

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

**REPORT OF AUDIT
DECEMBER 31, 2012**

TOWNSHIP OF HARDWICK

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2012

AUDITORS' REPORTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Hardwick
County of Warren
40 Spring Valley Road
Blairstown, New Jersey 07825

Report on the Financial Statements

We have audited the accompanying balance sheets-regulatory basis of the various funds of the Township of Hardwick 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 Hardwick 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.

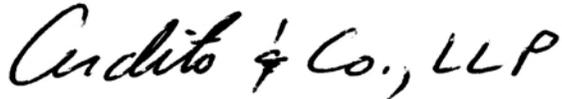
In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1 to the financial statements.

-Continued-

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 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

A handwritten signature in black ink that reads "Ardito & Co., LLP". The script is cursive and fluid.

Frenchtown, New Jersey

May 3, 2013

A handwritten signature in black ink that reads "Anthony Ardito". The script is cursive and fluid.

Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

May 3, 2013

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

		<u>BALANCE</u>	<u>BALANCE</u>
	<u>REF.</u>	<u>12/31/12</u>	<u>12/31/11</u>
ASSETS			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 563,805	\$ 233,404
Cash - Certificates of Deposit	A-4	<u>-</u>	<u>100,000</u>
Subtotal		<u>563,805</u>	<u>333,404</u>
Accounts Receivable - Senior Citizens and Veterans Deductions	A-17	<u>956</u>	<u>956</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	127,080	124,084
Tax Title Liens Receivable	A-7	42,959	37,409
Amount Due Other Trust Fund - Open Space Tax Levy	A-16	-	206
Amount Due From Grants Fund	A	-	26,939
Amount Due From Dog License Fund	B	10	-
Amount Due From General Capital Fund	C	<u>123</u>	<u>-</u>
Subtotal		<u>170,049</u>	<u>188,638</u>
Deferred Charges:			
Special Emergencies	A-22	<u>63,204</u>	<u>75,000</u>
Subtotal		<u>798,014</u>	<u>597,998</u>
Federal And State Grant Fund:			
Amount Due Current Fund	A	6,391	-
Amount Due General Capital Fund	C	-	36,123
State Grants Receivable	A-19	<u>8,000</u>	<u>8,000</u>
Subtotal		<u>14,391</u>	<u>44,123</u>
TOTAL ASSETS		<u>\$ 812,405</u>	<u>\$ 642,121</u>

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

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

		<u>BALANCE</u>	<u>BALANCE</u>
		<u>12/31/12</u>	<u>12/31/11</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Appropriation Reserves	A-3:10	\$ 76,256	\$ 46,998
Amount Due to Grants Fund	A	6,391	-
Amount Due to Dog Fund	B	-	3,504
Amount Due to Other Trust Fund	B	1,705	1,705
Taxes Collected In Advance	A-11	27,556	17,425
County Taxes Payable - Added/Omitted	A-13	-	2,479
Regional School Taxes Payable	A-15	128,586	-
Reserve for Garden State Trust Fund	A-18	22,315	22,315
Reserve for Township School Obligations	A-21	<u>171,086</u>	<u>127,458</u>
		433,895	221,884
Reserve For Receivables And Other Assets	A	170,049	188,638
Fund Balance	A-1	<u>194,070</u>	<u>187,476</u>
Subtotal		<u>798,014</u>	<u>597,998</u>
Federal And State Grant Fund:			
Amount Due Current Fund	A	-	26,939
Reserve For State Grants	A-20	<u>14,391</u>	<u>17,184</u>
Subtotal		<u>14,391</u>	<u>44,123</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 812,405</u>	<u>\$ 642,121</u>

