

*TOWNSHIP OF INDEPENDENCE*

*COUNTY OF WARREN*

*REPORT OF AUDIT*

*2013*

*NISIVOCCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF INDEPENDENCE

COUNTY OF WARREN

REPORT OF AUDIT

2013

TOWNSHIP OF INDEPENDENCE  
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TOWNSHIP OF INDEPENDENCE  
PART I  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA  
YEAR ENDED DECEMBER 31, 2013



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## Independent Auditors' Report

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

### ***Report on the Financial Statements***

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 then ended December 31, 2013 and 2012 and the related notes to the financial statements, as listed in the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a 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 regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Township as of December 31, 2013 and 2012, or the changes in financial position where applicable thereof for the years then ended.

***Basis for Qualified Opinion***

The financial statements – *regulatory basis* - of the various funds of the Township do not include the general fixed assets account group, which should be included to conform with the Technical Accounting Directives prescribed by the Division. As described in Note 1, the amount that should be recorded in the general fixed assets account group cannot be determined.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects on the December 31, 2013 and 2012 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements - *regulatory basis* - referred to above present fairly, in all material respects, the financial position of the various funds of the Independence Township as of December 31, 2013 and 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members  
of the Township Committee  
Township of Independence  
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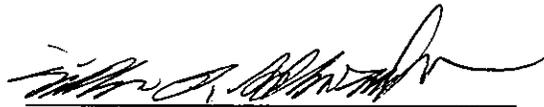
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014 on our consideration of the Independence Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
March 4, 2014

NISIVOCIA LLP



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

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
CURRENT FUND

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 1,105,437.03	\$ 1,148,113.37
Change Funds		400.00	400.00
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		365.52	365.52
		<u>1,106,202.55</u>	<u>1,148,878.89</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	277,696.24	317,992.47
Tax Title Liens Receivable	A-8	432,996.96	437,474.13
Penalty on Delinquent Taxes Receivable		1,923.17	3,054.27
Property Acquired for Taxes at Assessed Valuation		253,040.00	132,140.00
Revenue Accounts Receivable	A-9	3,600.96	3,703.36
Total Receivables and Other Assets With Full Reserves		<u>969,257.33</u>	<u>894,364.23</u>
Deferred Charges:			
Special Emergency Authorization	A-3	100,000.00	
		<u>100,000.00</u>	
Total Regular Fund		<u>2,175,459.88</u>	<u>2,043,243.12</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	22,455.55	39,101.05
Due from Current Fund	A	5,821.25	3,305.85
Total Federal and State Grant Fund		<u>28,276.80</u>	<u>42,406.90</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 2,203,736.68</u></u>	<u><u>\$ 2,085,650.02</u></u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	Ref.	December 31,	
		2013	2012
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 3,106.34	\$ 42,497.93
Unencumbered	A-3;A-11	192,517.99	157,656.44
Total Appropriation Reserves		<u>195,624.33</u>	<u>200,154.37</u>
Accounts Payable- Vendors		6,990.50	1,828.00
County Taxes Payable		10,084.10	1,847.45
Regional School District Taxes Payable	A-12	100,000.00	130,000.00
Tax Overpayments Payable			221.91
MUA Payments Payable			335.48
Due to:			
State of New Jersey:			
Marriage License Fees		100.00	200.00
Training Fees		760.00	1,358.00
Federal and State Grant Fund	A	5,821.25	3,305.85
Prepaid Taxes		67,376.39	68,376.93
Reserve for:			
Reassessment		29,672.00	
Garden State Preservation Trust			3,625.00
Payroll Expenses		18,747.34	19,645.36
		<u>435,175.91</u>	<u>430,898.35</u>
Reserve for Receivables and Other Assets	A	969,257.33	894,364.23
Fund Balance	A-1	771,026.64	717,980.54
		<u>2,175,459.88</u>	<u>2,043,243.12</u>
Federal and State Grant Fund:			
Appropriated Reserves for Grants	A-13	17,726.62	24,821.85
Unappropriated Reserves for Grants	A-14	10,550.18	17,585.05
		<u>28,276.80</u>	<u>42,406.90</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><u>\$ 2,203,736.68</u></u>	<u><u>\$ 2,085,650.02</u></u>

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 - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2013	2012
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 695,000.00	\$ 950,000.00
Miscellaneous Revenue Anticipated		671,406.90	841,191.94
Receipts from:			
Delinquent Taxes		316,222.70	325,995.70
Current Taxes		14,401,942.37	14,104,237.90
Nonbudget Revenue		72,428.14	90,330.80
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		126,742.81	13,499.50
Tax Overpayments Cancelled		11.56	11.56
Increase in Deferred School Tax		153,893.60	146,564.05
Penalty on Delinquent Taxes Collected		3,054.27	2,786.54
Interfund Returned			28,687.20
Total Income		16,440,702.35	16,503,305.19
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		3,242,785.35	3,401,337.66
County Taxes		4,282,850.90	4,393,351.12
Regional School District Taxes		8,266,020.00	8,018,232.80
Prior Year Senior Citizen Deductions Disallowed		1,000.00	1,000.00
Total Expenditures		15,792,656.25	15,813,921.58
Excess in Revenue		648,046.10	689,383.61
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		100,000.00	
Statutory Excess to Fund Balance		748,046.10	689,383.61
<u>Fund Balance</u>			
Balance January 1		717,980.54	978,596.93
Decreased by:		1,466,026.64	1,667,980.54
Utilized as Anticipated Revenue		695,000.00	950,000.00
Balance December 31	A	\$ 771,026.64	\$ 717,980.54

