

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

**REPORT OF AUDIT  
DECEMBER 31, 2012**



TOWNSHIP OF HOPE

TABLE OF CONTENTS

**PART I - REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

<b><u>AUDITORS' REPORTS</u></b>		<b><u>PAGE</u></b>
Independent Auditor's Report		1-3
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>EXHIBIT</u></b>	
<b><u>CURRENT FUND</u></b>		
Comparative Balance Sheet	A	5-6
Comparative Statement of Operations and Change in Fund Balance	A-1	7
Statement of Revenues	A-2	8-11
Statement of Expenditures	A-3	12-17
<b><u>TRUST FUND</u></b>		
Comparative Balance Sheet	B	18
<b><u>GENERAL CAPITAL FUND</u></b>		
Comparative Balance Sheet	C	19
<b><u>PUBLIC ASSISTANCE FUND</u></b>		
Comparative Balance Sheet	E	20
<b><u>GENERAL FIXED ASSETS</u></b>		
Statement of General Fixed Assets	F	21
<b><u>PAYROLL AGENCY FUND</u></b>		
Comparative Balance Sheet	G	22
<b><u>NOTES TO FINANCIAL STATEMENTS</u></b>		23-35

**PART II SUPPLEMENTARY INFORMATION**

<b><u>CURRENT FUND</u></b>		
Schedule of Cash – Treasurer	A-4	36
Schedule of Cash - Collector	A-5	37
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	38
Schedule of Tax Title Liens	A-7	39
Schedule of Property Acquired for Taxes (At Assessed Valuation)	A-8	40
Schedule of Revenue Accounts Receivable	A-9	41
Schedule of Amount Due Other Governments-Joint Court	A-10	42

TOWNSHIP OF HOPE

TABLE OF CONTENTS

**PART II SUPPLEMENTARY INFORMATION (Continued)**

<b><u>CURRENT FUND (Continued)</u></b>	<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
Schedule of Deferred Charges-Emergency Authorization	A-11	43
Schedule of Federal/State Grants Receivable	A-12	44
Schedule of Appropriation Reserves - 2011	A-13	45
Schedule of Reserve for Encumbrances	A-14	46
Schedule of Taxes Collected in Advance	A-15	47
Schedule of Tax Overpayments	A-16	48
Schedule of County Taxes Payable	A-17	49
Schedule of Local District School Tax Payable	A-18	50
Schedule of Amount Due to State of New Jersey for Senior Citizens and Veterans Deductions	A-19	51
Schedule of Reserve for Garden State Trust Fund	A-20	52
Schedule of Federal/State Grants Appropriated	A-21	53
Schedule of State Grants-Unappropriated	A-22	54
Schedule of Accounts Payable	A-23	55
Schedule of Municipal Open Space Tax Payable	A-24	56
Schedule of Special Revenues	A-25	57
Schedule of FEMA Expenditures Reserve	A-26	58
 <b><u>TRUST FUND</u></b>		
Schedule of Cash - Treasurer	B-2	59
Schedule of Reserve for Dog Fund Expenditures	B-3	60
Schedule of Amount Due to State of New Jersey Department of Health	B-4	61
Schedule of Amount Due Current Fund - Dog License Fund	B-5	62
Schedule of Amount Due Current Fund - Other Trust Funds	B-6	63
Schedule of Reserve for Escrow Trust Fund Deposits	B-7	64
Schedule of Reserve for Public Defenders' Trust Fund Deposits	B-8	65
Schedule of Reserve for Glendale Cemetery Escrow	B-9	66
Schedule of Reserve for Recreation Trust Fund	B-10	67
Schedule of Reserve for Driveway Bonds	B-11	68
Schedule of Reserve for Municipal Open Space	B-12	69
Schedule of Reserve for COAH	B-13	70
Schedule of Reserve for Christmas Fund	B-14	71

TOWNSHIP OF HOPE

TABLE OF CONTENTS

<b><u>GENERAL CAPITAL FUND</u></b>		
Schedule of Cash - Treasurer	C-2	72
Schedule of Amount Due Current Fund	C-3	73
Schedule of Deferred Charges to Future Taxation-Unfunded	C-4	75
Schedule of Capital Improvement Fund	C-5	75
Schedule of Reserve for Improvements to Community Center	C-6	76
Schedule of Improvement Authorizations	C-7	77
Schedule of Bond Anticipation Notes	C-8	78
Schedule of Amounts Due Grants Fund	C-9	79
<b><u>PUBLIC ASSISTANCE FUND</u></b>		
Schedule of Cash - Treasurer	E-1	80
<b><u>GENERAL FIXED ASSETS</u></b>		
Schedule of Additions and Deletions	F-1	81
<b><u>PART III – SUPPLEMENTARY INFORMATION</u></b>		
General Comments		82-89
Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		90-91
Schedule of Federal/State Awards		92-94
Status of Prior Audit Findings		95-96
Schedule of Findings and Responses		97-98

**PART I**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## **AUDITORS' REPORTS**





## **ARDITO & Co., LLP**

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1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: [anthony@arditoandcompany.com](mailto:anthony@arditoandcompany.com)

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA  
Anthony F. Ardito, PA, RMA, PSA

### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Township Committee  
Township of Hope  
P.O. Box 284  
County of Warren, New Jersey  
Hope, New Jersey 07844

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

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

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

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

#### ***Auditor's Responsibility***

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

-Continued-

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

### ***Opinions***

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

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

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

### ***Other Matters***

#### ***Other Information***

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

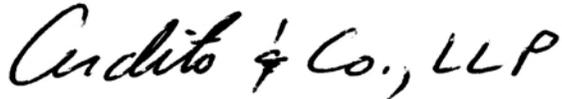
In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1 to the financial statements.

-Continued-

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

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP

Handwritten signature of Ardito & Co., LLP in cursive script.

Frenchtown, New Jersey

April 8, 2013

Handwritten signature of Anthony Ardito in cursive script.

Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

April 8, 2013

## **FINANCIAL STATEMENTS**

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 1

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	A-4	\$ <u>799,207</u>	\$ <u>587,710</u>
<b>Receivables And Other Assets With Full Reserves:</b>			
Delinquent Property Taxes Receivable	A-6	52,747	48,099
Tax Title Liens Receivable	A-7	190,263	153,846
Property Acquired For Taxes-Assessed Valuation	A-8	441,700	441,700
Revenue Accounts Receivable	A-9	13,648	10,787
Due Other Governmental Units - Joint Court	A-10	-	21,279
Amount Due From Public Assistance Fund	G	11	-
Amount Due From Payroll Fund	G	-	2
Amount Due From General Capital Fund	C	51	13
Amount Due From Other Trust Fund	B	5,110	6
Amount Due From Dog License Fund	B	<u>2,035</u>	<u>1</u>
<b>Subtotal</b>		<u>705,565</u>	<u>675,733</u>
<b>Deferred Charges:</b>			
Special Emergency Appropriation 40A:4-55	A-11	<u>21,300</u>	<u>10,600</u>
<b>Subtotal</b>		<u>21,300</u>	<u>10,600</u>
		<u>1,526,072</u>	<u>1,274,043</u>
<b>Federal And State Grant Fund:</b>			
Federal/State Grants Receivable	A-12	71,339	116,981
Amount Due From General Capital Fund	C	28,346	28,346
Amount Due From Current Fund	A	<u>48,348</u>	<u>1,654</u>
<b>Subtotal</b>		<u>148,033</u>	<u>146,981</u>
<b>TOTAL ASSETS</b>		<b><u>\$1,674,105</u></b>	<b><u>\$1,421,024</u></b>

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

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Appropriation Reserves	A-3:13	\$ 101,363	\$ 62,166
Due Other Governmental Units - Joint Court	A-10	10,209	-
Reserve For Encumbrances-Budget Appropriations	A-14	5,949	22,400
Accounts Payable	A-23	1,200	1,250
Amount Due To State and Federal Grants Fund	A	48,348	1,654
Amount Due To Other Trust Fund	B	1,000	7,370
Taxes Collected In Advance	A-15	42,432	52,438
Tax Overpayments	A-16	17,639	1,364
Amount Due County For Added Taxes	A-17	3,862	3,783
Amount Due For Local School Taxes	A-18	53,691	57,737
Amount Due To State Of New Jersey For Senior Citizens and Veterans Deductions	A-19	8,458	8,458
Reserve for Garden State Trust Funds	A-20	7,426	7,426
Amount Due To Other Trust Fund - Municipal Open Space	A-24	218,735	169,107
Special Reserves	A-25	-	11,026
Fema Reserve	A-26	<u>56,097</u>	<u>-</u>
<b>Subtotal</b>		<b>576,409</b>	<b>406,179</b>
Reserve For Receivables And Other Assets	A	705,565	675,733
Fund Balance	A-1	<u>244,098</u>	<u>192,131</u>
<b>Subtotal</b>		<b><u>1,526,072</u></b>	<b><u>1,274,043</u></b>
<b>Federal And State Grant Fund:</b>			
Amount Due To Current Fund	A		
Reserve For Federal/State Grants - Appropriated	A-21	146,910	146,082
Reserve For Federal/State Grants - Unappropriated	A-22	<u>1,123</u>	<u>899</u>
<b>Subtotal</b>		<b><u>148,033</u></b>	<b><u>146,981</u></b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$1,674,105</u></b>	<b><u>\$1,421,024</u></b>

