

BOROUGH OF MEDFORD LAKES
County of Burlington

Report of Audit of Financial Statements

For the Year Ended December 31, 2012

BOROUGH OF MEDFORD LAKES
COUNTY OF BURLINGTON

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BOROUGH OF MEDFORD LAKES

PART I

Report of Audit of Financial Statements

For the Year Ended December 31, 2012

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey**

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis, statement of expenditures - regulatory basis, and statement of general fixed assets group of accounts for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Borough'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 Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2012 and 2011, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of December 31, 2012 and 2011, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the revenues - regulatory basis, expenditures - regulatory basis of the various funds, and general fixed assets, for the year ended December 31, 2012 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements.

The supplementary financial statements presented for the various funds 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013 on our consideration of the Borough of Medford Lake's, in the County of Burlington, State of New Jersey, internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Medford Lake's internal control over financial reporting.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
March 5, 2013

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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

INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and
Members of the Borough Council
Borough of Medford Lakes
County of Burlington
Medford Lakes, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey of the Borough of Medford Lakes, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated March 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Medford Lakes'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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Medford Lake'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Medford Lake'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* and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
March 5, 2013

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance – Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$ 4,602,649.55	\$ 4,499,447.41
Cash - Tax Collector	A-5	44,173.19	25,347.45
Cash - Collector's Change Fund		500.00	500.00
Total		4,647,322.74	4,525,294.86
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	289,650.72	245,332.03
Tax Title Lien Receivable	A-7		15,453.19
Revenue Accounts Receivable	A-8	69,980.93	62,224.99
Due from Capital Fund	C	109.87	12.60
Due from Animal Control Fund	B	1,723.77	
Due from Other Trust Fund	B	666.18	685.40
Total		362,131.47	323,708.21
Deferred Charges:			
Special Emergency Authorization	A-13	232,000.00	314,000.00
Total Regular Fund		5,241,454.21	5,163,003.07
Federal and State Grant Fund:			
Cash - Treasurer	A-4	111,307.09	224,824.24
Federal and State Grants Receivable	A-14	108,732.00	106,776.62
Total Federal and State Grant Fund		220,039.09	331,600.86
Total		\$ 5,461,493.30	\$ 5,494,603.93

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3, A-9	\$ 134,218.80	\$ 273,802.86
Reserve for Encumbrances	A-3, A-9	115,109.21	110,327.13
Accounts Payable		10,869.54	10,301.42
Reserve for Flood Emergency		83,290.64	84,490.64
Reserve for Revaluation Program		41,775.53	43,093.03
Reserve for Tax Map		143.00	143.00
Reserve for Farmers Market		3,306.91	3,576.04
Reserve for Leon Tood Memorial Park		4,086.66	
Reserve for POAA		8.00	8.00
Due State of New Jersey per Chapter 20 PL 1971	A-10	6,029.39	529.39
Tax Overpayments		446.63	1,778.76
Prepaid Taxes	A-5, A-6	53,064.68	91,419.14
Reserve for Tax Sale Premiums		44,173.19	25,347.45
Due to Trust Other Fund	B	28,000.00	48,000.00
Due State of New Jersey:			
Construction Code Fees		481.00	960.00
Marriage License Fees		228.00	103.00
Due County for Added Taxes	A-4, A-6	1,266.74	749.02
Regional High School Tax Payable	A-12	1,383,605.66	1,315,647.68
Local District School Tax Payable	A-11	<u>1,949,062.27</u>	<u>1,935,958.27</u>
Total Liabilities		3,859,165.85	3,946,234.83
Reserve for Receivables and Other Assets	A	362,131.47	323,708.21
Fund Balance	A-1	<u>1,020,156.89</u>	<u>893,060.03</u>
Total Regular Fund		<u>5,241,454.21</u>	<u>5,163,003.07</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-15	19,090.99	11,131.93
Due to Capital Fund	C	50,000.00	50,000.00
Appropriated Reserves	A-16	<u>150,948.10</u>	<u>270,468.93</u>
Total Federal and State Grant Fund		<u>220,039.09</u>	<u>331,600.86</u>
Total		<u>\$ 5,461,493.30</u>	<u>\$ 5,494,603.93</u>

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

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 500,000.00	\$ 500,000.00
Miscellaneous Revenue Anticipated	930,180.28	1,168,009.50
Receipts from Delinquent Taxes	254,580.68	223,761.01
Receipts from Current Taxes	12,454,524.39	12,329,508.64
Nonbudget Revenues	116,828.53	108,467.06
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	269,102.62	209,081.42
Interfunds Liquidated	19.22	63,275.53
Total Revenue and Other Income Realized	<u>14,525,235.72</u>	<u>14,602,103.16</u>
Expenditures:		
Operations Within "CAPS":		
Salaries and Wages	1,375,313.00	1,319,409.00
Other Expenses	1,157,450.00	1,499,825.00
Deferred Charges and Statutory Expenditures Within "CAPS"	266,724.00	313,660.00
Operations Excluded from "CAPS":		
Salaries and Wages	9,600.00	
Other Expenses	73,756.93	125,338.49
Capital Improvements Excluded from "CAPS"	150,000.00	
Municipal Debt Service Excluded from "CAPS"	847,200.72	845,700.46
Deferred Charges Excluded from "CAPS"	82,000.00	32,000.00
Local District School Tax	5,598,801.00	5,572,593.00
Regional High School Tax	2,685,426.63	2,549,510.49
County Taxes	1,809,449.84	1,812,891.19
Due County for Added Taxes	1,266.74	749.02
Interfund Receivables Created	750.00	
Total	<u>13,898,138.86</u>	<u>14,231,276.65</u>
Excess	627,096.86	370,826.51
Adjustment to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year		250,000.00
Statutory Excess to Fund Balance	<u>627,096.86</u>	<u>620,826.51</u>
Fund Balance January 1	<u>893,060.03</u>	<u>772,233.52</u>
Total	<u>1,520,156.89</u>	<u>1,393,060.03</u>
Decreased by Utilization as Anticipated Revenue	<u>500,000.00</u>	<u>500,000.00</u>
Balance December 31,	<u>\$ 1,020,156.89</u>	<u>\$ 893,060.03</u>

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

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>BUDGET</u>	<u>SPECIAL NJS 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS (DEFICIT)</u>
Fund Balance Anticipated	\$ 500,000.00		\$ 500,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcohol	1,125.00		1,431.00	\$ 306.00
Fees and Permits - Other	15,000.00		21,881.52	6,881.52
Fines and Costs - Municipal Court	60,000.00		72,955.08	12,955.08
Interest and Costs on Taxes	50,000.00		67,041.14	17,041.14
Interest on Investments and Deposits	15,000.00		26,742.15	11,742.15
Cellular Tower Rental	170,000.00		176,060.46	6,060.46
Consolidated Municipal Property Tax Relief Aid	24,305.00		24,305.00	
Energy Receipts Taxes	265,295.00		265,295.00	
Uniform Construction Code Fees	38,000.00		38,337.00	337.00
Reserve for Payment of Debt Service Cost	165,000.00		165,000.00	
Miscellaneous Revenues Offset with Appropriations:				
Municipal Alliance Grant	10,000.00		10,000.00	
Drunk Driving Enforcement Fund	1,533.55		1,533.55	
Burlington County Park Improvements		\$ 50,000.00	50,000.00	
Body Armor	1,181.66		1,181.66	
Clean Communities	8,416.72		8,416.72	
Total	824,856.93	50,000.00	930,180.28	55,323.35
Receipts from Delinquent Taxes	220,000.00		254,580.68	34,580.68
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	2,659,853.66		2,811,843.20	151,989.54
Budget Totals	4,204,710.59	50,000.00	4,496,604.16	<u>\$ 241,893.57</u>
Nonbudget Revenues			116,828.53	
Total	<u>\$ 4,204,710.59</u>	<u>\$ 50,000.00</u>	<u>\$ 4,613,432.69</u>	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2012Analysis of Realized Revenue**Allocation of Current Tax Collections:**

Revenue from Collections	\$ 12,454,524.39
Allocated to School and County Taxes	10,094,944.21
Balance for Support of Municipal Budget Appropriations	2,359,580.18
Add Appropriation - Reserve for Uncollected Taxes	452,263.02
Amount for Support of Municipal Budget Appropriations	<u>\$ 2,811,843.20</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ <u>254,580.68</u>
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Fees and Permits - Other:

Fire Safety Fees	\$ 6,858.52
Towing Permit Fees	625.00
Historic Commission Permits	50.00
Fire Arm Permits	178.00
Land Use Board Fees	350.00
Tree Removal Permits	2,595.00
Planning/Zoning Permits	4,725.00
Street Opening Permits	6,500.00
Total	<u>\$ 21,881.52</u>

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:	
Cable TV Franchise Fee	\$ 57,313.05
Collected - Treasurer	
Police Accident Reports	\$ 1,173.11
Photocopies	952.54
Assessor's List	70.00
Shared Services	11,220.23
FEMA Reimbursement	162.72
Raffle license	60.00
Duplicate Bills	150.00
Public Auction	26,718.34
Prior Year Refunds	18,440.11
Miscellaneous	<u>568.43</u>
	<u>59,515.48</u>
Total Treasurer	<u>\$ 116,828.53</u>

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

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations		Expended			Unexpended Balance Canceled	
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
GENERAL APPROPRIATIONS:							
<i>Operations Within "CAPS":</i>							
General Government							
General Administration:							
Salaries and Wages	\$ 70,000.00	\$ 76,000.00	\$ 74,345.72		\$ 1,654.28		
Other Expenses	17,650.00	11,950.00	9,003.54	\$ 1,511.11	1,435.35		
Mayor and Council:							
Salaries and Wages		8,500.00	8,500.00				
Other Expenses	5,675.00	5,675.00	5,388.83		286.17		
Borough Clerk:							
Salaries and Wages	41,200.00	41,650.00	41,621.46		28.54		
Other Expenses	21,900.00	17,900.00	14,875.88	224.19	2,799.93		
Financial Administration:							
Salaries and Wages	31,100.00	27,700.00	27,589.30		110.70		
Other Expenses	2,525.00	1,525.00	934.29		590.71		
Audit Services:							
Other Expenses	18,000.00	18,000.00	18,000.00				
Computerized Data Processing:							
Other Expenses	8,800.00	8,800.00	7,444.86		1,355.14		
Collection of Taxes:							
Salaries and Wages	15,000.00	23,700.00	23,556.64		143.36		
Other Expenses	2,400.00	2,400.00	1,729.77	166.49	503.74		
Assessment of Taxes:							
Other Expenses	23,500.00	23,500.00	23,500.00				
Legal Services & Costs:							
Other Expenses	35,000.00	41,000.00	34,685.75		6,314.25		
General Government							
Engineering Services:							
Other Expenses	6,000.00	12,000.00	5,389.21	2,638.65	3,972.14		