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

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Added by 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 695,000.00		\$ 695,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,000.00		7,175.00	\$ 1,175.00
Municipal Court - Fines and Costs	47,000.00		54,291.86	7,291.86
Interest and Costs on Taxes	36,000.00		60,996.01	24,996.01
In Lieu of Taxes - Liberty House	43,000.00		43,000.00	
Municipal Building Rent	40,000.00		43,800.00	3,800.00
Consolidated Municipal Property Tax Relief Act	12,885.00		12,885.00	
Energy Receipts Tax	284,606.00		284,606.00	
Reserve for Garden State Trust Fund	3,625.00		3,625.00	
Uniform Construction Code Fees	48,000.00		58,487.00	10,487.00
Reserve for Debt Service	20,632.00		20,632.00	
Reserve for Drunk Driving Enforcement Fund	2,333.89		2,333.89	
Reserve for Recycling Tonnage Grant	6,159.37		6,159.37	
Clean Communities Program	11,553.56		11,553.56	
Municipal Alliance on Alcoholism and Drug Abuse	9,802.00		9,802.00	
Safe and Secure Communities Program	30,000.00		30,000.00	
Reserve for Safe and Secure Communities Program	7,854.00		7,854.00	
Reserve NJ Body Armor Grant	1,112.96		1,112.96	
Drive Sober or Get Pulled Over		\$ 4,400.00	4,400.00	
Uniform Fire Safety Act	5,000.00		8,693.25	3,693.25
Total Miscellaneous Revenue	<u>615,563.78</u>	<u>4,400.00</u>	<u>671,406.90</u>	<u>51,443.12</u>
Receipts from Delinquent Taxes	<u>240,000.00</u>		<u>316,222.70</u>	<u>76,222.70</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>2,367,901.00</u>		<u>2,633,071.47</u>	<u>265,170.47</u>
Budget Totals	<u>3,918,464.78</u>	<u>4,400.00</u>	<u>4,315,701.07</u>	<u>392,836.29</u>
Nonbudget Revenue			<u>72,428.14</u>	<u>72,428.14</u>
	<u>\$ 3,918,464.78</u>	<u>\$ 4,400.00</u>	<u>\$ 4,388,129.21</u>	<u>\$ 465,264.43</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 14,401,942.37
Allocated to School and County Taxes	12,548,870.90
Balance for Support of Municipal Budget	1,853,071.47
Add: Appropriation "Reserve for Uncollected Taxes"	780,000.00
Realized for Support of Municipal Budget	\$ 2,633,071.47

Analysis of Delinquent Tax Collections:

Delinquent Taxes	\$ 316,222.70
	\$ 316,222.70

Analysis of Non Budget Revenue:

Treasurer:

Interest on Investments	\$ 8,394.41	
Township Clean-up Fees	1,883.70	
Inspection Fees	770.00	
Police Services	1,768.42	
Prior Year Insurance Claim Payment	6,075.00	
Cable TV Franchise Fee	19,846.03	
Prior Year F.E.M.A. Reimbursement	16,636.23	
Miscellaneous Fees	16,714.35	
		\$ 72,088.14

Tax Collector:

Miscellaneous Receipts	340.00
	\$ 72,428.14

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

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS"				
GENERAL GOVERNMENT:				
Mayor and Council:				
Salaries & Wages	\$ 20,083.00	\$ 20,083.00	\$ 19,688.00	\$ 395.00
Other Expenses	1,632.00	1,771.40	1,771.40	
Municipal Clerk:				
Salaries & Wages	131,078.00	131,078.00	130,577.28	500.72
Other Expenses	32,150.00	32,150.00	28,656.21	3,493.79
Financial Administration:				
Salaries & Wages	39,968.00	39,968.00	39,967.00	1.00
Other Expenses	11,548.00	11,548.00	11,341.79	206.21
Annual Audit	16,250.00	16,250.00	16,250.00	
Collection of Taxes:				
Salaries & Wages	22,682.00	22,682.00	22,681.00	1.00
Other Expenses	5,000.00	5,000.00	4,644.23	355.77
Assessment of Taxes:				
Salaries & Wages	27,540.00	27,540.00	27,540.00	
Other Expenses (Special Emergency				
Appropriation N.J.S.A. 40A:4-55 +\$100,000)	8,500.00	108,500.00	104,984.97	3,515.03
Legal Services and Costs:				
Other Expenses	40,000.00	40,000.00	23,658.06	16,341.94
Engineering Services and Costs:				
Other Expenses	22,000.00	22,000.00	21,507.27	492.73
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Salaries & Wages	7,959.00	7,959.00	7,959.00	
Other Expenses	5,100.00	5,100.00	4,438.87	661.13

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
GENERAL GOVERNMENT (continued):				
Municipal Land Use Law (N.J.S.A. 40:55D-1) (continued):				
Zoning Officer:				
Salaries & Wages	\$ 13,265.00	\$ 13,265.00	\$ 13,265.00	\$ 400.00
Other Expenses	400.00	400.00		
INSURANCE:				
Liability Insurance	68,000.00	72,573.85	72,573.85	
Workers Compensation Insurance	63,290.00	60,348.00	60,348.00	
Group Plan for Employees	267,147.00	267,147.00	263,168.69	3,978.31
PUBLIC SAFETY:				
Police:				
Salaries & Wages	753,236.00	751,417.75	699,667.52	51,750.23
Other Expenses	40,200.00	40,200.00	35,519.99	4,680.01
Purchase of Police Cars	40,934.00	40,934.00	40,933.40	0.60
911 Coordinator:				
Salaries & Wages	1,363.00	1,363.00	1,362.00	1.00
Office of Emergency Management:				
Salaries & Wages	2,425.00	2,425.00	2,424.00	1.00
Other Expenses	1,000.00	1,000.00		1,000.00
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	8,456.00	8,456.00	5,785.68	2,670.32
Other Expenses	100.00	147.00	147.00	
Prosecutor:				
Salaries & Wages	7,640.00	7,640.00	7,639.00	1.00

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
<b>PUBLIC WORKS FUNCTIONS:</b>				
Road Repairs and Maintenance:				
Salaries & Wages	\$ 213,645.00	\$ 213,645.00	\$ 195,849.64	\$ 17,795.36
Other Expenses	123,600.00	120,600.00	91,204.79	29,395.21
Garbage and Trash Removal:				
Other Expenses	3,700.00	3,700.00	3,522.00	178.00
Public Buildings and Grounds:				
Other Expenses	13,000.00	13,000.00	6,105.84	6,894.16
Vehicle Maintenance:				
Other Expenses	24,000.00	27,000.00	25,237.32	1,762.68
Community Services Act:				
Other Expenses	15,000.00	15,000.00		15,000.00
<b>HEALTH AND WELFARE:</b>				
Environmental Commission (R.S. 40:56A-1):				
Other Expenses	580.00	580.00	250.00	330.00
Dog Regulation:				
Other Expenses	2,000.00	2,000.00	2,000.00	
Senior Citizen Center:				
Salaries & Wages	6,456.00	6,456.00	6,455.00	1.00
Other Expenses	1,000.00	1,000.00	489.96	510.04
Recreation:				
Salaries & Wages	39,314.00	39,314.00	39,313.00	1.00
Other Expenses	10,500.00	10,500.00	10,500.00	
Landfill Closure:				
Other Expenses	4,141.00	4,141.00	3,910.23	230.77

