

**TOWNSHIP OF ALLOWAY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012**

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PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Alloway
49 South Greenwich Street
Alloway, New Jersey 08001

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Alloway's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

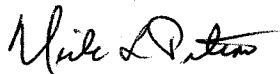
The supplemental information listed in the table of contents and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of the Township of Alloway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Alloway's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



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

February 20, 2013

CURRENT FUND

EXHIBIT A

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

| ASSETS | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|---|------|--------------------------|--------------------------|
| Regular Fund | | | |
| Cash - Treasurer | A-4 | 2,325,292.90 | 2,387,927.66 |
| Cash - Collector | | | 292,061.38 |
| Change Fund | | 95.00 | 95.00 |
| Due State of New Jersey: Senior & Vet Deductions | A-16 | 1,750.00 | |
| | | <u>2,327,137.90</u> | <u>2,680,084.04</u> |
| Receivables and Other Assets with Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-9 | 415,273.43 | 254,976.24 |
| Tax Title Liens Receivable | A-10 | 55,467.45 | 33,348.77 |
| Property Acquired for Taxes - Assessed Valuation | A-11 | 187,500.00 | 187,500.00 |
| Due from Recreation Trust Fund | | | 0.05 |
| Due from Performance Bond Escrow | B | 22.55 | |
| Due from Snow Removal Trust | | | 7.35 |
| Due from Federal and State Grant Fund | A | 109,880.58 | 85,593.77 |
| | | <u>768,144.01</u> | <u>561,426.18</u> |
| Deferred Charges: | | | |
| Special Emergency Authorization | A-6 | 38,000.00 | 76,000.00 |
| Emergency Authorization | A-3 | 974.86 | |
| Overexpenditure of Appropriation | | | 11.14 |
| Total Deferred Charges | | <u>38,974.86</u> | <u>76,011.14</u> |
| Total Regular Fund | | <u>3,134,256.77</u> | <u>3,317,521.36</u> |
| Federal and State Grant Fund | | | |
| Grants Receivable | A-8 | 312,445.61 | 171,536.91 |
| | | <u>312,445.61</u> | <u>171,536.91</u> |
| | | <u>3,446,702.38</u> | <u>3,489,058.27</u> |

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

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

| LIABILITIES, RESERVES AND FUND BALANCE | Ref. | Balance <u>Dec. 31, 2012</u> | Balance <u>Dec. 31, 2011</u> |
|---|----------|---------------------------------|---------------------------------|
| Regular Fund | | | |
| Liabilities: | | | |
| Appropriation Reserves | A-3:A-13 | 208,804.80 | 242,114.99 |
| Encumbrances Payable | A-14 | 11,969.99 | 16,788.22 |
| Accounts Payable | | 2,709.56 | 4,527.30 |
| Due State of New Jersey: | | | |
| Senior Citizen and Veterans Deductions | | | 5,084.94 |
| Marriage and Burial Permits | | 50.00 | 25.00 |
| Construction DCA Fees | | 630.00 | 436.00 |
| Prepaid Taxes | | 81,953.50 | 83,154.57 |
| Tax Overpayments | | 15,625.29 | 499.98 |
| Deposits on Sale of Property | | 400.00 | 400.00 |
| Due Payroll Agency Trust | B | 178.40 | |
| Due Tax Sale Premium Trust | B | 312.16 | 328.10 |
| Due Sewer Operating Fund | | | 23.00 |
| Due Municipal Open Space Trust | B | 137.04 | |
| Reserve for Revaluation | | 86.04 | 86.04 |
| Special Emergency Note Payable | A-7 | 76,000.00 | 114,000.00 |
| Due County for Added and Omitted Taxes | A-9 | 12,901.58 | 7,635.31 |
| Local School District Tax Payable | A-17 | 1,287,118.45 | 1,257,478.45 |
| Reserve for Unappropriated Revenue: | | | |
| Municipal Alliance Program Income | | 133.60 | 133.60 |
| JIF Safety Awards | | 1,580.00 | 1,580.00 |
| Museum Donations | | 178.10 | 178.10 |
| Donations Power of One | | 385.39 | 351.30 |
| | | <u>1,701,153.90</u> | <u>1,734,824.90</u> |
| Reserve for Receivables | | 768,144.01 | 561,426.18 |
| Fund Balance | A-1 | 664,958.86 | 1,021,270.28 |
| | | <u>3,134,256.77</u> | <u>3,317,521.36</u> |
| Federal and State Grant Fund | | | |
| Reserve for Grants - Appropriated | A-15 | 202,565.03 | 60,054.15 |
| Encumbrances Payable | | | 25,888.99 |
| Due Current Fund | A | 109,880.58 | 85,593.77 |
| | | <u>312,445.61</u> | <u>171,536.91</u> |
| | | <u>3,446,702.38</u> | <u>3,489,058.27</u> |

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

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

| Revenue and Other Income Realized | Ref. | Year 2012 | Year 2011 |
|---|------|---------------------|---------------------|
| Fund Balance Utilized | A-2 | 485,812.89 | 470,090.85 |
| Miscellaneous Revenue Anticipated | A-2 | 1,009,332.07 | 1,021,332.75 |
| Receipts from Delinquent Taxes | A-2 | 262,036.25 | 319,094.58 |
| Receipts from Current Taxes | A-2 | 6,506,764.02 | 6,617,640.38 |
| Non-Budget Revenue | A-2 | 123,730.73 | 61,309.79 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | A-13 | 227,323.05 | 175,162.37 |
| Encumbrances Payable Canceled | A-14 | 2,837.24 | 737.39 |
| Tax Overpayments Canceled | | | 2,840.05 |
| Interfund Loan Returned | | 23.34 | 1,790.50 |
| Reserve for Grants Appropriated Canceled | A-15 | 17,630.57 | |
| Senior Citizen Receivable Canceled | A-16 | 5,084.94 | |
| Total Income | | 8,640,575.10 | 8,669,998.66 |
| Expenditures | | | |
| Budget Appropriations | | | |
| Operations within "CAPS:" | | | |
| Salaries and Wages | A-3 | 392,073.00 | 404,623.00 |
| Other Expenses | A-3 | 622,836.00 | 689,229.00 |
| Deferred Charges and Statutory Expenditures - Municipal | A-3 | 76,943.14 | 75,744.89 |
| Operations excluded from "CAPS:" | | | |
| Other Expenses | A-3 | 37,943.34 | 83,743.11 |
| Deferred Charges and Statutory Expenditures - Municipal | A-3 | 111,034.78 | 38,000.00 |
| Capital Improvements | A-3 | 445,000.00 | 280,400.00 |
| Debt Service | A-3 | 367,376.25 | 365,017.09 |
| County Taxes | A-9 | 2,670,176.83 | 2,693,324.51 |
| County Open Space Tax | A-9 | 58,077.15 | 61,617.41 |
| Due County for Added and Omitted Taxes | A-9 | 12,901.58 | 7,635.31 |
| Municipal Open Space Tax | A-9 | 28,622.04 | 7,203.84 |
| Local District School Tax | A-17 | 3,644,400.00 | 3,585,120.00 |
| Prior Year Deductions Disallowed | A-16 | 2,250.00 | 1,250.00 |
| Grants Receivable Canceled | A-8 | 18,127.57 | |
| Prior Year Refund | | | 882.75 |
| Interfund Loan Advanced | | 24,286.81 | 85,593.77 |
| Total Expenditures | | 8,512,048.49 | 8,379,384.68 |
| Excess in Revenue | | 128,526.61 | 290,613.98 |
| Adjustments to Income Before Fund Balance | | | |
| Expenditures Included Above Which are by Statute | | | |
| Deferred Charges to Budget of Succeeding Year | A | 974.86 | 11.14 |

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

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

| | Ref. | <u>Year 2012</u> | <u>Year 2011</u> |
|------------------------------------|------|--------------------------|----------------------------|
| Statutory Excess to Fund Balance | | 129,501.47 | 290,625.12 |
| Fund Balance | | | |
| Balance January 1 | A | 1,021,270.28 | 1,200,736.01 |
| | | <u>1,150,771.75</u> | <u>1,491,361.13</u> |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1 | 485,812.89 | 470,090.85 |
| Balance December 31 | A | <u><u>664,958.86</u></u> | <u><u>1,021,270.28</u></u> |

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

| | Ref. | Anticipated | | Realized | Excess or (Deficit) |
|------------------------------------|------|---------------------|-----------------------------|---------------------|------------------------|
| | | Budget | Special NJSA 40A:4-87 | | |
| Fund Balance Anticipated | A-1 | <u>485,812.89</u> | | <u>485,812.89</u> | |
| Miscellaneous Revenues: | | | | | |
| Licenses: | | | | | |
| Alcoholic Beverages | A-12 | 1,000.00 | | 1,186.80 | 186.80 |
| Fines and Costs: | | | | | |
| Municipal Court | A-12 | 9,000.00 | | 9,899.21 | 899.21 |
| Interest and Costs on Taxes | A-12 | 61,000.00 | | 47,998.99 | (13,001.01) |
| Interest on Investments | A-12 | 5,000.00 | | 7,055.24 | 2,055.24 |
| Salem County Utilities Authority - | | | | | |
| Host Community Benefits | A-12 | 235,000.00 | | 182,521.31 | (52,478.69) |
| Energy Receipts Tax | A-12 | 327,413.00 | | 327,413.00 | |
| Garden State Trust Pilot | A-12 | 57,622.00 | | 57,622.00 | |
| Watershed Moratorium Aid | A-12 | 188.00 | | 188.00 | |
| Uniform Construction Code | A-12 | 22,000.00 | | 15,015.00 | (6,985.00) |
| Uniform Fire Safety Act | A-12 | 3,200.00 | | 4,737.47 | 1,537.47 |
| General Capital Fund Balance | A-12 | 38,084.57 | | 38,084.57 | |
| Clean Communities Program | A-8 | 9,890.07 | | 9,890.07 | |
| Recycling Tonnage | A-8 | | 3,820.95 | 3,820.95 | |
| NJ Transportation Trust | A-8 | | 300,000.00 | 300,000.00 | |
| Municipal Alliance Program | A-8 | | 3,899.46 | 3,899.46 | |
| Total Miscellaneous Revenues | | <u>769,397.64</u> | <u>307,720.41</u> | <u>1,009,332.07</u> | <u>(67,785.98)</u> |
| Receipts from Delinquent Taxes | A-2 | <u>270,000.00</u> | | <u>262,036.25</u> | <u>(7,963.75)</u> |
| Subtotal General Revenues | | <u>1,039,397.64</u> | <u>307,720.41</u> | <u>1,271,368.32</u> | <u>(75,749.73)</u> |
| Amount to be Raised by Taxation | A-2 | <u>519,900.00</u> | | <u>392,911.96</u> | <u>(126,988.04)</u> |
| Budget Totals | | <u>2,045,110.53</u> | <u>307,720.41</u> | <u>2,150,093.17</u> | <u>(202,737.77)</u> |
| Non-Budget Revenue | A-2 | | | <u>123,730.73</u> | |
| | | <u>2,045,110.53</u> | <u>307,720.41</u> | <u>2,273,823.90</u> | |
| Ref. | | A-3 | A-3 | | |