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2012

	Appropriations			Expended			Unexpended Balance Canceled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
Operations Within "CAPS" (Continued)							
General Government							
Historic Preservation Commission:							
Salaries and Wages	\$ 2,000.00	\$ 1,500.00	\$ 1,500.00				
Other Expenses	100.00	100.00				\$ 100.00	
Land Use Administration:							
Planning Board:							
Salaries & Wages	4,000.00	4,000.00	3,256.78			743.22	
Other Expenses	7,000.00	7,000.00	1,117.19	\$ 105.00		5,777.81	
Insurance:							
Liability Insurance	171,500.00	171,500.00	170,147.24			1,352.76	
Employees Group Insurance	249,800.00	222,300.00	215,878.32			6,421.68	
Unemployment Compensation	6,000.00	16,000.00	13,033.57			2,966.43	
Health Benefit Waiver	15,000.00	17,000.00	16,750.16			249.84	
Public Safety:							
Police:							
Salaries and Wages	745,000.00	762,800.00	759,467.25			3,332.75	
Other Expenses	31,000.00	31,000.00	12,986.64	11,982.72		6,030.64	
Office of Emergency Management:							
Salaries and Wages	4,000.00	4,000.00	1,999.92			2,000.08	
Other Expenses	2,000.00	1,000.00	45.00			955.00	
Aid to Volunteer Ambulance Companies:							
Other Expenses	3,000.00	4,000.00	2,676.98			1,323.02	
Emergency Medical Services:							
Salaries and Wages	3,000.00	2,250.00	2,250.00				
Other Expenses	8,000.00	8,000.00	7,356.08	417.42		226.50	
Fire Department:							
Other Expenses	51,000.00	51,000.00	36,645.82	11,746.51		2,607.67	
Fire Official:							
Salaries & Wages	12,000.00	12,000.00	11,637.96			362.04	
Other Expenses	1,100.00	1,100.00	366.33	208.00		525.67	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued)						
Borough Prosecutor:						
Other Expenses	\$ 6,300.00	\$ 6,300.00	\$ 6,300.00			-
Public Works:						
Streets & Roads:						
Salaries and Wages	278,000.00	278,000.00	265,781.64		\$ 12,218.36	
Other Expenses	77,000.00	72,000.00	47,833.90	\$ 10,691.64	13,474.46	
Solid Waste Collection:						
Salaries & Wages	58,500.00	55,700.00	55,108.52		591.48	
Other Expenses	50,000.00	38,500.00	22,299.49	6,775.00	9,425.51	
Public Buildings and Grounds:						
Salaries & Wages		19,000.00	17,142.16		1,857.84	
Other Expenses	33,000.00	24,700.00	13,456.44	3,391.24	7,852.32	
Vehicle Maintenance:						
Other Expenses	50,000.00	50,000.00	20,998.64	22,153.95	6,847.41	
Utility Expenses and Bulk Purchases:						
Electricity	30,000.00	26,550.00	23,483.84	1,790.00	1,276.16	
Street Lighting	11,000.00	11,000.00	7,754.72	750.00	2,495.28	
Telephone	11,000.00	11,000.00	8,499.62	778.85	1,721.53	
Natural Gas	11,600.00	7,900.00	5,190.98	985.00	1,724.02	
Gasoline	65,000.00	65,000.00	56,650.35	8,089.64	260.01	
Printing & Postage	7,500.00	7,500.00	6,000.00		1,500.00	
Landfill/Solid Waste Disposal Costs:						
Landfill Fees	145,000.00	135,000.00	116,347.78	12,000.00	6,652.22	
Uniform Construction Code:						
Construction Code Official:						
Salaries and Wages	13,600.00	10,700.00	10,318.39		381.61	
Other Expenses	24,200.00	23,750.00	1,873.87	18,500.00	3,376.13	
Zoning Code Enforcement Officer:						
Salaries and Wages	10,650.00	13,050.00	12,867.18		182.82	
Other Expenses	300.00	300.00	100.00		200.00	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	
<i>Operations Within "CAPS" (Continued)</i>						
Municipal Court:						
Salaries and Wages	\$ 33,063.00	\$ 33,063.00	\$ 29,996.18		\$ 3,066.82	
Other Expenses	3,200.00	4,700.00	4,289.54	\$ 203.80	206.66	
Public Defender						
Salaries and Wages	1,700.00	1,700.00			1,700.00	
Total Operations - Within "CAPS"	2,534,863.00	2,532,263.00	2,285,973.73	115,109.21	131,180.06	
Contingent	500.00	500.00			500.00	
Total Operations Including Contingent - within "CAPS"	2,535,363.00	2,532,763.00	2,285,973.73	115,109.21	131,680.06	
Detail:						
Salaries and Wages	1,322,813.00	1,375,313.00	1,346,939.10		28,373.90	
Other Expenses	1,212,550.00	1,157,450.00	939,034.63	115,109.21	103,306.16	
Deferred Charges and Statutory Expenditures -						
Municipal - Within "CAPS":						
STATUTORY EXPENDITURES:						
Contribution to:						
Public Employees Retirement System	53,896.00	53,896.00	53,896.00			
Social Security System (O.A.S.I.)	103,500.00	106,100.00	106,018.82		81.18	
Police and Firemen's Retirement System	103,728.00	103,728.00	103,728.00			
Defined Contribution Retirement Fund	3,000.00	3,000.00	542.44		2,457.56	
Total Deferred Charges and Statutory Expenditures -						
Municipal Within "CAPS"	264,124.00	266,724.00	264,185.26		2,538.74	
Total General Appropriations -						
For Municipal Purposes Within "CAPS"	2,799,487.00	2,799,487.00	2,550,158.99	115,109.21	134,218.80	

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>Appropriations</u>		<u>Expended</u>			<u>Unexpended Balance Canceled</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>		
<i>Operations Excluded from "CAPS":</i>							
Public and Private Programs Offset By Revenues:							
Municipal Alliance for Alcoholism and Drug Abuse							
State Share	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00				
Borough Share	2,625.00	2,625.00	2,625.00				
Recycling Tonnage Grant							
Clean Communities	8,416.72	8,416.72	8,416.72				
Drunk Driving Enforcement Fund	1,533.55	1,533.55	1,533.55				
Burlington County Park Improvements		50,000.00	50,000.00				
Body Armor	1,181.66	1,181.66	1,181.66				
Total Operations - Excluded From "CAPS"	23,756.93	73,756.93	73,756.93				
Detail:							
Salaries and Wages							
Other Expenses	23,756.93	73,756.93	73,756.93				
<i>Municipal Debt Service - Excluded From "CAPS"</i>							
Payment of Bond Principal	285,000.00	285,000.00	285,000.00				
Interest on Bonds	24,703.00	24,703.00	24,700.08			\$ 2.92	
Loan Repayment - Principal	400,777.97	400,777.97	400,777.97				
Loan Repayment - Interest	136,722.67	136,722.67	136,722.67				
Total Municipal Debt Service - Excluded From "CAPS"	847,203.64	847,203.64	847,200.72			2.92	
<i>Deferred Charges - Municipal - Excluded From "CAPS"</i>							
Special Emergency Authorizations	82,000.00	82,000.00	82,000.00				
Total Deferred Charges - Municipal - Excluded From "CAPS"	82,000.00	82,000.00	82,000.00				

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Expenditures -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>Appropriations</u>		<u>Expended</u>			Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Total General Appropriations for Municipal Purposes Excluded From "CAPS"						
Subtotal General Appropriations	\$ 952,960.57	\$ 1,002,960.57	\$ 1,002,957.65			\$ 2.92
Reserve for Uncollected Taxes	3,752,447.57	3,802,447.57	3,553,116.64	\$ 115,109.21	\$ 134,218.80	2.92
TOTAL GENERAL APPROPRIATIONS	\$ 4,204,710.59	\$ 4,254,710.59	\$ 4,005,379.66	\$ 115,109.21	\$ 134,218.80	\$ 2.92
Analysis of Budget After Modification:						
Original Budget			\$ 4,204,710.59			
Appropriation by 40A: 4-87			50,000.00			
Total			\$ 4,254,710.59			
Analysis of Expended - Paid or Charged:						
Reserve for Federal and State Grants			\$ 73,756.93			
Deferred Charges - Emergency			82,000.00			
Reserve for Uncollected Taxes			452,263.02			
Disbursed			3,397,359.71			
Total			\$ 4,005,379.66			

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

BOROUGH OF MEDFORD LAKES

TRUST FUND

Statement of Assets, Liabilities, Reserves, and Fund Balance - Regulatory Basis
December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash - Treasurer	B-1	\$ 10,556.77	\$ 10,719.34
Other Funds:			
Cash - Treasurer	B-1	52,773.61	35,894.55
Due from Current Fund	A	28,000.00	48,000.00
Total Other Funds		<u>80,773.61</u>	<u>83,894.55</u>
Total		<u>\$ 91,330.38</u>	<u>\$ 94,613.89</u>
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Department of Health			\$ 4.40
Accounts Payable	B-2	\$ 215.00	
Due to Current Fund	A	1,723.77	
Reserve for Animal Control Fund Expenditures	B-2	<u>8,618.00</u>	<u>10,714.94</u>
Total Animal Control Fund		<u>10,556.77</u>	<u>10,719.34</u>
Other Funds:			
Due to Current Fund	A	666.18	685.40
Reserve for Unemployment Compensation Trust	B-5	8,513.36	5,317.10
Reserve for Street Opening Deposits		9,244.47	7,502.70
Reserve for Planning and Zoning Escrow Deposits	B-4	6,164.10	5,997.50
Reserve for Public Defender Fund	B-6	1,692.51	705.86
Reserve for Special Law Enforcement Fund	B-8	2,193.89	1,903.44
Reserve for Compensated Absences	B-7	28,000.00	48,000.00
Payroll Deductions Payable	B-3	<u>24,299.10</u>	<u>13,782.55</u>
Total Other Funds		<u>80,773.61</u>	<u>83,894.55</u>
Total		<u>\$ 91,330.38</u>	<u>\$ 94,613.89</u>

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

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Cash	C-2	\$ 548,390.75	\$ 674,192.33
Investments - Bond Anticipation Notes	D-14	1,166,000.00	1,311,000.00
Deferred Charges to Future Taxation:			
Funded		6,826,051.92	7,511,829.89
Unfunded	C-4	1,996,299.41	1,996,299.41
Due from Federal & State Grant Fund	A	50,000.00	50,000.00
Total		\$ 10,586,742.08	\$ 11,543,321.63
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-7	\$ 291,000.00	\$ 576,000.00
Encumbrances Payable	C-3, C-6	58,862.43	89,049.83
Due to Current Fund	A	109.87	12.60
EDA Loan Payable	C-8	6,535,051.92	6,935,829.89
Improvement Authorizations:			
Funded	C-6	697,907.72	662,450.20
Unfunded	C-6	1,056,727.79	1,101,301.76
Capital Improvement Fund	C-5	2,257.76	2,257.76
Reserve for Purchase of Public Works Dept. Equipment	C-3		33,595.00
Reserve for Purchase of Fire Equipment	C-3		5,000.00
Reserve for Payment of Debt Service Costs	C-3	1,821,405.58	1,986,405.58
Fund Balance	C-1	123,419.01	151,419.01
Total		\$ 10,586,742.08	\$ 11,543,321.63

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

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

**Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 151,419.01
Decreased by - Appropriated to Finance Improvement Authorizations	<u>28,000.00</u>
Balance December 31, 2012	<u>\$ 123,419.01</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Operating Fund:			
Cash - Treasurer	D-5	\$ 783,009.87	\$ 597,957.38
Due from Sewer Utility Capital Fund	D	168.92	5.31
Receivables with Full Reserves:			
Sewer Service Charges Receivable	D-7	143,369.08	144,299.28
Sewer Service Lien Receivable	D-8		4,173.70
Total Operating Fund		<u>926,547.87</u>	<u>746,435.67</u>
Capital Fund:			
Cash - Treasurer	D-5	202,255.84	372,273.68
Fixed Capital	D-10	5,068,641.40	5,068,641.40
Fixed Capital Authorized & Uncompleted	D-11	841,900.00	841,900.00
Total Capital Fund		<u>6,112,797.24</u>	<u>6,282,815.08</u>
Total		<u><u>\$ 7,039,345.11</u></u>	<u><u>\$ 7,029,250.75</u></u>

(Continued)