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

	<u>REF.</u>	<u>YEAR</u> <u>2012</u>		<u>YEAR</u> <u>2011</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	A-2	\$ 105,398	\$	103,625
Miscellaneous Revenue Anticipated	A-2	354,673		378,798
Receipts From Delinquent Taxes	A-2	127,922		184,406
Receipts from Current Taxes	A-2	4,270,964		4,196,203
Non-Budget Revenues	A-2	91,363		47,430
Other Credits To Income:				
Unexpended Balance Of Appropriation Reserves	A-10	40,155		33,080
Tax Overpayments Canceled	A-12	-		1,604
Interfund Returns - Grants Fund	A	26,939		-
Interfund Returns - Dog Funds	B	36		205
Interfund Returns - Trust Funds	B	<u>205</u>		<u>-</u>
Total Income		<u>5,017,655</u>		<u>4,945,351</u>
EXPENDITURES				
Budget and Emergency Appropriations:				
Appropriations Within "CAP":				
Operations:				
Salaries and Wages	A-3	260,625		277,150
Other Expenses	A-3	346,518		396,127
Deferred Charges and Statutory Expenditures	A-3	53,700		53,820
Appropriations Excluded From "CAP":				
Operations:				
Salaries and Wages	A-3	790		765
Other Expenses	A-3	14,693		13,819
Deferred Charges and Statutory Expenditures	A-3	15,000		-
Capital Improvements	A-3	10,500		-
Municipal Debt Service	A-3	76,394		78,396
County Taxes	A-13	1,409,294		1,437,074
Amount Due County For Added and Omitted Taxes	A-13	852		2,479
Local District School Taxes	A-14	1,335,997		1,398,976
Regional High School Taxes	A-15	1,336,474		1,157,045
Municipal Open Space Tax	A-16	47,342		15,800
Interfund Advance - State and Federal Grants Fund	A	-		4,255
Interfund Advance - Other Trust Fund	B	-		206
Interfund Advance - General Capital	C	123		-
Refund Of Prior Years Revenue	A-4	<u>565</u>		<u>-</u>
Total Expenditures		<u>4,908,867</u>		<u>4,835,912</u>
Excess in Revenue		108,788		109,439
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	A-3	<u>3,204</u>		<u>75,000</u>
Statutory Excess to Fund Balance		111,992		184,439
Fund Balance January 1	A	<u>187,476</u>		<u>106,662</u>
		299,468		291,101
Decreased by:				
Utilization as Anticipated Revenue	A-1	<u>105,398</u>		<u>103,625</u>
Fund Balance December 31	A	<u>\$ 194,070</u>		<u>\$ 187,476</u>

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>ADDED BY</u>		
	<u>REF.</u>	<u>BUDGET</u>	<u>NJS 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
Fund Balance Anticipated	A-1	\$ 105,398	-	\$ 105,398	-
Miscellaneous Revenues:					
LOCAL REVENUES:					
Interest and Costs On Taxes	A-5	26,227	-	23,230	\$ (2,997)
Total Local Revenues		<u>26,227</u>	<u>-</u>	<u>23,230</u>	<u>(2,997)</u>
STATE AID REVENUES:					
Energy Receipts Tax	A-8	120,959		120,959	-
Reserve for Garden State Trust Fund	A-18	22,315	-	22,315	-
Total State Aid		<u>143,274</u>	<u>-</u>	<u>143,274</u>	<u>-</u>
UNIFORM CONSTRUCTION CODE FEES	A-8	18,400	-	4,616	(13,784)
FEDERAL AND STATE GRANT REVENUES:					
Clean Communities Program	A-19	6,793		6,793	-
Recycling Grant	A-19	-	\$ 913	913	-
Total Federal and State Grant Revenues		<u>6,793</u>	<u>913</u>	<u>7,706</u>	<u>-</u>
OTHER SPECIAL ITEMS:					
Alina Lodge-In Lieu Payments	A-8	30,000		30,000	-
Tuition Adjustment - Blairstown BOE	A-8	45,915		45,915	
Impact Aid	A-21	5,000		5,000	
Cell Tower Rentals	A-8	50,000	-	94,932	44,932
Total Other Special Items		<u>130,915</u>	<u>-</u>	<u>175,847</u>	<u>44,932</u>
Total Miscellaneous Revenue	A-1	325,609	913	354,673	28,151
Receipts From Delinquent Taxes	A-1	137,624	-	127,922	(9,702)
Amount To be Raised by Taxes For Support Of Municipal Budget:					
Local Tax For Municipal Purposes	A-2	389,338	-	434,412	45,074
Total General Revenues		<u>957,969</u>	<u>913</u>	<u>1,022,405</u>	<u>63,523</u>
Non-Budget Revenues:					
Other Non-Budget Revenues	A-1:2			91,363	91,363
		<u>\$ 957,969</u>	<u>\$ 913</u>	<u>\$ 1,113,768</u>	<u>\$ 154,886</u>