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

| | Anticipated | | Realized | Excess or (Deficit) |
|---|-------------|-------------------------------------|----------|------------------------|
| | Budget | Special NJSA 40A:4-87 Ref. | | |
| Allocation of Current Tax Collections: | | | | |
| Revenue from Collections | | A-9 | | 6,506,764.02 |
| Allocated to: | | | | |
| School and County Taxes | | | | 6,385,555.56 |
| Municipal Open Space | | | | 28,622.04 |
| Balance for Support of Municipal Budget Appropriation | | | | 92,586.42 |
| Add: Appropriation "Reserve for Uncollected Taxes" | | A-3 | | 300,325.54 |
| Amount for Support of Municipal Budget Appropriation | | A-2 | | 392,911.96 |
| Receipts from Delinquent Taxes: | | | | |
| Delinquent Tax Collection | | A-9 | | 254,637.27 |
| Tax Title Liens | | A-10 | | 7,398.98 |
| | | A-2 | | 262,036.25 |
| Analysis of Non-Budget Revenue | | | | |
| Miscellaneous Revenue Not Anticipated: | | | | |
| Revenue Accounts Receivable: | | | | |
| Cable TV Franchise Fee | | A-12 | | 8,385.50 |
| Refunds | | A-12 | | 3,427.51 |
| Recycling Fees | | A-12 | | 20,106.64 |
| Various Fees and Permits | | A-12 | | 6,221.07 |
| Convenience Center Stickers and Fees | | A-12 | | 1,947.00 |
| Miscellaneous | | A-12 | | 1,021.72 |
| Senior Citizen & Veterans Admin. Fee | | A-12 | | 950.00 |
| Use of Building | | A-12 | | 10,925.00 |
| JIF Safety Incentive | | A-12 | | 2,282.70 |
| FEMA Reimbursements | | A-12 | | 68,463.59 |
| | | A-2 | | 123,730.73 |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|---|----------------|-------------------------------|--------------------|------------|-----------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| GENERAL GOVERNMENT | | | | | | |
| Mayor and Township Committee | | | | | | |
| Salaries & Wages | 21,630.00 | 21,730.00 | 21,630.00 | | 100.00 | |
| Other Expenses | 2,800.00 | 2,700.00 | 1,686.00 | 55.00 | 959.00 | |
| Grant Consultant | 1,000.00 | 1,000.00 | | | 1,000.00 | |
| Municipal Clerk | | | | | | |
| Salaries & Wages | 83,000.00 | 83,000.00 | 79,790.43 | | 3,209.57 | |
| Other Expenses | 21,945.00 | 21,945.00 | 7,628.67 | | 14,316.33 | |
| Financial Administration | | | | | | |
| Salaries & Wages | 34,000.00 | 34,000.00 | 24,365.25 | | 9,634.75 | |
| Other Expenses | | | | | | |
| Miscellaneous Other Expenses | 13,850.00 | 13,850.00 | 11,478.05 | 150.00 | 2,221.95 | |
| Computer Consultant | 2,500.00 | 2,500.00 | 2,343.74 | | 156.26 | |
| Webmaster | | | | | | |
| Salaries & Wages | 1,200.00 | 1,200.00 | 1,200.00 | | | |
| Other Expenses | 2,000.00 | 2,000.00 | 130.00 | | 1,870.00 | |
| Audit Services | | | | | | |
| Other Expenses | 25,000.00 | 25,000.00 | 19,041.95 | | 5,958.05 | |
| Revenue Administration (Tax Collection) | | | | | | |
| Salaries & Wages | 12,500.00 | 13,500.00 | 13,089.38 | | 410.62 | |
| Other Expenses | 8,075.00 | 8,075.00 | 7,007.22 | | 1,067.78 | |
| Tax Assessment Administration | | | | | | |
| Salaries & Wages | 22,500.00 | 22,500.00 | 21,125.76 | | 1,374.24 | |
| Other Expenses | 20,000.00 | 20,000.00 | 5,725.83 | | 14,274.17 | |
| Legal Services and Costs | | | | | | |
| Other Expenses | 20,000.00 | 15,000.00 | 7,473.95 | | 7,526.05 | |
| Engineering Services and Costs | | | | | | |
| Other Expenses | 18,000.00 | 18,000.00 | 9,437.80 | 670.00 | 7,892.20 | |
| Township Historian | | | | | | |
| Salaries & Wages | 750.00 | 750.00 | 747.00 | | 3.00 | |
| Other Expenses | 200.00 | 200.00 | | | 200.00 | |
| LAND USE ADMINISTRATION | | | | | | |
| Municipal Land Use Law (NJSA 40:55D-1) | | | | | | |
| Planning Board | | | | | | |
| Salaries and Wages | 4,500.00 | 4,500.00 | 2,340.00 | | 2,160.00 | |
| Other Expenses | 11,400.00 | 11,400.00 | 3,272.22 | 1,015.89 | 7,111.89 | |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|--|----------------|-------------------------------|--------------------|------------|----------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| Affordable Housing | | | | | | |
| Salaries and Wages | 50.00 | 50.00 | | | 50.00 | |
| Other Expenses | 500.00 | 500.00 | | | 500.00 | |
| CODE ENFORCEMENT ADMINISTRATION | | | | | | |
| Housing and Zoning | | | | | | |
| Salaries and Wages | 13,900.00 | 13,900.00 | 12,874.72 | | 1,025.28 | |
| Other Expenses | 500.00 | 500.00 | 90.19 | 266.40 | 143.41 | |
| INSURANCE | | | | | | |
| Liability Insurance | 27,300.00 | 27,300.00 | 24,795.40 | | 2,504.60 | |
| Workmen's Compensation | 40,000.00 | 40,000.00 | 40,000.00 | | | |
| Group Insurance Plan for Employees | 23,916.00 | 24,166.00 | 21,552.14 | | 2,613.86 | |
| JIF COORDINATOR | | | | | | |
| Salaries and Wages | 2,401.00 | 2,401.00 | 2,400.92 | | 0.08 | |
| PUBLIC SAFETY FUNCTIONS | | | | | | |
| Office of Emergency Management | | | | | | |
| Salaries & Wages | 4,330.00 | 4,330.00 | 4,329.08 | | 0.92 | |
| Other Expenses | 250.00 | 250.00 | 237.49 | | 12.51 | |
| Aid to Volunteer Fire Company | | | | | | |
| Other Expenses | 27,000.00 | 27,000.00 | 27,000.00 | | | |
| Ambulance | | | | | | |
| Other Expenses: | | | | | | |
| Safety Equipment Program | 6,500.00 | 6,500.00 | 1,825.85 | | 4,674.15 | |
| Miscellaneous Other Expenses | 9,900.00 | 9,900.00 | 9,900.00 | | | |
| Uniform Fire Safety Act | | | | | | |
| Salaries & Wages | 6,012.00 | 6,012.00 | 6,012.00 | | | |
| Other Expenses | 3,000.00 | 3,000.00 | 500.00 | | 2,500.00 | |
| PUBLIC WORKS FUNCTIONS | | | | | | |
| Road Repairs & Maintenance | | | | | | |
| Salaries & Wages | 120,000.00 | 120,000.00 | 112,733.23 | | 7,266.77 | |
| Other Expenses | 31,800.00 | 31,800.00 | 19,942.38 | 8,984.91 | 2,872.71 | |
| Snow Removal | | | | | | |
| Other Expenses | 2,500.00 | 2,500.00 | 2,331.05 | 168.95 | (0.00) | |
| Trash Disposal | | | | | | |
| Other Expenses | 16,500.00 | 16,500.00 | 12,420.00 | | 4,080.00 | |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|--|----------------|-------------------------------|--------------------|------------|-----------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| Recycling | | | | | | |
| Other Expenses | 13,000.00 | 13,000.00 | 12,915.00 | | 85.00 | |
| Public Buildings & Grounds | | | | | | |
| Salaries & Wages | 2,200.00 | 2,200.00 | 2,176.00 | | 24.00 | |
| Other Expenses: | | | | | | |
| Alloway Lake Dam Inspections | 5,000.00 | 5,000.00 | | | 5,000.00 | |
| Miscellaneous Other Expenses | 53,700.00 | 50,700.00 | 24,415.71 | 540.00 | 25,744.29 | |
| HEALTH & HUMAN SERVICES | | | | | | |
| Public Health Services (Board of Health) | | | | | | |
| Other Expenses | 1,100.00 | 1,100.00 | | | 1,100.00 | |
| Registrar of Vital Statistics | | | | | | |
| Other Expenses | 1,100.00 | 1,100.00 | 178.08 | | 921.92 | |
| Animal Control Regulation | | | | | | |
| Other Expenses | 1,000.00 | 1,000.00 | 164.26 | | 835.74 | |
| PARK & RECREATION FUNCTIONS | | | | | | |
| Parks and Playgrounds | | | | | | |
| Miscellaneous Other Expenses | 1,500.00 | 1,500.00 | 709.00 | | 791.00 | |
| Bostwick Lake | 6,000.00 | 6,000.00 | 3,000.00 | | 3,000.00 | |
| OTHER COMMON OPERATING FUNCTIONS | | | | | | |
| Celebration of Public Event, Anniversary or Holiday | | | | | | |
| Other Expenses | 500.00 | 500.00 | | | 500.00 | |
| LANDFILL/SOLID WASTE DISPOSAL COSTS | | | | | | |
| Sanitary Landfill | | | | | | |
| Salaries and Wages | 27,000.00 | 30,000.00 | 29,244.09 | | 755.91 | |
| Other Expenses | 16,500.00 | 16,500.00 | 4,892.72 | | 11,607.28 | |
| Salem County Utilities Authority | | | | | | |
| Other Expenses | | | | | | |
| Tipping Fees | 65,000.00 | 60,450.00 | 51,588.67 | | 8,861.33 | |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|---|----------------|-------------------------------|--------------------|------------|------------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| UTILITY EXPENSES AND BULK PURCHASES | | | | | | |
| Electricity | 47,000.00 | 41,000.00 | 25,117.00 | 100.00 | 15,783.00 | |
| Street Lighting | 21,000.00 | 27,000.00 | 24,915.59 | | 2,084.41 | |
| Telephone | 14,000.00 | 14,000.00 | 12,353.48 | | 1,646.52 | |
| Propane Gas (Natural Gas) | 1,000.00 | 1,000.00 | 541.22 | | 458.78 | |
| Fuel Oil (Heating) | 16,000.00 | 16,000.00 | 9,704.17 | | 6,295.83 | |
| Sewerage | 12,000.00 | 12,000.00 | 11,876.88 | | 123.12 | |
| Gasoline and Diesel Fuel | 15,000.00 | 19,800.00 | 17,538.08 | | 2,261.92 | |
| STATE UNIFORM CONSTRUCTION CODE | | | | | | |
| Construction Officials | | | | | | |
| Salaries & Wages | 32,000.00 | 32,000.00 | 30,556.35 | | 1,443.65 | |
| Other Expenses | 3,000.00 | 3,500.00 | 2,989.19 | 18.84 | 491.97 | |
| Total Operations within "CAPS" | 1,017,809.00 | 1,014,809.00 | 803,333.19 | 11,969.99 | 199,505.82 | |
| Contingent | 100.00 | 100.00 | | | 100.00 | |
| Total Operations including Contingent within "CAPS" | 1,017,909.00 | 1,014,909.00 | 803,333.19 | 11,969.99 | 199,605.82 | |
| Detail: | | | | | | |
| Salaries and Wages | 387,973.00 | 392,073.00 | 364,614.21 | | 27,458.79 | |
| Other Expenses | 629,936.00 | 622,836.00 | 438,718.98 | 11,969.99 | 172,147.03 | |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | Unexpended Balance Canceled |
|---|----------------|-------------------------------|--------------------|------------------------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered Reserved | |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS" | | | | | |
| Deferred Charges: | | | | | |
| Overexpenditure of Appropriation | 11.14 | 11.14 | 11.14 | | |
| Statutory Expenditures: | | | | | |
| Contributions to: | | | | | |
| Public Employees' Retirement System | 39,432.00 | 39,932.00 | 39,903.84 | | 28.16 |
| Social Security System (OASI) | 32,000.00 | 32,000.00 | 28,103.51 | | 3,896.49 |
| Defined Contribution Retirement Program | 1,000.00 | 3,500.00 | 2,758.41 | | 741.59 |
| N.J. Disability Insurance | 1,500.00 | 1,500.00 | 876.86 | | 623.14 |
| Total Deferred Charges & Statutory Expenditures within "CAPS" | 73,943.14 | 76,943.14 | 71,653.76 | | 5,289.38 |
| Total General Appropriations for Municipal Purposes within "CAPS" | 1,091,852.14 | 1,091,852.14 | 874,986.95 | 11,969.99 | 204,895.20 |
| OPERATIONS EXCLUDED FROM "CAPS" | | | | | |
| EDUCATION FUNCTIONS | | | | | |
| Aid to Library | 250.00 | 250.00 | 250.00 | | |
| INSURANCE | | | | | |
| Group Insurance Plan for Employees | 1,084.00 | 1,084.00 | 1,084.00 | | |
| LANDFILL/SOLID WASTE DISPOSAL COSTS | | | | | |
| Recycling Tax | 3,524.00 | 3,524.00 | 2,823.75 | | 700.25 |
| Total Other Operations - Excluded from "CAPS" | 4,858.00 | 4,858.00 | 4,157.75 | | 700.25 |
| INTERLOCAL MUNICIPAL SERVICE AGREEMENT | | | | | |
| Pilesgrove-Upper Pittsgrove-Alloway Joint Municipal Court | 14,500.00 | 14,500.00 | 11,290.65 | | 3,209.35 |
| Total Interlocal Service Agreements | 14,500.00 | 14,500.00 | 11,290.65 | | 3,209.35 |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | Unexpended Balance Canceled |
|---|----------------|-------------------------------|--------------------|------------------------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered Reserved | |
| PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES | | | | | |
| Clean Communities | 9,890.07 | 9,890.07 | 9,890.07 | | |
| Municipal Alliance | | 4,874.32 | 4,874.32 | | |
| Recycling Tonnage | | 3,820.95 | 3,820.95 | | |
| Total Public & Private Programs Offset by Revenues | 9,890.07 | 18,585.34 | 18,585.34 | | |
| Total Operations Excluded from "CAPS" | 29,248.07 | 37,943.34 | 34,033.74 | | 3,909.60 |
| Detail: | | | | | |
| Other Expenses | 29,248.07 | 37,943.34 | 34,033.74 | | 3,909.60 |
| CAPITAL IMPROVEMENTS | | | | | |
| Improvements to Municipal Roads | 100,000.00 | 100,000.00 | 100,000.00 | | |
| Purchase of a Generator | 10,000.00 | 10,000.00 | 10,000.00 | | |
| Municipal Building Drainage Project | 20,000.00 | 20,000.00 | 20,000.00 | | |
| Purchase of Boiler and Oil Tanks | 15,000.00 | 15,000.00 | 15,000.00 | | |
| NJ Transportation Trust Fund | | 300,000.00 | 300,000.00 | | |
| Total Capital Improvements | 145,000.00 | 445,000.00 | 445,000.00 | | |
| DEBT SERVICE | | | | | |
| Payment of Bond Anticipation & Capital Notes | 165,000.00 | 165,000.00 | 165,000.00 | | |
| Interest on Notes | 12,000.00 | 12,000.00 | 11,975.10 | | 24.90 |
| NJ Department of Environmental Protection | | | | | |
| Principal | 134,800.00 | 134,800.00 | 134,777.62 | | 22.38 |
| Interest | 48,000.00 | 48,000.00 | 47,786.03 | | 213.97 |
| NJ Economic Development Authority | | | | | |
| Principal | 7,500.00 | 7,500.00 | 7,500.00 | | |
| Interest | 350.00 | 350.00 | 337.50 | | 12.50 |
| Total Debt Service | 367,650.00 | 367,650.00 | 367,376.25 | | 273.75 |