EXHIBIT D

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING AND CAPITAL FUND

Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	D-4, D-9	\$ 87,606.86	\$ 93,671.04
Encumbrances Payable	D-4, D-9	66,234.67	31,835.78
Prepaid Sewer Service Charges	D-5, D-7	43,000.35	45,628.04
Sewer Rent Overpayments		1,586.76	1,533.47
Accrued Interest on Bonds and Notes		<u>9,525.00</u>	<u>10,604.13</u>
Total		207,953.64	183,272.46
Reserve for Receivables	D	143,369.08	148,472.98
Fund Balance	D-1	<u>575,225.15</u>	<u>414,690.23</u>
Total Operating Fund		<u>926,547.87</u>	<u>746,435.67</u>
Capital Fund:			
Serial Bonds	D-13		198,000.00
Bond Anticipation Notes Payable	D-14	1,166,000.00	1,311,000.00
Encumbrances Payable	D-12	35,496.78	165,833.27
Due to Sewer Utility Operating Fund	D	168.92	5.31
Improvement Authorization			
Funded	D-12	3,846.50	4,779.98
Unfunded	D-12	295,430.82	334,342.30
Reserve for Amortization	D-16	4,054,550.97	3,856,550.97
Deferred Reserve for Amortization	D-17	541,095.00	396,095.00
Capital Improvement Fund	D-15	3,458.25	3,458.25
Capital Fund Balance	D-2	<u>12,750.00</u>	<u>12,750.00</u>
Total Capital Fund		<u>6,112,797.24</u>	<u>6,282,815.08</u>
Total		<u>\$ 7,039,345.11</u>	<u>\$ 7,029,250.75</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 38,750.00	\$ 99,455.00
Sewer Service Charges	1,269,076.99	1,229,501.42
Miscellaneous	36,464.22	37,259.79
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>90,970.37</u>	<u>66,571.41</u>
 Total Revenues	 <u>1,435,261.58</u>	 <u>1,432,787.62</u>
 Expenditures:		
Operating	800,750.00	845,600.00
Debt Service	365,673.37	297,602.26
Deferred Charges and Statutory Expenditures	69,500.00	60,000.00
Refund of Sewer Service Charges	53.29	1,449.72
 Total Expenditures	 <u>1,235,976.66</u>	 <u>1,204,651.98</u>
 Excess in Revenues	 199,284.92	 228,135.64
Fund Balance January 1	<u>414,690.23</u>	<u>286,009.59</u>
 Decreased by Utilization by Sewer Utility Operating Budget	 613,975.15	 514,145.23
 Fund Balance Balance December 31	 <u>38,750.00</u>	 <u>99,455.00</u>
	 <u>\$ 575,225.15</u>	 <u>\$ 414,690.23</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

**Statement of Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2012 and 2011**

Balance December 31, 2011	\$ 12,750.00
<hr/>	
Increased by - Improvement Authorization Canceled	
Balance December 31, 2012	<u>\$ 12,750.00</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Revenues -- Regulatory Basis
For the Year Ended December 31, 2012

	<u>Anticipated</u>	<u>Realized</u>	Excess (Deficit)
Fund Balance	\$ 38,750.00	\$ 38,750.00	
Sewer Service Charges	<u>1,200,000.00</u>	<u>1,269,076.99</u>	<u>\$ 69,076.99</u>
Total	1,238,750.00	1,307,826.99	69,076.99
Miscellaneous		<u>36,464.22</u>	<u>36,464.22</u>
Total	<u>\$ 1,238,750.00</u>	<u>\$ 1,344,291.21</u>	<u>\$ 105,541.21</u>

Analysis of Realized Revenues

Sewer Service Charges:

Consumer Accounts Receivable:

Collections - 2012	\$ 1,218,810.73
Prepayments Applied	45,628.04
Sewer Liens Receivable - Collections	<u>4,638.22</u>

Total	<u>\$ 1,269,076.99</u>
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Miscellaneous:

Sewer Late Fee Charges	\$ 28,903.04
Interest Earned on Investments	2,489.49
Connection Fees	500.00
Sump Pump Fees	1,450.00
Prior Year Expenditures Refunded	<u>2,958.08</u>
	36,300.61
Due from Sewer Capital Fund	<u>163.61</u>
Total	<u>\$ 36,464.22</u>

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

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Expenditures – Regulatory Basis
For the Year Ended December 31, 2012

	<u>Appropriations</u>			<u>Expended</u>			<u>Unexpended</u> <u>Balance</u> <u>Canceled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbrances Payable</u>	<u>Reserved</u>		
Operating:							
Salaries and Wages	\$ 241,000.00	\$ 241,000.00	\$ 225,085.67		\$ 15,914.33		
Other Expenses	559,750.00	559,750.00	434,815.54	\$ 66,234.67	58,699.79		
Debt Service:							
Payment of Bond Principal	198,000.00	198,000.00	198,000.00				
Payment of Note Principal	145,000.00	145,000.00	145,000.00				
Interest on Bonds	5,500.00	5,500.00	5,500.00				
Interest on Notes	20,000.00	20,000.00	17,173.37				\$ 2,826.63
Statutory Expenditures:							
Public Employees Retirement System	30,000.00	30,000.00	30,000.00				
Social Security System	25,000.00	25,000.00	16,943.99		8,056.01		
Defined Contribution Retirement	4,000.00	4,000.00	236.53		3,763.47		
Unemployment Compensation Insurance (NJSA 43:21-3 et. seq.)	10,500.00	10,500.00	9,326.74		1,173.26		
Total	\$ 1,238,750.00	\$ 1,238,750.00	\$ 1,082,081.84	\$ 66,234.67	\$ 87,606.86	\$ 2,826.63	

Analysis of Paid or Charged:

Interest on Bonds and Notes	\$ 22,673.37
Disbursed	1,059,408.47
Total	\$ 1,082,081.84

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

BOROUGH OF MEDFORD LAKES

ACCOUNT GROUP

Statement of General Fixed Assets Group of Accounts
For the Year Ended December 31, 2012

	Balance December 31, <u>2011</u>	Additions	Retirements	Balance December 31, <u>2012</u>
General Fixed Assets:				
Buildings	\$ 6,609,023.26	\$ 25,000.00		\$ 6,634,023.26
Improvements Other Than to Buildings	9,866.20			9,866.20
Furniture and Equipment	599,048.00		\$ 590,048.00	9,000.00
Vehicles and Equipment	2,154,237.00	266,500.00		2,420,737.00
 Total General Fixed Assets	 <u>9,372,174.46</u>	 <u>291,500.00</u>	 <u>590,048.00</u>	 <u>9,073,626.46</u>
 Total Investment in General Fixed Assets	 <u>\$ 9,372,174.46</u>	 <u>\$ 291,500.00</u>	 <u>\$ 590,048.00</u>	 <u>\$ 9,073,626.46</u>

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

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Medford Lakes (hereafter referred to as the "Borough") is located in the western portion of the County of Burlington, State of New Jersey. The present population according to the 2010 census is 4,110.

The Borough was incorporated in 1939 and operates under the provisions of the Municipal Manager's Act of Chapter 113 of the 1923 Laws of New Jersey, as amended. Under this act the Borough is governed by a five member Borough Council. At least one councilmember is elected every two years to a four year term. At its reorganization the council selects a mayor and appoints a professionally qualified Manager. The Council is the legislative body of the Borough, while the Mayor acts as the Chief Executive Officer. The Borough Manager monitors the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units - The Borough of Medford Lakes had no component units as defined by Governmental Accounting Standards Board Statement No. 14.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Borough contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the "Requirements" 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Borough accounts for its financial transactions through the use of separate funds which are described as follows.

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

Trust Funds - The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - The General Capital Fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Capital Funds - The Sewer Utility Operating and Capital Funds account for operations of the utility and the acquisition of capital facilities of the municipally-owned sewer utility.

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its current and sewer utility funds in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the Borough. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to the adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Borough requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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 statements of assets, liabilities, reserves and fund balances.

General Fixed Assets - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Borough has adopted a capitalization threshold of \$5,000 the maximum amount allowed by the Circular.

Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. The Borough is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the Borough's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft. No depreciation of general fixed assets is recorded.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Utility Fixed Assets - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for dispositions and abandonment. The amounts shown do not represent replacement cost or current value. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements and contributed capital. Depreciation is not recorded on these fixed assets.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units - Liens sold on behalf of other governmental units are not recorded on the records of the Borough until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance - Fund Balance included in the Current Fund and Utility Operating Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Appropriation Reserves - Appropriation reserves covering unexpended appropriation balances are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Compensated Absences and Postemployment Benefits - Compensated absences for vacation and sick leave are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

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

Property Tax Revenues - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the Medford Lakes Borough School District, the Lenape Regional High School and the County of Burlington. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes - The Borough is responsible for levying, collecting and remitting school taxes for the Medford Lakes Borough School District and the Lenape Regional High School District. Operations is charged for the full amount required to be raised from taxation to operate the school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2010 and decreased by the amount deferred at December 31, 2011.

County Taxes - The Borough is responsible for levying, collecting and remitting county taxes for the County of Burlington. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Outstanding encumbrances are offset by an account entitled "Reserve for Encumbrances". The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Long-Term Debt - Long-Term Debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital and Utility Capital Funds. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Interest on Delinquent Taxes - It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after the due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten (10) day grace period.

Comparative Data - Comparative total data for the prior year have been presented in the accompanying statements of assets, liabilities, reserves and fund balance and statement of operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk refers to the risk that, in the event of a bank failure, the Borough's deposits may not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 2. CASH AND CASH EQUIVALENTS (CONT'D)

As of December 31, 2012, the Borough's bank balances of \$2,654,351.08 were exposed to custodial credit risk as follows:

F.D.I.C. Insured	\$ 500,000.00
Collateralized Under GUDPA	5,850,975.91
Uninsured and Uncollateralized	<u>46,500.91</u>
Balance June 30, 2012	<u><u>\$ 6,397,476.82</u></u>

NOTE 3. PROPERTY TAXES

The following is a comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years ending December 31.

<u>Comparative Schedule of Tax Rates</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Tax Rate without Business					
Improvement District Tax Rate	<u><u>\$ 2.818</u></u>	<u><u>\$ 2.778</u></u>	<u><u>\$ 2.757</u></u>	<u><u>\$ 5.259</u></u>	<u><u>\$ 5.225</u></u>

Apportionment of Tax Rate:

Municipal	\$ 0.587	\$ 0.587	\$ 0.590	\$ 1.153	\$ 1.141
County	0.401	0.402	0.410	0.804	0.808
Local School	1.237	1.228	1.215	2.317	2.247
Regional High School Tax	0.593	0.561	0.542	0.985	1.029

Assessed Valuation

2012	\$ 452,710,270
2011	453,665,850
2010	456,281,111 R
2009	233,569,538
2008	233,569,538

R = Revaluation Year

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012

NOTE 3. PROPERTY TAXES (CONT'D)

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 12,774,326	\$ 12,454,524	97.50%
2011	12,611,157	12,329,509	97.77%
2010	12,581,974	12,306,782	97.81%
2009	12,297,461	12,073,816	98.18%
2008	12,206,120	12,031,269	98.57%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ -	\$ 289,651	\$ 289,651	2.27%
2011	15,453	245,332	260,785	1.95%
2010	11,253	240,922	252,175	1.91%
2009	-	223,644	223,644	1.82%
2008	-	169,228	169,228	1.39%

The following comparison is made of the number of tax title liens receivable on December 31, of the current year and previous four years.

<u>Year</u>	<u>Number</u>
2012	0
2011	1
2010	1
2009	0
2008	0

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 4. SEWER UTILITY SERVICE CHARGES

The following is a five-year comparison of sewer utility service charges (rents) and collections for the current and previous four years.

