

*TOWNSHIP OF INDEPENDENCE*

*COUNTY OF WARREN*

*REPORT OF AUDIT*

*2011*

*NISIVOCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF INDEPENDENCE

COUNTY OF WARREN

REPORT OF AUDIT

2011

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TOWNSHIP OF INDEPENDENCE

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011



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### Independent Auditors' Report

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
Independence, New Jersey

We have audited the financial statements— regulatory basis of the various funds of the Township of Independence, in the County of Warren (the "Township") as of and for the years ended December 31, 2011 and 2010, as listed in the foregoing table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements referred to in the first paragraph do not include the general fixed assets account group, which should be included in order to conform to the Technical Accounting Directives of the Division. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, and the results of its operations for the years then ended.

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
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However, in our opinion, except for the effects on the financial statements-- regulatory basis of the omission of the general fixed assets account group described in the fourth paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Independence at December 31, 2011 and 2010, and the results of operations and changes in fund balance, where applicable, of such funds for the years then ended, in accordance with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis and are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1 to the financial statements and Note 2 to the schedules of expenditures of federal and state awards.

Mount Arlington, New Jersey  
March 2, 2012

NISIVOCIA LLP



William F. Schroeder  
Certified Public Accountant  
Registered Municipal Accountant No. 452

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
CURRENT FUND



TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2011	2010
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 1,315,155.27	\$ 1,752,455.04
Change Funds		400.00	400.00
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		115.52	1,115.52
		<u>1,315,670.79</u>	<u>1,753,970.56</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	322,581.24	280,878.47
Tax Title Liens Receivable	A-8	391,812.59	395,694.65
Penalty on Delinquent Taxes Receivable		2,786.54	2,097.36
Property Acquired for Taxes at Assessed Valuation		132,140.00	132,140.00
Revenue Accounts Receivable	A-9	3,504.27	4,727.38
Due From Federal and State Grant Fund	A	28,687.20	919.06
Total Receivables and Other Assets		<u>881,511.84</u>	<u>816,456.92</u>
With Full Reserves			
		<u>881,511.84</u>	<u>816,456.92</u>
Total Regular Fund		<u>2,197,182.63</u>	<u>2,570,427.48</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	<u>70,942.99</u>	<u>227,478.55</u>
Total Federal and State Grant Fund		<u>70,942.99</u>	<u>227,478.55</u>
TOTAL ASSETS		<u>\$ 2,268,125.62</u>	<u>\$ 2,797,906.03</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET  
(Continued)

		December 31,	
	Ref.	2011	2010
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 6,632.73	\$ 21,426.74
Unencumbered	A-3;A-11	55,771.08	132,230.65
Total Appropriation Reserves		62,403.81	153,657.39
Accounts Payable- Vendors		3,513.42	9,000.00
County Taxes Payable		7,810.70	9,931.78
Regional School District Taxes Payable	A-12	181,122.05	405,403.52
Due to:			
State of New Jersey:			
Marriage License Fees		225.00	200.00
Training Fees		664.00	796.00
Prepaid Taxes		53,840.47	57,354.33
Reserve for:			
Third Party Liens		3,478.00	3,478.00
Police Donations		40.00	
Garden State Preservation Trust		3,625.26	3,625.26
Payroll Expenses		20,351.15	20,169.00
		337,073.86	663,615.28
Reserve for Receivables and Other Assets	A	881,511.84	816,456.92
Fund Balance	A-1	978,596.93	1,090,355.28
Total Regular Fund		2,197,182.63	2,570,427.48
Federal and State Grant Fund:			
Due Current Fund	A	28,687.20	919.06
Appropriated Reserves for Grants	A-13	33,906.93	219,485.03
Unappropriated Reserves for Grants	A-14	8,348.86	7,074.46
		70,942.99	227,478.55
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 2,268,125.62	\$ 2,797,906.03

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,	
<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,015,000.00	\$ 1,050,000.00
Miscellaneous Revenue Anticipated	647,751.39	690,779.50
Receipts from:		
Delinquent Taxes	335,424.28	369,957.14
Current Taxes	13,705,982.41	13,515,242.44
Nonbudget Revenue	44,678.27	78,708.68
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	108,548.85	83,796.55
Tax Overpayments Cancelled	17.51	
Increase in Deferred School Tax	300,000.00	300,000.00
Penalty on Delinquent Taxes Collected	2,097.36	2,421.15
Interfund Returned		39,419.19
Total Income	<u>16,159,500.07</u>	<u>16,130,324.65</u>
<u>Expenditures</u>		
Budget and Emergency Appropriations:		
Municipal Purposes	3,071,288.28	3,056,630.86
County Taxes	4,329,334.02	4,353,781.47
Regional School District Taxes	7,827,348.80	7,675,911.75
Prior Year Senior Citizen Deductions Disallowed	519.18	792.47
Interfund Advanced	27,768.14	
Total Expenditures	<u>15,256,258.42</u>	<u>15,087,116.55</u>
Excess in Revenue	903,241.65	1,043,208.10
<u>Fund Balance</u>		
Balance January 1	<u>1,090,355.28</u>	<u>1,097,147.18</u>
	1,993,596.93	2,140,355.28
Decreased by:		
Utilized as Anticipated Revenue	<u>1,015,000.00</u>	<u>1,050,000.00</u>
Balance December 31	<u><u>\$ 978,596.93</u></u>	<u><u>\$ 1,090,355.28</u></u>

A

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 1,015,000.00		\$ 1,015,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,000.00		7,075.00	\$ 1,075.00
Municipal Court - Fines and Costs	50,000.00		47,733.23	2,266.77 *
Interest and Costs on Taxes	36,000.00		67,236.08	31,236.08
In Lieu of Taxes - Liberty House	43,000.00		53,755.63	10,755.63
Municipal Building Rent	40,000.00		40,150.00	150.00
Consolidated Municipal Property Tax Relief Act	29,131.00		29,131.00	
Energy Receipts Tax	268,360.00		268,360.00	
Reserve for Garden State Trust Fund	3,625.00		3,625.00	
Uniform Construction Code Fees	52,000.00		56,793.00	4,793.00
Uniform Construction Code Fines			250.00	250.00
Clean Communities Program	11,352.12		11,352.12	
Municipal Alliance on Alcoholism and Drug Abuse	9,802.00		9,802.00	
Safe and Secure Communities Program	22,146.00		22,146.00	
Reserve for Clean Communities Program	2,502.20		2,502.20	
Reserve NJ Body Armor Grant	1,130.78		1,130.78	
Over the Limit, Under Arrest		\$ 4,400.00	4,400.00	
Wastewater Management Plan Grant		15,000.00	15,000.00	
Uniform Fire Safety Act	5,500.00		2,435.00	3,065.00 *
Uniform Fire Safety Act - State			4,874.35	4,874.35
Total Miscellaneous Revenue	<u>580,549.10</u>	<u>19,400.00</u>	<u>647,751.39</u>	<u>47,802.29</u>
Receipts from Delinquent Taxes	<u>255,000.00</u>		<u>335,424.28</u>	<u>80,424.28</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,948,341.00</u>		<u>2,296,299.59</u>	<u>347,958.59</u>
Budget Totals	<u>3,798,890.10</u>	<u>19,400.00</u>	<u>4,294,475.26</u>	<u>476,185.16</u>
Nonbudget Revenue			<u>44,678.27</u>	<u>44,678.27</u>
	<u>\$ 3,798,890.10</u>	<u>\$ 19,400.00</u>	<u>\$ 4,339,153.53</u>	<u>\$ 520,863.43</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2011  
 (continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 13,705,982.41
Allocated to School and County Taxes	12,156,682.82
Balance for Support of Municipal Budget	1,549,299.59
Add: Appropriation "Reserve for Uncollected Taxes"	747,000.00
Realized for Support of Municipal Budget	\$ 2,296,299.59