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

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE

A-1

<b>REVENUE AND OTHER INCOME REALIZED</b>	<u>REF.</u>	<u>YEAR</u> <u>2012</u>	<u>YEAR</u> <u>2011</u>
Fund Balance Utilized	A-2	\$ 181,530	\$ 235,700
Miscellaneous Revenue Anticipated	A-2	484,715	571,325
Receipts From Delinquent Taxes	A-2	43,465	68,771
Receipts From Current Taxes	A-2	5,706,611	5,736,657
Non-Budget Revenues	A-2	30,239	27,178
Other Credits To Income:			
Interfund Returns	A-4	6,883	41,253
Canceled Reserves	A-25	11,026	-
Refund of Prior Year Expenditures	A-26	28,577	-
Unexpended Balance of Appropriation Reserves	A-13	60,406	72,582
Canceled Encumbrances	A-14	851	-
<b>TOTAL INCOME</b>		<b>6,554,303</b>	<b>6,753,466</b>
<b>EXPENDITURES</b>			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	334,338	539,465
Other Expenses	A-3	596,120	467,592
Capital Improvements	A-3	-	91,600
Municipal Debt Service	A-3	87,683	84,363
Deferred Charges and Statutory Expenditures	A-3	98,114	125,042
County Taxes	A-17	1,624,356	1,736,328
Amount Due County For Added and Omitted Taxes	A-17	3,862	3,783
Local District School Taxes	A-18	3,534,831	3,477,333
Municipal Open Space Taxes	A-25	52,129	52,819
Refund of Prior Year Revenue	A-4	205	4,423
Interfund Advances>Returns	A-4	5,168	14
<b>TOTAL EXPENDITURES</b>		<b>6,336,806</b>	<b>6,582,762</b>
Excess in Revenue		217,497	170,704
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A:A-3	16,000	-
Statutory Excess To Fund Balance		233,497	170,704
<b>Fund Balance January 1</b>	A	<b>192,131</b>	<b>257,127</b>
Decreased by:		425,628	427,831
Utilization as Anticipated Revenue	A-1	181,530	235,700
<b>Fund Balance December 31</b>	A	<b>\$ 244,098</b>	<b>\$ 192,131</b>

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 1

		<u>ANTICIPATED</u>		<u>EXCESS OR</u>	
	<u>REF.</u>	<u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>DEFICIT</u>
<b>Anticipated Surplus-Cash Surplus</b>	A-1	\$ 181,530		\$ 181,530	
<b>Miscellaneous Revenues</b>					
<b>LOCAL REVENUES:</b>					
Liquor Licenses-Clerk	A-9	4,100		4,100	\$ -
Municipal Court Fines and Costs	A-9	174,481		228,167	53,686
Interest and Costs On Taxes	A-6	13,000		14,101	1,101
Interest on Investments and Deposits	A-9	1,500		1,789	289
<b>TOTAL LOCAL REVENUES</b>		193,081		248,157	55,076
<b>STATE AID REVENUES:</b>					
Consolidated Municipal Property Tax Relief Aid	A-9	621		590	(31)
Energy Receipts Tax	A-9	183,763		181,950	(1,813)
Garden State Trust Fund	A-9	7,426		7,426	
<b>TOTAL STATE AID REVENUES</b>		191,810		189,966	(1,844)
 <b>UNIFORM CONSTRUCTION CODE FEES</b>					
	A-9	22,000		33,362	11,362

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 2

		<u>ANTICIPATED</u>			
	<u>REF.</u>	<u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
<b>FEDERAL AND STATE GRANT REVENUES:</b>					
Donation-Celebration of Public Events	A-21		\$ 3,350	3,350	
Clean Communities Program	A-21	5,556		5,556	
Municipal Drug Alliance	A-21	3,425		3,425	
Recycling Tonnage Grant	A-21	791		791	
Drunk Driving Enforcement	A-21	108		108	
<b>TOTAL FEDERAL AND STATE GRANT REVENUES</b>		9,880	3,350	13,230	
<b>TOTAL MISCELLANEOUS REVENUES</b>	A-2	416,771	3,350	484,715	64,594
<b>RECEIPTS FROM DELINQUENT TAXES</b>	A-2	72,000		43,465	(28,535)
<b>Amount To be Raised by Taxes For Support Of Municipal Budget:</b>					
Local Tax For Municipal Purposes	A-2	556,422		572,542	16,120
<b>Total General Revenues</b>		1,226,723	3,350	1,282,252	52,179
<b>Non-Budget Revenues:</b>					
Other Non-Budget Revenues	A-2			30,239	30,239
		<b>\$1,226,723</b>	<b>\$ 3,350</b>	<b>\$ 1,312,491</b>	<b>\$ 82,418</b>

A-3

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 3

REF.

**ANALYSIS OF REALIZED REVENUES**

**Allocation Of Current Tax Collections:**

Revenue from Collections		\$ 5,683,611
State of New Jersey, Senior Citizens and Veterans Deductions		<u>23,000</u>
	A-1	5,706,611

**Allocated To:**

School, County Taxes and Municipal Open Space Taxes		<u>5,263,835</u>
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Excess Supported by Municipal Revenues		442,776
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Add (Decreased) by: Appropriation "Reserve For Uncollected Taxes"		<u>129,766</u>
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<b>Amount For Support Of Municipal Budget Appropriations</b>		<b><u>\$ 572,542</u></b>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 4

**ANALYSIS OF NON-BUDGET REVENUES**

REF.

Miscellaneous Revenue Not Anticipated:

**Treasurer:**

Zoning Permits	\$ 1,265	
Sale of Ordinances	335	
Planning Board Fees	125	
Property Lists	80	
Vital Statistics	21	
Garage Sale Permit	10	
Cable TV Franchise	1,782	
Hotel Tax	4,111	
Board of Adjustment	865	
Licenses	810	
Copies Sales	640	
Miscellaneous	20,195	
	A-4	<u>\$ 30,239</u>

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>		<u>CANCELLED</u>
<b>GENERAL GOVERNMENT FUNCTIONS:</b>					
General Administration:					
Salaries and Wages	\$ 87,550	\$ 82,550	\$ 78,156	\$ 4,394	
Other Expenses	25,914	26,213	26,213		
Mayor and Council:					
Salaries and Wages	7,823	7,823	7,761	62	
Other Expenses	300	395	395		
Municipal Clerk (Elections):					
Salaries and Wages:					
Search Official	2,921	2,921	2,921		
Salaries and Wages - All Other	160	160	160		
Other Expenses	590	590	590		
Financial Administration (Treasury):					
Salaries and Wages	16,266	16,266	16,265	1	
Other Expenses	246	246		246	
Audit Services:					
Other Expenses	18,492	18,492	18,492		
Computerized Data Processing:					
Other Expenses	6,588	6,588	6,588		
Revenue Administration (Tax Collection):					
Salaries and Wages:					
Search Official	2,921	2,921	2,921		
Salaries and Wages - All Other	23,992	23,992	23,992		
Other Expenses	1,000	1,000	746	254	
Tax Assessment Administration:					
Salaries and Wages	16,363	16,363	16,363		
Other Expenses	2,413	2,652	2,652		
Legal Services (Legal Dept.):					
Other Expenses	23,000	17,000	12,577	4,423	
Engineering Services:					
Other Expenses	20,800	20,800	19,899	901	
Historical Sites Office:					
Salaries and Wages	1,300	1,300	1,300		
Other Expenses	532	532	200	332	

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u> <u>BALANCE</u> <u>CANCELLED</u>
<b>LAND USE ADMINISTRATION:</b>					
Planning Board:					
Salaries and Wages	12,950	12,950	11,750	1,200	
Other Expenses	3,539	3,539	952	2,587	
Zoning Board of Adjustment (Zoning Officer):					
Salaries and Wages	12,351	12,351	11,601	750	
Other Expenses	422	422	304	118	
<b>CODE ENFORCEMENT AND ADMINISTRATION:</b>					
Construction Official:					
Salaries and Wages	7,485	7,485	7,485		
Other Expenses	85	196	196		
Building Sub-Code Official:					
Salaries and Wages	4,666	4,666	4,666		
Plumbing Sub-Code Official:					
Salaries and Wages	2,848	2,848	2,146	702	
Electrical Sub-Code Official:					
Salaries and Wages	4,546	4,546	4,546		
Fire Protection Sub-Code Official:					
Salaries and Wages	2,426	2,426	2,426		
<b>INSURANCE:</b>					
Liability Insurance	53,063	53,063	48,962		4,101
Employee Group Health Insurance	46,140	46,140	35,741		10,399
Unemployment Insurance	2,800	2,891	2,891		
<b>PUBLIC SAFETY FUNCTIONS:</b>					
Office of Emergency Management:					
Salaries and Wages	568	568	568		
Aid to Volunteer Fire Companies	22,950	22,950	22,950		
Contribution to First Aid Organizations	13,950	13,950	13,950		
Office of Municipal Prosecutor:					
Salaries and Wages	5,300	15,330	15,330		
Other Expenses	10,468	438	438		