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Within "CAPS" (continued)					
Utilities:					
Other Expenses	\$ 140,700.00	\$ 140,700.00	\$ 117,979.68	\$ 22,720.32	
Municipal Court:					
Salaries & Wages	31,218.00	31,218.00	29,448.08	1,769.92	
Other Expenses	2,500.00	2,500.00	1,782.63	717.37	
Public Defender:					
Other Expenses	1,000.00	1,000.00	600.00	400.00	
UNIFORM CONSTRUCTION CODE OFFICIAL:					
Construction Official:					
Salaries & Wages	42,141.00	42,141.00	42,122.32	18.68	
Other Expenses	1,700.00	1,700.00	499.00	1,201.00	
Total Operations Within "CAPS"	2,387,641.00	2,487,641.00	2,298,268.70	189,372.30	
Detail:					
Salaries & Wages	1,368,469.00	1,366,650.75	1,291,743.52	74,907.23	
Other Expenses	1,019,172.00	1,120,990.25	1,006,525.18	114,465.07	
Deferred Charges and Statutory Expenditures:					
STATUTORY EXPENDITURES:					
Contribution to:					
Social Security System (O.A.S.I.)	104,500.00	104,500.00	101,677.71	2,822.29	
Unemployment Compensation Insurance	500.00	500.00	276.60	223.40	
Police and Firemen's Retirement System of N.J.	156,844.00	156,844.00	156,844.00		
Defined Contribution Retirement Program	100.00	100.00		100.00	
Public Employees' Retirement System	69,903.00	69,903.00	69,903.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	331,847.00	331,847.00	328,701.31	3,145.69	

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations for Municipal Purposes Within "CAPS"	\$ 2,719,488.00	\$ 2,819,488.00	\$ 2,626,970.01	\$ 192,517.99	
Operations Excluded from "CAPS":					
Contribution to Group Insurance	13,196.00	13,196.00	13,196.00		
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		
Recycling Tonnage Grant	6,159.37	6,159.37	6,159.37		
Safe and Secure Communities Program:					
Police	30,000.00	30,000.00	30,000.00		
Drive Sober or Get Pulled Over Grant:					
Other Expenses ( N.J.S.A.40A-87 + \$4,400.00)		4,400.00	4,400.00		
NJ Body Armor:					
Other Expenses	1,112.96	1,112.96	1,112.96		
Reserve for DDEF Grant	2,333.89	2,333.89	2,333.89		
Reserve for Safe & Secure Grant	7,854.00	7,854.00	7,854.00		
Clean Communities Grant:					
Other Expenses	11,553.56	11,553.56	11,553.56		
Total Operations Excluded from "CAPS"	83,880.78	88,280.78	88,280.78		

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:					
Other Expenses	\$ 83,880.78	\$ 88,280.78	\$ 88,280.78		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	209,000.00	209,000.00	209,000.00		
Interest on Bonds	78,301.00	78,301.00	78,300.47		\$ 0.53
Interest on Notes	5,800.00	5,800.00	5,721.56		78.44
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	41,995.00	41,995.00	41,994.54		0.46
Total Municipal Debt Service - Excluded from "CAPS"	335,096.00	335,096.00	335,016.57		79.43
Total General Appropriations - Excluded from "CAPS"	418,976.78	423,376.78	423,297.35		79.43
Subtotal General Appropriations	3,138,464.78	3,242,864.78	3,050,267.36	\$ 192,517.99	79.43
Reserve for Uncollected Taxes	780,000.00	780,000.00	780,000.00		
Total General Appropriations	\$ 3,918,464.78	\$ 4,022,864.78	\$ 3,830,267.36	\$ 192,517.99	\$ 79.43

Ref.

A

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,918,464.78	
Added by N.J.S.A. 40A:4-87		4,400.00	
Special Emergency Appropriation N.J.S.A. 40A:4-55	A	100,000.00	
		<u>\$ 4,022,864.78</u>	
Reserve for Uncollected Taxes			\$ 780,000.00
Cash Disbursed			2,872,076.24
Reserve for Reassessment			100,000.00
Transferred to Federal and State Grant Fund			75,084.78
Encumbrances	A		3,106.34
			<u>\$ 3,830,267.36</u>

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

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
TRUST FUNDS

TOWNSHIP OF INDEPENDENCE  
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 720.56	\$ 519.65
Change Fund		25.00	25.00
		<u>745.56</u>	<u>544.65</u>
Other Trust Fund:			
Cash and Cash Equivalents	B-4	<u>589,907.90</u>	<u>497,770.70</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 590,653.46</u></u>	<u><u>\$ 498,315.35</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State of New Jersey		\$ 1.20	
Reserve for Animal Control Expenditures	B-6	<u>744.36</u>	<u>\$ 544.65</u>
		<u>745.56</u>	<u>544.65</u>
Other Trust Fund:			
Reserve for:			
Recreation Trust		38,899.37	36,605.21
Developers' Escrow		374,654.28	364,013.28
Unemployment Compensation Insurance		19,292.47	16,955.40
Tax Sale Premiums		107,800.00	44,900.00
Parking Offense Adjudication Act Trust (P.O.A.A.)		302.00	274.00
Recycling Trust		1,639.42	1,639.42
Municipal Alliance		3,532.77	4,114.12
Coalition on Affordable Housing Trust (C.O.A.H.)		<u>43,787.59</u>	<u>29,269.27</u>
		<u>589,907.90</u>	<u>497,770.70</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><u>\$ 590,653.46</u></u>	<u><u>\$ 498,315.35</u></u>

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

TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
GENERAL CAPITAL FUND

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 493,671.63	\$ 517,939.01
Due from State of New Jersey		47,391.95	49,750.00
Department of Transportation Grant			
Deferred Charges to Future Taxation:			
Funded		1,792,000.00	2,042,372.92
Unfunded	C-4	675,000.00	675,000.00
<b>TOTAL ASSETS</b>		<u>\$ 3,008,063.58</u>	<u>\$ 3,285,061.93</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 1,792,000.00	\$ 2,001,000.00
Green Trust Loan Payable	C-8a		41,372.92
Bond Anticipation Notes Payable	C-7	675,000.00	675,000.00
Improvement Authorizations:			
Funded	C-5	233,880.23	38,876.50
Unfunded	C-5	65,335.97	76,333.13
Capital Improvement Fund	C-6	241,343.05	431,343.05
Reserve to Pay Debt Service			20,632.00
Fund Balance	C-1	504.33	504.33
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 3,008,063.58</u>	<u>\$ 3,285,061.93</u>

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

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2012	C	<u>\$ 504.33</u>
Balance December 31, 2013	C	<u>\$ 504.33</u>

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

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
WATER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
SEWER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
PUBLIC ASSISTANCE FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013