Analysis of Delinquent Tax Collections:

Delinquent Taxes	\$ 281,397.65
Tax Title Liens	54,026.63
	\$ 335,424.28

Analysis of Non Budget Revenue:

Treasurer:

Interest on Investments	\$ 10,373.81	
Various Permit Fees	1,865.00	
Cable TV Franchise Fee	20,299.48	
Miscellaneous Fees	11,189.21	
		\$ 43,727.50

Interest on Investments:

Due from Animal Control Fund	15.57
Due from General Capital Fund	292.53
Due from Other Trust Funds	472.18

780.28

Tax Collector:

Miscellaneous Receipts	170.49
	\$ 44,678.27

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations - Within "CAPS"					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries & Wages	\$ 19,304.00	\$ 18,904.00	\$ 18,844.00	\$ 60.00	
Other Expenses	1,500.00	1,577.82	1,577.82		
Municipal Clerk:					
Salaries & Wages	126,094.00	125,594.00	125,248.58	345.42	
Other Expenses	29,500.00	29,500.00	28,393.42	1,106.58	
Financial Administration:					
Salaries & Wages	38,416.00	38,416.00	38,416.00		
Other Expenses	10,653.00	11,153.00	10,907.36	245.64	
Annual Audit	16,000.00	16,000.00	16,000.00		
Collection of Taxes:					
Salaries & Wages	21,801.00	21,801.00	21,801.00		
Other Expenses	5,000.00	5,000.00	4,528.03	471.97	
Assessment of Taxes:					
Salaries & Wages	33,946.00	33,946.00	33,946.00		
Other Expenses	8,000.00	8,000.00	5,596.34	2,403.66	
Legal Services and Costs:					
Other Expenses	40,000.00	33,000.00	24,162.65	8,837.35	
Engineering Services and Costs:					
Other Expenses	22,000.00	24,000.00	22,451.48	1,548.52	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	7,650.00	7,650.00	7,650.00		
Other Expenses	5,100.00	5,100.00	2,728.32	2,371.68	

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
Operations - Within "CAPS" (continued)					
GENERAL GOVERNMENT (continued):					
Municipal Land Use Law (N.J.S.A. 40:55D-1) (continued):					
Zoning Officer:					
Salaries & Wages	\$ 12,750.00	\$ 12,750.00	\$ 12,750.00		
Other Expenses	400.00	400.00		\$ 400.00	
INSURANCE:					
Liability Insurance	64,973.00	65,194.75	65,194.75		
Workers Compensation Insurance	62,290.00	62,290.00	62,041.00	249.00	
Group Plan for Employees	240,859.00	242,059.00	241,954.70	104.30	
PUBLIC SAFETY:					
Police:					
Salaries & Wages	739,062.00	717,242.22	709,978.28	7,263.94	
Other Expenses	33,300.00	33,300.00	30,607.12	2,692.88	
Purchase of Police Cars	37,421.00	37,421.00	37,420.64	0.36	
911 Coordinator:					
Salaries & Wages	1,310.00	1,310.00	1,310.00		
Office of Emergency Management:					
Salaries & Wages	2,330.00	2,330.00	2,330.00		
Other Expenses	1,000.00	1,000.00	538.63	461.37	
Fire:					
Other Expenses	26,250.00	26,250.00	26,250.00		
First Aid Squad:					
Other Expenses	26,250.00	26,250.00	26,250.00		
Uniform Fire Safety Act:					
Salaries & Wages	7,436.00	7,436.00	7,150.50	285.50	
Other Expenses	100.00	100.00		100.00	
Prosecutor:					
Salaries & Wages	7,343.00	7,343.00	7,343.00		

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations - Within "CAPS" (continued)					
PUBLIC WORKS FUNCTIONS:					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 246,161.00	\$ 246,161.00	\$ 244,183.27	\$ 1,977.73	
Other Expenses	125,100.00	119,100.00	103,624.95	15,475.05	
Garbage and Trash Removal:					
Other Expenses	4,000.00	4,000.00	3,355.90	644.10	
Public Buildings and Grounds:					
Other Expenses	12,000.00	12,000.00	9,367.35	2,632.65	
Vehicle Maintenance:					
Other Expenses	25,200.00	34,200.00	33,751.46	448.54	
Community Services Act:					
Other Expenses	15,000.00	16,020.21	16,020.21		
HEALTH AND WELFARE:					
Environmental Commission (R.S. 40:56A-1):					
Other Expenses	580.00	580.00		580.00	
Dog Regulation:					
Other Expenses	100.00	2,600.00	2,600.00		
Senior Citizen Center:					
Salaries & Wages	6,205.00	6,205.00	6,205.00		
Other Expenses	1,000.00	1,000.00	907.26	92.74	
Recreation:					
Salaries & Wages	37,787.00	37,787.00	37,787.00		
Other Expenses	10,500.00	10,500.00	10,500.00		
Landfill Closure:					
Other Expenses	4,221.00	4,221.00	3,832.53	388.47	



TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations - Within "CAPS" (continued)					
Utilities:					
Other Expenses	\$ 110,000.00	\$ 128,000.00	\$ 127,135.60	\$ 864.40	
Municipal Court:					
Salaries & Wages	30,128.00	30,128.00	29,529.98	598.02	
Other Expenses	2,500.00	2,500.00	1,802.35	697.65	
Public Defender:					
Other Expenses	600.00	1,800.00	1,800.00		
UNIFORM CONSTRUCTION CODE OFFICIAL:					
Construction Official:					
Salaries & Wages	40,700.00	40,700.00	40,231.45	468.55	
Other Expenses	1,700.00	1,700.00	1,123.40	576.60	
Total Operations Within "CAPS"	<u>2,321,520.00</u>	<u>2,321,520.00</u>	<u>2,267,127.33</u>	<u>54,392.67</u>	
Detail:					
Salaries & Wages	1,378,423.00	1,355,703.22	1,344,704.06	10,999.16	
Other Expenses	<u>943,097.00</u>	<u>965,816.78</u>	<u>922,423.27</u>	<u>43,393.51</u>	
Deferred Charges and Statutory Expenditures:					
STATUTORY EXPENDITURES:					
Contribution to:					
Social Security System (O.A.S.I.)	107,000.00	107,000.00	105,837.53	1,162.47	
Unemployment Compensation Insurance	<u>500.00</u>	<u>500.00</u>	<u>284.06</u>	<u>215.94</u>	

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	\$ 107,500.00	\$ 107,500.00	\$ 106,121.59	\$ 1,378.41	
Total General Appropriations for Municipal Purposes Within "CAPS"	2,429,020.00	2,429,020.00	2,373,248.92	55,771.08	
Operations Excluded from "CAPS": Police and Firemen's Retirement System of N.J.	164,716.00	164,716.00	164,716.00		
Public Employees' Retirement System	67,866.00	67,866.00	67,866.00		
Public and Private Programs Offset by Revenues: Municipal Alliance Grant: Other Expenses	9,802.00	9,802.00	9,802.00		
Municipal Alliance Grant - Local Match	1,869.00	1,869.00	1,869.00		
Safe and Secure Communities Program: Police	22,146.00	22,146.00	22,146.00		
NJ Body Armor: Other Expenses	1,130.78	1,130.78	1,130.78		