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|---|----------------|-------------------------------|--------------------|------------|------------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES EXCLUDED FROM "CAPS" | | | | | | |
| Deferred Charges: | | | | | | |
| Special Emergency Authorization - 5 years (NJSA 40A:4-55) | 38,000.00 | 38,000.00 | 38,000.00 | | | |
| Deferred Charge to Future Taxation - Unfunded Ord. 395 | 73,034.78 | 73,034.78 | 73,034.78 | | | |
| Total Deferred Charges | 111,034.78 | 111,034.78 | 111,034.78 | | | |
| Total General Appropriations Excluded from "CAPS" | 652,932.85 | 961,628.12 | 957,444.77 | | 3,909.60 | 273.75 |
| Subtotal General Appropriations | 1,744,784.99 | 2,053,480.26 | 1,832,431.72 | 11,969.99 | 208,804.80 | 273.75 |
| Reserve for Uncollected Taxes | 300,325.54 | 300,325.54 | 300,325.54 | | | |
| Total General Appropriations | 2,045,110.53 | 2,353,805.80 | 2,132,757.26 | 11,969.99 | 208,804.80 | 273.75 |
| | Ref. A-2 | | | A-14 | A | |
| | Ref. A-3 | 2,045,110.53 | | | | |
| Budget | Ref. A-2 | 307,720.41 | | | | |
| Appropriated by NJSA 40A:4-87 Emergency Authorization | | 974.86 | | | | |
| | | 2,353,805.80 | | | | |
| | | Ref. A-2 | 300,325.54 | | | |
| Reserve for Uncollected Taxes | | Ref. A-6 | 38,000.00 | | | |
| Special Emergency Authorization - 5 years | | | 11.14 | | | |
| Deferred Charges | | Ref. A-16 | 318,585.34 | | | |
| Reserve for Federal & State Grants - Appropriated | | Ref. A-4 | 1,475,835.24 | | | |
| Disbursed | | | 2,132,757.26 | | | |

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

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

| ASSETS | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|-----------------------------------|------|--------------------------|--------------------------|
| Animal Control Trust Fund | | | |
| Cash - Treasurer | B-1 | 22,123.74 | 20,373.57 |
| Developer's Escrow Trust Fund | | | |
| Cash - Treasurer | B-1 | 16,517.23 | 17,259.15 |
| Escrow Receivable | | 1,216.94 | 1,216.94 |
| | | <u>17,734.17</u> | <u>18,476.09</u> |
| Donations - Veteran's Memorial | | | |
| Cash - Treasurer | B-1 | 6,693.82 | 7,495.32 |
| Payroll Agency Trust | | | |
| Cash - Treasurer | B-1 | 1,204.49 | 76.73 |
| Due Current Fund | A | 178.40 | |
| | | <u>1,382.89</u> | <u>76.73</u> |
| Municipal Open Space Trust | | | |
| Cash - Treasurer | B-1 | 180,527.47 | 160,277.53 |
| Due from Current Fund | A | 137.04 | |
| | | <u>180,664.51</u> | <u>160,277.53</u> |
| Performance Bond Escrow | | | |
| Cash - Treasurer | B-1 | 9,034.18 | 9,011.63 |
| Due from Developer's Escrow Trust | B | 0.37 | 0.37 |
| | | <u>9,034.55</u> | <u>9,012.00</u> |
| Recreation Trust Fund | | | |
| Cash - Treasurer | B-1 | 9,942.30 | 905.05 |

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|---|------|--------------------------|--------------------------|
| Snow Removal Trust Fund | | | |
| Cash - Treasurer | B-1 | 12,841.72 | 10,518.02 |
| Tax Sale Premium/Redemption | | | |
| Cash - Collector | B-2 | 2,687.84 | 71.90 |
| Due Current Fund | A | 312.16 | 328.10 |
| | | <u>3,000.00</u> | <u>400.00</u> |
| Unemployment Compensation Fund | | | |
| Cash - Treasurer | B-1 | 30,834.66 | 33,000.16 |
| | | <u>294,252.36</u> | <u>260,534.47</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Animal Control Trust Fund | | | |
| Encumbrances Payable | | 289.00 | 105.09 |
| Due State of New Jersey | | 13.80 | |
| Reserve for Dog Fund Expenditures | B-3 | 21,820.94 | 20,268.48 |
| | | <u>22,123.74</u> | <u>20,373.57</u> |
| Developer's Escrow Trust Fund | | | |
| Reserve for Escrow Fees | | 13,678.14 | 12,985.66 |
| Encumbrances Payable | | 4,055.66 | 5,490.06 |
| Due Performance Bond Escrow | B | 0.37 | 0.37 |
| | | <u>17,734.17</u> | <u>18,476.09</u> |
| Donations - Veteran's Memorial | | | |
| Encumbrances Payable | | 100.00 | |
| Reserve for Veteran's Memorial Donations | | 6,593.82 | 7,495.32 |
| | | <u>6,693.82</u> | <u>7,495.32</u> |
| Municipal Open Space Trust | | | |
| Encumbrances Payable | | 10,495.00 | |
| Reserve for Open Space | | 170,169.51 | 160,277.53 |
| | | <u>180,664.51</u> | <u>160,277.53</u> |

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

EXHIBIT B
(Continued)

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

| | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|-------------------------------------|------|--------------------------|--------------------------|
| Payroll Agency Trust | | | |
| Payroll Taxes Payable | | 1,382.89 | 76.73 |
| Performance Bond Escrow | | | |
| Reserve for Performance Bond Escrow | | 9,012.00 | 9,012.00 |
| Due Current Fund | A | 22.55 | |
| | | 9,034.55 | 9,012.00 |
| Recreation Trust Fund | | | |
| Reserve for Recreation Trust | | 8,132.30 | 905.00 |
| Encumbrances Payable | | 1,810.00 | |
| Due Current Fund | | | 0.05 |
| | | 9,942.30 | 905.05 |
| Snow Removal Trust Fund | | | |
| Reserve for Snow Removal | | 12,841.72 | 10,510.67 |
| Due Current Fund | | | 7.35 |
| | | 12,841.72 | 10,518.02 |
| Tax Sale Premium/Redemption | | | |
| Reserve for Tax Sale Premiums | | 3,000.00 | 400.00 |
| | | 3,000.00 | 400.00 |
| Unemployment Compensation | | | |
| Reserve for Unemployment Claims | | 30,834.66 | 33,000.16 |
| | | 294,252.36 | 260,534.47 |

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

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

| | Ref. | Balance | Balance |
|---|------|---------------------|---------------------|
| | | Dec. 31, 2012 | Dec. 31, 2011 |
| ASSETS | | | |
| Cash - Treasurer | C-2 | 266,561.61 | 49,504.71 |
| Deferred Charges to Future Taxation: | | | |
| Funded | | 2,303,050.69 | 2,445,328.31 |
| Unfunded | C-4 | 467,750.00 | 705,784.78 |
| Grants Receivable | C-3 | 31,390.77 | 148,328.14 |
| | | <u>3,068,753.07</u> | <u>3,348,945.94</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Bond Anticipation Notes Payable | C-7 | 467,750.00 | 632,750.00 |
| Loan Payable - EDA | C-8 | 15,000.00 | 22,500.00 |
| Loan Payable - EPA | C-8 | 2,288,050.69 | 2,422,828.31 |
| Improvement Authorizations: | | | |
| Funded | C-6 | 72,481.36 | 87,910.86 |
| Capital Improvement Fund | C-5 | 18,542.59 | 18,542.59 |
| Reserves for: | | | |
| Improvements to Municipal Building | | | 84.83 |
| Improvement to Municipal Roads | | | 958.50 |
| Purchase of Ambulance | C-3 | 15,000.00 | 15,000.00 |
| Emergency Equipment | | | 10,510.82 |
| Alloway Lake Dam | C-3 | 12,665.56 | 12,665.56 |
| Purchase of Office Equipment | | | 5,000.00 |
| Purchase of Fire Truck | | | 802.50 |
| Purchase of Fire Equipment | | | 1,277.75 |
| Purchase of Tractor | | | 40,000.00 |
| Purchase of Tail Gate Spreader | | | 4,500.00 |
| Purchase of Road Sealer | | | 30,000.00 |
| Purchase of a Generator | C-3 | 10,000.00 | |
| Municipal Building Drainage Project | C-3 | 20,000.00 | |
| Encumbrances Payable | C-3 | 17,465.09 | 5,529.65 |
| Fund Balance | C-1 | 131,797.78 | 38,084.57 |
| | | <u>3,068,753.07</u> | <u>3,348,945.94</u> |

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

SEWER UTILITY FUND

COMPARATIVE BALANCE SHEET - SEWER UTILITY FUND - REGULATORY BASIS

| ASSETS | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|--|------|--------------------------|--------------------------|
| Sewer Operating Fund: | | | |
| Cash | | 200,488.05 | 153,323.56 |
| Cash - Collector | | | 43,188.00 |
| Due from Current Fund | | | 23.00 |
| | | <u>200,488.05</u> | <u>196,534.56</u> |
| Receivables with Full Reserves | | | |
| Consumer Accounts Receivable | D-10 | <u>53,679.96</u> | <u>31,450.16</u> |
| Deferred Charges: | | | |
| Overexpenditure of Appropriation Reserve | D-11 | 105.02 | |
| Deficit in Operations | D-1 | <u>3,805.30</u> | |
| Total Deferred Charges | | <u>3,910.32</u> | |
| Total Operating Fund | | <u>258,078.33</u> | <u>227,984.72</u> |
| Sewer Capital Fund: | | | |
| Cash | | 58,273.54 | 67,974.95 |
| Fixed Capital | | 6,907,068.60 | 6,907,068.60 |
| Fixed Capital Authorized and Uncompleted | | 104,631.40 | 104,631.40 |
| RDA - Grant Receivable | | <u>63,420.88</u> | <u>103,441.88</u> |
| Total Capital Fund | | <u>7,133,394.42</u> | <u>7,183,116.83</u> |
| | | <u>7,391,472.75</u> | <u>7,411,101.55</u> |

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

COMPARATIVE BALANCE SHEET - SEWER UTILITY FUND - REGULATORY BASIS

| LIABILITIES, RESERVES AND FUND BALANCE | Ref. | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|---|----------|--------------------------|--------------------------|
| Sewer Operating Fund: | | | |
| Liabilities: | | | |
| Appropriation Reserves | D-4:D-11 | 71,951.30 | 20,802.19 |
| Encumbrances Payable | D-12 | 33.29 | 560.17 |
| Sewer Overpayments | | | 1,287.43 |
| Accrued Interest on Loans | | 8,554.75 | 8,900.74 |
| | | <u>80,539.34</u> | <u>31,550.53</u> |
| Reserve for Receivables | | 53,679.96 | 31,450.16 |
| Fund Balance | D-1 | 123,859.03 | 164,984.03 |
| Total Operating Fund | | <u>258,078.33</u> | <u>227,984.72</u> |
| Sewer Capital Fund: | | | |
| Loan Payable - USDA | | 2,595,129.30 | 2,624,778.40 |
| Improvement Authorizations: | | | |
| Funded | D-13 | 57,717.37 | 146,493.91 |
| Encumbrances Payable | D-12 | 43,203.70 | 4,149.57 |
| Reserve for Amortization | | 4,311,939.00 | |
| Deferred Reserve for Amortization | | 104,631.70 | 4,386,921.60 |
| Fund Balance | D-2 | 20,773.35 | 20,773.35 |
| Total Capital Fund | | <u>7,133,394.42</u> | <u>7,183,116.83</u> |
| | | <u>7,391,472.75</u> | <u>7,411,101.55</u> |

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

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

| Revenue and Other Income Realized | Ref. | <u>Year 2012</u> | <u>Year 2011</u> |
|--|------|--------------------------|--------------------------|
| Fund Balance Utilized | D-3 | 41,125.00 | 57,775.97 |
| Sewer Rents | D-3 | 283,162.45 | 308,355.67 |
| Non-Budget Revenue | D-3 | 6,524.18 | 17,920.20 |
| Other Credits to Income | | | |
| Unexpended Balance of Appropriation Reserves | D-11 | 14,162.08 | 3,438.66 |
| Accrued Interest Canceled | | | 387.75 |
| Total Income | | <u>344,973.71</u> | <u>387,878.25</u> |
| Expenditures | | | |
| Operating | D-4 | 209,831.00 | 165,150.00 |
| Debt Service | D-4 | 136,098.01 | 136,444.00 |
| Deferred Charges and Statutory | | | |
| Expenditures - Municipal | D-4 | 2,850.00 | 2,301.25 |
| Prior Year Refund | | | 106.53 |
| Total Expenditures | | <u>348,779.01</u> | <u>304,001.78</u> |
| Excess in Revenue | | | <u>83,876.47</u> |
| Deficit in Operations | | <u>3,805.30</u> | |
| Fund Balance | | | |
| Balance January 1 | D | <u>164,984.03</u> | <u>138,883.53</u> |
| | | 164,984.03 | 222,760.00 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | D-1 | <u>41,125.00</u> | <u>57,775.97</u> |
| Balance December 31 | D | <u><u>123,859.03</u></u> | <u><u>164,984.03</u></u> |