REF.

A-3

A-1

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

ANALYSIS OF REALIZED REVENUES

	<u>REF.</u>	
Allocation Of Current Tax Collections:		
Revenue from Collections	A-6	\$ 4,253,964
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>17,000</u>
		4,270,964
Allocated To:		
School and County Taxes	A-6	<u>4,020,418</u>
Deficiency Supported by Municipal Revenues		250,546
Add (Decreased) by:		
Appropriation "Reserve For Uncollected Taxes	A-3	<u>183,866</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 434,412</u>

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

ANALYSIS OF NON-BUDGET REVENUES

Miscellaneous Revenue Not Anticipated:	<u>REF.</u>		
Treasurer:			
Interest on Investments		\$ 1,417	
Clerk Receipts		2,291	
Permit Fees		325	
Tropical Storm Lee - FEMA		6,326	
Hurricane Irene - FEMA		50,419	
Cable TV Fees		1,292	
Miscellaneous		28,475	
Vets/ Sr. Admin. Fee		<u>340</u>	
	A-4		\$ 90,885
Tax Collector:			
Miscellaneous	A-5	<u>623</u>	<u>478</u>
			<u>\$ 91,363</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>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>
GENERAL GOVERNMENT FUNCTIONS:				
General Administration:				
Other Expenses:				
Other Professional, Consultant & Services(Codification) (Special Emergency Approp., 40A:4-55, \$3,204.)	\$900	\$4,104	\$4,104	
Miscellaneous Other Expenses	18,700	18,700	15,965	2,735
Human Resources (Personnel):				
Education Program for Employees	1,200	1,200	468	732
Mayor and Council:				
Salaries and Wages	8,000	8,000	7,923	77
Municipal Clerk:				
Salaries and Wages	38,200	38,175	37,818	357
Financial Administration(Treasury):				
Salaries and Wages	15,800	15,800	15,730	70
Other Expenses	800	800	726	74
Audit Services:				
Other Expenses	17,229	17,229	17,229	
Revenue Administration (Tax Collection):				
Salaries and Wages	14,000	14,000	13,390	610
Other Expenses	3,000	3,000	2,941	59
Tax Assessment Administration:				
Salaries and Wages	17,600	17,600	17,461	139
Other Expenses:				
Other Professional, Consultant & Services(Tax Map)	2,000	2,000		2,000
Miscellaneous Other Expenses	4,000	4,000	2,657	1,343
Legal Services (Legal Dept.):				
Other Expenses:				
Regular Counsel	32,000	32,000	19,363	12,637
Engineering Services:				
Other Expenses	15,000	15,000	14,020	980
Historial Sites:				
Other Expenses	500	500	500	
LAND USE ADMINISTRATION:				
Planning Board:				
Salaries and Wages	5,800	5,800	5,754	46
Other Expenses	5,000	5,000	3,477	1,523
Zoning Board of Adjustment:				
Salaries and Wages	3,600	3,600	3,464	136
Other Expenses	2,500	2,500	1,588	912