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS": (Cont'd)					
Public and Private Programs Offset by Revenues:					
Wastewater Management Plan Grant ( N.J.S.A.40A-87 + \$15,000.00 )		\$ 15,000.00	\$ 15,000.00		
Clean Communities Grant:					
Other Expenses	\$ 13,854.32	13,854.32	13,854.32		
Over the Limit, Under Arrest ( N.J.S.A.40A-87 + \$4,400.00 )		4,400.00	4,400.00		
Total Operations Excluded from "CAPS"	281,384.10	300,784.10	300,784.10		
Detail:					
Other Expenses	281,384.10	300,784.10	300,784.10		
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	13,750.00	13,750.00	13,750.00		
Purchase Computer Hardware Equipment	2,500.00	2,500.00	2,500.00		
Total Capital Improvements - Excluded from "CAPS"	16,250.00	16,250.00	16,250.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	190,000.00	190,000.00	190,000.00		
Interest on Bonds	93,241.00	93,241.00	93,239.18		\$ 1.82
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	41,995.00	41,995.00	41,995.00		
Total Municipal Debt Service - Excluded from "CAPS"	325,236.00	325,236.00	325,234.18		1.82

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total General Appropriations - Excluded from "CAPS"	\$ 622,870.10	\$ 642,270.10	\$ 642,268.28		\$ 1.82
Subtotal General Appropriations	3,051,890.10	3,071,290.10	3,015,517.20	\$ 55,771.08	1.82
Reserve for Uncollected Taxes	747,000.00	747,000.00	747,000.00		
Total General Appropriations	<u>\$ 3,798,890.10</u>	<u>\$ 3,818,290.10</u>	<u>\$ 3,762,517.20</u>	<u>\$ 55,771.08</u>	<u>\$ 1.82</u>

Ref.

A

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,798,890.10	
Added by N.J.S.A. 40A:4-87		19,400.00	
		<u>\$ 3,818,290.10</u>	
Reserve for Uncollected Taxes			\$ 747,000.00
Cash Disbursed			2,940,682.37
Transferred to Federal and State Grant Fund			68,202.10
Encumbrances	A		<u>6,632.73</u>
			<u>\$ 3,762,517.20</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
TRUST FUNDS

TOWNSHIP OF INDEPENDENCE  
COMPARATIVE BALANCE SHEET - TRUST FUNDS

		December 31,	
	Ref.	2011	2010
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 282.45	\$ 2,087.45
Change Fund		25.00	25.00
		<u>307.45</u>	<u>2,112.45</u>
Other Trust Fund:			
Cash and Cash Equivalents	B-4	<u>449,575.73</u>	<u>432,451.53</u>
TOTAL ASSETS		<u>\$ 449,883.18</u>	<u>\$ 434,563.98</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 307.45	\$ 2,112.45
		<u>307.45</u>	<u>2,112.45</u>
Other Trust Fund:			
Reserve for:			
Recreation Trust		41,309.95	35,586.20
Developers' Escrow		322,174.21	310,104.35
Unemployment Compensation Insurance		16,487.44	17,004.44
Tax Sale Premium		9,100.00	9,000.00
Parking Offense Adjudication Act Trust		220.00	184.00
Recycling Trust		1,639.42	1,639.42
Municipal Alliance		4,114.12	3,710.75
COAH Trust		54,530.59	55,222.37
		<u>449,575.73</u>	<u>432,451.53</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 449,883.18</u>	<u>\$ 434,563.98</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT



TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
GENERAL CAPITAL FUND

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 308,212.75	\$ 352,603.84
Due from State of New Jersey D.O.T. Grant		49,750.00	
Deferred Charges to Future Taxation:			
Funded		2,287,930.64	2,517,689.21
Unfunded	C-4	<u>675,000.00</u>	
TOTAL ASSETS		<u>\$ 3,320,893.39</u>	<u>\$ 2,870,293.05</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 2,206,000.00	\$ 2,396,000.00
Green Trust Loan Payable	C-8a	81,930.64	121,689.21
Improvement Authorizations:			
Funded	C-5	55,483.37	49,374.46
Unfunded	C-5	675,000.00	
Capital Improvement Fund	C-6	81,343.05	82,093.05
Reserve to Pay Debt Service		220,632.00	220,632.00
Fund Balance	C-1	<u>504.33</u>	<u>504.33</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 3,320,893.39</u>	<u>\$ 2,870,293.05</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2010	C	<u>\$ 504.33</u>
Balance December 31, 2011	C	<u><u>\$ 504.33</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
WATER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
SEWER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
PUBLIC ASSISTANCE FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Independence include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Independence, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Independence do not include the operations of the volunteer fire and first aid squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Independence 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 Independence accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - 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.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.



TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

The accounting policies of the Township of Independence conform to the accounting principles applicable to municipalities which have been prescribed by the Division, which 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:

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Current Fund when it is budgeted, and in the Capital Fund when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Other amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts.

Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31st are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

The cash basis of accounting is followed in the Trust and Capital Funds, except for grant revenue (as described above).

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when budgeted or awarded and inventories would not be reflected as expenditures at the time of purchase.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

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

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

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

Inventories of Supplies - The 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.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

General Fixed Assets - The Township has not implemented a fixed assets accounting and reporting system in accordance with Technical Accounting Directives No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services.

Property and equipment purchased by the Current and General Capital funds are recorded as expenditures at the time of purchase and are not capitalized.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

- D. Budget/Budgetary Control – An annual appropriated budget is usually prepared in the first quarter for the Current Fund. The budget is submitted to the governing body and the Division of Local Government Services. The budget is prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.
- E. Deferred Charges to Future Taxation – The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by issuing loans or by capital lease purchase agreements.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2011	2010	2009
Issued:			
General Bonds, Loans and Notes	\$ 2,287,930.64	\$ 2,517,689.21	\$ 2,741,664.38
Authorized But Not Issued:			
General Bonds and Notes	675,000.00		
	<u>2,962,930.64</u>	<u>2,517,689.21</u>	<u>2,741,664.38</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes			
Reserve to Pay Debt Service	220,632.00	220,632.00	240,632.00
Net Debt Issued	<u>\$ 2,742,298.64</u>	<u>\$ 2,297,057.21</u>	<u>\$ 2,501,032.38</u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Current and Prior Years

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2011</u>
Serial Bonds:				
General Capital Fund	\$ 2,396,000.00		\$ 190,000.00	\$ 2,206,000.00
Loans Payable:				
General Capital Fund	<u>121,689.21</u>		<u>39,758.57</u>	<u>81,930.64</u>
Total	<u>\$ 2,517,689.21</u>	<u>\$ -0-</u>	<u>\$ 229,758.57</u>	<u>\$ 2,287,930.64</u>
	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2010</u>
Serial Bonds:				
General Capital Fund	\$ 2,581,000.00		\$ 185,000.00	\$ 2,396,000.00
Loans Payable:				
General Capital Fund	<u>160,664.38</u>		<u>38,975.17</u>	<u>\$ 121,689.21</u>
Total	<u>\$ 2,741,664.38</u>	<u>\$ -0-</u>	<u>\$ 223,975.17</u>	<u>\$ 2,517,689.21</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .40%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 4,729,996.29	\$ 4,729,996.29	
General Debt	<u>2,962,930.64</u>	<u>220,632.00</u>	<u>\$ 2,742,298.64</u>
	<u>\$ 7,692,926.93</u>	<u>\$ 4,950,628.29</u>	<u>\$ 2,742,298.64</u>

Net Debt \$2,742,298.64 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$678,801,178 = .40%.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

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

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 23,758,041.24
Net Debt	<u>2,742,298.64</u>
Remaining Borrowing Power	<u><u>\$ 21,015,742.60</u></u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding

At December 31, 2011, the Township had debt issued and outstanding as follows:

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>
	<u>Outstanding December 31, 2011</u>			
	<u>Date</u>	<u>Amount</u>		
Construction of	8/15/12	\$ 95,000.00	4.200%	
Municipal Building	8/15/13	99,000.00	4.375%	
and Water Supply	8/15/14	107,000.00	4.400%	
System	8/15/15	110,000.00	4.500%	
	8/15/16	115,000.00	4.625%	
	8/15/17	120,000.00	4.750%	
	8/15/18	130,000.00	4.800%	
	8/15/19	135,000.00	4.875%	
	8/15/20	140,000.00	5.000%	
	8/15/21	150,000.00	5.000%	
				<u><u>\$ 1,201,000.00</u></u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding (Cont'd)

<u>Purpose</u>	<u>Maturities of Bonds</u> <u>Outstanding December 31, 2011</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
	<u>Date</u>	<u>Amount</u>		
Purchase of Land and Equipment	02/15/12	\$ 110,000.00	3.000%	
	02/15/13	110,000.00	3.000%	
	02/15/14	120,000.00	3.000%	
	02/15/15	130,000.00	3.000%	
	02/15/16	130,000.00	3.100%	
	02/15/17	135,000.00	3.100%	
	02/15/18	135,000.00	3.125%	
	02/15/19	135,000.00	3.250%	
				<u>\$ 1,005,000.00</u>

<u>Purpose</u>	<u>Final Maturity Date of Green</u> <u>Trust Loan Payable</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Acquisition of Land	10/18/2013	2.00%	<u>\$ 81,930.64</u>
Total Debt Issued and Outstanding			<u>\$ 2,287,930.64</u>

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and thereafter for Loans and Bonded Debt Issued and Outstanding

<u>Calendar</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 245,557.72	\$ 87,027.36	\$ 332,585.08
2013	250,372.92	78,922.14	329,295.06
2014	227,000.00	70,519.25	297,519.25
2015	240,000.00	62,061.25	302,061.25
2016	245,000.00	53,146.24	298,146.24
2017-2021	1,080,000.00	7,500.00	1,087,500.00
	<u>\$ 2,287,930.64</u>	<u>\$ 359,176.24</u>	<u>\$ 2,647,106.88</u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2011, which is appropriated and included in the introduced budget as anticipated revenue for the year ending December 31, 2012, is as follows:

Current Fund	\$950,000.00
--------------	--------------

Note 4: Regional School District 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.

Regional School District Taxes have been raised and the liability deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<u>Regional School District Tax</u>		Increase/ (Decrease)
	Balance Dec. 31, 2011	Balance Dec. 31, 2010	
Balance of Tax	\$ 3,913,674.38	\$ 3,837,955.85	\$ 75,718.53
Amount Deferred	3,732,552.33	3,432,552.33	300,000.00
Regional School District Tax Payable	<u>\$ 181,122.05</u>	<u>\$ 405,403.52</u>	<u>\$ (224,281.47)</u>

Note 5: Pension Plans

Township employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) of New Jersey. The State of New Jersey sponsors and administers these two plans which cover substantially all Township employees. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required 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 went from 5.5% to 6.5% while the employee contributions for PFRS increased to 10.00% from 8.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 5: Pension Plans (Cont'd)

Township contributions to the plans amounted to \$232,582.00, \$197,789.00 and \$156,835.20, for 2011, 2010 and 2009, respectively.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$291,699.08 at December 31, 2011. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	\$ 2.02	\$ 1.99	\$ 1.98
<u>Apportionment of Tax Rate</u>			
Municipal	0.279	0.264	0.248
County	0.621	0.626	0.656
Regional School	1.120	1.100	1.071
<u>Assessed Valuations</u>			
2011	<u>\$ 696,011,945.00</u>		
2010		<u>\$ 697,339,078.00</u>	
2009			<u>\$ 697,273,938.00</u>

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.



TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 7: Selected Tax Information

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 14,126,482.72	\$ 13,705,982.41	97.02%
2010	13,887,249.79	13,515,242.44	97.32%
2009	13,807,877.95	13,365,377.83	96.80%

Comparison of Tax Levies and Collection Currently

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents includes change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits (Cont'd)

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) 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 the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed

As of December 31, 2011, cash and cash equivalents of the Township of Independence consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Savings Accounts</u>	<u>Money Market Accounts</u>	<u>Total</u>
Current	\$ 400.00	\$ 1,273,228.04		\$ 41,927.23	\$ 1,315,555.27
Animal Control	25.00	282.45			307.45
Other Trust	3,600.00	208,890.78	\$ 197,818.16	39,266.79	449,575.73
General Capital		308,212.75			308,212.75
	<u>\$ 4,025.00</u>	<u>\$ 1,790,614.02</u>	<u>\$ 197,818.16</u>	<u>\$ 81,194.02</u>	<u>\$ 2,073,651.20</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2011, was \$2,073,651.20 and the bank balance was \$2,592,873.70. During the year ended December 31, 2011, the Township did not hold any investments.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township obtains their health benefit coverage through the State of New Jersey Health Benefits Program.

The Township is a member of the Public Alliance Insurance Coverage Fund (the "Fund"). The Fund is a risk-sharing public entity risk pool that is an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

The following coverages are offered by this fund to its members:

- a.) Worker's Compensation and Employers' Liability
- b.) Liability Other than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicles
- e.) Environmental

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 9: Risk Management (Cont'd)

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2011 audit report of the Fund was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2010 is as follows:

	Public Alliance Insurance Coverage Dec. 31, 2010
Total Assets	\$ 12,473,920
Fund Equity	\$ 3,500,192
Total Revenue	\$ 9,633,163
Total Expenses	\$ 9,433,058
Net Income	\$ 200,105
Fund Equity Distribution to Participating Members	\$ -0-

Financial statements for the Funds are available at the offices of the Fund's Executive Director:

Public Alliance Insurance Coverage Fund  
Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550  
(609) 275-1155

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, interest earned, reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ -0-	\$ -0-	\$ -0-	\$ 517.00	\$ 16,487.44
2010	-0-	-0-	-0-	1,403.34	17,004.44
2009	-0-	-0-	-0-	-0-	18,407.78

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Note 10: Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 28,687.20	
Federal and State Grant		\$ 28,687.20
	<u>\$ 28,687.20</u>	<u>\$ 28,687.20</u>

The interfund between the Current Fund and the Federal and State Grant Fund represents the net amount received in and disbursed from the Current Fund on behalf of the Federal and State Grant Fund.

Note 11: Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Note 12: Economic Dependency

The Township received a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

TOWNSHIP OF INDEPENDENCE

SUPPLEMENTARY DATA

TOWNSHIP OF INDEPENDENCE  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2011

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Robert Giordano	Mayor		
John Cummins	Deputy Mayor		
Glenn Cogle	Committee Member		
Glenn Williams	Committee Member		
Bonnie Kelsey	Committee Member		
Deborah Hrebenak	Clerk, Deputy Court Administrator, Assessment Search Officer, Registrar, Administrator	\$ 1,000,000.00	PAICJIF/MELJIF
Michele Adamiatis	Deputy Clerk, Tax Assistant, Deputy Registrar	1,000,000.00	PAICJIF/MELJIF
Kevin Lifer	Chief Financial Officer	1,000,000.00	PAICJIF/MELJIF
Patricia Noll	Tax Collector, Tax Search Officer	110,000.00	Western Surety Company
Kathleen Degan	Tax Assessor	1,000,000.00	PAICJIF/MELJIF
Gebhardt & Kiefer	Attorney		
J. Edward Palmer	Magistrate	1,000,000.00	PAICJIF/MELJIF
Anne Marie Trezeciakiewicz	Court Clerk, Violations Clerk	1,000,000.00	PAICJIF/MELJIF
Charles O'Connor	Building Inspector, Construction Official		

All bonds were examined and were properly executed.