STATEMENT OF FUND BALANCE - SEWER CAPITAL FUND - REGULATORY BASIS

| | Ref. | |
|---------------------------|------|-------------------------|
| Balance December 31, 2011 | D | <u>20,773.35</u> |
| Balance December 31, 2012 | D | <u><u>20,773.35</u></u> |

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

STATEMENT OF REVENUES - SEWER OPERATING FUND - REGULATORY BASIS

| | Ref. | Budget | Revenue Realized | Excess or (Deficit) |
|-------------|----------|-------------------|---------------------|------------------------|
| Surplus | D-1 | 41,125.00 | 41,125.00 | |
| Sewer Rents | D-3 | 308,000.00 | 283,162.45 | (24,837.55) |
| | | <u>349,125.00</u> | <u>324,287.45</u> | <u>(24,837.55)</u> |
| | Ref. D-4 | | | |

Analysis of Revenue Realized

| | Ref. | |
|-------------------------------|------|-------------------|
| Rents: | | |
| Consumer Accounts Receivable: | | |
| Collected | D-10 | 281,875.02 |
| Overpayments Applied | D-10 | 1,287.43 |
| | | <u>283,162.45</u> |

Analysis of Miscellaneous Revenue

| | Ref. | |
|---------------------------------|------|-----------------|
| Interest on Delinquent Accounts | D-5 | 3,333.69 |
| Interest on Investments | D-5 | 830.49 |
| Connection Fee | D-5 | 2,360.00 |
| | | <u>6,524.18</u> |

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

STATEMENT OF EXPENDITURES - SEWER OPERATING FUND - REGULATORY BASIS

| | Appropriations | | Expended | | | Unexpended Balance Canceled |
|------------------------------------|-------------------|-------------------------------|--------------------|--------------|------------------|-----------------------------------|
| | Budget | Budget After Modifications | Paid or Charged | Encumbered | Reserved | |
| Operations: | | | | | | |
| Salaries and Wages | 39,000.00 | 39,000.00 | 34,056.68 | | 4,943.32 | |
| Other Expenses | 172,331.00 | 170,831.00 | 103,824.26 | 33.29 | 66,973.45 | |
| Debt Service: | | | | | | |
| Payment of Bond Principal | 29,649.10 | 29,649.10 | 29,649.10 | | | |
| Interest on Bonds | 106,794.90 | 106,794.90 | 106,448.91 | | | 345.99 |
| Statutory Expenditures: | | | | | | |
| Public Employees Retirement System | 300.00 | 300.00 | 300.00 | | | |
| Social Security | 1,000.00 | 2,500.00 | 2,496.90 | | 3.10 | |
| State Disability Insurance | 50.00 | 50.00 | 18.57 | | 31.43 | |
| | <u>349,125.00</u> | <u>349,125.00</u> | <u>276,794.42</u> | <u>33.29</u> | <u>71,951.30</u> | <u>345.99</u> |
| Ref. | D-3 | | | D-12 | D | |
| | | Ref. | | | | |
| Accrued Interest on Bonds & Loans | | | 106,448.91 | | | |
| Disbursements | | D-5 | 170,345.51 | | | |
| | | | <u>276,794.42</u> | | | |

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

GENERAL FIXED ASSETS

COMPARATIVE BALANCE SHEET - GENERAL FIXED ASSETS - REGULATORY BASIS

| | Balance <u>Dec. 31, 2012</u> | Balance <u>Dec. 31, 2011</u> |
|------------------------------------|---------------------------------|---------------------------------|
| General Fixed Assets: | | |
| Buildings | 937,695.00 | 931,800.00 |
| Land and Improvements | 724,235.86 | 724,235.86 |
| Infrastructure | 4,736,766.89 | 4,736,766.89 |
| Machinery and Equipment | 2,561,838.12 | 2,561,838.12 |
| | <u>8,960,535.87</u> | <u>8,954,640.87</u> |
| Investment in General Fixed Assets | <u>8,960,535.87</u> | <u>8,954,640.87</u> |

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

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Alloway was incorporated in 1884 and is located in Salem County, New Jersey.

The Township has a three-member Township Committee form of government. The existing members of the Township Committee appoint a Mayor amongst themselves, who will serve for one year.

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

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

B. Description of Funds

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

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

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

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

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

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

General Fixed Assets - To account for fixed assets used in governmental operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

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

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

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

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital and utility capital indebtedness is on the cash basis.

This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

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

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

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

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

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

All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Township capitalizes fixed assets with an original cost in excess of \$5,000.

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

No depreciation has been provided for in the financial statements.

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

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

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

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Capitalization of Interest - It is the policy of the Township to capitalize interest in the Sewer Capital Fund on projects during the construction phase.

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

Basic Financial Statements - Governmental Accounting Standards Board (GASB) prescribes the financial statement presentation requirements for governmental units which are significantly different from the reporting requirements under the regulatory basis of accounting in the State of New Jersey. Generally Accepted Accounting Principles (GAAP) prescribes that the financial statements must be presented on an entity wide basis, including all funds exclusive of fiduciary funds, and segregating only government type and business type funds. The statements are presented on a full accrual basis and include all of the non fiduciary assets and liabilities of the entity. In addition, GAAP requires separate fund basis financial statements for all governmental, proprietary and fiduciary funds. The New Jersey Regulatory basis requires reporting of the appropriate separate fund financial statements and the fixed asset account group.

D. Comparative Data

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

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with NJSA 40A:4 et. al. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 and 2011 statutory budgets included a reserve for uncollected taxes in the amount of \$300,325.54 and \$339,208.44 respectively. This protects the Township from taxes not paid currently. Once approved, the Township may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare prior to the next succeeding fiscal year.

Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Township can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87. The following budget amendments were approved as follows:

Current Fund:

| | |
|---------------------------|-------------------|
| Emergency Appropriation: | |
| Matching Funds for Grants | 974.96 |
| Special Items of Revenue: | |
| NJ DOT | 300,000.00 |
| Municipal Alliance | 3,899.46 |
| Recycling Tonnage Grant | 3,820.95 |
| | <u>308,695.37</u> |

NOTE 3: CASH

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statues NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2012 and 2011, the carrying amount of the Township's deposits was \$3,143,118.55 and \$3,253,044.32, respectively. As of December 31, 2012 and 2011, \$0 of the municipality's bank balance of \$3,484,007.59 and \$3,249,277.02, respectively, was exposed to Custodial Credit Risk.

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4: INVESTMENTS

As of December 31, 2012 or 2011, the Township did not have any investments.

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

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

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

NOTE 5: FUND BALANCES APPROPRIATED

| | Year | Balance December 31 | Budget of Succeeding Year |
|----------------------|------|------------------------|---------------------------------|
| Current Fund | 2012 | 664,958.86 | a |
| | 2011 | 1,021,270.28 | 485,812.89 |
| | 2010 | 1,200,736.11 | 470,090.85 |
| | 2009 | 1,209,557.14 | 500,274.22 |
| | 2008 | 1,390,764.55 | 558,855.87 |
| Sewer Operating Fund | 2012 | 123,859.03 | a |
| | 2011 | 164,984.03 | 41,125.00 |
| | 2010 | 138,883.53 | 57,775.97 |
| | 2009 | 85,199.37 | 69,886.61 |
| | 2008 | None | None |

a = The budget for 2013 has not been introduced as of the date of the audit.

NOTE 6: COMPENSATED ABSENCES

The Township has permitted full-time employees to accrue unused vacation and sick pay, which may be taken off or paid at a later date at an agreed upon rate. The value of these earned and unused employee benefits, has not been accrued by either charges to operations or to budgets of the prior years. The Township's liability at December 31, 2012 and 2011, for accrued unused vacation and sick benefits is \$5,087.76 and \$6,940.22, respectively. The realization of

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6: COMPENSATED ABSENCES (CONTINUED)

this liability may be affected by conditions that could preclude an employee from receiving full payment of the accrual. The Township has not established a reserve to offset this liability.

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2012:

| | Due From | Due To |
|---|------------|------------|
| Current Fund: | | |
| Performance Bond Escrow | 22.55 | |
| Federal and State Grant Fund | 109,880.58 | |
| Payroll Trust | | 178.40 |
| Municipal Open Space Trust | | 137.04 |
| Tax Sale Premium Fund | | 312.16 |
| Federal and State Grant Fund: | | |
| Current Fund | | 109,880.58 |
| Payroll Trust Fund: | | |
| Current Fund | 178.40 | |
| Developer's Escrow Trust Fund: | | |
| Performance Bond Escrow | | 0.37 |
| Performance Bond Escrow: | | |
| Developer's Escrow Trust | 0.37 | |
| Current Fund | | 22.55 |
| Tax Sale Premium: | | |
| Current Fund | 312.16 | |
| Municipal Open Space Trust Fund: | | |
| Current Fund | 137.04 | |
| | 110,531.10 | 110,531.10 |

The amount due from Federal and State Grant Fund to Current is due to the fact that there is not a separate bank account for the grant fund. The other interfunds are for interest earned in but not transferred.

NOTE 8: FIXED ASSETS

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

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 8: FIXED ASSETS (CONTINUED)

| | Balance Dec. 31, 2011 | Additions | Deletions | Balance Dec. 31, 2012 |
|-------------------------|--------------------------|-----------------|-------------|--------------------------|
| Buildings | 931,800.00 | 5,895.00 | | 937,695.00 |
| Land and Improvements | 724,235.86 | | | 724,235.86 |
| Infrastructure | 4,736,766.89 | | | 4,736,766.89 |
| Machinery and Equipment | 2,561,838.12 | | | 2,561,838.12 |
| | <u>8,954,640.87</u> | <u>5,895.00</u> | <u>None</u> | <u>8,960,535.87</u> |

NOTE 9: TAXES COLLECTED IN ADVANCE

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

| | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
|--------------------------------|--------------------------|--------------------------|
| Prepaid Taxes - Cash Liability | <u>81,953.50</u> | <u>83,154.57</u> |

NOTE 10: ECONOMIC DEPENDENCY

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

NOTE 11: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. In Alloway's case, at December 31, 2012 and 2011, \$1,822,200.00 and \$1,792,560.00, respectively, would be the maximum amount permitted to be deferred under these regulations. The Township, in prior years, elected to defer school taxes and the accumulation of such deferrals amounts to \$540,000.00. There was no change in the amount of school taxes deferred during 2012.

Local School District Tax has been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

| | Local District School Tax | |
|----------------|---------------------------|--------------------------|
| | Balance Dec. 31, 2012 | Balance Dec. 31, 2011 |
| Balance of Tax | 1,827,118.45 | 1,797,478.45 |
| Deferred | 540,000.00 | 540,000.00 |
| Tax Payable | <u>1,287,118.45</u> | <u>1,257,478.45</u> |

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12: LONG-TERM DEBT

Summary of Municipal Debt Service

Long-term debt as of December 31, 2012, consisted of the following:

| | Year 2012 | Year 2011 | Year 2010 |
|---|--------------|--------------|--------------|
| Bonds, Notes and Loans Issued | 5,365,929.99 | 5,702,856.71 | 6,333,565.01 |
| Bonds and Notes Authorized But Not Issued | | 73,034.78 | 73,034.78 |
| Net Bonds, Notes and Loans Issued and Authorized But Not Issued | 5,365,929.99 | 5,775,891.49 | 6,406,599.79 |

| | Balance Dec. 31, 2011 | Issued/ Authorized | Retired/ Reduction | Balance Dec. 31, 2012 |
|--|--------------------------|-----------------------|-----------------------|--------------------------|
| Issued: | | | | |
| General: | | | | |
| Bond Anticipation Notes | 632,750.00 | | 165,000.00 | 467,750.00 |
| DEP - Loan Payable | 2,422,828.31 | | 134,777.62 | 2,288,050.69 |
| NJ EDA - Loan Payable | 22,500.00 | | 7,500.00 | 15,000.00 |
| Net Debt Issued | 3,078,078.31 | | 307,277.62 | 2,770,800.69 |
| Sewer: | | | | |
| USDA Loan Payable | 2,624,778.40 | | 29,649.10 | 2,595,129.30 |
| Sewer Debt Issued | 2,624,778.40 | | 29,649.10 | 2,595,129.30 |
| Authorized But Not Issued | | | | |
| General: | | | | |
| Bond and Notes | 73,034.78 | | 73,034.78 | |
| Net Bonds and Notes Issued and Authorized But Not Issued | 5,775,891.49 | None | 409,961.50 | 5,365,929.99 |

\$2,684,468.94 Department of Environmental Protection Loan dated September 2009, payable in semi-annual installments through September 2028. Interest is paid at a rate of 2% per annum. The balance remaining at December 31, 2012, was \$2,288,050.69.

\$150,000.00 Economic Development Authority Loan dated August 19, 1994, payable in semi-annual installments through August 2014. Interest is paid at a rate of 1.5% per annum. The balance remaining at December 31, 2012, was \$15,000.00.

\$2,314,300.00 United States Department of Agriculture loan dated December 8, 2009, payable in semi-annual installments through December 8, 2049. Interest is paid at a rate of 4.25% per annum. The balance remaining at December 31, 2012, was \$2,243,122.69.

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12: LONG-TERM DEBT (CONTINUED)

\$361,700.00 United States Department of Agriculture loan dated October 7, 2010, payable in semi-annual installments through October 7, 2050. Interest is paid at a rate of 3.25% per annum. The balance remaining at December 31, 2012, was \$352,006.61.