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>EXPENDED</u>	<u>RESERVED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	
CODE ENFORCEMENT AND ADMINISTRATION:				
Code Enforcement Officer:				
Salaries and Wages	10,700	10,700	10,636	64
Other Expenses	100	100	45	55
Construction Official:				
Salaries and Wages:				
Construction Official	12,200	4,100	4,072	28
Construction Secretary	7,800	2,800	2,522	278
Other Expenses	250	250	199	51
Plumbing Sub-Code Official:				
Salaries and Wages	2,700	500	398	102
Electrical Sub-Code Official:				
Salaries and Wages	4,100	1,300	1,229	71
Fire Protection Sub-Code Official:				
Salaries and Wages	2,500	900	879	21
Other Expenses	50	50		50
INSURANCE:				
Liability Insurance	54,100	54,100	54,083	17
Employee Insurance	41,400	41,400	38,415	2,985
Unemployment Insurance	2,300	2,300	1,402	898
Other Insurance Premiums	900	900	605	295
PUBLIC SAFETY FUNCTIONS:				
Office of Emergency Management:				
Salaries and Wages	2,000	2,000	1,954	46
Other Expenses	500	500		500
Aid to Volunteer Fire Companies-Adjoining	9,500	9,500	9,500	
Contribution to First Aid Organizations	6,400	6,400	6,400	
Municipal Prosecutor's Office:				
Other Expenses	100	100		100
PUBLIC WORKS FUNCTIONS:				
Streets and Road Maintenance:				
Salaries and Wages	127,000	127,000	122,090	4,910
Other Expenses	68,300	68,300	57,073	11,227
Solid Waste Collection(Recycling Program):				
Salaries and Wages	250	250	201	49
Other Expenses	250	250	108	142
Buildings and Grounds:				
Other Expenses	7,500	25,000	7,375	17,625
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Health Services:				
Other Expenses	435	435		435
Animal Control Services:				
Salaries and Wages	8,100	8,100	8,013	87
Other Expenses	500	500		500
Contribution to Senior Citizens Center	500	500	500	

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>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>
OTHER COMMON OPERATING FUNCTIONS:				
(Unclassified):				
Celebration of Public Events	1,000	1,000	100	900
UTILITY EXPENSES AND BULK PURCHASES:				
Electricity	5,000	5,000	4,126	874
Street Lighting	700	700	418	282
Telephone	7,000	7,000	5,944	1,056
Gas (Natural or Propane)	8,000	8,000	4,107	3,893
Fuel Oil	6,000	8,200	8,144	56
Total Operations - Within "CAPS"	603,964	607,143	535,116	72,027
Detail:				
Salaries and Wages	280,350	260,625	253,534	7,091
Other Expenses	323,614	346,518	281,582	64,936
DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"				
Statutory Expenditures:				
Social Security	23,500	23,500	19,355	4,145
Contribution to:				
PERS	30,200	30,200	30,116	84
Total Deferred Charges and Statutory Expenditures Within "CAPS"	53,700	53,700	49,471	4,229
Total General Appropriations for Municipal Purposes - Within "CAPS"	657,664	660,843	584,587	76,256
OPERATIONS-EXCLUDED from "CAPS"				
Insurance:				
Employee Insurance	1,987	1,987	1,987	
Police Dispatch/91:				
Salaries and Wages	765	790	790	
Total Other Operations-Excluded from "CAPS"	2,752	2,777	2,777	
Interlocal Municipal Service Agreements from "CAPS"				
Other Expenses:				
Knowlton Court	5,000	5,000	5,000	
Total Other Operations-Excluded from "CAPS"	5,000	5,000	5,000	
PUBLIC & PRIVATE PROGRAMS OFFSET BY REVENUES:				
Federal and State Grants:				
Clean Communities Program:				
Other Expenses	6,793	6,793	6,793	
Recycling Tonnage Grant (C. 159):				
Other Expenses	913	913	913	
Total Public & Private Programs Offset by Revenues	7,706	7,706	7,706	