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
<b>PUBLIC WORKS FUNCTIONS:</b>					
Streets and Road Maintenance:					
Salaries and Wages	110,000	106,657	87,531		19,126
Other Expenses	53,100	53,100	23,983		29,117
 Buildings and Grounds:					
Other Expenses	20,212	20,861	20,861		
Emergency Appropriation		16,000	16,000		
<b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b>					
Public Health Services (Board of Health):					
Other Expenses	1,800	1,800	1,800		
Environmental Health Services:					
Salaries and Wages	1,300	1,300	1,300		
Other Expenses	405	405	380	25	
Animal Control Services:					
Salaries and Wages	7,415	7,415	7,415		
Contributions to Social Services Agencies:					
Senior Citizens Centers	2,200	2,200	2,200		
<b>PARK AND RECREATION FUNCTIONS:</b>					
Recreation Services and Programs:					
Salaries and Wages	1,500	1,500	1,500		
Other Expenses	12,761	12,761	4,087	8,674	
Maintenance of Parks:					
Other Expenses	5,000	10,720	10,720		
<b>OTHER COMMON OPERATING FUNCTIONS (Unclassified):</b>					
Celebration of Public Events:					
Other Expenses	5,680	6,723	6,723		

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 4

	<u>APPROPRIATION</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>BALANCE</u> <u>CANCELLED</u>
<u>OPERATIONS within "CAPS"</u>					
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>					
Electricity	13,000	13,000	9,214	3,786	
Street Lighting	5,500	5,500	4,798	702	
Telephone (excluding equipment acquisition)	9,600	9,600	7,308	2,292	
Gas (natural or Propane)	5,000	5,000	3,108	1,892	
Fuel Oil	10,000	10,934	10,934		
Gasoline	10,000	10,000	9,926	74	
<b>Total Operations within "CAPS"</b>	<b>740,201</b>	<b>751,039</b>	<b>654,881</b>	<b>96,158</b>	
<b>Detail:</b>					
Salaries and Wages	332,651	334,338	308,103	26,235	
Other Expenses	407,550	416,701	346,778	69,923	
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>					
<b>WITHIN "CAPS"</b>					
<b>Statutory Expenditures:</b>					
Social Security	40,000	40,000	34,795	5,205	
Contribution to:					
PERS	52,814	52,814	52,814		
<b>Total Deferred Charges and Statutory Expenditures</b>	<b>92,814</b>	<b>92,814</b>	<b>87,609</b>	<b>5,205</b>	
<b>Total General Appropriations within "CAPS"</b>	<b>833,015</b>	<b>843,853</b>	<b>742,490</b>	<b>101,363</b>	

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 5

<u>OPERATIONS Excluded from "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u> <u>BALANCE</u> <u>CANCELLED</u>
<b>Interlocal Municipal Service Agreements Excluded from "CAPS":</b>					
Municipal Court:					
Other Expenses	160,000	165,162	165,162		
<b>Total Interlocal Municipal Service Agreements Excluded from "CAPS":</b>	<b>160,000</b>	<b>165,162</b>	<b>165,162</b>		
 <b>PUBLIC AND PRIVATE REVENUES OFFSET BY APPROPRIATIONS-EXCLUDED FROM "CAPS":</b>					
<b>Federal and State Grants:</b>					
Clean Communities Program:					
Other Expenses	5,556	5,556	5,556		
Recycling Tonnage Grant Program:					
Other Expenses	791	791	791		
Municipal Alliance on Alcoholism and Drug Abuse:					
Other Expenses-State Share	3,425	3,425	3,425		
Other Expenses-Local Share	1,027	1,027	1,027		
Drunk Driving Enforcement Fund:					
Other Expenses	108	108	108		
Celebration of Public Events-Donations(Picnic Donations):					
Other Expenses	3,350	3,350	3,350		
<b>Total Public and Private Programs Offset by Revenues</b>	<b>14,257</b>	<b>14,257</b>	<b>14,257</b>		
<b>Total Operations-Excluded from "CAPS"</b>	<b>174,257</b>	<b>179,419</b>	<b>179,419</b>		
 Detail:					
Other Expenses	174,257	179,419	179,419		
 <b>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS":</b>					
 <b>Total Capital Improvements-Excluded from "CAPS"</b>	-	-	-		

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 6

	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
			<u>UNEXPENDED</u>
			<u>BALANCE</u>
			<u>CANCELLED</u>
<b>MUNICIPAL DEBT SERVICE-Excluded from "CAPS"</b>			
Payment of Notes	70,200	70,200	70,200
Note Interest	17,535	17,535	17,483
<b>Total Municipl Debt Service-Excluded from "CAPS"</b>	87,735	87,735	87,683
<b>DEFERRED CHARGES EXCLUDED FROM "CAPS":</b>			
Special Emergency Appropriations-5 Years	5,300	5,300	5,300
<b>Total Deferred Charges and Statutory Expenditures</b>	5,300	5,300	5,300
<b>Total General Appropriations Excluded from "CAPS"</b>	<b>267,292</b>	<b>272,454</b>	<b>272,402</b>
<b>Subtotal General Appropriations</b>	1,100,307	1,116,307	1,014,892
<b>Reserve For Uncollected Taxes</b>	129,766	129,766	129,766
<b>TOTALS</b>	<b>\$ 1,230,073</b>	<b>\$ 1,246,073</b>	<b>\$ 1,144,658</b>
	REF. A-2		A
	REF.		A-1
Appropriation 40A:4-87	A-2	\$ 3,350	
Budget	A-2	1,226,723	
		1,230,073	
Appropriation 40A:4-55	A-2	16,000	
		<b>\$ 1,246,073</b>	
State and Federal Grant Funds	A-21	\$ 10,907	
Deferred Charges:			
Deferred Charges to Future Taxation	A-11	5,300	
Reserve for Encumbrances	A-14	998,685	
Reserve for Uncollected Taxes	A-2	129,766	
		<b>\$ 1,144,658</b>	

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

TRUST FUND  
COMPARATIVE BALANCE SHEET

B

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
<b>Dog License Fund:</b>			
Cash and Cash Equivalents	B-2	\$ 7,479	\$ 3,716
<b>Total Dog License Fund</b>		<u>7,479</u>	<u>3,716</u>
<b>Other Trust Funds:</b>			
Cash and Cash Equivalents	B-2	78,359	78,641
Amount Due From Current Fund	B-6	<u>214,625</u>	<u>176,471</u>
<b>Total Other Trust Funds</b>		<u>292,984</u>	<u>255,112</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 300,463</u></b>	<b><u>\$ 258,828</u></b>

**LIABILITIES, RESERVES AND FUND BALANCE**

<b>Dog License Fund:</b>			
Reserve for Dog Fund Expenditures	B-3	\$ 5,439	\$ 3,711
Amount Due State of New Jersey	B-4	5	4
Amount Due Current Fund	B-5	<u>2,035</u>	<u>1</u>
<b>Total Dog License Fund</b>		<u>7,479</u>	<u>3,716</u>
<b>Other Trust Fund:</b>			
Reserve for Escrow Trust Deposits	B-7	26,837	26,097
Reserve for Public Defender Trust Deposits	B-8	(870)	795
Reserve for Glendale Escrow	B-9	-	11,500
Reserve for Recreation Trust	B-10	13,467	11,829
Reserve for Driveway Bonds	B-11	1,000	7,370
Reserve for Municipal Open Space	B-12	218,736	169,107
Reserve for COAH Trust	B-13	10	10
Reserve for Christmas Trust Deposits	B-14	<u>33,804</u>	<u>28,404</u>
<b>Total Other Trust Fund</b>		<u>292,984</u>	<u>255,112</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$ 300,463</u></b>	<b><u>\$ 258,828</u></b>

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

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

C

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash - Treasurer	C-2	\$ 257,640	\$ 301,203
Deferred Charges To Future Taxation:			
Unfunded	C-4	<u>806,400</u>	<u>876,600</u>
<b>TOTAL ASSETS</b>		<b><u>\$1,064,040</u></b>	<b><u>\$1,177,803</u></b>