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

GENERAL CAPITAL

| Year Ended December 31 | Principal | Interest | Total |
|---------------------------|---------------------|-------------------|---------------------|
| 2013 | 144,986.66 | 45,302.00 | 190,288.66 |
| 2014 | 147,750.14 | 42,426.02 | 190,176.16 |
| 2015 | 143,069.17 | 39,494.49 | 182,563.66 |
| 2016 | 145,944.86 | 36,618.80 | 182,563.66 |
| 2017 | 148,878.35 | 33,685.31 | 182,563.66 |
| 2018-2022 | 790,499.82 | 122,318.48 | 912,818.30 |
| 2023-2027 | 781,921.69 | 39,614.79 | 821,536.48 |
| Grand Total | <u>2,303,050.69</u> | <u>359,459.89</u> | <u>2,662,510.58</u> |

SEWER CAPITAL

| Year Ended December 31 | Principal | Interest | Total |
|---------------------------|---------------------|---------------------|---------------------|
| 2013 | 30,859.97 | 105,584.03 | 136,444.00 |
| 2014 | 32,120.96 | 104,323.04 | 136,444.00 |
| 2015 | 33,434.16 | 103,099.84 | 136,534.00 |
| 2016 | 34,801.76 | 101,642.24 | 136,444.00 |
| 2017 | 36,226.05 | 100,217.95 | 136,444.00 |
| 2018-2022 | 204,649.49 | 477,570.51 | 682,220.00 |
| 2023-2027 | 250,245.57 | 431,974.43 | 682,220.00 |
| 2028-2032 | 306,143.34 | 376,076.66 | 682,220.00 |
| 2033-2037 | 374,694.45 | 307,525.55 | 682,220.00 |
| 2038-2042 | 458,791.29 | 223,428.71 | 682,220.00 |
| 2043-2047 | 561,992.16 | 120,227.84 | 682,220.00 |
| 2048-2050 | 271,170.10 | 14,443.14 | 285,613.24 |
| Grand Total | <u>2,595,129.30</u> | <u>2,466,113.94</u> | <u>5,061,243.24</u> |

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12: LONG-TERM DEBT (CONTINUED)

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 1.709%.

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|----------------------------|---------------------|---------------------|---------------------|
| Local School District Debt | 2,516,000.00 | 2,516,000.00 | |
| Sewer Capital Debt | 2,595,129.30 | 359,347.60 | 2,235,781.70 |
| General Debt | 2,770,800.69 | | 2,770,800.69 |
| | <u>7,881,929.99</u> | <u>2,875,347.60</u> | <u>5,006,582.39</u> |

Net Debt \$5,006,582.39 divided by Equalized Valuation Basis per NJSA 40A:2-2, \$292,997,012.00 = 1.709%.

BORROWING POWER UNDER NJSA 40: A:2-6 AS AMENDED

| | |
|---|----------------------------|
| 3 1/2% of Equalized Valuation Basis (Municipal) | 10,254,895.42 |
| Net Debt | <u>5,006,582.39</u> |
| Remaining Borrowing Power | <u><u>5,248,313.03</u></u> |

The foregoing information is in agreement with the Annual Debt Statement filed by the Township.

Calculation of "Self-Liquidating Purpose" Sewer Utility per NJSA 40:2-45

| | |
|--|---------------------------|
| Cash Receipts from Fees, Rents, or Other Charges | 330,811.63 |
| Deductions: | |
| Operating and Maintenance Costs | 212,681.00 |
| Debt Service | <u>136,098.01</u> |
| | 348,779.01 |
| Deficit in Revenue | <u><u>(17,967.38)</u></u> |

NOTE 13: NOTES PAYABLE

The Township has outstanding at December 31, 2012, a General Capital bond anticipation note in the amount of \$467,750.00, payable to Pennsville National Bank. This note will mature on June 3, 2013, at an interest rate per annum of 1.01%. There is also a Special emergency note payable in the amount of \$76,000.00, payable to First National Bank of Elmer, at an interest rate of 1.13% due January 11, 2013. This note was renewed on January 11, 2013, at the same rate of interest.

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 14: PENSION FUNDS

Description of Plans - Substantially all eligible employees of the Township are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the 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. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm.

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

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for PERS increased from 5.5% of employees' annual compensation, as defined, to 6.5%. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions to PERS for the years ending December 31, 2012, 2011, and 2010, were \$39,732.00, \$37,335.00 and \$30,752.00, respectively, equal to the required contributions for each year.

Defined Contribution Retirement Program (DCRP) - The Township established Defined Contribution Retirement Program by ordinance on August 20, 2008, as required by Chapter 92 of the Laws of 2007 and NJSA 43:15C-1 et. seq. DCRP provides for employee contributions of 5.5% of employees' annual base salary. Employers are required to contribute 3% of the employees' base salary. The Township's contributions to DCRP for the years ending December 31, 2012, 2011 and 2010, were \$2,758.00, \$1,641.00 and \$504.00, respectively, equal to the required contributions for each year.

NOTE 15: POST RETIREMENT BENEFITS

In July 2004, the Governmental Accounting Standards Board (GASB) adopted statement number 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions." This statement is effective for entities on a phased in basis beginning with fiscal years beginning after December 15, 2006. The effective date for this entity is

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15: POST RETIREMENT BENEFITS (CONTINUED)

calendar year beginning January 1, 2009. This statement will require governmental entities to report the future cost of other post employment benefits (OPEB) on a present value basis instead of the present “pay as you go” method. The Township does not provide for any post-retirement benefits to retirees.

NOTE 16: RISK MANAGEMENT

The Township is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township maintains commercial insurance coverage for property, liability and surety bonds. The Township of Alloway is a member of the Gloucester, Salem and Cumberland Counties Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem and Cumberland Counties Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year 2012.

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township’s Trust Fund for the current and previous two years:

| <u>Year</u> | <u>Township Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|-------------|-----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2012 | None | None | 2,243 | 30,835 |
| 2011 | None | None | 7,204 | 33,000 |
| 2010 | None | None | 155 | 40,106 |

NOTE 17: LABOR CONTRACTS

As of December 31, 2012, there are not any collective bargaining units in the Township of Alloway.

**TOWNSHIP OF ALLOWAY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 18: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the balance sheets of the various funds.

| | <u>Balance Dec. 31, 2012</u> | <u>2013 Budget Appropriation</u> |
|--|----------------------------------|--------------------------------------|
| Current Fund: | | |
| Special Emergency Authorization | 38,000.00 | 38,000.00 |
| Emergency Authorization | 974.86 | 974.86 |
| Sewer Operating Fund: | | |
| Deficit in Operations | 3,805.30 | 3,805.30 |
| Overexpenditure of Appropriation Reserve | 105.02 | 105.02 |
| | <u>42,885.18</u> | <u>42,885.18</u> |

NOTE 19: CONTINGENCIES

The Township received notice that the Township’s largest taxpayer, T/P Campground, has filed complaint in the Tax Court of New Jersey seeking a reduction of approximately \$4,500,000.00 from an assessment of \$6,500,000.00. The Township will defend their position; the outcome cannot be predicted at this time.

It is the Township of Alloway Counsel’s opinion there are cases of litigation and/or contingent liability that are pending against the Township of Alloway that could have an adverse effect on the financial position in the future. JIF has declined to defend the Township in one of the tort claims.

NOTE 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and February 20, 2013, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Township that would require disclosure.

SUPPLEMENTARY INFORMATION

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

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

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

Independent Auditor's Report

Honorable Mayor and Members
of the Township Committee
Township of Alloway
49 South Greenwich Street
Alloway, New Jersey 08001

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying balance sheets- regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance – regulatory basis, and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the Township of Alloway, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township of Alloway's basic financial statements, and have issued our report thereon dated February 20, 2013, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

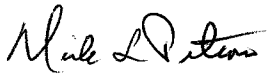
Compliance and Other Matters

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

Purpose of this Report

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

PETRONI & ASSOCIATES LLC



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

February 20, 2013

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

| State Funding Department/Program | State Grant Number | Program Amount | Matching Funds | Funds Received | Grant Period | | Amount of Expenditures | Cumulative Expenditures | |
|---|---------------------------------|----------------|----------------|----------------|--------------|-----------|------------------------|-------------------------|-------------------|
| | | | | | From | To | | | |
| Department of Community Affairs Municipal Alliance on Alcoholism & Drug Abuse | N/A | 3,899.46 | 974.86 | 980.64 | 01/01/12 | 12/31/12 | 3,396.14 | 3,396.14 | |
| | | 3,899.46 | 974.87 | 3,758.69 | 01/01/11 | 12/31/11 | | 4,874.33 | |
| | | 3,899.46 | 974.75 | | 01/01/10 | 12/31/10 | 337.89 | 4,874.21 | |
| Clean Communities | 4900-765-042-4900-004-VCMC-6020 | 9,677.68 | | 9,677.68 | 01/01/12 | 12/31/12 | | | |
| | | 9,860.89 | | | 01/01/11 | 12/31/11 | | 8,576.61 | |
| | | 9,851.09 | | | 01/01/06 | 12/31/06 | | 2,856.00 | |
| | | 9,357.01 | | | 01/01/05 | 12/31/05 | 3,506.19 | 4,406.19 | |
| | | 9,777.36 | | | 01/01/04 | 12/31/04 | 4,839.17 | 9,777.36 | |
| Recycling Tonnage | 4900-752-042-4900-001-VREV-6020 | 3,820.95 | | 3,820.95 | 01/01/12 | 12/31/12 | | | |
| | | 7,017.39 | | | 01/01/11 | 12/31/11 | 3,364.71 | 4,317.58 | |
| SCUA Recycling Grant | N/A | 9,000.00 | | | 01/01/02 | completed | 2,112.50 | 6,594.25 | |
| Cultural Arts Grant | N/A | 500.00 | | 125.00 | 01/01/11 | 12/31/11 | | 500.00 | |
| Department of Transportation | 6320-480-078-6320-AK0-TCAP-6010 | 300,000.00 | | | 01/01/12 | 12/31/12 | 137,773.92 | 137,773.92 | |
| | | 170,000.00 | | 75,171.70 | 01/01/11 | 12/31/11 | | 167,628.01 | |
| NJ DOT | 6320-480-078-6320-Z50-TCAP-6010 | 35,900.00 | | 28,873.21 | 01/01/11 | 12/31/11 | 3,113.37 | 28,873.61 | |
| | 6320-480-078-6320-Z50-TCAP-6010 | 335,000.00 | | | 01/01/10 | 12/31/10 | | 330,182.92 | |
| | 6320-480-078-6320-Z50-TCAP-6010 | 250,000.00 | | | 01/01/09 | 12/31/09 | | 224,065.75 | |
| | | | | | | | <u>122,407.87</u> | <u>158,443.89</u> | <u>938,696.88</u> |

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

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH - TREASURER

| | Ref. | Current Fund | Federal and State Grants |
|---|------|----------------------------|--------------------------|
| Balance December 31, 2011 | A | <u>2,387,927.66</u> | |
| Increased by Receipts: | | | |
| Tax Collector | A-5 | 6,914,954.50 | |
| Grants Receivable | A-8 | | 158,574.21 |
| Revenue Accounts Receivable | A-12 | 767,413.33 | |
| Reserve for Unappropriated Revenue Power of One | | 34.09 | |
| Due State of New Jersey: | | | |
| Marriage Licenses | | 500.00 | |
| Construction DCA Fees | | 1,474.00 | |
| Due Payroll Agency Trust | | 178.40 | |
| Due from Recreation Trust | | 0.05 | |
| Due from Snow Removal Trust | | 7.35 | |
| Due from Federal and State Grant Fund | A-4 | | 25,758.67 |
| Due State of New Jersey - Homestead Rebate | A-9 | 163,607.59 | |
| Due State of New Jersey - Senior Citizen and Veterans Deductions | A-16 | 47,500.00 | |
| Total Receipts | | <u>7,895,669.31</u> | <u>184,332.88</u> |
| | | <u>10,283,596.97</u> | <u>184,332.88</u> |
| Decreased by Disbursements: | | | |
| Current Year Budget Appropriations | A-3 | 1,475,835.24 | |
| Appropriation Reserves | A-13 | 14,791.94 | |
| Encumbrances Payable | A-14 | 13,950.98 | 25,888.99 |
| Reserve for Grants - Appropriated | A-15 | | 158,443.89 |
| Special Emergency Notes Payable | A-7 | 38,000.00 | |
| Accounts Payable | | 1,817.74 | |
| Tax Overpayments Refunded | | 7,237.21 | |
| Due State of New Jersey: | | | |
| Marriage Licenses | | 475.00 | |
| Construction DCA Fees | | 1,280.00 | |
| Due Sewer Operating Fund | | 23.00 | |
| Due Federal and State Grant Fund | A-4 | 25,758.67 | |
| County Added - Omitted Taxes | | 7,635.31 | |
| County Taxes | A-9 | 2,670,176.83 | |
| County Open Space Tax | A-9 | 58,077.15 | |
| Municipal Open Space Tax | | 28,485.00 | |
| Local District School Tax | A-18 | 3,614,760.00 | |
| | | <u>7,958,304.07</u> | <u>184,332.88</u> |
| Balance December 31, 2012 | A | <u><u>2,325,292.90</u></u> | |