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 and a resulting financial benefit or burden relationship, 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 practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such 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, 2013  
(Continued)

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

C. Basis of Accounting (Cont'd)

The more significant accounting 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, 2013  
(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 Directive 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, 2013  
(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,		
	2013	2012	2011
Issued:			
General Bonds, Loans and Notes	\$ 2,467,000.00	\$ 2,717,372.92	\$ 2,287,930.64
Authorized But Not Issued:			
General Bonds and Notes			675,000.00
	<u>2,467,000.00</u>	<u>2,717,372.92</u>	<u>2,962,930.64</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes			
Reserve to Pay Debt Service		20,632.00	220,632.00
		<u>20,632.00</u>	<u>220,632.00</u>
Net Debt Issued	<u>\$ 2,467,000.00</u>	<u>\$ 2,696,740.92</u>	<u>\$ 2,742,298.64</u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2013</u>
Serial Bonds:				
General Capital Fund	\$ 2,001,000.00		\$ 209,000.00	\$ 1,792,000.00
Bond Anticipation Notes:				
General Capital Fund	675,000.00			675,000.00
Loans Payable:				
General Capital Fund	<u>41,372.92</u>		<u>41,372.92</u>	
<b>Total</b>	<u><u>\$ 2,717,372.92</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 250,372.92</u></u>	<u><u>\$ 2,467,000.00</u></u>
	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2012</u>
Serial Bonds:				
General Capital Fund	\$ 2,206,000.00		\$ 205,000.00	\$ 2,001,000.00
Bond Anticipation Notes:				
General Capital Fund		\$ 675,000.00		675,000.00
Loans Payable:				
General Capital Fund	<u>81,930.64</u>		<u>40,557.72</u>	<u>41,372.92</u>
<b>Total</b>	<u><u>\$ 2,287,930.64</u></u>	<u><u>\$ 675,000.00</u></u>	<u><u>\$ 245,557.72</u></u>	<u><u>\$ 2,717,372.92</u></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	\$ 4,187,488.13	\$ 4,187,488.13	
General Debt	<u>2,467,000.00</u>		<u>\$ 2,467,000.00</u>
	<u><u>\$ 6,654,488.13</u></u>	<u><u>\$ 4,187,488.13</u></u>	<u><u>\$ 2,467,000.00</u></u>

Net Debt \$2,467,000.00 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$609,674,868.67= .40%.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(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)	\$ 21,338,620.40
Net Debt	<u>2,467,000.00</u>
Remaining Borrowing Power	<u><u>\$ 18,871,620.40</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, 2013, the Township had debt issued and outstanding as follows:

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u>	<u>Balance</u>
	<u>Outstanding December 31, 2013</u>			
	<u>Date</u>	<u>Amount</u>		
Construction of	8/15/14	\$ 107,000.00	4.400%	
Municipal Building	8/15/15	110,000.00	4.500%	
and Water Supply	8/15/16	115,000.00	4.625%	
System	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>\$ 1,007,000.00</u>

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u>	<u>Balance</u>
	<u>Outstanding December 31, 2013</u>			
	<u>Date</u>	<u>Amount</u>		
Purchase of Land	02/15/14	\$ 120,000.00	3.000%	
and Equipment	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>\$ 785,000.00</u>
Total Serial Bonds Outstanding				<u><u>\$ 1,792,000.00</u></u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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

General Capital Bond Anticipation Notes

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
12/17/2014	0.94%	\$ 675,000.00
Total Debt Issued and Outstanding		<u>\$ 2,467,000.00</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 Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	255,000.00	43,720.02	298,720.02
2018	265,000.00	33,818.14	298,818.14
2019-2021	560,000.00	45,275.01	605,275.01
	<u>\$ 1,792,000.00</u>	<u>\$ 308,539.91</u>	<u>\$ 2,100,539.91</u>

Note 3: Fund Balances Appropriated

As of the date of this report, the budget for 2014 has not been introduced. Thus, the amount of fund balance at December 31, 2013 which will be included in the Current Fund budget for the year ending December 31, 2014, is not known at this date.

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>		
	<u>Balance Dec. 31,</u>	<u>Balance Dec. 31,</u>	<u>Increase/ (Decrease)</u>
Balance of Tax	\$ 4,133,009.98	\$ 4,009,116.38	\$ 123,893.60
Amount Deferred	4,033,009.98	3,879,116.38	153,893.60
Regional School District Tax Payable	<u>\$ 100,000.00</u>	<u>\$ 130,000.00</u>	<u>\$ (30,000.00)</u>

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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; or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers PERS and PFRS which cover substantially all Borough employees. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join one of the two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or the PFRS, the employee may be eligible to enroll in the DCRP.

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 DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. 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. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Township contributions to PFRS amounted to \$164,716.00, \$138,410.00, and \$156,844.00, for 2013, 2012 and 2011, respectively.

Township contributions to PERS amounted to \$67,866.00, \$68,482.00, and \$69,903.00, for 2013, 2012 and 2011, respectively.

Township contributions to DCRP amounted to \$-0-, \$-0-, and \$-0-, for 2013, 2012 and 2011, 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 \$191,615.02 at December 31, 2013. 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.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 7: Selected Tax Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	\$ 2.167	\$ 2.097	\$ 2.020
<u>Apportionment of Tax Rate</u>			
Municipal	0.344	0.311	0.279
County	0.622	0.633	0.621
Regional School	1.201	1.153	1.120
<u>Assessed Valuations</u>			
2013	<u>\$ 688,096,353.00</u>		
2012		<u>\$ 694,167,473.00</u>	
2011			<u>\$ 696,011,945.00</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.

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>
2013	\$ 14,945,825.12	\$ 14,401,942.37	96.36%
2012	14,590,942.47	14,104,237.90	96.66%
2011	14,126,482.72	13,705,982.41	97.02%

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.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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.

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.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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;
  - (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

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

As of December 31, 2013, 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>Total</u>
Current	\$ 400.00	\$ 1,105,437.03		\$ 1,105,837.03
Animal Control	25.00	720.56		745.56
Other Trust		287,483.34	\$ 302,424.56	589,907.90
General Capital		493,671.63		493,671.63
	<u>\$ 425.00</u>	<u>\$ 1,887,312.56</u>	<u>\$ 302,424.56</u>	<u>\$ 2,190,162.12</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2013, was \$2,190,162.12 and the bank balance was \$2,225,622.58. During the year ended December 31, 2013, 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

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.