**LIABILITIES, RESERVES AND FUND BALANCE**

Amount Due Current Fund	C-3	\$ 51	\$ 13
Capital Improvement Fund	C-5	1	1
Reserve for Moravian Distillery	C-6	9,500	-
Bond Anticipation Notes Payable	C-8	806,400	876,600
Due Grants Fund	C-9	28,346	28,346
Fund Balance	C-1	226	226
Improvement Authorizations:			
Funded	C-7	-	-
Unfunded	C-7	<u>219,516</u>	<u>272,617</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$1,064,040</u></b>	<b><u>\$1,177,803</u></b>

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

GENERAL CAPITAL FUND  
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2011	C	<u>\$ 226</u>
Balance December 31, 2012	C	<u>\$ 226</u>

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

PUBLIC ASSISTANCE FUND  
COMPARATIVE BALANCE SHEET

E

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash and Cash Equivalents	E-1	\$ 5,333	\$ 5,322
<b>TOTAL ASSETS</b>		<b><u>\$ 5,333</u></b>	<b><u>\$ 5,322</u></b>
<b>LIABILITIES AND RESERVES</b>			
Due to Current Fund		\$ 11	
Reserve for Public Assistance		<u>5,322</u>	<u>\$ 5,322</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<b><u>\$ 5,333</u></b>	<b><u>\$ 5,322</u></b>

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

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

F

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
General Fixed Assets:		
Land	\$ 724,202	\$ 724,202
Buildings	1,014,533	1,014,533
Improvements Other Than Buildings	27,414	27,414
Machinery and Equipment	<u>1,223,204</u>	<u>1,223,204</u>
 Total General Fixed Assets	 <u>\$ 2,989,353</u>	 <u>\$ 2,989,353</u>
 Investment In General Fixed Assets	 <u>\$ 2,989,353</u>	 <u>\$ 2,989,353</u>

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

PAYROLL AGENCY FUND  
COMPARATIVE BALANCE SHEET

G

<b>ASSETS</b>	<b>BALANCE</b> <b><u>12/31/12</u></b>	<b>BALANCE</b> <b><u>12/31/11</u></b>
<b>Cash and Cash Equivalents:</b>		
Cash - Treasurer	\$ <u>572</u>	\$ <u>578</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>572</u></b>	<b>\$ <u>578</u></b>
 <b>LIABILITIES AND RESERVES</b>  		
Due Current Fund	-	\$ 2
Payroll Tax Liabilities	\$ <u>572</u>	<u>576</u>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>\$ <u>572</u></b>	<b>\$ <u>578</u></b>

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

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

**B. Description of Funds**

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

The accounting policies of the Township of Hope conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Hardwick accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

**Current Fund**

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

**Trust Funds**

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

**General Capital Fund**

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

**Public Assistance Fund**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**General Fixed Assets Account Group**

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

**C. Basis of Accounting**

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

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

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

**Expenditures**--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Property Tax Revenue**

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**General Fixed Assets**

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

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

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

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

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

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

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

governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

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

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

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

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

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Departures from Generally Accepted Accounting Principles**

- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

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

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking	\$ 1,148,590	\$ 1,148,590
	\$ 1,148,590	\$ 1,148,590

The carrying amount of the municipality's cash and cash equivalents at December 31, 2012, was \$1,148,590 and the bank balance was \$1,125,502. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$875,502 was covered by collateral pool.

**Note 3: LONG-TERM DEBT**

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
<b>Long Term Debt:</b>				
Bond Anticipation Notes	\$ 876,600		\$ 70,200	\$ 806,400
Compensated absences payable	None			None
Total Long-Term Debt	\$ 876,600	-	\$ 70,200	\$ 806,400

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

The Township debt is summarized as follows:

<u>Summary of Municipal Debt</u>	YEAR <u>2012</u>	YEAR <u>2011</u>	YEAR <u>2010</u>
<b><u>Issued</u></b>			
General:			
Bonds and Notes	\$806,400	\$876,600	\$946,800
Total Deductions	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net Debt Issued	\$806,400	\$876,600	\$946,800
<b><u>Authorized But Not Issued</u></b>			
General:			
Bonds and Notes	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
<b>Net Bonds and Notes Issued and Authorized But Not Issued</b>	<b><u>\$806,400</u></b>	<b><u>\$876,600</u></b>	<b><u>\$946,800</u></b>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 3: LONG-TERM DEBT (Continued)**

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .317%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 1,190,000	\$ 1,190,000	-
General Debt	<u>806,400</u>	<u>-</u>	<u>\$ 806,400</u>
	<u>\$ 1,996,400</u>	<u>\$ 1,190,000</u>	<u>\$ 806,400</u>

Net Debt \$ 806,400 Divided by Equalized Valuation Basis per  
N.J.S.A. 40A:2-2 as amended, \$ 253,990,685 equals 0.317%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 8,889,674
Net Debt	<u>806,400</u>
Remaining Borrowing Power	<u>\$ 8,083,274</u>

**Bond Anticipation Notes**

The Township has outstanding at December 31, 2012, bond anticipation notes in the amount of \$806,400 payable to First Hope Bank. These notes mature on February 20, 2013. The interest rate on the notes are 1.75% Principal and interest on this note is paid from the current fund budget of the Township.

	<u>Debt Outstanding</u>
Total General Capital Loans Above	<u>\$ 806,400</u>

**Note 4: GENERAL FIXED ASSETS**

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

	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 12/31/12</u>
Land	\$ 724,202	-	-	\$ 724,202
Buildings	1,014,533	-	-	1,014,533
Improvements Other Than Buildings	27,414	-	-	27,414
Machinery and Equipment	1,223,204	-	-	1,223,204
	<u>\$ 2,989,353</u>	<u>-</u>	<u>-</u>	<u>\$ 2,989,353</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5: FUND BALANCES APPROPRIATED**

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

Current Fund - \$188,730 \*

\* - Introduced

**Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, special emergency appropriations under New Jersey Statute 40A:4-55 were deferred over a five year schedule ending in 2013 the 2013 budget year in the amount of \$5,300. Also at December 31, 2012, emergency appropriations under New Jersey Statute 40A:4-46 were deferred to the 2013 budget year in the amount of \$16,000. The amount appropriated in the 2013 budget of \$21,300 is not less than that required by statute.

**Note 7: SCHOOL TAXES**

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

	<b>TOTAL DEFERRED TAX 12/31/12</b>	<b>LOCAL DISTRICT SCHOOL TAX BALANCE 12/31/12</b>	<b>BALANCE 12/31/11</b>	<b>TOTAL DEFERRED TAX 12/31/11</b>
Balance of Tax		\$ 1,845,435	\$ 1,800,824	
Deferred		<u>1,791,744</u>	<u>1,743,087</u>	
Tax Payable		<u>53,691</u>	<u>57,737</u>	
Tax Deferred	<u>\$1,791,744</u>			<u>\$1,743,087</u>

**Note 8: PENSIONS**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 8: PENSIONS (Continued)**

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

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

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

**Three-Year Trend Information for PERS**

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$52,814	100%	-0-
2011	\$56,742	100%	-0-
2010	\$41,550	100%	-0-

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 9: POST-RETIREMENT BENEFITS**

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

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

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

**Note 10: LEASES**

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

**Note 11: ACCRUED SICK AND VACATION BENEFITS**

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

The Township permits full-time employees five full sick days for first year of employment and hence-forth ten days per year, and this benefit ceases upon termination of employment. Personal days are provided and not accumulated beyond current year and vacation days are provided dependent upon years of service.

In accordance with New Jersey principles, the amount is reported as a liability of general long-term account group in the financial statements. No trust funds are accumulated for this liability that will be funded in succeeding general fund budgets.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 12: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

There are no pending lawsuits in which the Township is involved.

**Note 13: OTHER REQUIRED DISCLOSURES**

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 13: OTHER REQUIRED DISCLOSURES (Continued)**

**INTERFUND BALANCES**

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 7,196	\$ 268,083
Payroll Fund	-	-
Federal/State Grants Fund	76,694	-
Other Trust Funds	214,625	2,035
General Capital Fund	-	28,397
	<u>\$ 298,515</u>	<u>\$ 298,515</u>

**Note 14: RISK FINANCING**

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

**PART II**  
**SUPPLEMENTARY INFORMATION**

## **CURRENT FUND SCHEDULES**

CURRENT FUND  
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>		<u>CURRENT FUND</u>
Balance December 31, 2011	A		\$ 587,710
<b>Increased by Receipts:</b>			
Collector	A-5	\$	5,748,387
Miscellaneous Revenue Not Anticipated	A-2		30,239
Interfund Returns	A-1		6,883
Revenue Accounts Receivable	A-9		449,958
Federal/State Grant Funds	A-12		54,505
Veterans/Senior Citizens Deductions	A-19		23,000
Garden State Trust Funds	A-20		7,426
Due State of New Jersey	A-23		175
Federal/State Grant Funds	A-22		1,123
Reserve for FEMA	A-26		84,674
			<u>6,406,370</u>
			6,994,080
<b>Decreased by Disbursements:</b>			
Reserve for Encumbrances	A-14		1,012,468
2011 Appropriation Reserves	A-13		1,760
Taxes Overpaid Refunded	A-16		942
County Taxes	A-17		1,628,139
Local District School Tax	A-18		3,538,877
Due State of New Jersey	A-23		225
Amount Due Municipal Open Space	A-24		2,501
Federal/State Grant Funds	A-21		9,961
			<u>6,194,873</u>
Balance December 31, 2012	A		<u>\$ 799,207</u>

CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

**Received:**

Interest and Costs on Taxes	A-2	\$ 14,101	
Taxes Receivable	A-6	5,664,729	
Tax Title Leins	A-7	9,908	
2013 Prepaid Taxes	A-15	42,432	
Tax Overpayments	A-16	<u>17,217</u>	<u>\$ 5,748,387</u>

**Decreased by Disbursements:**

Payments to Treasurer	A-4		<u>\$ 5,748,387</u>
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CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 153,846
<b>Increased by:</b>		
Interest and Costs		\$ 1,268
Transfers from Taxes Receivable	A-6	<u>45,057</u> <u>46,325</u>
		200,171
<b>Decreased by:</b>		
Paid	A-5	<u>9,908</u>
Balance December 31, 2012	A	<u>\$ 190,263</u>

CURRENT FUND  
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)

A-8

	<u>REF.</u>	
Balance December 31, 2011	A	<u>\$ 441,700</u>
Balance December 31, 2012	A	<u>\$ 441,700</u>

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>ACCRUED</u> <u>IN 2012</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>		<u>BALANCE</u> <u>12/31/12</u>
Clerk:						
Licenses:						
Alcoholic Beverages	A-2		\$ 4,100	\$ 4,100		
Construction Code Official:						
Fees and Permits	A-2		33,362	33,362		
Municipal Court:						
Fines and Costs	A-2	\$ 10,787	231,028	228,167	\$	13,648
Consolidated Municipal Property Tax Relief Aid	A-2		590	590		
Energy Receipts Tax	A-2		181,950	181,950		
Garden State Trust Fund	A-2		7,426	7,426		
Interest on Investments and Deposits	A-2		1,789	1,789		
<b>Totals</b>		<b><u>\$ 10,787</u></b>	<b><u>\$ 460,245</u></b>	<b><u>\$ 457,384</u></b>	<b><u>\$</u></b>	<b><u>13,648</u></b>
REF.		A				A
			A-4	\$ 449,958		
			A-20	7,426		
				<b><u>\$ 457,384</u></b>		

CURRENT FUND  
SCHEDULE OF AMOUNT FROM OTHER GOVERNMENTAL UNITS -  
JOINT COURT

A-10

	<u>REF.</u>		
Balance December 31, 2011	A	\$	21,279
<b>Increased by:</b>			
Liberty Township Court Room Rental Charge	A-9	\$	14,950
Blairstown Township Court Room Rental Charge	A-9		1,150
Final Audit Allocation - Court Operations CY 2012	A-9		30,920
		\$	<u>47,020</u>
			68,299
<b>Decreased by:</b>			
Blairstown/Liberty Township Reimbursement to Hope for 2011	A-9		21,279
Blairstown Township Court Room Rental Paid	A-9		14,950
Liberty Township Court Room Rental Paid	A-9		1,150
Liberty Court Operations Prepayments	A-9		2,938
Blairstown Court Operations Prepayments	A-9		38,191
			<u>78,508</u>
Balance December 31, 2012	A	\$	<u>(10,209)</u>

**FINAL ALLOCATION OF COSTS - CY 2012:**

Liberty Township (5%)	\$	2,209	
Blairstown (65%)		<u>28,711</u>	\$ <u>30,920</u>

**ANALYSIS OF RECEIVABLE/(PAYABLE) BALANCE**

**CY 2012 (FINAL AUDIT):**

Liberty Township	\$	(729)	
Blairstown		<u>(9,480)</u>	\$ <u>(10,209)</u>

CURRENT FUND  
SCHEDULE OF DEFERRED CHARGES  
EMERGENCY AUTHORIZATIONS

A-11

<u>PURPOSE</u>	<u>DESCRIPTION</u>	<u>DATE AUTHORIZED</u>	<u>NET AMOUNT AUTHORIZED</u>	<u>BALANCE 12/31/11</u>	<u>RESULTING FROM 2012</u>	<u>APPROPRIATED 2012 BUDGET</u>	<u>BALANCE 12/31/12</u>
Special Emergency (40A:4-53)	Affordable Housing	9/24/08	26,500	\$ 10,600		5,300	\$ 5,300
Emergency Authorization (40A:4-46)	Buildings and Grounds OE	11/14/12	16,000		\$ 16,000		16,000
Totals				<b>\$ 10,600</b>	<b>\$ 16,000</b>	<b>\$ 5,300</b>	<b>\$ 21,300</b>
REF.				A	A-3	A-3	A

CURRENT FUND  
SCHEDULE OF FEDERAL/STATE GRANTS RECEIVABLE

A-12

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/12</u>
Clean Communities		\$ 5,556	\$ 5,438	\$ 118	
Municipal Alliance	\$ 1,801	3,425	3,362		\$ 1,864
USDA - Swayze Mill Park Improvement Grant	3,816				3,816
N.J. Transportation Trust Authority: Lake Just-It Road - Phase II	91,600		45,705		45,895
N.J. Transportation Trust Authority: Lake Just-It Road	961				961
N.J. Transportation Trust Authority: Locust Lake Road	18,803				18,803
<b>Totals</b>	<b>\$ 116,981</b>	<b>\$ 8,981</b>	<b>\$ 54,505</b>	<b>\$ 118</b>	<b>\$ 71,339</b>
REF.	A	A-2	A-4	A-21	A

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2011

A-13  
Sheet 1

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses		\$ 568	\$ 568	-
Planning Band Zoning Board:				
Other Expenses	\$ 2,525	2,525	31	\$ 2,494
Zoning Board:				
Other Expenses	169	169	31	138
Road Repairs and Maintenance:				
Salary and Wages	6,195	4,497		4,497
Other Expenses				-
Fuel Oil		1,130	1,130	-
All Others - No Change	53,277	53,277		53,277
<b>TOTALS</b>	<b><u>\$ 62,166</u></b>	<b><u>\$ 62,166</u></b>	<b><u>\$ 1,760</u></b>	<b><u>\$ 60,406</u></b>
REF.	A	A	A-4	A-1

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-14

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 22,400
<b>Increased by:</b>		
Transfer from Current Year Appropriations	A-3	<u>998,685</u>
		1,021,085
<b>Decreased by:</b>		
Prior Year Encumbrances/Canceled	A-1	851
Transfer to Appropriation Reserves	A-13	1,817
Cash Disbursements	A-4	<u>1,012,468</u>
		<u>1,015,136</u>
Balance December 31, 2012	A	<u>\$ 5,949</u>

CURRENT FUND  
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-15

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 52,438
<b>Increased by:</b>		
2013 Taxes Collected in Advance	A-5	<u>42,432</u>
		94,870
<b>Decreased by:</b>		
Applied to 2012 Taxes Receivable	A-6	<u>52,438</u>
Balance December 31, 2012	A	<u>\$ 42,432</u>

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

A-16

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 1,364
<b>Increased by:</b>		
2012 Tax Overpayments	A-5	<u>17,217</u>
		18,581
<b>Decreased by:</b>		
Refunded	A-4	<u>942</u>
Balance December 31, 2012	A	<u>\$ 17,639</u>

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

A-17

	<u>REF.</u>	
<b>Balance December 31, 2011:</b>		
Due County for Added Taxes	A	\$ 3,783
<b>Increased by:</b>		
2012 Levy:		
County Taxes	A-1:6	\$1,356,169
County Library Taxes	A-1:6	118,400
County Open Space Tax	A-1:6	149,787
Added and Omitted Taxes	A-1:6	<u>3,862</u>
		<u>1,628,218</u>
		1,632,001
<b>Decreased by:</b>		
Payments	A-4	<u>1,628,139</u>
<b>Balance December 31, 2012:</b>		
Due County for Added Taxes	A	<u>\$ 3,862</u>

CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-18

	<u>REF.</u>	
<b>Balance December 31, 2011:</b>		
School Tax Payable	A	\$ 57,737
School Tax Deferred		<u>1,743,087</u>
		\$ 1,800,824
<b>Increased by:</b>		
Levy - School Year July 1, 2012 to June 30, 2013	A-6	<u>3,583,488</u>
		5,384,312
<b>Decreased by:</b>		
Payments	A-4	<u>3,538,877</u>
<b>Balance December 31, 2012:</b>		
School Tax Payable	A	53,691
School Tax Deferred		<u>1,791,744</u>
		<u>\$ 1,845,435</u>
<b>2012 Liability for Local District School Tax:</b>		
Tax Paid		\$ 3,538,877
Tax Payable 12/31/12		<u>1,845,435</u>
		5,384,312
Less -- Tax Deferred 12/31/12		48,657
Less -- Tax Payable 12/31/11		<u>1,800,824</u>
<b>Amount Charged to 2012 Operations</b>	A-1	<u>\$ 3,534,831</u>

