT. OF ENVIR. PROTECTION											
Solid Waste Admin.-Clean Communities Program											
	4900-765-178900	\$ 9,676	2012	A			\$	9,676		9,676	
		\$ 9,790	2011	A		9,790				9,790	
		\$ 9,668	2010	A		9,354		\$	1,632	7,722	
		\$ 9,284	2009	A		4,566			4,566	-	
DEPT. OF TRANSPORTATION											
NJ Transportation Fund Authority Act											
Asbury Broadway/Bryan Safe School	N/A	\$ 74,000	2011	A		(74,000)	74,000			-	
Asbury Historic Pedestrian	N/A	\$ 104,770	2011	A		(66,904)		15,300		(82,204)	
Halfway House Road	N/A	\$ 115,000	2012	A			86,250	115,000		(28,750)	
DEPT. OF HUMAN SERVICES											
Payments to Municipalities for Cost of General Assistance (State Share)											
	75050-150-158010-60	N/A	N/A	E		3,063		-		3,063	
OTHER STATE AIDS											
Storm Water Drainage Grant	N/A	\$ 5,000	2006	A		3,874		155		3,719	
Storm Water Drainage Grant	N/A	\$ 5,000	2005	A		377		377		-	
ANJEC Open Space Grant	N/A	\$ 6,000	2006	A		11,500				11,500	
Highlands Grant	N/A	\$ 7,500	2006	A		7,428				7,428	
Recycling Grant	N/A	\$ 508	2006	A		508				508	
Recycling Grant	N/A	\$ 404	2007	A		404				404	
Recycling Grant	N/A	\$ 928	2008	A		928				928	
Recycling Grant	N/A	\$ 1,694	2009	A		1,694				1,694	
Recycling Grant	N/A	\$ 3,331	2010	A		3,331				3,331	
Recycling Grant	N/A	\$ 2,264	2012	A			2,264			2,264	
TOTAL STATE ASSISTANCE						\$ (79,476)	\$ 172,190	-	\$ 137,030	\$ -	\$ (44,316)

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY
Occurrence

2011-1 I suggest that all interfunds be transferred to their respective funds.

STATUS - Finding is reported in CY 2012 and further corrective action required.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2012

Summary of Auditor's Results

The Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The audit did not disclose any material weaknesses in the internal controls of the Township.

The audit did not disclose any noncompliance that is material to the financial statements of the Township.

The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2012 as grant expenditures were less than the single audit thresholds of \$500,000, identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Finding

Interfunds:

I noted various interfund balances at year end.

2012-1*

I suggest that all interfunds be transferred to their respective funds. Remaining authorized debt should be issued to generate necessary cash flow to liquidate the interfund balances.

(*) Prior Year Finding