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 9: Risk Management (Cont'd)

The December 31, 2013 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, 2012 is as follows:

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

	Public Alliance Insurance Coverage Dec. 31, 2012
Total Assets	\$ 14,080,983
Net Position	\$ 7,142,181
Total Revenue	\$ 6,863,491
Total Expenses	\$ 4,409,384
Change in Net Position	\$ 2,454,107
Member Dividends	\$ -0-

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>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ -0-	\$ 2,337.07	\$ -0-	\$ -0-	\$ 19,292.47
2012	-0-	3,954.54	-0-	3,486.58	16,955.40
2011	-0-	-0-	-0-	517.00	16,487.44

TOWNSHIP OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 10: Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current		\$ 5,821.25
Federal and State Grant	\$ 5,821.25	
	<u>\$ 5,821.25</u>	<u>\$ 5,821.25</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.

Note 13: Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charge is shown on the balance sheet of the Current Fund:

	<u>Balance Dec. 31, 2013</u>	<u>Required 2014 Budget Appropriation</u>	<u>Balance to Succeeding Years' Budgets</u>
Current Fund:			
Special Emergency Authorization	\$ 100,000.00	\$ 20,000.00	\$ 80,000.00

The appropriation in the 2014 budget will not be less than the amount required by statute.

TOWNSHIP OF INDEPENDENCE

SUPPLEMENTARY DATA

TOWNSHIP OF INDEPENDENCE  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2013

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

All bonds were examined and were properly executed.

(A) There is in effect a Public Employees Blanket Bond in the Amount of \$950,000.00 issued by MELJIF and \$50,000.00 issued by PAICJIF.

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
CURRENT FUND

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 1,148,113.37
Increased by Receipts:		
Tax Collector		\$ 14,916,451.33
Revenue Accounts Receivable		533,570.11
Miscellaneous Revenue Not Anticipated		72,088.14
Veterans and Senior Citizens' Deductions		47,000.00
Due State of New Jersey - Marriage License Fees		525.00
Due State of New Jersey - State Training Fees		2,726.00
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable		71,001.06
Unappropriated Reserves		10,425.35
		15,653,786.99
		16,801,900.36
Decreased by Disbursements:		
2013 Appropriation Expenditures	\$	2,872,076.24
2012 Appropriation Reserves		68,249.06
Regional School District Taxes		8,142,126.40
County Taxes		4,274,614.25
Third Party Liens Redeemed		106,457.76
Due to State of New Jersey - Marriage License Fees		625.00
Due State of New Jersey - State Training Fees		3,324.00
Tax Overpayments Refunded		13,749.11
Reserve for Reassessment		70,328.00
Reserve for MUA Payments		335.48
Reserve for Payroll Expense		898.02
Due from Federal and State Grant Fund:		
Grant Fund Expenditures		80,780.01
Tax Sale Premiums Refunded		62,900.00
		15,696,463.33
Balance December 31, 2013	A	\$ 1,105,437.03



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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2013
	Dec. 31, 2012	2013 Levy	2012	2013				
2011	\$ 1,850.45		\$ 1,850.45					
2012	316,142.02		314,372.25		\$ (1,000.00)	\$ 2,769.77		
	317,992.47		316,222.70		(1,000.00)	2,769.77		
2013		\$ 14,945,825.12	\$ 68,376.93	14,285,565.44	48,000.00	218,870.94	\$ 47,315.57	277,696.24
	\$ 317,992.47	\$ 14,945,825.12	\$ 68,376.93	\$ 14,601,788.14	\$ 47,000.00	\$ 221,640.71	\$ 47,315.57	\$ 277,696.24

Ref. A

A

Analysis of 2013 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 14,911,049.56
Added and Omitted Taxes	34,775.56
	<u>\$ 14,945,825.12</u>

Tax Levy:

County Taxes	4,272,766.80
Due County for Added and Omitted Taxes	10,084.10

Regional School District Taxes

	4,282,850.90
	8,266,020.00
	<u>12,548,870.90</u>

Local Tax for Municipal Purposes Levied

Add: Additional Tax Levied	2,367,901.00
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	29,053.22
	<u>2,396,954.22</u>
	<u>\$ 14,945,825.12</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 437,474.13
Increased by:		
Interest and Costs	\$ 645.13	
Transfer from Taxes Receivable	<u>47,315.57</u>	
		<u>47,960.70</u>
		485,434.83
Decreased by:		
Transferred to Property Acquired for Taxes		<u>52,437.87</u>
Balance December 31, 2013	A	<u>\$ 432,996.96</u>

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Accrued In</u> <u>2013</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Clerk:				
Licenses:				
Alcoholic Beverage Licenses		\$ 7,175.00	\$ 7,175.00	
Building Inspector:				
Fees and Permits		58,487.00	58,487.00	
Municipal Court:				
Fines and Costs	\$ 3,703.36	54,189.46	54,291.86	\$ 3,600.96
Energy Receipts Taxes		284,606.00	284,606.00	
Consolidated Municipal Property Tax Relief Act		12,885.00	12,885.00	
In-Lieu of Taxes-Liberty House		43,000.00	43,000.00	
Municipal Building Rent		43,800.00	43,800.00	
Uniform Fire Safety Fees		3,945.00	3,945.00	
Uniform Fire Safety Fees - State		4,748.25	4,748.25	
Reserve to Pay Debt Service		20,632.00	20,632.00	
	<u>\$ 3,703.36</u>	<u>\$ 533,467.71</u>	<u>\$ 533,570.11</u>	<u>\$ 3,600.96</u>
<u>Ref.</u>	A			A

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

	Balance Dec. 31, 2012	2013 Budget Revenue Realized	Cash Received	Transferred from Unappropriated Reserve	Cancelled	Balance Dec. 31, 2013
Municipal Alliance Grant - 2013		\$ 9,802.00	\$ 6,512.00			\$ 3,290.00
Municipal Alliance Grant - 2012	\$ 4,313.00		4,313.00			
Recycling Tonnage Grant		6,159.37		\$ 6,159.37		
Drunk Driving Enforcement		2,333.89		2,333.89		
Clean Communities		11,553.56	11,553.56			
Safe & Secure Communities Program		37,854.00	30,000.00	7,854.00		
New Jersey Body Armor Grant		1,112.96		1,112.96		
Drive Sober or Get Pulled Over Grant		4,400.00	3,000.00		\$ 1,400.00	
Wastewater Management Plan- 2011	15,000.00		14,075.00			925.00
Wastewater Management Plan- 2010	1,547.50		1,547.50			
Highlands Plan Conformance Grant	3,240.55					3,240.55
Highlands Plan Assessment Grant	15,000.00					15,000.00
	<u>\$ 39,101.05</u>	<u>\$ 73,215.78</u>	<u>\$ 71,001.06</u>	<u>\$ 17,460.22</u>	<u>\$ 1,400.00</u>	<u>\$ 22,455.55</u>

Ref.