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>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
Total Operations-Excluded from "CAPS"	15,458	15,483	15,483
Detail:			
Salaries and Wages	765	790	790
Other Expenses	14,693	14,693	14,693
CAPITAL IMPROVEMENTS-			
EXCLUDED from "CAPS":			
Capital Improvement Fund	10,500	10,500	10,500
Total Capital Improvements	10,500	10,500	10,500
MUNICIPAL DEBT SERVICE-			
EXCLUDED from "CAPS":			
Payment of Notes	68,150	68,150	68,150
Note Interest	8,244	8,244	8,244
Total Municipal Debt Service	76,394	76,394	76,394
DEFERRED CHARGES AND STATUTORY EXPENDITURES-			
EXCLUDED from "CAPS":			
Special Emergency - 5years	15,000	15,000	15,000
Total Deferred Charges and Statutory Expenditures	15,000	15,000	15,000
Total General Appropriations for			
Municipal Purposes Excl. from "CAPS"	117,352	117,377	117,377
Subtotal General Appropriations	775,016	778,220	701,964
			76,256
RESERVE FOR UNCOLLECTED TAXES	183,866	183,866	183,866
TOTALS	\$ 958,882	\$ 962,086	\$ 885,830
			\$ 76,256

A

	<u>REF.</u>		
Appropriation 40A:4-87	A-2	\$ 913	
Budget	A-2	957,969	
		958,882	
Appropriation 40A:4-55		3,204	
		<u>\$ 962,086</u>	
			<u>TOTAL</u>
Reserve for State Grants	A-20	\$ 7,706	
Deferred Charges	A-22	15,000	
Reserve for Uncollected Taxes	A-2	183,866	
Reserve for Encumbrances	A-9	679,258	
		<u>\$ 885,830</u>	

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

TRUST FUND
COMPARATIVE BALANCE SHEET

B

		<u>BALANCE</u>	<u>BALANCE</u>
	<u>REF.</u>	<u>12/31/12</u>	<u>12/31/11</u>
<u>ASSETS</u>			
Dog License Fund:			
Cash and Cash Equivalents	B-2	\$ 6,698	\$ 1,324
Amount Due Current Fund	B-6	-	3,504
Total Dog License Fund		<u>6,698</u>	<u>4,828</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-2	203,543	246,800
Amount Due Current Fund	B-7	1,705	1,499
Total Other Trust Fund		<u>205,248</u>	<u>248,299</u>
TOTAL ASSETS		<u>\$ 211,946</u>	<u>\$ 253,127</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Reserve for Dog Fund Expenditures	B-4	\$ 6,687	\$ 4,828
Amount Due State of New Jersey	B-5	1	-
Amount Due Current Fund	B-6	10	-
Total Dog License Fund		<u>6,698</u>	<u>4,828</u>
Other Trust Fund:			
Reserve for Planning Board Escrow Deposits	B-8	72,250	73,478
Reserve for Driveway Bond Deposits	B-9	32,722	32,660
Reserve for Recreation Escrow Deposits	B-10	5,245	5,245
Reserve for Municipal Open Space Tax	B-11	87,903	66,598
Reserve for Snow Removal Deposits	B-12	1,705	1,705
Reserve for COAH	B-13	6	62,212
Reserve for Third Party Liens	B-14	5,417	6,401
Total Other Trust Fund		<u>205,248</u>	<u>248,299</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 211,946</u>	<u>\$ 253,127</u>

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

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>		<u>BALANCE</u> <u>12/31/11</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	C-2	\$ 24,428	\$	53,321
Deferred Charges To Future Taxation:				
Unfunded	C-4	<u>488,166</u>		<u>566,316</u>
TOTAL ASSETS		<u>\$ 512,594</u>		<u>\$ 619,637</u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes Payable	C-8	\$ 452,950	\$	531,100
Due Current Fund	C-3	123		-
Due Grants Fund	C-9	-		36,123
Reserve for Road Equipment	C-5	529		529
Capital Improvement Fund	C-6	35,027		35,027
Capital Fund Balance	C-1	8,160		8,160
Improvement Authorizations:				
Funded	C-7	7,812		-
Unfunded	C-7	<u>7,993</u>		<u>8,698</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 512,594</u>		<u>\$ 619,637</u>

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

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2011	C	<u>\$ 8,160</u>
Balance December 31, 2012	C	<u>\$ 8,160</u>