<u>Year</u>	<u>Balance Beginning of Year</u>						<u>Cash Collections</u>		<u>Percentage</u>
	<u>Receivables</u>	<u>Liens</u>	<u>Levy</u>	<u>Total</u>					
2012	\$ 144,299	\$ -	\$ 1,263,509	\$ 1,407,808	\$ 1,264,439				89.82%
2011	121,146	-	1,254,055	1,375,201	1,229,501				89.41%
2010	95,018	-	1,200,053	1,295,071	1,171,386				90.45%
2009	75,157	-	1,072,645	1,147,802	1,052,784				91.72%
2008	81,003	-	1,070,679	1,151,682	1,076,525				93.47%

NOTE 5. FUND BALANCES APPROPRIATED

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets.

<u>Year</u>	<u>Balance</u>		<u>Utilized in Budget of Succeeding Year</u>		<u>Percentage of Fund Balance Used</u>
	<u>Year</u>	<u>December 31,</u>	<u>Year</u>	<u>Used</u>	
<u>Current Fund</u>					
2012	\$ 1,020,157		\$ 545,000	*	53.42%
2011	893,060		500,000		55.99%
2010	772,233		500,000		64.75%
2009	816,059		500,000		61.27%
2008	1,057,452		600,000		56.74%
<u>Sewer Utility Fund</u>					
2012	\$ 575,225		\$ 81,003	*	14.08%
2011	414,690		38,750		9.34%
2010	286,009		99,455		34.77%
2009	273,991		208,096		75.95%
2008	391,299		239,100		61.10%

* As introduced on April 24, 2013

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balances as of December 31, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 2,499.82	\$ 28,000.00
Federal & State Grant Fund		50,000.00
Trust Fund:		
Animal Control Fund		1,723.77
Other Trust Funds	28,000.00	666.18
General Capital Fund	50,000.00	109.87
Sewer Utility Fund		
Operating Fund	168.92	
Capital Fund		168.92
	<hr/> <u>\$ 80,668.74</u>	<hr/> <u>\$ 80,668.74</u>

NOTE 7. PENSION PLANS

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Police and Firemen's Retirement System (PFRS), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

The Borough is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed below.

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System was established in 1944. The PFRS provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012

NOTE 7. PENSION PLANS (CONT'D)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Borough is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

	2012		2011		2010	
	PERS	PFRS	PERS	PFRS	PERS	PFRS
Normal Contribution	\$ 26,290	\$ 52,093	\$ 31,537	\$ 82,556	\$ 28,441	\$ 80,638
Accrued Liability	52,581	47,546	50,252	59,594	36,544	52,409
Total Regular Pension Cont.	78,871	99,639	81,789	142,150	64,985	133,047
Non-Contributory Group						
Life Insurance	5,025	4,089	6,212	7,009	9,012	7,548
Total Due	\$ 83,896	\$ 103,728	\$ 88,001	\$ 149,159	\$ 73,997	\$ 140,595

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Divisions of Pensions and Benefits. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78 P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the Borough's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Borough's contributions, equal to the required contribution for each fiscal year, were as follows:

Year	Liability	Contribution	Borough
2012	\$ 1,120	\$ 743	\$ 377
2011	8,380	4,537	3,843
2010	6,468	4,781	1,687

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the Borough.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The financial statements of the Borough are not prepared in accordance with Governmental Standards Board Statement No. 45. The following information is provided in accordance with the requirements of the Statement.

Plan Description – The Borough contributes to the State Health Benefits Program ("SHBP"), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. The Borough's defined benefit postemployment healthcare plan provides post employment health care benefits, at its cost, to certain retired employees. A Borough employee will receive paid health insurance benefits upon retirement from the Borough provided they 1) retire from the Borough with at least twenty-five years of service in the New Jersey Public Employees Retirement System, 2) retire from the Borough with at least twenty years of service with the Borough, and 3) at the time of retirement the employee is at least sixty-two years of age. Retirees will not be eligible to receive paid health coverage for their spouses or for their dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625.

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During the year 2012, 2011 and 2010 there were 1, 0 and 0 retired employees, respectively who received this benefit resulting in payments of \$9,628, \$0 and \$0 in related health care premiums.

NOTE 9. COMPENSATED ABSENCES

Borough employees are entitled to sick leave, personal days and vacation days each year in varying amounts as outlined in the employee handbook. Unused sick leave may be accumulated and carried forward to the subsequent year. Personal days cannot be carried forward to the subsequent year. Vacation days are earned based on years of service. Unused vacation days may not be carried forward to the subsequent year unless specifically approved by Council. Vacations days carried forward must be used in the next succeeding year or be forfeited.

Police officers, regardless of the number of years serving the Borough and upon retirement from the Borough, will be compensated for any accumulated unused sick leave at 100% of their final pay rate with no maximum, except for the Chief of Police and the Lieutenant. The maximum benefit payable to the Chief of Police and the Lieutenant under this provision shall be limited to a maximum of seventy-five thousand dollars (\$75,000).

All other Borough employees do not receive compensation for any accumulated unused sick leave.

The Borough does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2012, accrued benefits for compensated absences are valued at \$420,482.43.

The Borough has established a Compensated Absences Trust Fund to set aside funds for the future payments of compensated absences. At December 31, 2012 the balance of the fund is \$28,000.00.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 10. DEFERRED COMPENSATION SALARY ACCOUNT

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and which have been approved by the Director of the Division of Local Government Services. The plan, available to all full time employees at their option, permits them to defer a portion of their salary to future years. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs.

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

NOTE 11. JOINT INSURANCE POOL

The Borough is a member of the Professional Municipal Management Joint Insurance Fund. The Fund provides its members with the following coverage:

Public Employees Bond
Public Official Bonds
Business Automobile
Workers' Compensation and Employer's Liability
Environmental Liability
Property Damage

Annual contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund publishes its own financial report which can be obtained by writing to: Professional Municipal Management JIF, 250 Pehle Avenue, Suite 701, Saddle Brook, New Jersey, 07663.

NOTE 12. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and previous two years:

Fiscal Year	Borough Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2012	\$ 21,013	\$ 1,271	\$ 19,088	\$ 8,513
2011	29	2,604	427	5,317
2010	18	2,831	4,960	3,111

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 13. CAPITAL DEBT

Summary of Municipal Debt

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued:</u>			
General Bonds and Notes	\$ 291,000	\$ 576,000	\$ 846,000
Sewer Utility Bonds and Notes	1,166,000	1,509,000	1,774,000
Loans	<u>6,535,052</u>	<u>6,935,830</u>	<u>7,328,711</u>
Total Issued	<u>7,992,052</u>	<u>9,020,830</u>	<u>9,948,711</u>
<u>Authorized But Not Issued:</u>			
General Bonds and Notes	1,996,299	1,996,299	1,734,099
Sewer Utility Bonds and Notes	<u>148,895</u>	<u>148,895</u>	<u>14,090</u>
Net Debt	<u><u>\$ 10,137,246</u></u>	<u><u>\$ 11,166,024</u></u>	<u><u>\$ 11,696,900</u></u>

Serial Bonds are authorized in accordance with State law. All bonds are retired in serial installments within the statutory period of usefulness. Serial Bonds payable at December 31, 2012 consisted of the following issues:

<u>Purpose</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
General Obligation Bonds of 2002	8/15/2013	2.50% - 5.00%	\$ 291,000
Total			<u><u>\$ 291,000</u></u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.481%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,680,000	\$ 3,680,000	
Regional School District Debt	2,251,417	2,251,417	
Sewer Utility Debt	1,314,895	1,314,895	
General Debt	<u>8,822,351</u>	<u>6,535,052</u>	<u>\$ 2,287,299</u>
Total	<u><u>\$ 16,068,663</u></u>	<u><u>\$ 13,781,364</u></u>	<u><u>\$ 2,287,299</u></u>

Net Debt, \$2,287,299 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2, as amended, \$475,494,493 equals 0.481%.

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 13. CAPITAL DEBT (CONT'D)

Equalized Valuation Basis:

2010	\$ 482,379,062
2011	478,465,956
2012	<u>465,638,460</u>
Average	<u><u>\$ 475,494,493</u></u>

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 16,642,307
Net Debt	<u>2,287,299</u>
Remaining Borrowing Power	<u><u>\$ 14,355,008</u></u>

**Calculation of "Self-Liquidating Purpose"
Sewer Utility Per N.J.S.A. 40A:2-45**

Cash Receipts from Fees, Rents or Other Charges for the Year	\$ 1,435,262
Deductions:	
Operating and Maintenance Costs	\$ 870,303
Debt Service Costs	<u>365,673</u>
	<u><u>1,235,976</u></u>
Total Excess in Revenues	<u><u>\$ 199,286</u></u>

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

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

Serial Bonds Payable

<u>Year</u>	<u>General</u>		<u>Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 291,000	\$ 12,731	\$ -	\$ -	\$ 303,731
Total	<u><u>\$ 291,000</u></u>	<u><u>\$ 12,731</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 303,731</u></u>

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 13. CAPITAL DEBT (CONT'D)

NJDEP Loan Payable

The Borough received two (2) loan proceeds totaling \$8,684,442 from the State of New Jersey Department of Environmental Protection Loan Program. The loan has a stated interest rate of 2.00% with a final maturity on September 15, 2026. As of December 31, 2012, the balance payable amounts to \$6,535,052.

Future principal and interest payments are as follows:

Year	Principal	Interest	Total
2013	\$ 408,834	\$ 128,667	\$ 537,501
2014	417,051	120,449	537,500
2015	425,434	112,067	537,501
2016	433,985	103,516	537,501
2017	442,708	94,792	537,500
2018-22	2,350,649	336,854	2,687,503
2023-26	<u>2,056,391</u>	<u>93,612</u>	<u>2,150,003</u>
Total	<u>\$ 6,535,052</u>	<u>\$ 989,957</u>	<u>\$ 7,525,009</u>

Bond Anticipation Notes Payable

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the Notes can not exceed one year from the date of issuance, however the Notes may be renewed from time to time for a period not to exceed one year. Generally, such Notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original Notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original Note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such Notes were issued be paid or retired. A second and third legal installment must be paid if the Notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

As of December 31, 2012, the Borough had outstanding bond anticipation notes as follows:

Fund	Amount Outstanding	Interest Rate	Maturity Date
Sewer Utility Capital	\$ 466,000	2.00%	October 11, 2013
Sewer Utility Capital	<u>700,000</u>	2.00%	June 5, 2013
Total	<u>\$ 1,166,000</u>		

**Borough of Medford Lakes
Notes to Financial Statements
December 31, 2012**

NOTE 14. SCHOOL TAXES

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

	Local District School Tax		Regional High School Tax	
	Balance December 31, 2012	2011	Balance December 31, 2012	2011
Balance of Tax	\$ 2,615,752	\$ 2,602,648	\$ 1,675,417	\$ 1,607,459
Deferred	<u>666,690</u>	<u>666,690</u>	<u>291,811</u>	<u>291,811</u>
 School Tax Payable	 <u>\$ 1,949,062</u>	 <u>\$ 1,935,958</u>	 <u>\$ 1,383,606</u>	 <u>\$ 1,315,648</u>

NOTE 15. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balance of the following funds:

	Balance December 31, 2012	2013 Budget Appropriation
Current Fund:		
Revaluation Program	\$ 30,000	\$ 30,000
Revision of Tax Map	2,000	2,000
Hurricane Irene	<u>200,000</u>	<u>50,000</u>
 Total	 <u>\$ 232,000</u>	 <u>\$ 82,000</u>

The appropriations in the 2013 Budget as introduced are not less than that required by the statutes.