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

A-19

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 8,458
<b>Increased by:</b>		
Received in Cash From State	A-4	<u>23,000</u>
		31,458
<b>Decreased by:</b>		
Senior Citizens Deductions per Tax Billings		\$ 3,750
Veterans Deductions per Tax Billings		19,250
Senior Citizens Deductions Allowed/(Disallowed) by Collector		<u>      -</u> <u>23,000</u>
Balance December 31, 2012	A	<u>\$ 8,458</u>

**ANALYSIS OF BALANCE**

Amount Due to State of New Jersey -- Pre 1/1/78	\$ 1,912	
Amount Due to State of New Jersey -- Post 1/1/78	<u>6,546</u>	<u>\$ 8,458</u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR GARDEN STATE TRUST FUND

A-20

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 7,426
<b>Increased by:</b>		
State Trust Funds - Revenue 2013 Budget	A-4	<u>7,426</u>
		14,852
<b>Decreased by:</b>		
Garden State Trust Funds - Realized as Revenue	A-2	<u>7,426</u>
Balance December 31, 2012	A	<u>\$ 7,426</u>

CURRENT FUND  
SCHEDULE OF FEDERAL/STATE GRANTS-APPROPRIATED

A-21

	TRANSFER				BALANCE
	FROM				
	BALANCE	2012 BUDGET			
<u>12/31/11</u>	<u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	<u>12/31/12</u>	
Clean Communities Program	\$ 1,829	\$ 5,556	\$ 4,145	\$ 118	\$ 3,122
Drunk Driving Program	1,461	108	438		1,131
Municipal Alliance	10,620	3,425	2,875		11,170
Local Share	-	1,027			1,027
Storm Water Management Grant	10,000				10,000
USDA Grant	1,534				1,534
N.J. Transportation Trust Authority:					
Lake Just-It Road	1,460				1,460
Lake Just-It Road - Phase II	91,600				91,600
Locust Lake Road	18,304				18,304
Recycling Tonnage Grant	1,933	791	2,503		221
DEPE Environmental Grant - Swayze Mill Park					
Local Share	7,341				7,341
<b>Totals</b>	<b>\$ 146,082</b>	<b>\$ 10,907</b>	<b>\$ 9,961</b>	<b>\$ 118</b>	<b>\$ 146,910</b>

	REF.	A	A-3	A-4	A-12	A
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CURRENT FUND  
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED

A-22

	<u>BALANCE</u> <u>12/31/11</u>	TRANSFER TO 2012 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/12</u>
Recycling Grant	\$ 791	\$ 791	\$ 1,123	\$ 1,123
Drunk Driving Grant	108	108		-
<b>Totals</b>	<b><u>\$ 899</u></b>	<b><u>\$ 899</u></b>	<b><u>\$ 1,123</u></b>	<b><u>\$ 1,123</u></b>
REF.	A	A-3	A-4	A

CURRENT FUND  
SCHEDULE OF ACCOUNTS PAYABLE

A-23

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 1,250
<b>Increased by:</b>		
Marriage License Receipts	A-4	<u>    175</u> 1,425
<b>Decreased by:</b>		
State Payments	A-4	<u>    225</u>
Balance December 31, 2012	A	<u>\$ 1,200</u>

CURRENT FUND  
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-24

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 169,107
<b>Increased by:</b>		
2012 Municipal Open Space Tax	A-6	<u>52,129</u>
<b>Decreased by:</b>		
Professional Fees	A-4	<u>2,501</u>
Balance December 31, 2012	A	<u>\$ 218,735</u>

CURRENT FUND  
SCHEDULE OF SPECIAL RESERVES

A-25

<u>DESCRIPTION</u>	<u>DATE</u>	<u>NET</u> <u>AMOUNT</u>	<u>BALANCE</u>	<u>EXPENDED</u>
	<u>AUTHORIZED</u>	<u>AUTHORIZED</u>	<u>12/31/11</u>	
Master Plan	2/8/06	20,000	\$ 11,026	\$ 11,026
			<u>\$ 11,026</u>	<u>\$ 11,026</u>
			A	A-1



# **TRUST FUND SCHEDULES**

TRUST FUND  
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2011	B	\$ <u>3,716</u>	\$ <u>78,641</u>
<b>Increased by Receipts:</b>			
Dog License Fees	B-3	4,969	
State Dog License Fees	B-4	802	
Amount Due Current Fund	B-5:6	16	20
Escrow Trust Deposits	B-7		8,682
Public Defender Trust Deposits	B-8		3,435
Recreation Trust Fund Deposits	B-10		37,693
Christmas Trust Deposits	B-14	<u>-</u>	<u>23,509</u>
<b>Total Receipts</b>		<u>5,787</u>	<u>73,339</u>
		<u>9,503</u>	<u>151,980</u>
<b>Decreased by Disbursements:</b>			
Amount Due Current Fund	B-5:6	2,024	15
Escrow Trust Deposits Returned	B-7		7,942
Glendale Escrow Returned	B-9		11,500
Recreation Trust Fund Payments	B-10		36,055
Christmas Trust Payments	B-14	<u>-</u>	<u>18,109</u>
<b>Total Disbursements</b>		<u>2,024</u>	<u>73,621</u>
Balance December 31, 2012	B	\$ <u>7,479</u>	\$ <u>78,359</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 3,711
<b>Increased by:</b>		
Dog License Fees Collected	B-2	<u>4,969</u> 8,680
<b>Decreased by:</b>		
Statutory Excess Due Current Fund	B-5	\$ 2,039
Administrative Expenses	B-5	<u>1,202</u> <u>3,241</u>
Balance December 31, 2012	B	<u>\$ 5,439</u>

**DOG FEES COLLECTED**

CY 2010		\$ 2,450
CY 2011		<u>2,989</u> <u>\$ 5,439</u>

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

B-4

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 4
<b>Increased by:</b>		
Collected in 2012:		
State Board of Health Fees	B-2	<u>802</u>
		806
<b>Decreased By:</b>		
Payments - By Current Fund	B-5	<u>801</u>
Balance December 31, 2012	B	<u>\$ 5</u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 1
<b>Increased by:</b>		
Interest Credits Due Current Fund	B-2	\$ 16
Due Current Fund - Statutory Excess	B-3	2,039
Due Current Fund - Administrative Expenses	B-3	1,202
Due Current Fund - State Dog Fees	B-4	<u>801</u> \$ 4,058
		4,059
<b>Decreased by:</b>		
Due Current Fund	B-2	<u>2,024</u>
Balance December 31, 2012	B	<u>\$ 2,035</u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
OTHER TRUST FUND

B-6

	<u>REF.</u>		
Balance December 31, 2011	B		\$ 176,471
<b>Increased by:</b>			
Interest Credits Paid to Current Fund	B-2	\$ 15	
Municipal Open Space Levy Includes Added Omitted Taxes	B-12	<u>52,129</u>	<u>52,144</u>
			228,615
<b>Decreased by:</b>			
Interest Credits Due Current Fund	B-2	20	
Public Defender paid by Current Fund	B-8	5,100	
Driveway Bonds paid by Current Fund	B-11	6,370	
Open Space Expenditures paid by Current Fund	B-12	<u>2,500</u>	<u>13,990</u>
Balance December 31, 2012	B		<u>\$ 214,625</u>
Due to Current Fund - Escrow Trust Interest Credits			\$ (5)
Due from Current Fund - Public Defender			(5,105)
Due from Current Fund - Municipal Open Space			218,735
Due from Current Fund - Driveway Trust			<u>1,000</u>
			<u>\$ 214,625</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 26,097
<b>Increased by:</b>		
Escrow Deposits	B-2	<u>8,682</u> 34,779
<b>Decreased by:</b>		
Escrow Deposits Refunded	B-2	<u>7,942</u>
Balance December 31, 2012	B	<u>\$ 26,837</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR  
PUBLIC DEFENDERS' TRUST FUND DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 795
<b>Increased by:</b>		
Public Defender Receipts	B-2	<u>3,435</u> 4,230
<b>Decreased by:</b>		
Public Defender Payments	B-6	<u>5,100</u>
Balance December 31, 2012	B	<u>\$ (870)</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR GLENDALE CEMETERY ESCROW

B-9

	<u>REF.</u>	
Balance December 31, 2011	B	<u>\$ 11,500</u>
<b>Decreased by:</b>		
Escrow Returned	B-2	<u>\$ 11,500</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR RECREATION TRUST FUND

B-10

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 11,829
<b>Increased by:</b>		
Escrow Deposits	B-2	<u>37,693</u>
		49,522
<b>Decreased by:</b>		
Recreation Expenses	B-2	<u>36,055</u>
Balance December 31, 2012	B	<u>\$ 13,467</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-11

	<u>REF.</u>
Balance December 31, 2011	B \$ 7,370
<b>Decreased by:</b>	
Driveway Bonds paid by Current Fund	B-6 <u>6,370</u>
Balance December 31, 2012	B <u>\$ 1,000</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE

B-12

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 169,107
<b>Increased by:</b>		
2012 Levy	B-6	\$ 52,013
2012 Added/Omitted Taxes	B-6	<u>    116</u> <u>52,129</u>
		221,236
<b>Decreased by:</b>		
Professional Fees Paid by Current Fund	B-6	<u>    2,500</u>
Balance December 31, 2012	B	<u>\$ 218,736</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR COAH TRUST

B-13

	<u>REF.</u>	
Balance December 31, 2012	B	\$ 10
Balance December 31, 2012	B	\$ <u>10</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR CHRISTMAS TRUST FUND

B-14

REF.