(A) There is in effect a Public Employees Blanket Bond in the Amount of \$1,000,000.00 issued by  
PAICJIF/MELJIF.

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
CURRENT FUND



TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 1,752,455.04
Increased by Receipts:		
Tax Collector	\$ 14,101,380.98	
Revenue Accounts Receivable	510,557.21	
Miscellaneous Revenue Not Anticipated	43,727.50	
Veterans and Senior Citizens' Deductions	50,980.82	
Due State of New Jersey - Marriage License Fees	725.00	
Due State of New Jersey - State Training Fees	3,191.00	
Reserve for Garden State Preservation Trust	3,625.00	
Reserve for Police Donations	40.00	
Due from Other Trust Fund	472.18	
Due from Animal Control Fund	15.57	
Due from General Capital Fund	292.53	
Due from Payroll Account	182.15	
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable	18,883.86	
Unappropriated Reserves	4,907.38	
		<u>14,738,981.18</u>
		16,491,436.22
Decreased by Disbursements:		
2011 Appropriation Expenditures	2,940,682.37	
2010 Appropriation Reserves	45,108.54	
Regional School District Taxes	7,751,630.27	
County Taxes	4,331,455.10	
Third Party Tax Title Liens Redeemed	35,156.80	
Due to State of New Jersey - Marriage License Fees	700.00	
Due State of New Jersey - State Training Fees	3,323.00	
Tax Overpayments Refunded	5,709.91	
Accounts Payable	5,486.58	
Due from Federal and State Grant Fund:		
Grant Fund Expenditures	53,428.38	
Tax Sale Premiums Refunded	3,600.00	
		<u>15,176,280.95</u>
Balance December 31, 2011	A	<u>\$ 1,315,155.27</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2011

## Increased by Receipts:

Taxes Receivable	\$ 13,879,525.73	
2012 Prepaid Taxes	53,840.47	
Tax Sale Premiums	3,600.00	
Third Party Tax Title Liens	35,156.80	
Tax Title Liens	54,026.63	
Interest and Costs on Taxes	67,236.08	
Tax Overpayments	5,727.42	
Penalty on Delinquent Taxes	2,097.36	
Miscellaneous Revenue Not Anticipated	170.49	
	<hr/>	
		<u>\$ 14,101,380.98</u>

## Decreased by:

Payments to Treasurer		<u><u>\$ 14,101,380.98</u></u>
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TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2011 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2010		2010	2011				Dec. 31, 2011
2009	\$ 250.00			\$ 250.00				
2010	280,628.47			281,147.65	\$ (519.18)			
	<u>280,878.47</u>			<u>281,397.65</u>	<u>(519.18)</u>			
2011		\$ 14,126,482.72	\$ 57,354.33	13,598,128.08	50,500.00	\$ 48,376.84	\$ 49,542.23	\$ 322,581.24
	<u>\$ 280,878.47</u>	<u>\$ 14,126,482.72</u>	<u>\$ 57,354.33</u>	<u>\$ 13,879,525.73</u>	<u>\$ 49,980.82</u>	<u>\$ 48,376.84</u>	<u>\$ 49,542.23</u>	<u>\$ 322,581.24</u>

Ref. A

A

Analysis of 2011 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 14,101,431.02	
Added and Omitted Taxes	<u>25,051.70</u>	
		<u>\$ 14,126,482.72</u>

Tax Levy:

County Taxes	4,321,523.32	
Due County for Added and Omitted Taxes	<u>7,810.70</u>	
		4,329,334.02
Regional School District Taxes		<u>7,827,348.80</u>
		12,156,682.82
Local Tax for Municipal Purposes Levied	1,948,341.00	
Add: Additional Tax Levied	<u>21,458.90</u>	
		<u>1,969,799.90</u>
		<u>\$ 14,126,482.72</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 395,694.65
Increased by:		
Interest and Costs	\$ 602.34	
Transfer from Taxes Receivable	49,542.23	
		50,144.57
		445,839.22
Decreased by:		
Cash Receipts		54,026.63
Balance December 31, 2011	A	\$ 391,812.59

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Accrued In</u> <u>2011</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Clerk:				
Licenses:				
Alcoholic Beverage Licenses		\$ 7,075.00	\$ 7,075.00	
Building Inspector:				
Fees and Permits		56,793.00	56,793.00	
Municipal Court:				
Fines and Costs	\$ 4,727.38	46,510.12	47,733.23	\$ 3,504.27
Energy Receipts Taxes		268,360.00	268,360.00	
Consolidated Municipal Property Tax Relief Act		29,131.00	29,131.00	
In-Lieu of Taxes-Liberty House		53,755.63	53,755.63	
Municipal Building Rent		40,150.00	40,150.00	
Uniform Construction Code Fines		250.00	250.00	
Uniform Fire Safety Fees		2,435.00	2,435.00	
Uniform Fire Safety Fees - State		4,874.35	4,874.35	
	<u>\$ 4,727.38</u>	<u>\$ 509,334.10</u>	<u>\$ 510,557.21</u>	<u>\$ 3,504.27</u>
<u>Ref.</u>	A			A

TOWNSHIP OF INDEPENDENCE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance Dec. 31, 2010	2011 Budget Revenue Realized	Cash Received	Transferred from Unappropriated Reserve	Cancelled	Balance Dec. 31, 2011
Municipal Alliance Grant - 2011		\$ 9,802.00	\$ 4,245.56			\$ 5,556.44
Municipal Alliance Grant - 2010	\$ 238.00				\$ 238.00	
New Jersey Department of Transportation Clean Communities	199,000.00	13,854.32	11,352.12	\$ 2,502.20	199,000.00	
Safe & Secure Communities Program - 2011		22,146.00				22,146.00
New Jersey Body Armor Grant		1,130.78		1,130.78		
Over the Limit, Under Arrest Grant		4,400.00	3,286.18		1,113.82	
Wastewater Management Plan- 2011		15,000.00				15,000.00
Wastewater Management Plan- 2010	10,000.00					10,000.00
Highlands Plan Conformance Grant	3,240.55					3,240.55
Highlands Plan Assessment Grant	15,000.00					15,000.00
	<u>\$ 227,478.55</u>	<u>\$ 66,333.10</u>	<u>\$ 18,883.86</u>	<u>\$ 3,632.98</u>	<u>\$ 200,351.82</u>	<u>\$ 70,942.99</u>

Ref.