A

A

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF 2012 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Mayor and Council:				
Salaries and Wages	\$ 386.04	\$ 386.04		\$ 386.04
Other Expenses	700.76	700.76		700.76
Municipal Clerk:				
Salaries and Wages	703.80	703.80		703.80
Other Expenses	5,163.85	5,163.85	\$ 977.93	4,185.92
Financial Administration:				
Other Expenses	50.20	425.70	362.20	63.50
Collection of Taxes:				
Other Expenses	1,009.10	1,009.10	846.00	163.10
Tax Assessment/Administration:				
Salaries and Wages	480.76	480.76		480.76
Other Expenses	1,903.31	1,903.31	500.00	1,403.31
Legal Services and Costs:				
Other Expenses	17,037.30	17,037.30	9,728.98	7,308.32
Engineering Services and Costs:				
Other Expenses	7,230.43	7,230.43	1,145.00	6,085.43
Municipal Land Use Law (N.J.S.A. 40A:55D-1):				
Planning Board:				
Other Expenses	4,013.75	4,013.75	1,958.50	2,055.25
Zoning Officer:				
Other Expenses	400.00	400.00		400.00
Police:				
Salaries and Wages	2,398.06	3,065.51	3,065.51	
Other Expenses	7,537.97	7,537.97	4,241.64	3,296.33
Office of Emergency Management:				
Other Expenses	850.62	850.62		850.62
Uniform Fire Safety Act:				
Salaries and Wages	2,086.06	2,086.06	883.58	1,202.48
Other Expenses	68.73	68.73		68.73
Road Repairs and Maintenance:				
Salaries and Wages	18,647.69	16,013.51	2,409.22	13,604.29
Other Expenses	59,092.49	59,092.49	8,571.44	50,521.05
Garbage and Trash Removal:				
Other Expenses	642.45	642.45		642.45
Public Buildings and Grounds:				
Other Expenses	1,522.12	1,522.12	561.63	960.49
Vehicle Maintenance:				
Other Expenses	8,793.51	9,893.51	9,774.97	118.54
Community Services Act:				
Other Expenses	15,000.00	15,000.00	4,775.85	10,224.15
Environmental Commission:				
Other Expenses	580.00	580.00		580.00
Senior Citizen Center:				
Other Expenses	685.00	685.00	176.00	509.00

TOWNSHIP OF INDEPENDENCE  
CURRENT FUND  
SCHEDULE OF 2012 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2013

(Continued)

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Landfill Closure:				
Other Expenses	\$ 318.27	\$ 484.50	\$ 484.50	
Utility:				
Other Expenses	28,805.17	28,805.17	16,061.11	\$ 12,744.06
Municipal Court:				
Salaries and Wages	1,134.00	1,134.00		1,134.00
Other Expenses	802.70	802.70	600.00	202.70
Public Defender:				
Other Expenses		200.00	200.00	
Uniform Construction Code:				
Salaries and Wages	329.85	329.85		329.85
Other Expenses	496.53	496.53		496.53
Statutory Expenditures:				
Contribution:				
Social Security System (O.A.S.I.)	3,806.97	3,806.97		3,806.97
Unemployment Compensation Insurance	203.38	203.38		203.38
Liability Insurance	734.00	734.00		734.00
Workers Compensation Insurance	477.00	477.00		477.00
Group Insurance		125.00	125.00	
Defined Contribution Retirement Program	100.00	100.00		100.00
Purchase of Computer Hardware Equipment	5,962.50	5,962.50	5,962.50	
Total	<u>\$ 200,154.37</u>	<u>\$ 200,154.37</u>	<u>\$ 73,411.56</u>	<u>\$ 126,742.81</u>

Ref.

Analysis of Balance December 31, 2012

Encumbered	A \$ 42,497.93
Unencumbered	A <u>157,656.44</u>
	<u>\$ 200,154.37</u>

Analysis of Paid or Charged:

Cash Disbursements	\$ 68,249.06
Accounts Payable	<u>5,162.50</u>
	<u>\$ 73,411.56</u>

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

	<u>Ref.</u>	
Balance December 31, 2012:		
School Taxes Deferred		\$ 3,879,116.38
School Taxes Payable	A	<u>130,000.00</u>
		\$ 4,009,116.38
Increased by:		
Levy - School Year - July 1, 2013 to June 30, 2014		<u>8,266,020.00</u>
		12,275,136.38
Decreased by:		
Payments to Regional School District		<u>8,142,126.40</u>
Balance December 31, 2013:		
School Taxes Deferred		\$ 4,033,009.98
School Taxes Payable	A	<u>100,000.00</u>
		<u>\$ 4,133,009.98</u>
 <u>Analysis of Increase - Deferred School Tax:</u>		
Balance December 31, 2013		\$ 4,033,009.98
Balance December 31, 2012		<u>3,879,116.38</u>
Net Increase Credited to Operations		<u>\$ 153,893.60</u>

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

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Transferred</u> <u>from</u> <u>2013 Budget</u> <u>Appropriations</u>	<u>Paid or</u> <u>Charged</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Clean Communities Program - 2013		\$ 11,553.56	\$ 7,567.82		\$ 3,985.74
Clean Communities Program - 2012	\$ 7,307.84		7,307.84		
Drunk Driving Enforcement Fund	1,700.81	2,333.89			4,034.70
Body Armor Grant- 2013		1,112.96			1,112.96
Body Armor Grant- 2012	5.07				5.07
Municipal Alliance Grant - 2013		9,802.00	8,462.04		1,339.96
Municipal Alliance Grant - 2013 Local Match		1,869.00	1,869.00		
Municipal Alliance Grant - 2012	2,180.33		2,180.33		
Recycling Tonnage	2,098.82	6,159.37	1,250.00		7,008.19
Safe and Secure Communities Program		37,854.00	37,854.00		
Drive Sober or Get Pulled Over Grant		4,400.00	3,000.00	\$ 1,400.00	
Wastewater Management Plan- 2011	11,288.98		11,288.98		
Police Donations	240.00				240.00
	<u>\$ 24,821.85</u>	<u>\$ 75,084.78</u>	<u>\$ 80,780.01</u>	<u>\$ 1,400.00</u>	<u>\$ 17,726.62</u>
<u>Ref.</u>	A				A
Grant Funds		\$ 73,215.78			
Matching Share		1,869.00			
		<u>\$ 75,084.78</u>			