SCHEDULE OF CURRENT FUND CASH - COLLECTOR

| | | | |
|-----------------------------|-----------|--------------|--------------|
| Balance December 31, 2011 | Ref. A | | 292,061.38 |
| Increased by Receipts: | | | |
| Taxes Receivable | A-9 | 6,462,612.23 | |
| Tax Title Liens | A-10 | 7,398.98 | |
| Revenue Accounts Receivable | A-12 | 48,038.99 | |
| Prepaid Taxes | | 82,834.68 | |
| Tax Overpayments | | 22,008.24 | |
| | | <hr/> | 6,622,893.12 |
| | | | <hr/> |
| | | | 6,914,954.50 |
| Decreased by Disbursements: | | | |
| Paid to Treasurer | A-4 | | 6,914,954.50 |
| | | | <hr/> |

SCHEDULE OF DEFERRED CHARGES
NJSA 40A:4-55 SPECIAL EMERGENCY - REVALUATION PROGRAM

| Date Authorized | Purpose | Net Amount Authorized | 1/5 of Amount Authorized | Balance Dec. 31, 2011 | Reduced | Balance Dec. 31, 2012 |
|--------------------|---------------------|--------------------------|--------------------------------|--------------------------|-----------|--------------------------|
| 11/20/2008 | Revaluation Program | 190,000.00 | 38,000.00 | 76,000.00 | 38,000.00 | 38,000.00 |
| | Ref. | | | A | A-3 | A |

SCHEDULE OF SPECIAL EMERGENCY NOTES

| Purpose | Maturity Date | Interest Rate | Balance Dec. 31, 2011 | Reduced | Balance Dec. 31, 2012 |
|---------------------|------------------|------------------|--------------------------|-----------|--------------------------|
| Revaluation Program | 01/11/13 | 1.13% | 114,000.00 | 38,000.00 | 76,000.00 |
| | | Ref. | A | A-4 | A |

SCHEDULE OF GRANTS RECEIVABLE

| Grant | Balance | Budget | | | Balance |
|-----------------------------|-------------------|---------------------|-------------------|------------------|-------------------|
| | Dec. 31, 2011 | Revenue Realized | Received | Canceled | Dec. 31, 2012 |
| NJ DOT | 125,483.72 | 300,000.00 | 104,044.91 | 14,412.02 | 307,026.79 |
| Clean Communities | | 9,890.07 | 9,677.68 | 212.39 | |
| Municipal Alliance | 3,758.69 | 3,899.46 | 4,739.33 | | 2,918.82 |
| Recycling Tonnage | | 3,820.95 | 3,820.95 | | |
| Waste Water Management | 5,000.00 | | 1,496.84 | 3,503.16 | |
| NJ Environmental Protection | 2,500.00 | | | | 2,500.00 |
| Cultural Arts Grant | 125.00 | | 125.00 | | |
| HAVA Grant | 34,669.50 | | 34,669.50 | | |
| | <u>171,536.91</u> | <u>317,610.48</u> | <u>158,574.21</u> | <u>18,127.57</u> | <u>312,445.61</u> |
| Ref. | A | A-2 | A-4 | A-1 | A |

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

| Year | Balance | Levy | Added Taxes | Collected | | Overpayments Applied | Canceled | Transferred to Tax Title Liens | Balance |
|------|-------------------|---------------------|-----------------|---|---------------------|----------------------|-----------------|--------------------------------|-------------------|
| | Dec. 31, 2011 | | | 2011 | 2012 | | | | Dec. 31, 2012 |
| 2008 | 0.85 | | | | | | | 0.85 | |
| 2009 | 6.72 | | 1,669.79 | | 1,669.79 | | | 3.35 | 3.37 |
| 2010 | 292.60 | | 2,492.00 | | 2,504.61 | | | 277.02 | 2.97 |
| 2011 | 254,676.07 | | 4,643.38 | | 250,462.87 | | | 8,171.04 | 685.54 |
| | <u>254,976.24</u> | | <u>8,805.17</u> | | <u>254,637.27</u> | | | <u>8,452.26</u> | <u>691.88</u> |
| 2012 | | 6,947,788.34 | | 83,154.57 | 6,423,082.55 | 526.90 | 6,823.53 | 19,619.24 | 414,581.55 |
| | <u>254,976.24</u> | <u>6,947,788.34</u> | <u>8,805.17</u> | <u>83,154.57</u> | <u>6,677,719.82</u> | <u>526.90</u> | <u>6,823.53</u> | <u>28,071.50</u> | <u>415,273.43</u> |
| Ref. | A | | | A | | | | A-10 | A |
| | | | | Ref. | | | | | |
| | | | | Cash | A-5 | 6,462,612.23 | | | |
| | | | | Due State of New Jersey - Homestead Rebate | A-4 | 163,607.59 | | | |
| | | | | Due State of New Jersey - Senior Citizen & Vets | A-16 | 51,500.00 | | | |
| | | | | | | <u>6,514,112.23</u> | | | |

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

| | | | |
|--|--|---------------------|----------------------------|
| General Purpose Tax: | | | |
| Business Personalty Tax | | 15,251.38 | |
| General Property Tax | | <u>6,906,635.91</u> | |
| | | | 6,921,887.29 |
| Added and Omitted Taxes (54:4-63.1 & 54:4-63.12 et seq.) | | | <u>25,901.05</u> |
| | | | <u><u>6,947,788.34</u></u> |

Tax Levied

| | | | |
|---|------|------------------|----------------------------|
| | Ref. | | |
| Local District School Tax (Abstract) | A-17 | | 3,644,400.00 |
| County Taxes: | | | |
| County Tax (Abstract) | A-1 | 2,670,176.83 | |
| County Open Space Tax (Abstract) | A-1 | 58,077.15 | |
| Due County for Added and Omitted Taxes (54:4-63.1 & 54:4-63.12 et seq.) | A-1 | <u>12,901.58</u> | |
| Total County Taxes | | | 2,741,155.56 |
| Local Tax for Municipal Purposes | A-2 | 519,900.00 | |
| Municipal Open Space | A-1 | 28,622.04 | |
| Add: Additional Taxes Levied | | <u>13,710.74</u> | |
| | | | <u>562,232.78</u> |
| | | | <u><u>6,947,788.34</u></u> |

EXHIBIT A-10

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

| | | |
|---------------------------------|------|-------------------------|
| | Ref. | |
| Balance December 31, 2011 | A | 33,348.77 |
| Increased by: | | |
| Transfers from Taxes Receivable | A-9 | 28,071.50 |
| Interest and Costs on Tax Sale | | <u>1,446.16</u> |
| | | <u>29,517.66</u> |
| Decreased by: | | |
| Cash Receipts | A-5 | <u>7,398.98</u> |
| Balance December 31, 2012 | A | <u><u>55,467.45</u></u> |

EXHIBIT A-11

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

| | | |
|---------------------------|------|--------------------------|
| | Ref. | |
| Balance December 31, 2011 | A | <u>187,500.00</u> |
| Balance December 31, 2012 | A | <u><u>187,500.00</u></u> |

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

| | Accrued | Collected by | |
|--|-------------------|-------------------|------------------|
| | | Treasurer | Collector |
| Miscellaneous Revenue Anticipated | | | |
| Licenses: | | | |
| Alcoholic Beverages | 1,186.80 | 1,186.80 | |
| Fines and Costs: | | | |
| Municipal Court | 9,899.21 | 9,899.21 | |
| Interest and Costs on Taxes | 47,998.99 | | 47,998.99 |
| Interest on Investments | 7,055.24 | 7,055.24 | |
| Salem County Utilities Authority - Host | | | |
| Community Benefits | 182,521.31 | 182,521.31 | |
| Energy Receipts Tax | 327,413.00 | 327,413.00 | |
| Garden State Trust PILOT | 57,622.00 | 57,622.00 | |
| Watershed Moratorium Aid | 188.00 | 188.00 | |
| Uniform Construction Code | 15,015.00 | 15,015.00 | |
| Uniform Fire Safety Act | 4,737.47 | 4,737.47 | |
| General Capital Fund Balance | 38,084.57 | 38,084.57 | |
| Miscellaneous Revenue Not Anticipated | | | |
| Cable Television Franchise Fee | 8,385.50 | 8,385.50 | |
| Refunds | 3,427.51 | 3,427.51 | |
| Recycling Fees | 20,106.64 | 20,106.64 | |
| Various Fees and Permits | 6,221.07 | 6,181.07 | 40.00 |
| Convenience Center Stickers and Fees | 1,947.00 | 1,947.00 | |
| Miscellaneous | 1,021.72 | 1,021.72 | |
| Senior Citizen & Veterans Admin. Fee | 950.00 | 950.00 | |
| Use of Building | 10,925.00 | 10,925.00 | |
| JIF Safety Incentive | 2,282.70 | 2,282.70 | |
| FEMA Reimbursements | 68,463.59 | 68,463.59 | |
| | <u>815,452.32</u> | <u>767,413.33</u> | <u>48,038.99</u> |
| Ref. | | A-4 | A-5 |

SCHEDULE OF APPROPRIATION RESERVES

| | Balance Dec. 31, 2011 | Balance After Transfers | Paid or Charged | Balance Lapsed |
|---|--------------------------|-------------------------------|--------------------|-------------------|
| Other Expenses: | | | | |
| Mayor & Council | 14,475.14 | 14,475.14 | 200.56 | 14,274.58 |
| Financial Administration | 1,017.50 | 1,017.50 | 222.68 | 794.82 |
| Tax Collection | 538.41 | 538.41 | 537.87 | 0.54 |
| Tax Assessment | 10,954.92 | 10,954.92 | 16.28 | 10,938.64 |
| Housing and Zoning | 703.39 | 703.39 | 21.44 | 681.95 |
| Uniform Fire Safety | 1,657.00 | 1,657.00 | 194.00 | 1,463.00 |
| Road Repair and Maintenance | 15,076.31 | 13,076.31 | 1,725.87 | 11,350.44 |
| Recycling | 272.00 | 272.00 | 129.00 | 143.00 |
| Trash Removal | 21,753.00 | 21,753.00 | 1,170.00 | 20,583.00 |
| Salem County Utility Authority - Tipping Fees | 14,472.32 | 14,472.32 | 4,752.44 | 9,719.88 |
| Street Lighting | 2,057.20 | 2,057.20 | 1,652.97 | 404.23 |
| Telephone | 3,329.65 | 3,329.65 | 140.82 | 3,188.83 |
| Fuel/Heating Oil | 48.62 | 2,048.62 | 2,023.86 | 24.76 |
| Construction Code Official | 1,679.60 | 1,679.60 | 164.43 | 1,515.17 |
| Interlocal Agreement - Joint Court | 4,599.55 | 4,599.55 | 1,839.72 | 2,759.83 |
| Other Accounts No Change | 149,480.38 | 149,480.38 | | 149,480.38 |
| | <u>242,114.99</u> | <u>242,114.99</u> | <u>14,791.94</u> | <u>227,323.05</u> |
| Ref. | A | | A-4 | A-1 |

SCHEDULE OF ENCUMBRANCES PAYABLE

| | Ref. | <u>Current Fund</u> | <u>Grant Fund</u> |
|----------------------------------|------|-------------------------|-------------------|
| Balance December 31, 2011 | A | 16,788.22 | 25,888.99 |
| Increased by: | | | |
| Charges to Budget Appropriations | A-3 | 11,969.99 | |
| | | <u>28,758.21</u> | <u>25,888.99</u> |
| Decreased by: | | | |
| Payments | A-4 | 13,950.98 | 25,888.99 |
| Canceled | A-1 | 2,837.24 | |
| | | <u>11,969.99</u> | |
| Balance December 31, 2012 | A | <u><u>11,969.99</u></u> | |

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

| | <u>Balance</u> <u>Dec. 31, 2011</u> | <u>Budget</u> <u>Appropriation</u> | <u>Paid</u> | <u>Canceled</u> | <u>Balance</u> <u>Dec. 31, 2012</u> |
|------------------------|--|---------------------------------------|-------------------|------------------|--|
| State Grants: | | | | | |
| Clean Communities Act | 21,575.55 | 9,890.07 | 8,345.36 | 212.39 | 22,907.87 |
| NJ DOT | 22,557.94 | 300,000.00 | 140,887.29 | 12,418.18 | 169,252.47 |
| SCUA Recycling Grant | 4,518.25 | | 2,112.50 | | 2,405.75 |
| Recycling Tonnage | 6,064.52 | 3,820.95 | 3,364.71 | | 6,520.76 |
| Waste Water Management | 5,000.00 | | | 5,000.00 | |
| Municipal Alliance | 337.89 | 4,874.32 | 3,734.03 | | 1,478.18 |
| | <u>60,054.15</u> | <u>318,585.34</u> | <u>158,443.89</u> | <u>17,630.57</u> | <u>202,565.03</u> |
| Ref. | A | A-3 | A-4 | A-1 | A |

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

| | Ref. | | |
|---|------|------------------|--------------------------|
| Balance December 31, 2011 | A | | 5,084.94 |
| Increased by: | | | |
| Receipts | A-4 | | 47,500.00 |
| | | | <u>52,584.94</u> |
| Decreased by: | | | |
| Deductions Per Tax Duplicate | | 49,750.00 | |
| Deductions Allowed by Collector | | 1,750.00 | |
| | | <u>51,500.00</u> | |
| Prior Year Receivable Canceled | A-1 | 5,084.94 | |
| Prior Year Deductions Disallowed by Collector | A-1 | (2,250.00) | |
| | | <u>54,334.94</u> | |
| Balance December 31, 2012 | A | | <u><u>(1,750.00)</u></u> |