Balance December 31, 2011	B	\$ 28,404
<b>Increased by:</b>		
Christmas Trust Deposits	B-2	<u>23,509</u>
		51,913
<b>Decreased by:</b>		
Christmas Trust Expenditures	B-2	<u>18,109</u>
Balance December 31, 2012	B	<u>\$ 33,804</u>

# **GENERAL CAPITAL FUND SCHEDULES**

GENERAL CAPITAL FUND  
SCHEDULE OF CASH

C-2

	<u>REF.</u>		
Balance December 31, 2011	C	\$	301,203
<b>Increased by:</b>			
Interest Credits	C-3	\$	482
Interfund Returned from Current Fund	C-3	<u>201,374</u>	<u>201,856</u>
			503,059
<b>Decreased by:</b>			
Interfund Advance to Current Fund	C-3	<u>245,419</u>	<u>245,419</u>
Balance December 31, 2012	C	\$	<u>257,640</u>

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

	<u>REF.</u>		
Balance December 31, 2011	C	\$	(13)
<b>Increased by:</b>			
State of New Jersey Reimbursement - Moravian Distillery	C-6	\$	9,500
Interfunds Advanced to Current Fund	C-2	<u>245,419</u>	<u>\$ 254,919</u>
			254,906
<b>Decreased by:</b>			
Interest Credits	C-2		482
Interfund Returned from Current Fund	C-2		201,374
Improvement Authorizations paid by Current Fund	C-7	<u>53,101</u>	<u>\$ 254,957</u>
Balance December 31, 2012	C	<u>\$</u>	<u>(51)</u>

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

C-4

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/11</u>	DECREASED <u>PAID BY</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/12</u>
Fire Truck, Property (Moravian Grange) Acquisition & Renovation, and Roadside Mower	\$ 876,600	\$ 70,200	\$ 806,400
	<b><u>\$ 876,600</u></b>	<b><u>\$ 70,200</u></b>	<b><u>\$ 806,400</u></b>
REF.	C	C-8	C

GENERAL CAPITAL FUND  
STATEMENT OF CAPITAL IMPROVEMENT FUND

C-5

	<u>REF.</u>	
Balance December 31, 2011	C	<u>\$ 1</u>
Balance December 31, 2012	C	<u>\$ 1</u>

GENERAL CAPITAL FUND  
STATEMENT OF RESERVE FOR MORAVIAN DISTILLERY

C-6

REF.

**Increased by:**

State of New Jersey Reimbursement - Moravian Distillery	C-3	\$ 9,500
Balance December 31, 2012	C	<u>\$ 9,500</u>



GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES

C-8

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/11</u>	<u>DECREASED</u>	<u>BALANCE 12/31/12</u>
Fire Truck, Property (Moravian Grange) Acquisition & Renovation, and Roadside Mower	2-27-07	2-21-2012	2-20-2013	1.750%	\$ 876,600	\$ 70,200	\$ 806,400
					<b>\$ 876,600</b>	<b>\$ 70,200</b>	<b>\$ 806,400</b>
REF.					C	C-4	C

GENERAL CAPITAL FUND  
STATEMENT OF AMOUNTS DUE GRANTS FUND

C-9

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 28,346
Balance December 31, 2012	C	<u>\$ 28,346</u>

# **PUBLIC ASSISTANCE FUND SCHEDULES**

PUBLIC ASSISTANCE FUND  
SCHEDULE OF CASH - TREASURER

E-1

	<u>REF.</u>	<u>P.A.T.F.</u> <u>#1</u>	<u>P.A.T.F.</u> <u>#2</u>	<u>FUND</u> <u>TOTAL</u>
Balance December 31, 2011	E	<u>\$ -</u>	<u>\$ 5,322</u>	<u>\$ 5,322</u>
<b>Increased by:</b>				
Interest		-	11	11
		-	11	11
<b>Decreased by Disbursements:</b>				
Public Assistance		-	-	-
		-	-	-
Balance December 31, 2012	E	<u>\$ -</u>	<u>\$ 5,333</u>	<u>\$ 5,333</u>

## **SCHEDULE OF GENERAL FIXED ASSETS**

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

F-1

	<u>BALANCE</u> <u>12/31/11</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/12</u>
General Fixed Assets:				
Land	\$ 724,202			\$ 724,202
Buildings	1,014,533			1,014,533
Improvements Other Than Buildings	27,414			27,414
Machinery and Equipment	<u>1,223,204</u>	<u>-</u>	<u>-</u>	<u>1,223,204</u>
 Total General Fixed Assets	 <u>\$ 2,989,353</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 2,989,353</u>
 Investment In General Fixed Assets	 <u>\$ 2,989,353</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 2,989,353</u>

**PART III  
SUPPLEMENTARY INFORMATION**

**General Comments**

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

**Schedule of Federal/State Awards**

**Status of Prior Audit Findings**

**Schedule of Findings and Responses**

## **GENERAL COMMENTS**

### **Scope of Audit**

required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and the records of the various outside departments.

### **Contracts and Agreements Requiring Advertisement for Bids**

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

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

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

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

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

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

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

The system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not determine whether any clear-cut violations existed.

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

### **Collection of Interest on Delinquent Taxes and Assessments**

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

The governing body, on January 4, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"NOW, THEREFORE, BE IT RESOLVED that a grace period of 10 days for non-payment of taxes per R.S.54:4-67 is declared and that interest of 8% per annum for the first \$1,500 of delinquency and 18% per annum for any amount in excess of \$1,500 shall be charged, except that no interest shall be charged if payment of any installment is made within 10 days after the date upon which the same shall be payable."

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

The governing body, on January 4, 2012, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

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

**Delinquent Taxes and Tax Title Liens**

The delinquent taxes at December 31, 2012, include only real property items on the 1995, 2009 and 2012 tax levies. The amounts outstanding from prior years are bankrupt properties.

The last tax sale was held on January 31, 2012 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2012	14
2011	13
2010	6

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

**Verification of Delinquent Taxes and Other Charges**

Verification notices were mailed to confirm balances as of November 16, 2012. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

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

Type of Receivable - Real Property Tax				
Date of Circulars - November 16, 2012				
<u>Verification Type</u>	<u>Request Form</u>	<u>Total No. of Items</u>	<u>Total No. of Circular</u>	<u>Total No. Returned</u>
2012 Property Tax	Positive	1,218	60	25
2013 Property Tax	Positive	1,218	60	25
2012 Delinquent Tax	Negative	461	25	4

**Technical Accounting Directives**

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

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

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

**REVENUE AND OTHER INCOME REALIZED**

	<u>YEAR 2012</u>	<u>%</u>	<u>YEAR 2011</u>	<u>%</u>
Fund Balance Utilized	\$ 181,530	2.77%	\$ 235,700	3.49%
Miscellaneous - From Other Than				
Local Property Tax Levies	514,954	7.86%	598,503	8.86%
Collection of Delinquent Taxes and				
Tax Title Liens	43,465	0.66%	68,771	1.02%
Collection of Current Tax Levy	5,706,611	87.07%	5,736,657	84.94%
Interfunds Returned	<u>107,743</u>	<u>1.64%</u>	<u>113,835</u>	<u>1.69%</u>
<b>Total Income</b>	<u>6,554,303</u>	<u>100.00%</u>	<u>6,753,466</u>	<u>100.00%</u>

**EXPENDITURES**

Budget Expenditures:				
Municipal Purposes	1,168,589	18.44%	1,365,304	20.74%
County Taxes	1,628,218	25.69%	1,740,111	26.43%
Local Taxes	3,534,831	55.78%	3,477,333	52.82%
Interfund Advances	<u>5,168</u>	<u>0.08%</u>	<u>14</u>	<u>0.00%</u>
<b>Total Expenditures</b>	<u>\$ 6,336,806</u>	<u>100.00%</u>	<u>\$ 6,582,762</u>	<u>100.00%</u>