NOTE 16. CONTINGENCIES

The Borough participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

NOTE 17. GUARANTOR OF DEBT

On November 2, 2006 the Borough of Medford Lakes (Borough) approved a loan agreement with the State of New Jersey, Department of Environmental Protection (State) whereby, the Borough acts as a co-borrower with the State for a loan in an amount not to exceed \$2,245,000 to be made to the Medford Lakes Colony (Colony) a not-for-profit corporation located in the Borough. The terms of the agreement are such that the Borough agrees to complete the dredging and lake restoration project and to reimburse the State in accordance with the terms and conditions set forth in the loan agreement, in the event of a default on the part of the Colony. The dredging and lake restoration project has been completed by the Colony. The final loan amount borrowed by the Colony was \$2,171,451.50 and has a 2% interest rate with a maturity date of January 13, 2027. As of the date of this report the Colony has not defaulted on its loan obligation.

SUPPLEMENTAL EXHIBITS

CURRENT FUND

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Treasurer
For the Year Ended December 31, 2012

	CURRENT FUND	FEDERAL AND STATE GRANT FUND
Balance December 31, 2011	\$ 4,499,447.41	\$ 224,824.24
Receipts:		
Taxes Receivable	\$ 12,551,982.74	
Tax Title Liens	15,453.19	
Prepaid 2013 Taxes	53,064.68	
Revenue Accounts Receivable	849,320.26	
Interest on Delinquent Taxes	67,041.14	
Reserve for Leon Todd Memorial Park	5,441.22	
Tax Overpayments	16,364.88	
Due from Other Trust Fund	19.22	
Due from State of New Jersey - Senior Citizens and Veterans Deductions	55,000.00	
Due to State of New Jersey:		
Marriage License Fees	400.00	
DCA Training Fees	2,279.00	
Federal and State Grants Receivable		\$ 77,057.23
Miscellaneous Revenue Not Anticipated	59,515.48	
Matching Funds for State Grants		2,625.00
Total Receipts	<hr/> 13,675,881.81	<hr/> 79,682.23
Total Funds Available	18,175,329.22	304,506.47
Disbursements:		
2012 Appropriations	3,397,359.71	
Matching Funds for State Grants	2,625.00	
County Taxes Payable	1,809,449.84	
Due County for Added Taxes	749.02	
Refund of Tax Overpayments	17,697.01	
Due to Trust Other Fund	20,000.00	
Due to State of New Jersey:		
Marriage License Fees	275.00	
DCA Training Fees	2,758.00	
Local District School Tax	5,585,697.00	
Regional High School Tax	2,617,468.65	
2011 Appropriation Reserves and		
Reserve for Encumbrances	113,474.37	
Accounts Payable	984.88	
Reserve for Flood Damage	1,200.00	
Reserve for Revaluation	1,317.50	
Reserve for Farmers Market	269.13	
Reserve for Leon Todd Memorial Park	1,354.56	
Reserve for Federal and State Grant Funds:		
Appropriated	<hr/> 193,199.38	
Total Disbursements	<hr/> 13,572,679.67	<hr/> 193,199.38
Balance December 31, 2012	<hr/> \$ 4,602,649.55	<hr/> \$ 111,307.09

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Cash - Collector
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 25,347.45
Receipts:	
Tax Sale Premiums	174,797.53
Total Funds Available	<u>200,144.98</u>
Disbursements:	
Refund of Tax Premiums Redeemed	155,971.79
Balance December 31, 2012	<u>\$ 44,173.19</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Taxes Receivable and Analysis of Property Tax Levy
For the Year Ended December 31, 2012

Year	Balance		Collections by Cash		State Share of Senior Citizen and Veterans Deductions Allowed	Transfer to Tax Title Liens	Cancelled	Balance	
	December 31, 2011	Added Taxes	2012 Levy	2011	2012			December 31, 2012	
2008	\$ 4,576.00							\$ 4,576.00	
2009	6,642.12							6,642.12	
2010	5,943.21			\$ 250.00				5,693.21	
2011	228,170.70	20,086.79		238,877.49			\$ 477.80	8,902.20	
	245,332.03	20,086.79		239,127.49			477.80	25,813.53	
2012			\$ 12,774,326.40	\$ 91,419.14	12,312,855.25	\$ 50,250.00		55,984.82	263,837.19
Total	\$ 245,332.03	\$ 20,086.79	\$ 12,774,326.40	\$ 91,419.14	\$ 12,551,982.74	\$ 50,250.00	\$ -	\$ 56,442.62	\$ 289,650.72

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ANALYSIS OF PROPERTY TAX LEVY

Tax Yield:	
General Purpose Tax	\$ 12,708,736.10
Added and Omitted Taxes (54:4-63.1 et. seq.)	12,340.30
Senior Citizens and Veterans Deductions Allowed	
Per Original Levy	<u>53,250.00</u>
Total	<u>\$ 12,774,326.40</u>

Tax Levy:

Local District School Tax (Abstract) \$ 5,598,801.00

Regional High School District Tax (Abstract) 2,685,426.63

County Taxes:

County Tax (Abstract) \$ 1,474,427.76

County Library Tax (Abstract) 144,226.72

County Open Space Tax (Abstract) 190,795.36

Amount Due County for Added Taxes

(54:4-63.1 et.seq.) 1,266.74 1,810,716.58

Local Tax for Municipal Purposes 2,659,853.66

Additional Tax Levies 19,528.53 2,679,382.19

Total \$ 12,774,326.40

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Tax Title Liens
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 15,453.19
Increased by:	
Transfers from Taxes Receivable	
Total	<u>15,453.19</u>
Decreased by:	
Cash Received	<u>15,453.19</u>
Balance December 31, 2012	<u>\$ -</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Revenue Accounts Receivable
For the Year Ended December 31, 2012

	Balance December 31, <u>2011</u>	Accrued in <u>2012</u>	Collected	Balance December 31, <u>2012</u>	Remarks
Borough Clerk:					
Alcohol Licenses	\$ 1,431.00	\$ 1,431.00			
Historic Commission Permits	50.00	50.00			
Street Opening Permits	6,500.00	6,500.00			
Firearm Permits	178.00	178.00			
Zoning Permits	4,725.00	4,725.00			
Land Use Board Fees	350.00	350.00			
Tree Removal Permits	2,595.00	2,595.00			
Towing Permit Fees	625.00	625.00			
Fire Official - Uniform Fire Safety -					
Fees and Permits	6,858.52	6,858.52			
Construction Official - Fees and Permits	38,337.00	38,337.00			
Energy Receipt Taxes	24,305.00	24,305.00			
Consolidated Municipal Property Tax Relief	265,295.00	265,295.00			
Municipal Court - Fines and Costs	\$ 4,911.94	77,975.01	72,955.08	\$ 9,931.87	Dec. Receipts
Interest on Investments and					
Bank Deposits	26,742.15	26,742.15			
Reserve for Payment of Debt	165,000.00	165,000.00			
Rental of Cell Tower Space	176,060.46	176,060.46			
Cable TV Franchise Fees	<u>57,313.05</u>	<u>60,049.06</u>	<u>57,313.05</u>	<u>60,049.06</u>	2012 Allotment
Total	\$ 62,224.99	\$ 857,076.20	\$ 849,320.26	\$ 69,980.93	

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2011 Appropriation Reserves
For The Year Ended December 31, 2012

	Balance December 31, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Salaries and Wages:					
General Administration	\$ 1,704.40		\$ 1,704.40	\$ 203.84	\$ 1,500.56
Mayor and Council	5.00		5.00		5.00
Borough Clerk	0.02		0.02		0.02
Financial Administration	144.27		144.27		144.27
Collection of Taxes	1,529.16		1,529.16		1,529.16
Historic Preservation Commission	570.68		570.68		570.68
Planning Board	202.30		202.30		202.30
Police	17,593.77		17,593.77		17,593.77
Office of Emergency Management	1,400.08		1,400.08		1,400.08
Fire Official	41.64		41.64		41.64
Streets and Roads	12,191.78		12,191.78	\$ 3,050.00	\$ 9,141.78
Solid Waste Collection	2,714.84		2,714.84	75.00	2,639.84
Construction Official	483.64		483.64		483.64
Zoning Code Enforcement	83.51		83.51		83.51
Municipal Court	2,448.89		2,448.89		2,448.89
Public Defender	1,700.00		1,700.00	\$ 1,700.00	
Other Expenses:					
General Administration	2,855.41	924.73	3,780.14	1,240.71	2,539.43
Mayor and Council	339.02		339.02		339.02
Borough Clerk	8,539.96	608.18	9,148.14	1,821.66	7,326.48
Financial Administration	1,368.30		1,368.30		1,368.30
Computerized Data Processing	3,449.65	70.00	3,519.65	70.00	3,449.65
Collection of Taxes	779.33	247.92	1,027.25	247.92	779.33
Legal Services	4,994.21	2,500.00	7,494.21	2,500.00	4,994.21
Engineering Services	1,017.45	252.00	1,269.45	252.00	1,017.45
Historic Preservation Commission	83.01		83.01		83.01
Planning Board	2,208.11		2,208.11		2,208.11
Insurance					
Unemployment Compensation	5,019.66		5,019.66		5,019.66
Employee Group Insurance	68,799.38		68,799.38	\$ 6,411.60	62,387.78
Liability Insurance	10,269.37	361.50	10,630.87	361.50	10,269.37
Health Benefit Waiver	183.83		183.83		183.83
Police	6,567.10	8,826.28	15,393.38	9,305.40	6,087.98
Office of Emergency Management	1,478.23		1,478.23		1,478.23
Aid to Volunteer Ambulance Companies	2,479.49	740.57	3,220.06	1,521.71	1,698.35
Fire	5,598.51	9,286.78	14,885.29	14,690.97	194.32
Fire Official	88.26		88.26		88.26
Streets and Roads	24,210.87	21,277.02	45,487.89	\$ 11,533.18	33,954.71
Solid Waste Collection	12,848.93	8,510.00	21,358.93	4,458.90	16,900.03
Public Buildings and Grounds	4,586.35	3,078.29	7,664.64	2,830.15	4,834.49
Vehicle Maintenance	13,888.38	17,943.18	31,831.56	17,341.82	14,489.74
Forward	<u>224,466.79</u>	<u>74,626.45</u>	<u>299,093.24</u>	<u>79,616.36</u>	<u>219,476.88</u>

(Continued)

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of 2011 Appropriation Reserves
For The Year Ended December 31, 2012

	Balance December 31, 2011		Balance After Transfers	Paid or Charged	Balance Lapsed
	Reserved	Encumbered			
Forward	\$ 224,466.79	\$ 74,626.45	\$ 299,093.24	\$ 79,616.36	\$ 219,476.88
Other Expenses (Cont'd):					
Construction Code Official	3,261.49		3,261.49		3,261.49
Zoning Code Enforcement	300.00		300.00		300.00
Municipal Court	124.63	179.00	303.63	177.68	125.95
Electricity	1,177.29	1,773.71	2,951.00	1,773.71	1,177.29
Street Lighting	765.20	818.19	1,583.39	866.38	717.01
Telephone	878.08	697.15	1,575.23	545.60	1,029.63
Natural Gas	2,152.14	2,281.00	4,433.14	980.06	3,453.08
Gasoline	5,000.00	2,951.83	7,951.63	7,764.32	187.31
Landfill Fees	18,825.11	27,000.00	45,825.11	23,303.26	22,521.85
Contingent	500.00		500.00		500.00
Social Security System	1,373.93		1,373.93		1,373.93
Defined Contribution Retirement Fund	1,564.24		1,564.24		1,564.24
Other Expenses - Outside CAP:					
Tax Collector - Salaries and Wages	80.76		80.76		80.76
Tax Collector - Other Expenses	7,533.20		7,533.20		7,533.20
Recycling Tax	5,800.00		5,800.00		5,800.00
Total	\$ 273,802.86	\$ 110,327.13	\$ 384,129.99	\$ 115,027.37	\$ 269,102.62
			Cash Disbursed	\$ 113,474.37	
			Accounts Payable	1,553.00	
					\$ 115,027.37