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

| | Ref. | | |
|---|------|---------------------|----------------------------|
| Balance December 31, 2011 | | | |
| School Tax Payable | A | 1,257,478.45 | |
| School Tax Deferred | | 540,000.00 | |
| | | <u>1,797,478.45</u> | |
| Increased by: | | | |
| Levy - School Year July 1, 2011 to June 30, 2012 | A-9 | | 3,644,400.00 |
| | | | <u>5,441,878.45</u> |
| Decreased by: | | | |
| Payments | A-4 | | 3,614,760.00 |
| Balance December 31, 2012 | | | |
| School Tax Payable | A | 1,287,118.45 | |
| School Tax Deferred | | 540,000.00 | |
| | | <u>1,827,118.45</u> | |
| 2012 Tax Liability for Local District School Tax: | | | |
| Tax Paid | A-17 | | 3,614,760.00 |
| Tax Payable 12-31-2012 | A-17 | | 1,287,118.45 |
| | | | <u>4,901,878.45</u> |
| Less: Tax Payable 12-31-2011 | A-17 | | 1,257,478.45 |
| Amount Charged to Current Year Operations | A-1 | | <u><u>3,644,400.00</u></u> |

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

| | Ref. | Animal Control Trust Fund | Donations Veteran's Memorial | Developer's Escrow Trust Fund | Payroll Agency Trust | Performance Bond Escrow | Recreation Trust | Snow Removal Trust | Open Space Trust Fund | Unemployment Compensation Fund |
|--------------------------------------|------|---------------------------------|------------------------------------|-------------------------------------|----------------------------|-------------------------------|---------------------|--------------------------|-----------------------------|--------------------------------------|
| Balance December 31, 2011 | B | 20,373.57 | 7,495.32 | 17,259.15 | 76.73 | 9,011.63 | 905.05 | 10,518.02 | 160,277.53 | 33,000.16 |
| Increased by Receipts: | | | | | | | | | | |
| Interest Earned | | 65.17 | 18.25 | 43.92 | | 22.55 | 15.14 | 26.34 | 434.94 | 77.69 |
| Dog License Fees: | | | | | | | | | | |
| Municipal Share | B-3 | 18,589.80 | | | | | | | | |
| State Share | | 2,412.60 | | | | | | | | |
| Donations | | | 253.50 | | | | | | | |
| Developer's Escrow Fees | | | | 17,999.20 | | | | | | |
| Deposits for Payroll Taxes | | | | | 175,396.01 | | | | | |
| Recreation Trust Fees | | | | | | | 9,722.80 | | | |
| Snow Removal | | | | | | | | 2,331.05 | | |
| Open Space Tax | A-4 | | | | | | | | 28,485.00 | |
| Total Receipts | | 21,067.57 | 271.75 | 18,043.12 | 175,396.01 | 22.55 | 9,737.94 | 2,357.39 | 28,919.94 | 77.69 |
| | | 41,441.14 | 7,767.07 | 35,302.27 | 175,472.74 | 9,034.18 | 10,642.99 | 12,875.41 | 189,197.47 | 33,077.85 |
| Decreased by Disbursements: | | | | | | | | | | |
| Expenditures Under RS 4:19-15.11 | B-3 | 16,748.34 | | | | | | | | |
| Due State of NJ Department of Health | | 2,398.80 | | | | | | | | |
| Donations | | | 1,055.00 | | | | | | | |
| Developer's Escrow Fees | | | | 13,251.06 | | | | | | |
| Payroll Taxes | | | | | 174,089.85 | | | | | |
| Recreation Trust Fees | | | | | | | 685.50 | | | |
| Open Space | | | | | | | | | 8,670.00 | |
| Encumbrances Payable | | 105.09 | | 5,490.06 | | | | | | 2,243.19 |
| Transfer to Current | | 65.17 | 18.25 | 43.92 | 178.40 | | 15.19 | 33.69 | | |
| | | 19,317.40 | 1,073.25 | 18,785.04 | 174,268.25 | | 700.69 | 33.69 | 8,670.00 | 2,243.19 |
| Balance December 31, 2012 | B | 22,123.74 | 6,693.82 | 16,517.23 | 1,204.49 | 9,034.18 | 9,942.30 | 12,841.72 | 180,527.47 | 30,834.66 |

SCHEDULE OF TRUST FUND CASH - COLLECTOR

| | | |
|--|-----------|------------------------|
| Balance December 31, 2011 | Ref. B | <u>71.90</u> |
| Increased by: | | |
| Interest Earned | | 15.94 |
| Deposits for Redemption of Tax Sale Certificates | | 96,681.17 |
| Tax Sale Premiums | | <u>2,600.00</u> |
| | | <u>99,369.01</u> |
| Decreased by: | | |
| Redemption of Tax Sale Certificates | | <u>96,681.17</u> |
| | | <u>96,681.17</u> |
| Balance December 31, 2012 | B | <u><u>2,687.84</u></u> |

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

| | | |
|---|-----------|-------------------------|
| Balance December 31, 2011 | Ref. B | 20,268.48 |
| Increased by: | | |
| Municipal Share of Dog License Fees | B-1 | <u>18,589.80</u> |
| | | <u>38,858.28</u> |
| Decreased by: | | |
| Expenditures Under R.S.4:19-15.11: Cash | B-1 | 16,748.34 |
| Encumbrances | | <u>289.00</u> |
| Balance December 31, 2012 | B | <u><u>21,820.94</u></u> |

License Fees Collected

| | |
|------|-------------------------|
| | <u>Amount</u> |
| 2010 | <u>19,383.20</u> |
| 2011 | <u>17,554.00</u> |
| | <u><u>36,937.20</u></u> |

GENERAL CAPITAL FUND

SCHEDULE OF FUND BALANCE - GENERAL CAPITAL FUND

| | | | |
|-------------------------------------|-----------|-----------|------------------------|
| Balance December 31, 2011 | Ref. C | | 38,084.57 |
| Increased by: | | | |
| Improvement Authorizations Canceled | C-6 | 68,663.38 | |
| Reserves Canceled | | 93,134.40 | |
| | | <hr/> | 161,797.78 |
| | | | <hr/> |
| | | | 199,882.35 |
| Decreased by: | | | |
| Funded Improvement Authorization | C-6 | 30,000.00 | |
| Budget Appropriation | A-2 | 38,084.57 | |
| | | <hr/> | 68,084.57 |
| Balance December 31, 2012 | C | | <hr/> <hr/> 131,797.78 |

EXHIBIT C-2

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

| | | | |
|-------------------------------------|-----------|------------|------------------------|
| Balance December 31, 2011 | Ref. C | | 49,504.71 |
| Increased by: | | | |
| Interest Earned | C-3 | 588.90 | |
| Grants Receivable | C-3 | 116,937.37 | |
| Budget Appropriations: | | | |
| Reserve for Purchase of: | | | |
| Generator | C-3 | 10,000.00 | |
| Municipal Building Drainage Project | C-3 | 20,000.00 | |
| Boiler and Oil Tanks | C-3 | 15,000.00 | |
| Improvements to Municipal Roads | C-3 | 100,000.00 | |
| Deferred Charge - Unfunded | C-4 | 73,034.78 | |
| | | <hr/> | 335,561.05 |
| | | | <hr/> |
| | | | 385,065.76 |
| Decreased by: | | | |
| Improvement Authorizations | C-6 | 79,830.68 | |
| Due Current Fund | C-3 | 38,673.47 | |
| | | <hr/> | 118,504.15 |
| Balance December 31, 2012 | C | | <hr/> <hr/> 266,561.61 |

ANALYSIS OF GENERAL CAPITAL FUND CASH

| | Balance Dec. 31, 2011 | Receipts | | Disbursements | | Transfers | | Balance Dec. 31, 2012 |
|---|--------------------------|-------------------------|-------------------|-------------------------------|------------------|-------------------|-------------------|--------------------------|
| | | Budget Appropriation | Miscellaneous | Improvement Authorizations | Miscellaneous | From | To | |
| Fund Balance | 38,084.57 | | | | 38,084.57 | 30,000.00 | 161,797.78 | 131,797.78 |
| Grant Receivable - NJ Transportation Trust Reserve for: | (148,328.14) | | 116,937.37 | | | | | (31,390.77) |
| Improvements to Municipal Building | 84.83 | | | | | 84.83 | | |
| Improvements to Municipal Roads | 958.50 | 100,000.00 | | | | 100,958.50 | | |
| Purchase of Boiler and Oil Tanks | | 15,000.00 | | | | 15,000.00 | | |
| Purchase of Ambulance | 15,000.00 | | | | | | | 15,000.00 |
| Emergency Equipment | 10,510.82 | | | | | 10,510.82 | | |
| Alloway Lake Dam | 12,665.56 | | | | | | | 12,665.56 |
| Purchase of Office Equipment | 5,000.00 | | | | | 5,000.00 | | |
| Purchase of Fire Truck | 802.50 | | | | | 802.50 | | |
| Purchase of Fire Equipment | 1,277.75 | | | | | 1,277.75 | | |
| Purchase of Tractor | 40,000.00 | | | | | 40,000.00 | | |
| Purchase of Tail Gate Spreader | 4,500.00 | | | | | 4,500.00 | | |
| Purchase of Road Sealer | 30,000.00 | | | | | 30,000.00 | | |
| Purchase of a Generator | | 10,000.00 | | | | | | 10,000.00 |
| Municipal Building Drainage Project | | 20,000.00 | | | | | | 20,000.00 |
| Capital Improvement Fund | 18,542.59 | | | | | | | 18,542.59 |
| Encumbrances Payable | 5,529.65 | | | | | 5,529.65 | 17,465.09 | 17,465.09 |
| Due Current Fund | | | 588.90 | | 588.90 | | | |
| Improvement Authorizations: | | | | | | | | |
| Ordinance | | | | | | | | |
| Number | | | | | | | | |
| 395 Alloway Lake Dam | (73,034.78) | 73,034.78 | | | | | | |
| 434 Various Equipment | 24,839.55 | | | | | 24,839.55 | | |
| 446 Various Capital Improvements | 38,294.18 | | | | | 43,823.83 | 5,529.65 | |
| 450 Cobbs Mill Road Section III | 24,777.13 | | | | | | | 24,777.13 |
| 463 Improvements to Municipal Roads, Removal and Installation of Boiler and Oil Tanks at Fire House | | | | | 79,830.68 | 17,465.09 | 145,000.00 | 47,704.23 |
| | <u>49,504.71</u> | <u>218,034.78</u> | <u>117,526.27</u> | | <u>79,830.68</u> | <u>329,792.52</u> | <u>329,792.52</u> | <u>266,561.61</u> |
| Ref. | C-2 | C-2:C-4 | C-2 | | C-6 | C-2 | | C |

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

| Ordinance Number | Improvement Description | Balance Dec. 31, 2011 | Notes Paid by Budget Appropriation | Notes Paid by Budget Appropriation | Balance Dec. 31, 2012 | Analysis of Balance |
|---------------------|--------------------------------------|--------------------------|--|--|--------------------------|---------------------|
| | | | | | | Dec. 31, 2012 |
| | | | | | | Financed By |
| | | | | | | Bond Anticipation |
| | | | | | | Notes |
| 349 | Purchase of Commercial Pumper Tanker | 15,000.00 | | 15,000.00 | | |
| 350 | Purchase of a Road Grader | 15,000.00 | | 15,000.00 | | |
| 376 | Purchase of Land | 80,000.00 | | 50,000.00 | 30,000.00 | 30,000.00 |
| 395 | Alloway Lake Dam | 73,034.78 | 73,034.78 | | | |
| 404 | Purchase of Tractor Loader | 56,000.00 | | 31,000.00 | 25,000.00 | 25,000.00 |
| 417 | Purchase of A Fire Truck | 466,750.00 | | 54,000.00 | 412,750.00 | 412,750.00 |
| | | <u>705,784.78</u> | <u>73,034.78</u> | <u>165,000.00</u> | <u>467,750.00</u> | <u>467,750.00</u> |
| Ref. | C | C | C-9 | C-7 | C | C-7 |

SCHEDULE OF CAPITAL IMPROVEMENT FUND

| | Ref. | |
|---------------------------|------|-------------------------|
| Balance December 31, 2011 | C | <u>18,542.59</u> |
| Balance December 31, 2012 | C | <u><u>18,542.59</u></u> |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ordinance Number | Improvement Description | Ordinance | | Balance | 2012 Authorizations | | Paid or Charged | Encumbrance | Encumbrance Canceled | Canceled | Balance |
|------------------|---|-----------|---------------------------------|----------------------|---------------------|-------------------|------------------|------------------|----------------------|------------------|----------------------|
| | | Date | Amount | Dec. 31, 2011 Funded | Fund Balance | Down Payment | | | | | Dec. 31, 2012 Funded |
| 434 | Various Equipment | 09/17/09 | 60,000.00 | 24,839.55 | | | | | | 24,839.55 | |
| 446 | Various Capital Improvements | 06/17/10 | 168,000.00 | 38,294.18 | | | | | 5,529.65 | 43,823.83 | |
| 450 | Cobbs Mill Road Section III | 09/16/10 | 363,000.00 | 24,777.13 | | | | | | | 24,777.13 |
| 463 | Improvements to Municipal Roads, Removal and Installation of Boiler and Oil Tanks at Fire House | 06/12/12 | 145,000.00 | | 30,000.00 | 115,000.00 | 79,830.68 | 17,465.09 | | | 47,704.23 |
| | | | | <u>87,910.86</u> | <u>30,000.00</u> | <u>115,000.00</u> | <u>79,830.68</u> | <u>17,465.09</u> | <u>5,529.65</u> | <u>68,663.38</u> | <u>72,481.36</u> |
| | | Ref. | C | | C-1 | C-6 | C-2 | C | | C-1 | C |
| | | | | | Ref. | | | | | | |
| | | | Improvements to Municipal Roads | | C-2 | 100,000.00 | | | | | |
| | | | Purchase of Boiler and Oil Tank | | C-2 | 15,000.00 | | | | | |
| | | | | | | <u>115,000.00</u> | | | | | |