A

A

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF 2010 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 3,075.04	\$ 75.04		\$ 75.04
Other Expenses	519.55	519.55		519.55
Municipal Clerk:				
Salaries and Wages	857.69	857.69	\$ 214.17	643.52
Other Expenses	9,683.14	7,383.14	868.26	6,514.88
Financial Administration:				
Other Expenses	99.20	99.20		99.20
Collection of Taxes:				
Other Expenses	644.56	644.56	538.00	106.56
Tax Assessment/Administration:				
Other Expenses	2,744.64	2,744.64	278.68	2,465.96
Legal Services and Costs:				
Other Expenses	42,300.42	42,300.42	2,609.00	39,691.42
Engineering Services and Costs:				
Other Expenses	9,217.50	9,217.50	7,303.47	1,914.03
Municipal Land Use Law (N.J.S.A. 40A:55D-1):				
Planning Board:				
Other Expenses	1,390.31	1,390.31	846.06	544.25
Zoning Officer:				
Salaries and Wages	1,000.00	1,000.00		1,000.00
Other Expenses	400.00	400.00		400.00
Public Safety:				
Police:				
Salaries and Wages	15,457.33	12,457.33	3,090.28	9,367.05
Other Expenses	10,902.38	10,902.38	9,126.98	1,775.40
Purchase of Police Cars	0.36	0.36		0.36
911 Coordinator:				
Salaries and Wages	672.44	672.44		672.44
Office of Emergency Management:				
Other Expenses	500.00	500.00		500.00
Uniform Fire Safety Act:				
Salaries and Wages	2,328.75	2,328.75	441.00	1,887.75
Other Expenses	1,000.00	1,000.00		1,000.00
Road Repairs and Maintenance:				
Salaries and Wages	10,376.78	5,376.78	1,981.47	3,395.31
Other Expenses	11,680.81	16,680.81	602.09	16,078.72
Garbage and Trash Removal:				
Other Expenses	1,119.25	1,119.25	123.83	995.42

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF 2010 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Balance Dec. 31, 2010	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Public Buildings and Grounds:				
Other Expenses	\$ 3,984.56	\$ 3,984.56	\$ 58.75	\$ 3,925.81
Vehicle Maintenance:				
Other Expenses	1,838.10	3,838.10	1,971.96	1,866.14
Community Services Act:				
Other Expenses	3,286.92	286.92		286.92
Environmental Commission:				
Other Expenses	300.00	300.00		300.00
Recreation:				
Salaries and Wages	0.42	0.42		0.42
Other Expenses	30.64	30.64		30.64
Senior Citizen Center:				
Other Expenses	38.03	38.03		38.03
Landfill Closure:				
Other Expense	167.47	467.47	445.65	21.82
Utility:				
Other Expenses	6,297.51	15,297.51	13,824.89	1,472.62
Municipal Court:				
Salaries and Wages	2,039.84	2,039.84		2,039.84
Other Expenses	395.90	395.90	284.00	111.90
Public Defender:				
Other Expenses	600.00	600.00		600.00
Uniform Construction Code:				
Salaries and Wages	1,187.16	1,187.16		1,187.16
Other Expenses	1,188.00	1,188.00		1,188.00
Statutory Expenditures:				
Contribution:				
Social Security System (O.A.S.I.)	32.63	32.63		32.63
Unemployment Compensation Insurance	153.58	153.58		153.58
Liability Insurance	3,315.00	3,315.00	500.00	2,815.00
Group Insurance	2,731.48	2,731.48		2,731.48
Accumulated Benefit Time	100.00	100.00		100.00
Total	<u>\$ 153,657.39</u>	<u>\$ 153,657.39</u>	<u>\$ 45,108.54</u>	<u>\$ 108,548.85</u>

Ref.

Analysis of Balance December 31, 2010

Encumbered	A	\$ 21,426.74
Unencumbered	A	<u>132,230.65</u>
		<u>\$ 153,657.39</u>



TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>		
Balance December 31, 2010:			
School Taxes Deferred		\$ 3,432,552.33	
School Taxes Payable	A	<u>405,403.52</u>	
			\$ 3,837,955.85
Increased by:			
Levy - School Year - July 1, 2011 to June 30, 2012			<u>7,827,348.80</u>
			11,665,304.65
Decreased by:			
Payments to Regional School District			<u>7,751,630.27</u>
Balance December 31, 2011:			
School Taxes Deferred		3,732,552.33	
School Taxes Payable	A	<u>181,122.05</u>	
			<u>\$ 3,913,674.38</u>
<u>Analysis of Increase - Deferred School Tax:</u>			
Balance December 31, 2011			\$ 3,732,552.33
Balance December 31, 2010			<u>3,432,552.33</u>
Net Increase Credited to Operations			<u>\$ 300,000.00</u>

TOWNSHIP OF INDEPENDENCE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2010	Transferred from 2011 Budget Appropriations	Paid or Charged	Cancelled	Balance Dec. 31, 2011
Clean Communities Program - 2011		\$ 13,854.32	\$ 4,622.34		\$ 9,231.98
Clean Communities Program - 2010	\$ 10,432.27		10,432.27		
New Jersey Department of Transportation:					
Road Repair Grant - 2009	199,000.00			\$ 199,000.00	
Drunk Driving Enforcement Fund - 2010	707.52		161.00		546.52
Body Armor Grant- 2011		1,130.78			1,130.78
Body Armor Grant- 2010	695.34				695.34
Body Armor Grant- 2009	789.74				789.74
Federal Body Armor	878.06				878.06
Municipal Alliance Grant - 2011		9,802.00	5,603.64		4,198.36
Municipal Alliance Grant - 2011 Local Match		1,869.00	1,869.00		
Municipal Alliance Grant - 2010	3,641.18		3,403.18	238.00	
Recycling Tonnage - 2010	32.17				32.17
Safe and Secure Communities Program		22,146.00	22,146.00		
Over the Limit, Under Arrest		4,400.00	3,286.18	1,113.82	
Wastewater Management Plan- 2011		15,000.00			15,000.00
Wastewater Management Plan- 2010	3,308.75		1,904.77		1,403.98
	<u>\$ 219,485.03</u>	<u>\$ 68,202.10</u>	<u>\$ 53,428.38</u>	<u>\$ 200,351.82</u>	<u>\$ 33,906.93</u>
<u>Ref.</u>	A				A
Grant Funds		\$ 66,333.10			
Matching Share		<u>1,869.00</u>			
		<u>\$ 68,202.10</u>			

TOWNSHIP OF INDEPENDENCE  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2010	Transferred to 2011 Budget Revenue	Cash Received	Balance Dec. 31, 2011
Recycling Tonnage Grant	\$ 3,316.65		\$ 3,430.80	\$ 6,747.45
Clean Communities	2,502.20	\$ 2,502.20	380.13	380.13
Court - Alcohol Rehabilitation	124.83			124.83
New Jersey Body Armor Grant	1,130.78	1,130.78	1,096.45	1,096.45
	<u>\$ 7,074.46</u>	<u>\$ 3,632.98</u>	<u>\$ 4,907.38</u>	<u>\$ 8,348.86</u>

Ref.

A

A

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
TRUST FUNDS

TOWNSHIP OF INDEPENDENCE  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

		<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
	<u>Ref.</u>		
Balance December 31, 2010	B	\$ 2,087.45	\$ 432,451.53
Increased by Receipts:			
Township Dog License Fees		\$ 6,052.00	
State Dog License Fees		1,404.00	
Other Animal Control Fees		2,191.00	
Budget Appropriation		2,600.00	
Developers Escrow			\$ 31,909.00
Recreation Trust			34,904.50
POAA Fees			36.00
Municipal Alliance			1,076.83
COAH Trust			5,615.97
Tax Sale Premiums			3,600.00
Due to Current Fund:			
Interest on Deposits		15.57	472.18
		<u>12,262.57</u>	<u>77,614.48</u>
		14,350.02	510,066.01
Decreased by Disbursements:			
Administrative Expenses		12,648.00	
State Board of Health		1,404.00	
Due to Current Fund:			
Interest on Deposits		15.57	472.18
Developers Escrow			19,839.14
COAH Fees			6,307.75
Unemployment Compensation			517.00
Tax Sale Premiums			3,500.00
Municipal Alliance			673.46
Recreation Expenditures			29,180.75
		<u>14,067.57</u>	<u>60,490.28</u>
Balance December 31, 2011	B	<u>\$ 282.45</u>	<u>\$ 449,575.73</u>

TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF INDEPENDENCE  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2010	B	\$ 2,112.45
Increased by:		
Dog License Fees	\$ 6,052.00	
Other Animal Control Fees	2,191.00	
Budget Appropriation	<u>2,600.00</u>	
		<u>10,843.00</u>
		12,955.45
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>12,648.00</u>
Balance December 31, 2011	B	<u><u>\$ 307.45</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2009	\$ 6,201.60
2010	<u>6,283.20</u>
Maximum Allowable Reserve	<u><u>\$ 12,484.80</u></u>

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
GENERAL CAPITAL FUND



TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 352,603.84
Increased by:		
Budget Appropriation - Capital Improvement Fund	\$ 13,750.00	
Fire Department Donations - Capital Improvement Fund	20,500.00	
State of New Jersey D.O.T. Grant	149,250.00	
Interest Due to Current Fund	292.53	
		183,792.53
		536,396.37
Decreased by:		
Improvement Authorizations	227,891.09	
Due to Current Fund	292.53	
		228,183.62
Balance December 31, 2011	C	\$ 308,212.75

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

		Receipts		Disbursements				Balance/ (Deficit)	
		Balance Dec. 31, 2010	Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	Transfers		Dec. 31, 2011
							From	To	
Fund Balance		\$ 504.33							\$ 504.33
Capital Improvement Fund		82,093.05	\$ 34,250.00				\$ 35,000.00		81,343.05
Due Current Fund				\$ 292.53		\$ 292.53			
Due from State of New Jersey D.O.T. Grant				149,250.00			199,000.00		(49,750.00)
Reserve to Pay Debt Service		220,632.00							220,632.00
Ord. No.	Improvement Description								
05-05	Purchase Land and Equipment	36,358.71							36,358.71
08-08	Various Equipment	5,831.50			\$ 725.00				5,106.50
09-06	Improve Roads & Facilities, Purchase Equipment	7,118.00			4,029.00				3,089.00
10-07	Road Improvements	66.25			66.25				
11-02	Various Road Improvements				203,331.43			\$ 204,000.00	668.57
11-08	Various Equipment & Improvements				19,739.41			30,000.00	10,260.59
		<u>\$ 352,603.84</u>	<u>\$ 34,250.00</u>	<u>\$ 149,542.53</u>	<u>\$ 227,891.09</u>	<u>\$ 292.53</u>	<u>\$ 234,000.00</u>	<u>\$ 234,000.00</u>	<u>\$ 308,212.75</u>

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED  
YEAR ENDED DECEMBER 31, 2011

Ord. Date	Improvement Description	2011 Authorizations	Balance Dec. 31, 2011	Analysis of Balance December 31, 2011
				Unexpended Improvement Authorization
3/8/2011	Various Road Improvements	\$ 95,000.00	\$ 95,000.00	\$ 95,000.00
8/2/2011	Various Equipment & Improvements	580,000.00	580,000.00	580,000.00
		<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>

Ref.

C

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance	2011 Authorizations			Improvement	Balance	
		Date	Amount	Dec. 31, 2010 Funded	Deferred Charges	Capital Improvement Fund	State of New Jersey D.O.T. Grant	Authorizations Expenditures	Dec. 31, 2011 Funded	Unfunded
05-05	Purchase Land and Equipment	7/13/05	\$ 1,869,000.00	\$ 36,358.71					\$ 36,358.71	
08-08	Purchase of Various Equipment	7/8/08	64,000.00	5,831.50				\$ 725.00	5,106.50	
09-04	Improve Roads & Facilities, Purchase Equipmment	6/9/09	50,000.00	7,118.00				4,029.00	3,089.00	
10-07	Road Improvements	11/9/10	25,000.00	66.25				66.25		
11-02	Various Road Improvements	3/8/11	299,000.00		\$ 95,000.00	\$ 5,000.00	\$ 199,000.00	203,331.43	668.57	\$ 95,000.00
11-09	Various Equipment & Improvements	8/2/11	610,000.00		580,000.00	30,000.00		19,739.41	10,260.59	580,000.00
				<u>\$ 49,374.46</u>	<u>\$ 675,000.00</u>	<u>\$ 35,000.00</u>	<u>\$ 199,000.00</u>	<u>\$ 227,891.09</u>	<u>\$ 55,483.37</u>	<u>\$ 675,000.00</u>
<u>Ref.</u>				C					C	C

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 82,093.05
Increased by:		
2011 Budget Appropriation	13,750.00	
Fire Department Donations	<u>20,500.00</u>	
		<u>34,250.00</u>
		116,343.05
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>35,000.00</u>
Balance December 31, 2011	C	<u>\$ 81,343.05</u>

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2010	Matured	Balance Dec. 31, 2011
			December 31, 2011					
			Date	Amount				
Construction of Municipal Building and Water Supply System	10/10/01	\$ 1,995,000.00	08/15/12	\$ 95,000.00	4.200%	\$ 1,291,000.00	\$ 90,000.00	\$ 1,201,000.00
			08/15/13	99,000.00	4.375%			
			08/15/14	107,000.00	4.400%			
			08/15/15	110,000.00	4.500%			
			08/15/16	115,000.00	4.625%			
			08/15/17	120,000.00	4.750%			
			08/15/18	130,000.00	4.800%			
			08/15/19	135,000.00	4.875%			
			08/15/20	140,000.00	5.000%			
			08/15/21	150,000.00	5.000%			
Purchase Land and Equipment	02/26/09	1,200,000.00	02/15/12	110,000.00	3.000%	1,105,000.00	100,000.00	1,005,000.00
			02/15/13	110,000.00	3.000%			
			02/15/14	120,000.00	3.000%			
			02/15/15	130,000.00	3.000%			
			02/15/16	130,000.00	3.100%			
			02/15/17	135,000.00	3.100%			
			02/15/18	135,000.00	3.125%			
			02/15/19	135,000.00	3.250%			
						\$ 2,396,000.00	\$ 190,000.00	\$ 2,206,000.00
Ref.						C	C	C

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF NJ GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 121,689.21
Decreased by:		
Principal Matured-Funded by Budget Appropriation		<u>39,758.57</u>
Balance December 31, 2011	C	<u>\$ 81,930.64</u>

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
OUTSTANDING DECEMBER 31, 2011

<u>Payment Number</u>	<u>Due Date</u>	<u>Trust Interest</u>	<u>Trust Principal</u>	<u>Balance of Loan</u>
				\$ 81,930.64
36	04/18/2012	\$ 819.31	\$ 20,177.97	61,752.67
37	10/18/2012	617.53	20,379.75	41,372.92
38	04/18/2013	413.73	20,583.55	20,789.37
39	10/18/2013	207.89	20,789.37	
		<u>\$ 2,058.46</u>	<u>\$ 81,930.64</u>	



TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2011

<u>Ord. Date</u>	<u>Improvement Description</u>	<u>2011 Authorizations</u>	<u>Balance Dec. 31, 2011</u>
3/8/2011	Various Road Improvements	\$ 95,000.00	\$ 95,000.00
8/2/2011	Various Equipment & Improvements	580,000.00	580,000.00
		<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
WATER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
SEWER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2011  
PUBLIC ASSISTANCE FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE

PART II

SINGLE AUDIT

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

Name of Federal Agency or Department	Name of Program	C.F.D.A. Number	Pass Through Entity ID	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Transportation (Passed through New Jersey Department of Law and Public Safety)	Over the Limit, Under Arrest	20.605	100-066-1160- 125-YHTS-6020	1/1/11	12/31/11	\$ 4,400.00	\$ 3,286.18	\$ 3,286.18	\$ 3,286.18
	Subtotal - U.S. Department of Transportation						<u>3,286.18</u>	<u>3,286.18</u>	<u>3,286.18</u>
Total Federal Awards							<u>\$ 3,286.18</u>	<u>\$ 3,286.18</u>	<u>\$ 3,286.18</u>