BOROUGH OF MEDFORD LAKES

CURRENT FUND

**Schedule of Due State of New Jersey-
Senior Citizen and Veterans' Deductions
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 529.39
Increased by:	
Prior Year Senior Citizen and Veteran Deductions Disallowed by Collector	\$ 750.00
Cash Received	<u>55,000.00</u>
Cash Received	<u>55,750.00</u>
Total	56,279.39
Decreased by:	
Accrued in 2012:	
Senior Citizens Deductions Per Billings	\$ 7,000.00
Veterans Deductions Per Billings	46,250.00
Senior Citizens and Veteran Deductions Allowed by Collector	<u>2,000.00</u>
Less - Senior Citizen Deductions Disallowed by Collector	<u>5,000.00</u>
Total	<u>50,250.00</u>
Balance December 31, 2012	<u>\$ 6,029.39</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Local District School Tax Payable
For the Year Ended December 31, 2012

Balance December 31, 2011:		
School Tax Payable	\$ 1,935,958.20	
School Tax Deferred	<u>516,689.81</u>	\$ 2,452,648.01
Increased by:		
Levy - School Year July 1, 2012 to June 30, 2013		<u>5,598,801.00</u>
Total		8,051,449.01
Decreased by:		
Payments		<u>5,585,697.00</u>
Balance December 31, 2012:		
School Tax Payable	1,949,062.27	
School Tax Deferred	<u>516,689.81</u>	<u>\$ 2,465,752.01</u>
2012 Liability for Local District School Tax:		
Tax Paid		\$ 5,585,697.00
Tax Payable December 31, 2012		<u>1,949,062.27</u>
Total		7,534,759.27
Less:		
Tax Payable December 31, 2011		<u>1,935,958.20</u>
Amount Charged to 2012 Operations		<u>\$ 5,598,801.07</u>

BOROUGH OF MEDFORD LAKES

CURRENT FUND

Schedule of Regional High School Tax Payable
For the Year Ended December 31, 2012

Balance December 31, 2011:

School Tax Payable	\$ 1,315,647.68
School Tax Deferred	<u>291,811.49</u>
	\$ 1,607,459.17

Increased by:

Levy - School Year July 1, 2012 to June 30, 2013	<u>2,685,426.63</u>
Total	4,292,885.80

Decreased by:

Payments	<u>2,617,468.65</u>
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Balance December 31, 2012:

School Tax Payable	1,383,605.66
School Tax Deferred	<u>291,811.49</u>
	\$ 1,675,417.15

2012 Liability for Local District School Tax:

Tax Paid	\$ 2,617,468.65
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Tax Payable December 31, 2012	<u>1,383,605.66</u>
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Total	4,001,074.31
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Less:

Tax Payable December 31, 2011	<u>1,315,647.68</u>
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Amount Charged to 2012 Operations	<u>\$ 2,685,426.63</u>
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BOROUGH OF MEDFORD LAKES

CURRENT FUND

Statement of Deferred Charges
N.J.S. 40A:4-55 Special Emergency
For the Year Ended December 31, 2012

<u>Date Authorized</u>	<u>Purpose</u>	Net Amount		1/5 of		Balance		<u>Balance December 31, 2012</u>
		<u>Net Amount Authorized</u>	<u>Net Amount Authorized</u>	<u>December 31, 2011</u>	<u>Increased In 2012</u>	<u>Decreased In 2012</u>		
12/4/08	Revaluation Program	\$ 150,000.00	\$ 30,000.00	\$ 60,000.00		\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
12/4/08	Tax Map	10,000.00	2,000.00	4,000.00		2,000.00	2,000.00	2,000.00
9/14/11	Hurricane Irene	250,000.00	50,000.00	250,000.00		50,000.00	50,000.00	200,000.00
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Total	\$ 410,000.00	\$ 82,000.00	\$ 314,000.00	\$ -	\$ 82,000.00	\$ 232,000.00	

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Federal and State Grants Receivable
For the Year Ended December 31, 2012

	Balance December 31, <u>2011</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance December 31, <u>2012</u>
Federal Grants:					
NJ Trans. Safe Streets to School	\$ 48,732.00				\$ 48,732.00
NJ Transportation Roadways - 2010	<u>48,044.62</u>		<u>\$ 48,044.62</u>		
Total Federal	<u>96,776.62</u>		<u>48,044.62</u>		<u>48,732.00</u>
State Grants:					
Municipal Alliance Grant	10,000.00	\$ 10,000.00	\$ 9,921.62	\$ 78.38	10,000.00
Clean Communities Grant		8,267.26	8,267.26		
Recycling Tonnage Grant		9,623.20	9,623.20		
Body Armor Grant		1,200.53	1,200.53		
Burlington City Park Development		<u>50,000.00</u>			<u>50,000.00</u>
Total State	<u>10,000.00</u>	<u>79,090.99</u>	<u>29,012.61</u>	<u>78.38</u>	<u>60,000.00</u>
Total	<u>\$ 106,776.62</u>	<u>\$ 79,090.99</u>	<u>\$ 77,057.23</u>	<u>\$ 78.38</u>	<u>\$ 108,732.00</u>

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Reserve for Federal and State Grants - Unappropriated
For the Year Ended December 31, 2012

	<u>Balance</u> <u>December 31,</u> <u>2011</u>	<u>Federal and</u> <u>State Grant</u> <u>Receivable</u>	<u>Realized</u> <u>as Revenue</u> <u>in 2012</u>	<u>Canceled</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
Federal Grants:					
	_____	_____	_____	_____	_____
Total Federal	_____	_____	_____	_____	_____
State Grants:					
Body Armor Grant	\$ 1,181.66	\$ 1,200.53	\$ 1,181.66		\$ 1,200.53
Municipal Alliance Grant		10,000.00	10,000.00		
Clean Communities Grant	8,416.72	8,267.26	8,416.72		8,267.26
Drunk Driving Enforcement Grant	1,533.55		1,533.55		
Recycling Tonnage Grant		9,623.20			9,623.20
Burlington County Park Grant	_____	50,000.00	50,000.00		_____
Total State	11,131.93	79,090.99	71,131.93		19,090.99
Total	\$ 11,131.93	\$ 79,090.99	\$ 71,131.93	\$ -	\$ 19,090.99

BOROUGH OF MEDFORD LAKES

FEDERAL AND STATE GRANT FUND

Schedule of Reserve for Federal and State Grants - Appropriated
For the Year ended December 31, 2012

	Transferred				
	Balance December 31, 2011	from 2012 Budget Appropriation	Paid or Charged	Canceled	Balance December 31, 2012
Federal Grants:					
FEMA Fire Safety Act	\$ 1.00				\$ 1.00
NJ Safe Streets to School	41,990.16		\$ 18,000.00		23,990.16
NJ DOT Roadways Grant - 2010	150,000.00		143,115.04		6,884.96
Over the Limit	4,400.00				4,400.00
Total Federal	196,391.16		161,115.04		35,276.12
State Grants:					
Drunk Driving Enforcement Grant	2,891.29	1,533.55	382.00		4,042.84
Clean Communities Grant	18,356.12	8,416.72	10,479.81		16,293.03
Alcoholic Education Rehabilitation Fund	5,082.44				5,082.44
Body Armor Fund	1,911.75	1,181.66			3,093.41
Municipal Alliance Grant	24,563.82	12,625.00	10,090.20	\$ 78.38	27,020.24
Shared Services Grant	2,950.00				2,950.00
Recycling Tonnage Grant	11,943.71		7,282.33		4,661.38
Smart Future Award	4,069.64				4,069.64
Medford Lakes Colony Grant	2,309.00				2,309.00
Burlington Cty Park Development Prog.		50,000.00	3,850.00		46,150.00
Total State	74,077.77	73,756.93	32,084.34	78.38	115,671.98
Total State Grants	\$ 270,468.93	\$ 73,756.93	\$ 193,199.38	\$ 78.38	\$ 150,948.10

TRUST FUND

BOROUGH OF MEDFORD LAKES

TRUST FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2012

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2011	<u>\$ 10,719.34</u>	<u>\$ 35,894.55</u>
Receipts:		
Animal Control Fund:		
Borough Share	5,119.20	
State Share	650.20	
Planning and Zoning Professional Fees		316.60
Unemployment Compensation Insurance Trust		22,283.96
Street Opening Deposits		16,329.22
Public Defender Reserve		1,152.65
Special Law Enforcement		290.45
Payroll Fund:		
Net Payroll		1,153,830.73
Payroll Deductions Payable		853,691.71
Total Receipts	<u>5,769.40</u>	<u>2,047,895.32</u>
Total Funds Available	<u>16,488.74</u>	<u>2,083,789.87</u>
Disbursements:		
State of New Jersey:		
Department of Health	654.60	
Expenditures Under RS4:19-15.11	5,277.37	
Street Opening Refunds		14,587.45
Planning and Zoning Professional Fees		150.00
Due to Current Fund		19.22
Payroll Fund:		
Net Payroll		1,153,830.73
Payroll Deductions Payable		843,175.16
Public Defender Reserve		166.00
Unemployment Compensation Reserve Fund Expenditures		19,087.70
Total Disbursements	<u>5,931.97</u>	<u>2,031,016.26</u>
Balance December 31, 2012	<u>\$ 10,556.77</u>	<u>\$ 52,773.61</u>

BOROUGH OF MEDFORD LAKES

ANIMAL CONTROL FUND

Schedule of Reserve for Animal Control Fund Expenditures
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 10,714.94
Increased by:		
2012 Dog License Fees Collected	\$ 3,164.00	
2012 Cat Licenses Collected	885.60	
Miscellaneous	6.20	
Late Fees	1,030.00	
Interest Earned	<u>33.40</u>	
		<u>5,119.20</u>
Total		<u>15,834.14</u>
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Cash	5,277.37	
Accounts Payable	215.00	
Statutory Excess Due to Current Fund	<u>1,723.77</u>	
		<u>7,216.14</u>
Balance December 31, 2012		<u>\$ 8,618.00</u>

License Fees Collected

<u>Year:</u>		
2011	\$ 4,092.60	
2010	<u>4,525.40</u>	
Total	<u>\$ 8,618.00</u>	

EXHIBIT B-3

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

**Schedule of Payroll Deductions Payable
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 13,782.55
Increased by:	
Payroll Deductions Received	\$ 853,691.71
Net Pay	<u>1,153,830.73</u>
	<u>2,007,522.44</u>
Total	2,021,304.99
Decreased by:	
Payroll Deductions Disbursed	843,175.16
Net Pay	<u>1,153,830.73</u>
	<u>1,997,005.89</u>
Balance December 31, 2012	<u>\$ 24,299.10</u>

EXHIBIT B-4

**Schedule of Reserve For Planning and Zoning Escrow Deposits
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 5,997.50
Increased by:	
Interest Earned	\$ 16.60
2012 Deposits	<u>300.00</u>
	<u>316.60</u>
Total	6,314.10
Decreased by:	
Disbursed	<u>150.00</u>
Balance December 31, 2012	<u>\$ 6,164.10</u>

A permanent list of individual account balances is on file in the Treasurer's office.