Excess in Revenue	217,497		170,704	
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Adjustments to Income Before Fund Balance:

Expenditures Included Above Which are by Statute

Deferred Charges to Budget of Succeeding Year	<u>16,000</u>	-
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Statutory Excess To Fund Balance	233,497	170,704
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Fund Balance January 1	192,131	257,127
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Less:

Utilization as Anticipated Revenue	<u>181,530</u>	<u>235,700</u>
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Fund Balance December 31	<u>\$ 244,098</u>	<u>\$ 192,131</u>
--------------------------	-------------------	-------------------

**Comparative Schedule of Tax Rate Information**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	\$2.237	\$2.208	\$2.214
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.214	\$0.206	\$0.196
Municipal Open Space	\$0.020	\$0.020	\$0.020
County	\$0.645	\$0.679	\$0.694
Local School	\$1.378	\$1.323	\$1.324

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2012	\$260,065,395
2011	\$263,499,179
2010	\$263,720,199

**Comparison of Tax Levies and Collection Currently**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 5,827,800	\$5,706,611	97.92%
2011	\$ 5,830,480	\$5,736,657	98.39%
2010	\$ 5,853,241	\$5,754,814	98.31%

**Delinquent Taxes and Tax Title Liens**

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

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 190,263	\$ 52,747	\$ 243,010	4.17%
2011	\$ 153,846	\$ 48,099	\$ 201,945	3.46%
2010	\$ 108,508	\$ 80,740	\$ 189,248	3.23%

**Property Acquired by Tax Title Lien Liquidation**

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

<u>Year</u>	<u>Amount</u>
2012	\$441,700
2011	\$441,700
2010	\$441,700

**Comparitive Schedule of Fund Balances**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year Regular</u>
2012	\$ 244,098	\$ 188,730
2011	\$ 192,131	\$ 181,530
2010	\$ 257,127	\$ 235,700
2009	\$ 502,421	\$ 399,050
2008	\$ 444,550	\$ 341,050

**Officials in Office and Surety Bonds**

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Timothy C. McDonough	Mayor		
M. John Koonz	Committeeperson		
George H. Beatty	Committeeperson		
Mary Pat Quinn	Clerk; Registrar of Vital Statistics; Assessment Search Officer; Dog Registrar	\$35,000	Selective Insurance Co.
Lynn Gabel	Deputy Clerk	\$25,000	Selective Insurance Co.
Kathleen Reinalda	Certified Municipal Finance Officer	\$95,000	Selective Insurance Co.

**Officials in Office and Surety Bonds (Continued)**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Stephen J. Lance	Collector; Tax Search Officer	\$95,000	Selective Insurance Co.
Karen M. Bartlett-Lance	Assistant Tax Collector	\$25,000	Selective Insurance Co.
Michael Selvaggi	Attorney		
Richard Motyka	Assessor		
Ralph Price	Construction Official		
David Diehl	Zoning Officer		
Alan DeCarolis	Animal Control Officer		
Alfia Schemm	Planning Board Secretary; Zoning Board of Adjustment Secretary		
Lynn Gabel	Secretary to Historic and Environmental Commissions		

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

All other officials handling monies were bonded by blanket bond coverage in the amount of \$10,000 under faithful performance blanket bond position as provided by the Selective Insurance

<u>Year</u>	<u>Tax Collector</u>
2012	\$94,076

All the bonds were examined and were properly executed.



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA  
Anthony F. Ardito, PA, RMA, PSA

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

The Honorable Mayor and  
Members of the Township Committee  
Township of Hope  
P.O. Box 284  
County of Warren, New Jersey  
Hope, New Jersey 07844

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

### **Internal Control Over Financial Reporting**

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

-Continued-

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

ARDITO & CO., LLP



Frenchtown, New Jersey  
April 8, 2013



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

## **SCHEDULE OF FEDERAL/STATE AWARDS**

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

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>GRANT PERIOD</u>	<u>AWARD</u>	<u>FUND REF.</u>	<u>CASH ACCRUED OR DEFERRED REVENUE</u>		<u>CASH ACCRUED OR DEFERRED REVENUE</u>	
					<u>BALANCE AT 1/1/12</u>	<u>RECEIPTS PROGRAM</u>	<u>DISBURSEMENTS PROGRAM</u>	<u>BALANCE AT 12/31/12</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>								
Disaster Grants - Public Assist (Presidentially Declared)-Hurr. Irene	97.036	2012	\$ 11,577	A		\$ 11,577	\$ (11,577)	\$ 11,577
Disaster Grants - Public Assist (Presidentially Declared)-TS Lee	97.036	2012	62,890	A	-	62,890	(62,890)	62,890
			<u>\$ 74,467</u>		<u>\$ -</u>	<u>\$ 74,467</u>	<u>\$ (74,467)</u>	<u>\$ 74,467</u>

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

**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>STATE GRANTOR/ PROGRAM TITLE</u>	<u>ACCOUNT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	CASH (ACCRUED) OR DEFERRED REVENUE BALANCE AT 1/1/12	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	CASH (ACCRUED) OR DEFERRED REVENUE BALANCE AT 12/31/12
<b><u>DEPT. OF COMMUNITY AFFAIRS</u></b>									
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,425	2012	A		\$ 3,362			\$ 3,362
Local Share						1,027			1,027
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,425	2011	A	\$ (508)				(508)
Local Share									
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,425	2010	A	394				394
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,425	2009	A	3,425				3,425
Local Share					1,027				1,027
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,366	2008	A	3,366		1,760		1,606
Local Share					45		45		-
Municipal Alliance Program									
N.J.S.40A:11-5(a)	N/A	3,741	2007	A	1,070		1,070		-
Local Share									
<b><u>DEPT. OF ENVIR. PROTECTION</u></b>									
Solid Waste Admin.-	4900-765-178900								
Clean Communities Program		5,438	2012	A		5,438		2,316	3,122
Clean Communities Program			2011	A	1,276			1,276	-
Clean Communities Program		5,625	2010	A	553			553	-
Environmental Grant-Swayze Mill-Loce	N/A	7,341	2007	A	7,341				7,341
<b><u>DEPT. OF HUMAN SERVICES</u></b>									
Payments to Municipalities for Cost of									
General Assistance (State Share)	75050-150-158010-60		2002-Open	E	5,322	11		-	5,333

-Continued-

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - (CONTINUED)**  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>STATE GRANTOR/ PROGRAM TITLE</u>	<u>ACCOUNT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	CASH (ACCRUED) OR DEFERRED REVENUE BALANCE <u>AT 1/1/12</u>	<u>RECEIPTS PROGRAM</u>	<u>OTHER</u>	<u>DISBURSEMENTS</u>	CASH (ACCRUED) OR DEFERRED REVENUE BALANCE <u>AT 12/31/12</u>
<b><u>DEPT. OF PUBLIC SAFETY</u></b>									
Drunk Driving Enforcement Fund	4250-760-050000-63	1,508	2003	A	332			332	-
Drunk Driving Enforcement Fund		325	2009	A	325			106	219
Drunk Driving Enforcement Fund		804	2010	A	804				804
Drunk Driving Enforcement Fund		108	2011	A	108				108
<b><u>DEPT. OF TRANSPORTATION</u></b>									
NJ Transportation Fund Authority Act									
Lake Just-It Road-Phase II	N/A	91,600	2011	A		45,705			45,705
Locust Lake Road	N/A	99,000	2010	A	(499)				(499)
Lake Just-It Road	N/A	15,400	2010	A	499				499
Lake Just-It Road	N/A	71,000	2008	A	-				-
<b><u>OTHER STATE AIDS</u></b>									
Storm Water Management Grant	N/A	5,000	2005	A	5,000				5,000
Storm Water Management Grant	N/A	5,000	2007	A	5,000				5,000
<b><u>OTHER LOCAL AIDS</u></b>									
Recycling Grant	N/A	1,123	2012	A		1,123			1,123
Recycling Grant	N/A	2,665	2011	A	2,665			2,444	221
Recycling Grant	N/A	1,244	2009	A	59			59	-
Swayze Mill Improvements Grant	N/A	5,400	2005	A	(2,282)				(2,282)
<b>TOTAL STATE ASSISTANCE</b>					<b>\$ 35,322</b>	<b>\$ 56,666</b>	<b>\$ -</b>	<b>\$ 9,961</b>	<b>\$ 82,027</b>

This schedule was not subject to an audit in accordance with NJ OMB circular 04-04.

## **STATUS OF PRIOR AUDIT FINDINGS**

**STATUS OF PRIOR AUDIT FINDINGS**

CY  
Occurrence

None

(\* Prior Year Finding

**SCHEDULE OF FINDINGS AND RESPONSES**  
**GENERAL FINDINGS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**GENERAL FINDINGS**

YEAR ENDED DECEMBER 31, 2012

**Summary of Auditor's Results**

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

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

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

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

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

**Finding**

**None**

(\*) Prior Year Finding