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2011

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-178910	1/1/10	12/31/11	\$ 12,052.29		\$ 10,432.27	\$ 12,052.29
			1/1/11	12/31/12	13,854.32	\$ 11,352.12	4,622.34	4,622.34
			1/1/12	12/31/12	380.13	380.13		
	Recycling Tonnage Grant	752-042-4900- 001-6020	1/1/10	12/31/12	3,430.80	3,430.80		
	Wastewater Management Plan	N/A	1/1/09	12/31/12	10,000.00		1,904.77	8,596.02
Subtotal - Department of Environmental Protection						15,163.05	16,959.38	25,270.65
Department of the Treasury (Passed through County of Warren)	Municipal Alliance Grant	100-082-2000 044-995120	1/1/10	12/31/12	11,671.00		3,403.18	11,433.00
			1/1/11	12/31/12	9,802.00	4,245.56	5,603.64	5,603.64
	Subtotal - Department of Treasury						4,245.56	9,006.82
Department of Law and Public Safety	Safe and Secure Communities Program	100-066-1020 107-090940	1/1/11	12/31/11	22,146.00		22,146.00	22,146.00
	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	1/1/10	12/31/12	5,994.71		161.00	5,448.19
	Body Armor Replacement Fund	718-066-1020-001	1/1/12	12/31/12	1,096.45	1,096.45		
	Subtotal - Department of Law and Public Safety						1,096.45	22,307.00
TOTAL STATE AWARDS						\$ 20,505.06	\$ 48,273.20	\$ 69,901.48

N/A - Information Not Available

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF INDEPENDENCE  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2011

Note 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Independence. The Township of Independence is defined in Note 1 to the Township's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the Schedules of Expenditures of Federal and State Awards.

Note 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the cash basis of accounting. The information in these schedules are presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 4. STATE LOANS OUTSTANDING

The Township of Independence has the following loan outstanding as of December 31, 2011:

General Capital Fund:	
Green Trust Loan	\$ 81,930.64

Currently, the Township is in the process of repaying this loan balance. There were no loan receipts or expenditures in the current year. The project which relates to this loan is complete.





Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
Independence, New Jersey

We have audited the financial statements of the Township of Independence, in the County of Warren (the "Township") as of, and for the years ended, December 31, 2011 and 2010 and have issued our report thereon dated March 2, 2012, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting and was qualified for the omission of the general fixed assets account group. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 Township's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as Findings 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
Page 2

Compliance and Other Matters

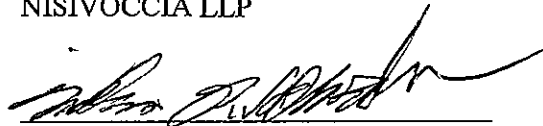
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The Township's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Township Committee and management of the Township, and to meet the requirements for filing with the Division of Local Government Services, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mount Arlington, New Jersey  
March 2, 2012

NISIVOC CIA LLP



William F. Schroeder  
Registered Municipal Accountant No. 452  
Certified Public Accountant

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results:

- A qualified report was issued on the Township's financial statements prepared on an other comprehensive basis of accounting due to the omission of the general fixed assets account group.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The audit did not disclose any noncompliance that is material to the financial statements of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, for 2011 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

Finding 2011-1

Segregation of Duties

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The reconciliation of bank accounts, the preparation of the general ledger for the various funds as well as the preparation of payroll are performed by the Chief Financial Officer. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Finding 2011-2

Fixed Asset Reporting

A fixed asset accounting and reporting system has not been implemented. The Township has an analysis of Township owned land, buildings and vehicles. However, a complete listing of fixed assets (which details, by historical cost, all Township fixed assets by tag number and location) is not maintained. A fixed assets accounting and reporting system is a key control, in that it helps to ensure that assets are safeguarded against loss from unauthorized use or disposition. The maintenance of a fixed assets accounting and reporting system is also required by the Division's Technical Accounting Directives.

Management's Response

The findings have been evaluated by the Township, however, due to budgetary constraints, no resolution can be made at this time.

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2011  
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold defined in Federal OMB Circular A-133.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold defined in New Jersey's OMB Circular NJOMB 04-04.

TOWNSHIP OF INDEPENDENCE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

The Township's prior year findings regarding segregation of duties and fixed assets have not been resolved during the current year and are included as current year findings on the Schedule of Findings and Responses.

TOWNSHIP OF INDEPENDENCE

PART III

COMMENTS AND RECOMMENDATIONS

TOWNSHIP OF INDEPENDENCE  
COMMENTS AND RECOMMENDATIONS

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

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract 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 a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective January 1, 2011 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$36,000.

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

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

TOWNSHIP OF INDEPENDENCE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes

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

On January 4, 2011, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Township Committee of the Township of Independence, Warren County, that the rate of interest to be paid upon delinquent taxes for the year 2011 shall be fixed at the rate of 8 percent per annum to \$1,500, and any amount in excess of \$1,500 shall be fixed at the rate of 18 percent per annum. However, interest shall not be collected upon taxes that are not delinquent over ten (10) days. After the tenth day of "grace period", interest reverts back to the due date. An additional penalty of 6% of the amount of the delinquency will be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year.

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 December 1, 2011, and included all eligible properties.

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

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

<u>Year</u>	<u>Number of Liens</u>
2011	31
2010	35
2009	35

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



TOWNSHIP OF INDEPENDENCE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notes as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2011 Taxes	20
Payments of 2012 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3

Verification notices were mailed to confirm balances as of December 31, 2011. The items that were returned were checked and in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

Technical Accounting Directives

The Division of Local Government Services has established three (3) technical accounting directives which are prescribed by the revision of 1987 draft "Requirements of Audit and Accounting". They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Township currently complies with these technical directives except as noted below.

The Township does not have a fixed asset accounting and reporting system in place. At the present time, fixed assets may be discarded without management's authorization, or items may be lost or stolen and not be detected within a timely period. It is recommended that a fixed asset accounting and reporting system be implemented.

TOWNSHIP OF INDEPENDENCE  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Municipal Court

The transactions for the year 2011 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Cash</u> <u>Received</u>	<u>Cash</u> <u>Disbursed</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Municipal Treasurer:				
Fines and Costs	\$ 4,727.38	\$ 46,510.12	\$ 47,733.23	\$ 3,504.27
Restitution	80.00	493.61	573.61	
Public Defender		600.00	600.00	
POAA (FTA)	10.00	34.00	36.00	8.00
County:				
Fines and Costs	2,299.50	20,927.17	21,399.67	1,827.00
State Treasurer:				
Fines and Costs	2,406.12	29,738.01	30,876.43	1,267.70
Drug Education		350.00	350.00	
Weights and Measures		1,300.00	1,300.00	
State Lab Fee		175.00	175.00	
Fish & Game		2,850.00	2,650.00	200.00
Miscellaneous	2.87	16.15	18.01	1.01
Bail	2,230.00	3,710.00	4,975.00	965.00
	<u>\$ 11,755.87</u>	<u>\$ 106,704.06</u>	<u>\$ 110,686.95</u>	<u>\$ 7,772.98</u>

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2010 audit report. The prior year findings concerning segregation of duties and the implementation of a fixed assets accounting and reporting system have not yet been resolved and are included on the Schedule of Findings and Responses for 2011.

TOWNSHIP OF INDEPENDENCE  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township maintains an adequate segregation of duties with respect to the recording and treasury functions.
2. A fixed assets accounting and reporting system be implemented.

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