EXHIBIT B-5

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

**Schedule of Reserve For Unemployment Compensation Insurance Trust
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 5,317.10
Increased by:	
Interest Earned	\$ 12.84
Board Contribution	21,000.00
Employee Withholdings	<u>1,271.12</u>
	<u>22,283.96</u>
Total	27,601.06
Decreased by:	
Disbursed to State Department of Labor	<u>19,087.70</u>
Balance December 31, 2012	<u>\$ 8,513.36</u>

EXHIBIT B-6

**Schedule of Reserve For Public Defender Trust Fund
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 705.86
Increased by:	
Interest Earned	\$ 2.65
Receipts	<u>1,150.00</u>
	<u>1,152.65</u>
Decreased by:	<u>1,858.51</u>
Disbursed	<u>166.00</u>
Balance December 31, 2012	<u>\$ 1,692.51</u>

BOROUGH OF MEDFORD LAKES

TRUST - OTHER FUNDS

Schedule of Reserve For Compensated Absences
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 48,000.00
Decreased by:	
Disbursed	<u>20,000.00</u>

Balance December 31, 2012	<u>\$ 28,000.00</u>
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Schedule of Reserve For Special Law Enforcement Fund
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 1,903.44
Increased by:	
Interest Earned	\$ 5.45
Receipts	<u>285.00</u>
	290.45
	<u>2,193.89</u>
Decreased by:	
Disbursed	
Balance December 31, 2012	<u>\$ 2,193.89</u>

GENERAL CAPITAL FUND

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Cash - Treasurer
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 674,192.33
Receipts:	
Interest Earned on Investments	\$ 97.27
Investment - Utility Fund Bond Anticipation Note	<u>145,000.00</u>
	<u>145,097.27</u>
Total	819,289.60
Disbursements:	
Improvement Authorizations	105,898.85
Reserve for Payment of Debt Service Costs	<u>165,000.00</u>
	<u>270,898.85</u>
Balance December 31, 2012	<u>\$ 548,390.75</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Analysis of General Capital Cash and Investments
For the Year Ended December 31, 2012

Capital Improvement Fund	\$ 2,257.76
Fund Balance	123,419.01
Encumbrances Payable	58,862.43
Due to Current Fund	109.87
Reserve for Payment of Debt Service Costs	1,821,405.58
Due from Federal & State Grant Fund	(50,000.00)

Improvement Authorizations:

Ordinance
<u>Number</u>

468	Multi-Purpose:	
	Improvements to Municipal Building	9,109.32
	Improvements to Public Works Department Building	629,620.00
512	Construction of Dams	11,220.88
518	Various Road Repairs	(21,000.00)
534	Purchase of Public Works Dept. Equipment	5,000.00
550	Construction of Drainage Improvements	(41,994.00)
550	Acquisition of Utility Truck	(2,451.00)
563	Acquisition of Trash Truck	(197,762.00)
564	Construction of Maintenance Improv. To Mishemokwa Dam	(56,950.00)
564	Construction of Maintenance Improv. To Quoque Dam	(38,537.86)
569	Purchase of Fire Truck	(354,950.00)
581	Acquisition of Brush Chipper	(47,348.10)
581	Acquisition of Dump Truck	(47,500.00)
581	Acquisition of Police Vehicle	(28,500.00)
581	Acquisition of Natural Gas Generator	(22,534.50)
588	Acquisition of Heavy Equip for PWD	7,500.00
588	Acquisition of 4 Wheel Drive Police Vehicle	(30,743.00)
588	Improvements to Oaks Hall	(14,497.16)
588	Storm Water Drainage Improvements	(34,804.00)
598	Acquisition of Public Works Dept. Equipment	33,595.00
598	Acquisition of Fire Dept. Equipment	442.52
598	Acquisition of Police Dept. Equipment	1,420.00
<hr/>		
	Total	\$ 1,714,390.75

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Deferred Charges to Future Taxation - Unfunded
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance December 31, 2012	Analysis of Balance - December 31, 2012		
			Expenditures	Unexpended Improvement Authorizations	
518	Various Road Improvements	\$ 95,450.41	\$ 21,000.00	\$ 74,450.41	
550	Multi-Purpose:				
	Construction of Drainage Improv. To Mudjekeewis and Tontonava Trails	66,500.00	41,994.00	24,506.00	
	Acquisition of Utility Truck	3,337.00	2,451.00	886.00	
563	Purchase of Trash Truck	197,762.00	197,762.00		
564	Multi-purpose				
	Construction of Maintenance Improv. To Mishemokwa Dam	266,000.00	56,950.00	209,050.00	
	Construction of New Improvements to Quoque Dam	600,000.00	38,537.86	561,462.14	
569	Purchase of Fire Truck	354,950.00	354,950.00		
581	Multi-purpose				
	Acquisition of Brush Chipper	50,350.00	47,348.10	3,001.90	
	Acquisition of Dump Truck	47,500.00	47,500.00		
	Acquisition of Police Vehicle	28,500.00	28,500.00		
	Acquisition of Natural Gas Generator	23,750.00	22,534.50	1,215.50	
588	Multi-purpose				
	Acquisition of Heavy Equip for PWD	142,500.00		142,500.00	
	Acquisition of 4 Wheel Drive Police Vehicle	33,250.00	30,743.00	2,507.00	
	Improvements to Oaks Hall	33,250.00	14,497.16	18,752.84	
	Storm Water Drainage Improvements	53,200.00	34,804.00	18,396.00	
Total		<u>\$ 1,996,299.41</u>	<u>\$ 939,571.62</u>	<u>\$ 1,056,727.79</u>	

Improvement Authorizations Unfunded: \$ 1,056,727.79

Less: Unexpended Proceeds of Bond

Anticipation Notes Issued

\$ 1,056,727.79

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Capital Improvement Fund
For the Year Ended December 31, 2012

Balance December 31, 2011	\$ 2,257.76
Increased by:	
2012 Budget Appropriation	
Subtotal	2,257.76
Decreased by:	
Appropriated to Finance Improvement Authorizations	
Balance December 31, 2012	\$ 2,257.76

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Improvement Authorizations
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance December 31, 2011		2012 Authorizations		Prior Year Encumbrances	Paid or Charged	Current Year Encumbrances	Balance December 31, 2012	
				Funded	Unfunded	Capital Fund Balance	Reserves				Funded	Unfunded
468	Multi-Purpose: Improvements to Municipal Building Improvements to Public Works Dept. Building	06/12/01	\$ 2,100,000	\$ 9,109.32	629,620.00						\$ 9,109.32	
512	Construction of Dams	09/08/05	8,846.561	11,220.88				\$ 16,552.50	\$ 2,000.00	\$ 14,552.50	629,620.00	
518	Multi-Purpose: Various Road Improvements	05/25/06	150,000		\$ 76,950.41			1,275.00		1,275.00	11,220.88	
534	Purchase of PWD Equipment	10/11/07	8,405	\$ 5,000.00				18,012.58	7,498.36	13,014.22		\$ 74,450.41
550	Multi-Purpose: Construction of Drainage Improv. To Mudjekewis and Tontonava Trails	05/08/08			70,000	18,581.00						
	Acquisition of Utility Truck				45,000	886.00						
564	Multi-Purpose: Construction of Maintenance Improv. To Mishemokwa Dam	05/27/09			280,000	228,700.00			7,214.60	10,140.00	16,724.60	209,050.00
	Construction of New Improvements to Quoqua Dam				600,000	566,355.00			17,500.00	22,392.86		561,462.14
581	Multi-Purpose: Acquisition of Brush Chipper	11/10/10			53,000	3,001.90						3,001.90
	Acquisition of Natural Gas Generator				25,000	1,215.50						1,215.50
588	Multi-Purpose: Acquisition of Heavy Equip for PWD	09/14/11			150,000	7,500.00	142,500.00					7,500.00
	Acquisition of 4 Wheel Drive Police Vehicle				35,000		2,507.00					2,507.00
	Improvements to Oaks Hall				35,000		27,149.70					18,752.84
	Storm Water Drainage Improvements				56,000		33,455.25					18,396.00
598	Multi-Purpose: Acquisition of Public Works Dept Equipment	09/15/12			33,595			\$ 33,595.00				33,595.00
	Acquisition of Fire Dept. Equipment				21,000			\$ 16,000.00	5,000.00			442.52
	Acquisition of Police Dept. Equipment				12,000				12,000.00			1,420.00
Total				\$ 662,450.20	\$ 1,101,301.76	\$ 28,000.00	\$ 38,595.00	\$ 89,049.83	\$ 105,898.85	\$ 58,862.43	\$ 687,907.72	\$ 1,056,727.79

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of General Serial Bonds
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	Maturity of Bonds			<u>Interest Rate</u>	<u>Balance December 31, 2011</u>	<u>Decreased by Paid by Budget</u>	<u>Balance December 31, 2012</u>
			<u>Outstanding</u>	<u>December 31, 2012</u>	<u>Date</u>				
General Bonds of 2001	10/10/01	\$ 2,816,000		\$ 291,000.00	8/15/2013	4.375%	\$ 576,000.00	\$ 285,000.00	\$ 291,000.00

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Schedule of Environmental Protection Loan Payable
For the Year Ended December 31, 2012

Balance December 31, 2011		\$ 6,932,829.89
Decreased by:		
Paid by Budget Appropriation		<u>400,777.97</u>

Balance December 31, 2012	<u>\$ 6,532,051.92</u>
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Year	Principal	Interest	Total
2012	\$ 408,833.61	\$ 128,667.04	\$ 537,500.65
2014	417,051.16	120,449.48	537,500.64
2015	425,433.89	112,066.75	537,500.64
2016	433,985.11	103,515.54	537,500.65
2017	442,708.21	94,792.43	537,500.64
2018	451,606.64	85,894.00	537,500.64
2019	460,683.93	76,816.71	537,500.64
2020	469,943.69	67,556.96	537,500.65
2021	479,389.55	58,111.09	537,500.64
2022	489,025.28	48,475.36	537,500.64
2023	498,854.69	38,645.96	537,500.65
2024	508,881.67	28,618.99	537,500.66
2025	519,110.20	18,390.46	537,500.66
2026	529,544.29	7,956.33	537,500.62
	<hr/>	<hr/>	<hr/>
	<u>\$ 6,535,051.92</u>	<u>\$ 989,957.10</u>	<u>\$ 7,525,009.02</u>

BOROUGH OF MEDFORD LAKES

GENERAL CAPITAL FUND

Statement of Bonds and Notes Authorized but not Issued
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance		Funded by Budget Appropriation	Balance December 31, 2012
		December 31, 2011	2012 Appropriation		
518	Various Road Improvements	\$ 95,450.41			\$ 95,450.41
550	Multi-purpose				
	Construction of Drainage Improv. To Mudjekeewis and Tontonava Trails	66,500.00			66,500.00
	Acquisition of Utility Truck	3,337.00			3,337.00
563	Purchase of Trash Truck	197,762.00			197,762.00
564	Multi-purpose				
	Construction of Maintenance Improv. to Mishemokwa Dam	266,000.00			266,000.00
	Construction of New Improvements to Quoque Dam	600,000.00			600,000.00
569	Purchase of Fire Truck	354,950.00			354,950.00
581	Multi-purpose				
	Acquisition of Brush Chipper	50,350.00			50,350.00
	Acquisition of Dump Truck	47,500.00			47,500.00
	Acquisition of Police Vehicle	28,500.00			28,500.00
	Acquisition of Natural Gas Generator	23,750.00			23,750.00
588	Multi-Purpose:				
	Acquisition of Heavy Equip for PWD	142,500.00			142,500.00
	Acquisition of 4 Wheel Drive Police Vehicle	33,250.00			33,250.00
	Improvements to Oaks Hall	33,250.00			33,250.00
	Storm Water Drainage Improvements	53,200.00			53,200.00
Total		\$ 1,996,299.41	\$ -	\$ -	\$ 1,996,299.41

SEWER UTILITY FUND

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of Cash - Collector/Treasurer
For the Year Ended December 31, 2012