SCHEDULE OF BOND ANTICIPATION NOTES

| Ordinance Number | Improvement Description | Date of Issue of Original Note | Date of Issue | Date of Maturity | Interest Rate | Balance | | Balance Dec. 31, 2012 |
|---------------------|--------------------------------------|---|------------------|---------------------|------------------|-------------------|-------------------|--------------------------|
| | | | | | | Dec. 31, 2011 | Decreased | |
| 349 | Purchase of Commercial Pumper Tanker | 6/18/03 | 6/6/11 | 6/5/12 | 1.65% | 15,000.00 | 15,000.00 | |
| 350 | Road Grader | 6/18/03 | 6/6/11 | 6/5/12 | 1.65% | 15,000.00 | 15,000.00 | |
| 376 | Purchase of Land | 6/17/05 | 6/4/11 | 6/3/13 | 1.01% | 80,000.00 | 50,000.00 | 30,000.00 |
| 404 | Purchase Tractor Loader | 6/15/07 | 6/4/11 | 6/3/13 | 1.01% | 56,000.00 | 31,000.00 | 25,000.00 |
| 417 | Purchase of a Fire Truck | 8/11/08 | 6/4/11 | 6/3/13 | 1.01% | 466,750.00 | 54,000.00 | 412,750.00 |
| | | | | | | <u>632,750.00</u> | <u>165,000.00</u> | <u>467,750.00</u> |
| | | | | | Ref. | C | C-4 | C |

SCHEDULE OF LOANS PAYABLE

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Balance Dec. 31, 2011</u> | <u>Decreased</u> | <u>Balance Dec. 31, 2012</u> |
|-------------------------------|----------------------|-----------------------|----------------------|------------------------------|-------------------|------------------------------|
| Renovations to Alloway School | 8/19/1994 | 150,000.00 | 1.50% | 22,500.00 | 7,500.00 | 15,000.00 |
| Alloway Lake Dam | 12/8/2009 | 2,684,468.94 | 2.00% | 2,422,828.31 | 134,777.62 | 2,288,050.69 |
| | | | | <u>2,445,328.31</u> | <u>142,277.62</u> | <u>2,303,050.69</u> |
| | | | Ref. | C | | C |

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

| <u>Ordinance Number</u> | <u>Improvement Description</u> | <u>Balance Dec. 31, 2011</u> | <u>Budget Appropriation</u> |
|-----------------------------|--------------------------------|----------------------------------|---------------------------------|
| 395 | Alloway Lake Dam | <u>73,034.78</u> | <u>73,034.78</u> |

SEWER UTILITY FUND

SCHEDULE OF SEWER UTILITY CASH

| | Ref. | Operating | Capital | Collector |
|------------------------------------|------|------------|------------|-----------|
| Balance December 31, 2011 | D | 153,323.56 | 67,974.95 | 43,188.00 |
| Increased by: | | | | |
| Miscellaneous Revenue | D-3 | 6,367.02 | 157.16 | |
| Transfer from Sewer Collector | D-5 | 43,188.00 | | |
| Transfer from Sewer Capital Fund | D-5 | 157.16 | | |
| Grants Receivable | D-9 | | 40,021.00 | |
| Consumer Accounts Receivable | D-10 | 281,875.02 | | |
| Due Current Fund | | 23.00 | | |
| | | 331,610.20 | 40,178.16 | |
| | | 484,933.76 | 108,153.11 | 43,188.00 |
| Decreased by: | | | | |
| Current Year Budget Appropriations | D-4 | 170,345.51 | | |
| Appropriation Reserves | D-11 | 6,745.13 | | |
| Encumbrances Payable | D-12 | 560.17 | 4,149.57 | |
| Improvement Authorizations | D-13 | | 45,572.84 | |
| Accrued Interest on Bonds | | 106,794.90 | | |
| Transfer to Sewer Operating | D-5 | | 157.16 | 43,188.00 |
| | | 284,445.71 | 49,879.57 | 43,188.00 |
| Balance December 31, 2012 | D | 200,488.05 | 58,273.54 | |

ANALYSIS OF SEWER UTILITY CAPITAL CASH

| | Balance Dec. 31, 2011 | Receipts | | Disbursements | | Transfers | Balance Dec. 31, 2012 |
|-----------------------------|-----------------------------------|------------------|-------------------------------|------------------|-----------------|-----------|--------------------------|
| | | Miscellaneous | Improvement Authorizations | Miscellaneous | | | |
| Fund Balance | 20,773.35 | | | | | | 20,773.35 |
| Due Sewer Operating Fund | | 157.16 | | 157.16 | | | |
| Encumbrances Payable | 4,149.57 | | | 4,149.57 | 43,203.70 | | 43,203.70 |
| RDA Grant Receivable | (103,441.88) | 40,021.00 | | | | | (63,420.88) |
| <u>Ordinance Number</u> | <u>Improvement Authorizations</u> | | | | | | |
| 325/378/408 | Construction of a Sanitary Sewer | 146,493.91 | 45,572.84 | | (43,203.70) | | 57,717.37 |
| | | <u>67,974.95</u> | <u>40,178.16</u> | <u>45,572.84</u> | <u>4,306.73</u> | | <u>58,273.54</u> |
| Ref. | D | D-5 | D-5 | | | | D |

SCHEDULE OF FIXED CAPITAL

| | | |
|--|----------------------|----------------------|
| | Balance | Balance |
| | <u>Dec. 31, 2011</u> | <u>Dec. 31, 2012</u> |
| Sanitary Sewer Station and Accessories | <u>6,907,068.60</u> | <u>6,907,068.60</u> |
| Ref. | D | D |

SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED - SEWER

| <u>Ordinance Number</u> | <u>Improvement Authorizations</u> | Balance | Balance |
|-------------------------|-----------------------------------|----------------------|----------------------|
| | | <u>Dec. 31, 2011</u> | <u>Dec. 31, 2012</u> |
| 325/378/408 | Construction of a Sanitary Sewer | <u>104,631.40</u> | <u>104,631.40</u> |
| | Ref. | D | D |

SCHEDULE OF GRANTS RECEIVABLE

| <u>Grant</u> | Balance | Receipts | Balance |
|-------------------------|----------------------|----------------------|----------------------|
| | <u>Dec. 31, 2011</u> | <u>Dec. 31, 2011</u> | <u>Dec. 31, 2012</u> |
| Rural Development Grant | <u>103,441.88</u> | <u>40,021.00</u> | <u>63,420.88</u> |
| | Ref. | D | D-5 |

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

| | | |
|---------------------------|-----------|-------------------------|
| Balance December 31, 2011 | Ref. D | 31,450.16 |
| Increased by: Billings | | <u>305,392.25</u> |
| | | <u>336,842.41</u> |
| Decreased by: Collections | D-5 | <u>281,875.02</u> |
| Overpayment Applied | | <u>1,287.43</u> |
| | | <u>283,162.45</u> |
| Balance December 31, 2012 | D | <u><u>53,679.96</u></u> |

SCHEDULE OF APPROPRIATION RESERVES

| | Balance Dec. 31, 2011 | Paid or Charged | Over- Expended | Lapsed |
|----------------------------|--------------------------|--------------------|-------------------|------------------|
| Salary & Wages | 13,035.93 | | | 13,035.93 |
| Other Expenses | 7,714.88 | 6,636.15 | | 1,078.73 |
| Social Security | 2.56 | 107.58 | 105.02 | |
| PERS | 1.25 | | | 1.25 |
| State Disability Insurance | 47.57 | 1.40 | | 46.17 |
| | <u>20,802.19</u> | <u>6,745.13</u> | <u>105.02</u> | <u>14,162.08</u> |
| Ref. | D | D-5 | D | D-1 |

SCHEDULE OF ENCUMBRANCES PAYABLE

| | Ref. | Operating Fund | Capital Fund |
|---------------------------------------|------|---------------------|-------------------------|
| Balance December 31, 2011 | D | <u>560.17</u> | <u>4,149.57</u> |
| Add: Charges to Budget Appropriations | D-4 | 33.29 | |
| Improvement Authorizations | D-13 | | 43,203.70 |
| | | <u>593.46</u> | <u>47,353.27</u> |
| Decreased by: | | | |
| Payments | D-5 | <u>560.17</u> | <u>4,149.57</u> |
| Balance December 31, 2012 | D | <u><u>33.29</u></u> | <u><u>43,203.70</u></u> |

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ordinance Number | Improvement Description | Ordinance | | Balance | Paid or Charged | Encumbered | Balance |
|---------------------|----------------------------------|-----------|--------------|-------------------------|--------------------|------------|-------------------------|
| | | Date | Amount | Dec. 31, 2011 Funded | | | Dec. 31, 2012 Funded |
| 325/378/408 | Construction of a Sanitary Sewer | 06/10/99 | 7,500,000.00 | 146,493.91 | 45,572.84 | 43,203.70 | 57,717.37 |
| | | | | Ref. D | D-5 | D-12 | D |

SCHEDULE OF LOAN PAYABLE

| Ordinance Number | Purpose | Date of Issue | Original Issue | Interest Rate | Balance Dec. 31, 2011 | Decreased | Balance Dec. 31, 2012 |
|---------------------|----------------------------------|------------------|-------------------|------------------|--------------------------|-----------|--------------------------|
| 325/378/408 | Construction of a Sanitary Sewer | 12/8/2009 | 1,095,000.00 | 4.25% | 1,073,022.75 | 11,701.56 | 1,061,321.19 |
| 325/378/408 | Construction of a Sanitary Sewer | 12/8/2009 | 1,219,300.00 | 4.25% | 1,194,830.19 | 13,028.69 | 1,181,801.50 |
| 325/378/408 | Construction of a Sanitary Sewer | 10/7/2010 | 361,700.00 | 3.25% | 356,925.46 | 4,918.85 | 352,006.61 |
| | | | | | 2,624,778.40 | 29,649.10 | 2,595,129.30 |
| | | | | | D | | D |

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

GENERAL COMMENTS

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

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

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

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

East and West Main Street Sidewalk
Road Maintenance and Repair

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 3, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED, by the Township Committee of the Township of Alloway, County of Salem and State of New Jersey, that the rate of interest to be collected by the Collector of Taxes of the Township of Alloway on all delinquent taxes and/or assessments shall be at the rate of (8%) per annum up to Fifteen Hundred Dollars (\$1,500.00) delinquency and Eighteen per centum (18%) per annum over Fifteen Hundred Dollars (\$1,500.00) delinquency, to be computed from the date that said taxes and/or assessments are due to the date of payment.

BE IT FURTHER RESOLVED that no interest shall be charged if payments of any installment is made within the tenth calendar day following the date upon which the same became payable.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 12, 2012, and was complete, except for bankruptcies from prior years not sold.

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 | 30 |
| 2011 | 18 |
| 2010 | 19 |

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges was made in accordance with the regulations of the Division of Local Government Services. Notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

PROPERTY TAX INFORMATION

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|----------------------------|-------------|-------------|-------------|
| Tax Rate: | 2.430 | 2.403 | 2.502 |
| Apportionment of Tax Rate: | | | |
| Municipal | 0.181 | 0.190 | 0.180 |
| County | 0.938 | 0.939 | 1.035 |
| County Open Space | 0.021 | 0.022 | 0.025 |
| Local School | 1.280 | 1.250 | 1.243 |
| Municipal Open Space | 0.010 | 0.002 | 0.019 |
| Assessed Valuation | 284,851,329 | 286,956,013 | 288,833,147 |

COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY

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

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------------|--------------|--------------|--------------|
| Tax Levy | 6,947,788.34 | 6,912,293.66 | 7,236,744.09 |
| Cash Collections | 6,506,764.02 | 6,617,640.38 | 6,903,116.81 |
| Percentage of Collections | 93.65% | 95.74% | 95.39% |

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>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------------|-------------|-------------|-------------|
| Amount of Tax Title Liens | 55,467.45 | 33,348.77 | 29,562.89 |
| Delinquent Taxes | 415,273.43 | 254,976.24 | 301,307.69 |
| Total Delinquent | 470,740.88 | 288,325.01 | 330,870.58 |
| Percentage of Tax Levy | 6.78% | 4.17% | 4.57% |

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|-------------|
| Property Acquired for Taxes (Assessed Valuation) | 187,500.00 | 187,500.00 | 187,500.00 |

SEWER RENTS

An Ordinance regulating sewer connection and rate charges was adopted August 20, 2009. Alloway Township's sewer bills shall be due and payable on March 1, June 1, September 1, and December 1, of each and every year and the first bill shall be prorated to reflect the date in which the property is connected to the sewer system. Interest will be charged on any overdue balance and delinquent unpaid sewer bills shall become a lien upon the property served until paid. The rate in effect for 2012 is \$875.00 per EDU.

OTHER COMMENTS

Chief Financial Officer/Treasurer

The records maintained by the Chief Financial Officer and Treasurer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements.

Corrective Action Plan

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

STATUS OF PRIOR RECOMMENDATIONS

None

RECOMMENDATIONS

None

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

We received the complete cooperation of all the officials of the Township and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



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

February 20, 2013