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

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Transferred to</u> <u>2013 Budget</u> <u>Revenue</u>	<u>Cash</u> <u>Received</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Recycling Tonnage Grant	\$ 6,159.37	\$ 6,159.37	\$ 3,629.88	\$ 3,629.88
Clean Communities			2,011.26	2,011.26
Court - Alcohol Rehabilitation	124.83			124.83
New Jersey Body Armor Grant	1,112.96	1,112.96	1,413.32	1,413.32
Drunk Driving Enforcement Fund	2,333.89	2,333.89	2,245.89	2,245.89
Safe and Secure Communities Grant	7,854.00	7,854.00		
Police Donations			1,125.00	1,125.00
	<u>\$ 17,585.05</u>	<u>\$ 17,460.22</u>	<u>\$ 10,425.35</u>	<u>\$ 10,550.18</u>
<u>Ref.</u>	A			A

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
TRUST FUNDS

TOWNSHIP OF INDEPENDENCE  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

		Animal Control Fund		Other Trust Funds
<u>Ref.</u>				
Balance December 31, 2012	B	\$ 519.65		\$ 497,770.70
Increased by Receipts:				
Township Dog License Fees		\$ 5,474.00		
State Dog License Fees		1,242.00		
Other Animal Control Fees		1,370.00		
Budget Appropriation		2,000.00		
Developers Escrow			\$ 21,115.83	
Recreation Trust			34,762.45	
POAA Fees			28.00	
Unemployment Compensation Insurance			2,337.07	
COAH Trust			17,984.82	
Tax Sale Premiums			62,900.00	
Due to Current Fund:				
Interest on Deposits		10.81		388.52
		10,096.81		139,516.69
		10,616.46		637,287.39
Decreased by Disbursements:				
Administrative Expenses		8,644.29		
State Board of Health		1,240.80		
Due to Current Fund:				
Interest on Deposits		10.81		388.52
Developers Escrow			10,474.83	
COAH Fees			3,466.50	
Municipal Alliance			581.35	
Recreation Expenditures			32,468.29	
		9,895.90		47,379.49
Balance December 31, 2013	B	\$ 720.56		\$ 589,907.90

TOWNSHIP OF INDEPENDENCE  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2012	B	\$ 544.65
Increased by:		
Dog License Fees	\$ 5,474.00	
Other Animal Control Fees	1,370.00	
Budget Appropriation	<u>2,000.00</u>	
		<u>8,844.00</u>
		9,388.65
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>8,644.29</u>
Balance December 31, 2013	B	<u><u>\$ 744.36</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 6,052.00
2012	<u>5,909.20</u>
Maximum Allowable Reserve	<u><u>\$ 11,961.20</u></u>

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
GENERAL CAPITAL FUND

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 517,939.01
Increased by:		
State of New Jersey D.O.T. Grant		\$ 142,358.05
Interest Due to Current Fund		<u>19.13</u>
		<u>142,377.18</u>
		<u>660,316.19</u>
Decreased by:		
Improvement Authorizations		145,993.43
Due to Current Fund		19.13
Reserve to Pay Debt Service- Realized as Current Fund Revenue		<u>20,632.00</u>
		<u>166,644.56</u>
Balance December 31, 2013	C	<u>\$ 493,671.63</u>

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2012	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2013
		Miscellaneous	Improvement Authorizations	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 504.33							\$ 504.33
Capital Improvement Fund	431,343.05							241,343.05
Due Current Fund	(49,750.00)	\$ 19.13		\$ 19.13				(47,591.95)
Due from State of New Jersey D.O.T. Grant	20,632.00	142,358.05			20,632.00			
Reserve to Pay Debt Service								
Ord. No.			Improvement Description					
05-05	31,558.71		Purchase Land and Equipment					31,558.71
08-08	5,106.50		Various Equipment	\$ 1,868.50				3,238.00
09-06	1,745.60		Improve Roads & Facilities, Purchase Equipment					1,745.60
11-09	76,333.13		Various Equipment & Improvements	10,997.16				65,335.97
12-03	465.69		Purchase of Police Equipment	348.06				117.63
13-06			Various Road Improvements and Equipment	132,779.71			\$ 330,000.00	197,220.29
	\$ 517,939.01	\$ 142,377.18		\$ 145,993.43	\$ 20,651.13		\$ 330,000.00	\$ 493,671.63

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

Ord. Date	Improvement Description	Balance Dec. 31, 2012	Balance Dec. 31, 2013	Analysis of Balance December 31, 2013
				Bond Anticipation Notes
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>
	<u>Ref.</u>	C	C	



TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 431,343.05
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>190,000.00</u>
Balance December 31, 2013	C	<u>\$ 241,343.05</u>

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Date of		Interest Rate	Balance Dec. 31, 2012	Issued	Matured	Balance Dec. 31, 2013
		Issue of Original Note	Issue					
11-02	Various Road Improvements	12/19/2012	12/19/2012	0.85%	\$ 95,000.00	\$ 95,000.00	\$ 95,000.00	\$ 95,000.00
			12/18/2013	0.94%				
11-09	Various Equipment and Improvement Authorizations	12/19/2012	12/19/2012	0.85%	580,000.00	580,000.00	580,000.00	580,000.00
			12/18/2013	0.94%				
					<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>
				<u>Ref.</u>	<u>C</u>			<u>C</u>
					<u>Renewed</u>	<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>	
						<u>\$ 675,000.00</u>	<u>\$ 675,000.00</u>	

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Matured	Balance Dec. 31, 2012	Balance Dec. 31, 2013
			Date	Amount				
Construction of Municipal Building and Water Supply System	10/10/01	\$ 1,995,000.00	08/15/14	\$ 107,000.00	4.400%	\$ 99,000.00	\$ 1,007,000.00	
			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	02/15/14	120,000.00	3.000%	110,000.00	785,000.00	
			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%			
						\$ 2,001,000.00	\$ 1,792,000.00	
						C	C	

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF NJ GREEN TRUST LOAN PAYABLE  
YEAR ENDED DECEMBER 31, 2013

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 41,372.92
Decreased by:		
Principal Matured-Funded by Budget Appropriation		<u>\$ 41,372.92</u>

TOWNSHIP OF INDEPENDENCE  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
WATER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
SEWER UTILITY FUND  
(NOT APPLICABLE)

TOWNSHIP OF INDEPENDENCE  
COUNTY OF WARREN  
2013  
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, 2013

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 Homeland Security: (Passed through New Jersey Department	Disaster Grants - Public Assistance - FEMA: Hurricane Sandy	97.036	N/A	1/1/12	12/31/13	\$ 16,636.23	\$ 16,636.23	\$ 16,636.23 *	\$ 16,636.23
Total U.S. Department of Homeland Security							16,636.23	16,636.23	16,636.23
U.S. Department of Transportation (Passed through New Jersey Department of Law and Public Safety)	Drive Sober or Get Pulled Over	20.601	N/A	1/1/13	12/31/13	4,400.00	3,000.00	3,000.00	3,000.00
	Road Improvement Grant			1/1/11	12/31/13	199,000.00	2,358.05	199,000.00	199,000.00
	Road Improvement Grant		N/A	1/1/13	12/31/13	140,000.00	140,000.00	132,779.71	132,779.71
	Subtotal - U.S. Department of Transportation						145,358.05	135,779.71	334,779.71
Total Federal Awards							\$ 161,994.28	\$ 152,415.94	\$ 351,415.94

N/A - Information Not Available

\* - Expended in 2012.