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2011	\$ 597,957.38	\$ 372,273.68
Receipts:		
Sewer Service Charges Receivable	\$ 1,218,810.73	
Sewer Liens Receivable	4,638.22	
Prepaid Sewer Rent	43,000.35	
Interest Earned Due to Sewer Utility Operating Fund	\$ 163.61	
Miscellaneous Revenue	<u>36,300.61</u>	<u></u>
 Total Receipts	 <u>1,302,749.91</u>	 <u>163.61</u>
 Total	 1,900,707.29	 372,437.29
 Disbursements:		
2012 Appropriations	1,059,408.47	
Appropriation Reserves and Encumbrances Payable	34,536.45	
Interest on Bonds and Notes	23,752.50	
Improvement Authorizations	<u></u>	<u>170,181.45</u>
 Total Disbursements	 <u>1,117,697.42</u>	 <u>170,181.45</u>
 Balance December 31, 2012	 <u>\$ 783,009.87</u>	 <u>\$ 202,255.84</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Analysis of Capital Cash
At December 31, 2012

Fund Balance	\$ 12,750.00
Capital Improvement Fund	3,458.25
Due to Sewer Utility Operating Fund	168.92
Encumbrances Payable	35,496.78
 Improvement Authorization:	
Ord. 515 Acquisition of Sewer Collection Line Cleaning Equipment	(14,090.43)
Ord. 518 Construction and Repairs to Sewer Collection System	10,249.53
Ord. 548 Repairs to Sand Filter and Electric for Utility Project	901.50
Ord. 558 Replacement of Wastewater Mixer	224,740.63
Ord. 588 Various Capital Improvements	(74,364.34)
Ord. 588 Acquisition of Computer Equipment	2,945.00
 Total	 <u>\$ 202,255.84</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

**Schedule of Sewer Service Charges Receivable
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 144,299.28
Increased by:	
Sewer Billings	<u>1,263,508.57</u>
Total	1,407,807.85
Decreased by:	
2011 Collections	\$ 1,218,810.73
Prepayments Applied	<u>45,628.04</u>
	<u>1,264,438.77</u>
Balance December 31, 2012	<u>\$ 143,369.08</u>

**Schedule of Sewer Service Liens Receivable
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 4,173.70
Increased by:	
Interest and Cost	\$ 464.52
	<u>464.52</u>
Total	4,638.22
Decreased by:	
2012 Collections	<u>4,638.22</u>
Balance December 31, 2012	<u>\$ -</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY OPERATING FUND

Statement of 2011 Appropriation Reserves
For the Year Ended December 31, 2012

	<u>Balance December 31, 2011</u>		<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
	<u>Encumbrances Payable</u>	<u>Reserves</u>			
Operating:					
Salaries and Wages		\$ 19,998.28	\$ 19,998.28		\$ 19,998.28
Other Expenses	\$ 31,835.78	62,699.17	94,534.95	\$ 34,536.45	59,998.50
Public Employees Retirement					
Social Security System		8,150.91	8,150.91		8,150.91
Defined Contribution Retirement		2,568.02	2,568.02		2,568.02
Unemployment Compensation		254.66	254.66		254.66
Total	\$ 31,835.78	\$ 93,671.04	\$ 125,506.82	\$ 34,536.45	\$ 90,970.37

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Fixed Capital
For the Year Ended December 31, 2012

	Balance December 31, <u>2011</u>	Increase By <u>Additions</u>	Less <u>Retirements</u>	Balance December 31, <u>2012</u>
Sewer Plant	\$ 4,805,239.65			\$ 4,805,239.65
Pumping Station and Structures	64,031.95			64,031.95
General Equipment	<u>199,369.80</u>			<u>199,369.80</u>
Total	<u>\$ 5,068,641.40</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,068,641.40</u>

NOTE - The Fixed Capital reported above is taken from the Municipal Records and does not necessarily show the true value.

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Fixed Capital Authorized and Uncompleted
For the Year Ended December 31, 2012

<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance</u>	<u>Amount</u>	<u>Balance December 31, 2011</u>	<u>Deferred Reserve For Amortization</u>	<u>Deferred Charges to Future Revenue</u>	<u>Balance December 31, 2012</u>
Construction and Repairs to Sewer Collection Line	5/11/06	\$ 400,000.00	\$ 400,000.00				\$ 400,000.00
Replacement of Wastewater Mixer	4/8/09	300,000.00	300,000.00				300,000.00
Multipurpose Construction of Various Capital Improvements	9/14/11		83,000.00	83,000.00			-
Acquisition of Computer			58,900.00	58,900.00			-
Total			\$ 841,900.00	\$ -	\$ -	\$ -	\$ 700,000.00

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Improvement Authorizations
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date	Ordinance Amount	Balance		Prior Year Encumbrances Payable	Paid or Charged	Current Year Encumbrances Payable		Balance	
				Funded	Unfunded			December 31, 2011	December 31, 2012	Funded	Unfunded
518	Construction and Repairs to Sewer Collection System	5/11/2006	\$ 400,000		\$ 10,249.53	\$ 118,832.77	\$ 91,224.39	\$ 27,608.38		\$ 10,249.53	
548	Repairs to Sand Filter and Electric for Utility Projects	5/8/2008	42,000	\$ 1,834.98		2,912.50	3,845.98		\$ 901.50		
558	Replacement of Wastewater Mixer	4/8/2009	300,000		226,240.63	7,200.00	8,700.00				224,740.63
08 588	Multipurpose Various Capital Improvements Acquisition of Computer Equipment	9/14/2011	83,000		41,897.14	36,888.00	66,411.08	7,888.40		4,485.66	
			58,900	2,945.00	55,955.00				2,945.00	55,955.00	
				\$ 4,779.98	\$ 334,342.30	\$ 165,833.27	\$ 170,181.45	\$ 35,496.78	\$ 3,846.50	\$ 295,430.82	

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of General Serial Bonds
For the Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Bonds</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance December 31, 2011</u>	<u>Decreased by Budget Appropriation</u>		<u>Balance December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>			<u>Budget Appropriation</u>	<u>Budget Appropriation</u>	
181 General Bonds of 1992	07/01/92	\$ 3,808,000				\$ 198,000.00	\$ 198,000.00	\$ 198,000.00	\$ -
Total						\$ 198,000.00	\$ 198,000.00	\$ 198,000.00	\$ -

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Bond Anticipation Notes
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance December 31,		Balance December 31,		
		2011	Increased	Decreased	2012					
501	Improvements to Treatment Plant, Construction of Bypass Line, Construction of Office Space, and Construction of Public Walkway	10/19/04	10/12/11	10/12/12	1.00%	\$ 611,000.00		\$ 611,000.00		
		10/19/04	10/12/12	10/11/13	2.00%		\$ 466,000.00		\$ 466,000.00	
518	Construction and Repairs to Sewer Collection System	06/07/10	06/06/11	06/06/12	1.00%	400,000.00		400,000.00		
558	Replacement of Wastewater Mixers	06/07/10	06/06/11	06/06/12	1.00%	300,000.00		300,000.00		
		06/07/10	06/06/12	06/05/13	2.00%		300,000.00		300,000.00	
Total						\$ 1,311,000.00	\$ 1,166,000.00	\$ 1,311,000.00	\$ 1,166,000.00	
						Renewals	\$ 1,166,000.00	\$ 1,166,000.00		
						Paid by Budget Appropriation			145,000.00	
							\$ 1,166,000.00	\$ 1,311,000.00		

EXHIBIT D-15

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

**Schedule of Capital Improvement Fund
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 3,458.25
<hr/>	
Increased by - Budget Appropriation	
<hr/>	
Total	3,458.25
<hr/>	
Decreased by - 2012 Improvement Authorization	
<hr/>	
Balance December 31, 2012	<u>\$ 3,458.25</u>

EXHIBIT D-16

**Schedule of Reserve for Amortization
For the Year Ended December 31, 2012**

Balance December 31, 2011	\$ 3,856,550.97
<hr/>	
Increased by:	
<hr/>	
Serial Bonds Paid by Operating Budget	198,000.00
<hr/>	
Balance December 31, 2012	<u>\$ 4,054,550.97</u>

BOROUGH OF MEDFORD LAKES

SEWER UTILITY CAPITAL FUND

Schedule of Deferred Reserve for Amortization
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Date of Ordinance	Balance December 31, 2011	Fixed Capital Authorized	Paid From Operating Budget - Notes	Balance December 31, 2012
501	Improvement to Treatment Plant, Construction of Bypass Line, Construction of Office Space and Construction of Public Walkway	10/19/04				
			\$ 389,000.00		\$ 145,000.00	\$ 534,000.00
588	Multipurpose Construction of Various Capital Improvements Acquisition of Computer		4,150.00 2,945.00			4,150.00 2,945.00
			<u>\$ 396,095.00</u>	<u>\$ -</u>	<u>\$ 145,000.00</u>	<u>\$ 541,095.00</u>

Schedule of Bond Anticipation Notes Authorized But Not Issued
For the Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance December 31, 2011	2012 Authorizations	Notes Issued	Balance December 31, 2012
515	Acquisition of Sewer Collection Line Cleaning Equipment	\$ 14,090.43			\$ 14,090.43
588	Multipurpose Construction of Various Capital Improvements Acquisition of Computer	78,850.00 55,955.00			78,850.00 55,955.00
		<u>\$ 148,895.43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,895.43</u>

BOROUGH OF MEDFORD LAKES

PART II

Schedule of Findings and Recommendations

For the Year Ended December 31, 2012

BOROUGH OF MEDFORD LAKES

**Schedule of Findings and Recommendations
For the Year Ended December 31, 2012**

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

BOROUGH OF MEDFORD LAKES
Schedule of Findings and Questioned Cost
For the Year Ended December 31, 2012

Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB's Circular 04-04.

FEDERAL AWARDS

A Federal single audit was not required.

STATE AWARDS

A State single audit was not required.

BOROUGH OF MEDFORD LAKES

Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standard*, OMB Circular A-133 and New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

Finding #2011-1

Condition:

The final tax bills for properties granted County Board of Taxation judgments were improperly calculated.

Current Status:

The condition has been corrected.

FEDERAL AWARDS

A Federal single audit was not required.

STATE AWARDS

A State single audit was not required.

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2012:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Thomas J. Cranston	Mayor		
Robert D. Hannold	Deputy Mayor		
Gary A. Miller	Councilman		
Robert J. Burton	Councilman		
Jeffrey Fitzpatrick	Councilman		
Julie Horner-Keizer	Borough Manager	\$ 1,000,000	(A)
Mark J. McIntosh	Borough Clerk	1,000,000	(A)
Donna A. Condo	Chief Financial Officer	1,000,000	(A)
Sherri Rockhill	Tax Collector, Administrative Clerk and Utility Rent Collector	1,000,000	(A)
Jodie Termi	Court Administrator	1,000,000	(A)
Krisden McCrink	Municipal Magistrate	1,000,000	(A)
Colleen Guerrera	Deputy Court Administrator	1,000,000	(A)
Shared Services:			
Medford Township	Construction Code Official		
Evesham Township	Assessor		
Peter Lange, Jr.	Solicitor		

All Bonds were examined and properly executed.

(A) The Borough has a Crime Policy - Excess Public Officials Bond in the amount of \$1,000,000 subject to a \$1,000 deductible with the Camden County Municipal Joint Insurance Fund. This policy covers all employees.

ACKNOWLEDGMENT

We express our appreciation for the assistance and courtesies extended to us by the Borough Officials during the course of our audit.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountant

Robert A. Stewart

Robert A. Stewart
Certified Public Accountant
Registered Municipal Accountant

March 6, 2013