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2013

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	1/1/12	12/31/13	\$ 12,147.08	\$ 380.13	\$ 7,307.84	\$ 11,933.69
			1/1/13	12/31/13	13,184.69	13,184.69	7,567.82	7,567.82
			1/1/11	12/31/13	3,430.80	3,629.88	1,250.00	2,500.00
Department of the Treasury (Passed through County of Warren)	Wastewater Management Plan	N/A	1/1/10	12/31/13	10,000.00	1,547.50	2,180.33	10,000.00
			1/1/11	12/31/13	15,000.00	14,075.00	11,288.98	15,000.00
			Subtotal - Department of Environmental Protection				32,817.20	27,414.64
Department of Law and Public Safety	Safe and Secure Communities Program	100-066-1020 107-090940	1/1/12	12/31/13	9,802.00	4,313.00	2,180.33	9,802.00
			1/1/13	12/31/13	9,802.00	6,512.00	8,462.04	8,462.04
			Subtotal - Department of Treasury				10,825.00	10,642.37
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	1/1/13	12/31/13	37,854.00	30,000.00	37,854.00	37,854.00
			1/1/12	12/31/13	5,000.00	2,245.89	3,299.19	3,299.19
			1/1/13	12/31/14	2,245.89	2,245.89		
TOTAL STATE AWARDS	Body Armor Replacement Fund	718-066-1020-001	1/1/13	12/31/14	1,413.32	1,413.32		
			1/1/13	12/31/13	1,112.96			
			Subtotal - Department of Law and Public Safety				33,659.21	37,854.00
						\$ 77,301.41	\$ 75,911.01	\$ 91,418.74

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, 2013

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 Non-Profit 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.



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

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

*Independent Auditor's Report*

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

We have audited, 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, 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, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 4, 2014. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That report contained a qualified opinion on the financial statements as the amount that should be recorded in the general fixed assets account group could not be determined.

**Internal Control Over Financial Reporting**

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2013-01 and 2013-02, that we consider to be significant deficiencies.

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 Findings**

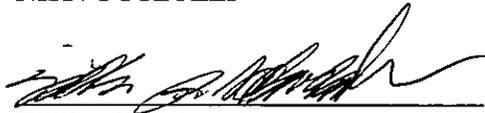
The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
March 4, 2014

NISIVOCCIA LLP



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

TOWNSHIP OF INDEPENDENCE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 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 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, for 2013 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:

The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2013-1

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 2013-2

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, 2013  
(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 04-04.

TOWNSHIP OF INDEPENDENCE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, 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 2013 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, 2013, 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>
2013	27
2012	24
2011	31

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 2013 and 2014 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3

Verification notices were mailed to confirm balances as of December 31, 2013. 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 2013 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Cash</u> <u>Received</u>	<u>Cash</u> <u>Disbursed</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Municipal Treasurer:				
Fines and Costs	\$ 3,703.36	\$ 54,087.06	\$ 54,189.46	\$ 3,600.96
Restitution		3,015.00	3,015.00	
Conditional Discharge		666.00	480.00	186.00
POAA (FTA)		28.00	28.00	
County:				
Fines and Costs	1,782.00	25,130.51	25,040.01	1,872.50
State Treasurer:				
Fines and Costs	2,265.61	27,801.43	27,626.53	2,440.51
Drug Education	50.00	595.00	545.00	100.00
Weights and Measures		650.00	450.00	200.00
State Lab Fee		445.00	375.00	70.00
Fish & Game	400.00	2,395.00	2,770.00	25.00
Miscellaneous	1.48	16.43	16.48	1.43
Bail		12,498.00	10,998.00	1,500.00
	<u>\$ 8,202.45</u>	<u>\$ 127,327.43</u>	<u>\$ 125,533.48</u>	<u>\$ 9,996.40</u>

Corrective Action Plan

The Township has initiated a corrective action plan to resolve the comments and recommendations from the 2012 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 2013.

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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Township \_\_\_\_\_ of Independence of Warren County  
 City, Town, Boro. or Twp \_\_\_\_\_ Municipality

Form for Reporting Dog Licenses Issued  
 Pursuant to R.S. 4:19-15.1 et seq., as  
 amended by Chapter 168, P.L. 1978 and  
 Chapter 235, P.L. 1981.

Auditor: Nisivoccia LLP  
 Address: 200 Valley Road Suite 300  
Mount Arlington, NJ 07856

	1 Year	3 Year	
Dog License Fee - Minimum	\$1.50	\$ 4.50	\$10.00
Dog License Fee - Maximum	\$7.00	\$21.00	25.00
Where there is no Local Ordinance, the fee shall be \$1.50, 1 year & \$4.50, 3 years.			10.00
State Registration Fees:			
1 year License -- \$1.00		"Service", "Hearing Ear" and	
3 year License -- \$3.00		"Seeing Eye" Dog Licenses are to be issued without fees	

YEAR 2013

<u>License Numbers</u>		Rate	Total Fees	Municipal License	Kennel License	Seeing Eye	State Registration Fees
From 1	To 1000						
Neutered	713	8.00	5,704.00	4,848.40			855.60
Non-Neutered	92	11.00	1,012.00	625.60			386.40
Voided/Replacement							
Police Dog							
1	1000						
TOTALS			6,716.00	5,474.00			1,242.00

Add: Prior Balance Due To State Treasurer December 31, 2012

1,242.00

Remitted to State Treasurer

1,240.80

Balance Due State Treasurer December 31, 2013

\$ 1.20

Memo to Auditor: If three year licenses are issued, prepaid license fees must be set up in the Dog License Fund, however, the state registration fees are due 30 days after collection.