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

	BALANCE <u>12/31/11</u>	BALANCE <u>12/31/12</u>
General Fixed Assets:		
Land	\$ 342,300	\$ 342,300
Buildings	663,337	663,337
Machinery and Equipment	<u>904,459</u>	<u>904,459</u>
Total General Fixed Assets	<u>\$ 1,910,096</u>	<u>\$ 1,910,096</u>
Investment In General Fixed Assets	<u>\$ 1,910,096</u>	<u>\$ 1,910,096</u>

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

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	_____ -	_____ -
TOTAL ASSETS	===== -	===== -
<u>LIABILITIES AND RESERVES</u>		
Payroll Deductions Payable	_____ -	_____ -
TOTAL LIABILITIES AND RESERVES	===== -	===== -

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 Hardwick 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 Hardwick 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

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.

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.

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 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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)

C. Basis of Accounting (Continued)

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.
- 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: CASH AND CASH EQUIVALENTS (Continued)

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.

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

	Cash and Cash Equivalents	Total
Checking	\$ 798,474	\$ 798,474
Total	<u>\$ 798,474</u>	<u>\$ 798,474</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2012, was \$798,474 and the bank balance was \$823,452. 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, \$362,351 was covered by federal depository insurances and \$461,101 was covered by collateral pool.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

Pursuant to the Enabling Act, the funds of the municipality may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the municipality may approve.

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2012, the municipality's balance was -0-.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The municipality does not have a policy for custodial credit risk.

Credit Risk: The municipality does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The municipality does not have a policy to limit interest rate risk. The average maturity of the municipality's investments is less than one year.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT

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:

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Debt:				
Bond Anticipation Notes	\$ 531,100	-	\$ 78,150	\$ 452,950
Compensated absences payable	None			None
Total Long-Term Debt	\$ 531,100	-	\$ 78,150	\$ 452,950

Summary of Municipal Debt

	YEAR <u>2012</u>	YEAR <u>2011</u>	YEAR <u>2010</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 452,950	\$ 531,100	\$ 609,250
Total Deductions	-	-	-
Net Debt Issued	452,950	531,100	609,250
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	35,216	35,216	35,216
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 488,166	\$ 566,316	\$ 644,466

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 .233%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 488,166	-	\$ 488,166
	\$ 488,166	\$ -	\$ 488,166

Net Debt \$488,166	Divided by Equalized Valuation Basis per	
N.J.S.A. 40A:2-2 as amended,	\$ 209,414,595	= 0.233%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT (Continued)

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,329,511
Net Debt	<u>488,166</u>
Remaining Borrowing Power	<u>\$ 6,841,345</u>

Bond Anticipation Notes

The Township has outstanding at December 31, 2012, a bond anticipation note in the amount of \$452,950 payable to First Hope Bank. This note matures on July 12, 2013. The interest rate on the note was 1.55%. Principal and interest on this note is paid from the current fund budget of the Township.

	Debt
	<u>Outstanding</u>
Total General Capital Bonds/Loans Issued Above	<u>\$ 452,950</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: GENERAL FIXED ASSETS

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	Adjustments/ <u>Deletions</u>	Balance <u>End of Year</u>
Land	\$ 342,300			\$ 342,300
Buildings	663,337			663,337
Equipment	904,459	-	-	904,459
	<u>\$ 1,910,096</u>	<u>None</u>	<u>None</u>	<u>\$ 1,910,096</u>

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 - \$ 124,898 *

* - 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, \$60,000 in 2011 special emergency expenses related to Hurricane Irene were deferred, and \$3,204 in 2012 special emergencies related to codification of ordinances were deferred. One-fifth of the deferred charges were appropriated in the 2013 budget, with the remaining balance to be appropriated in subsequent budgets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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:

	TOTAL DEFERRED TAX <u>12/31/12</u>	LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>	TOTAL DEFERRED TAX <u>12/31/11</u>	REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>
Balance of Tax		-	-		128,586	-
Deferred		\$ 613,228	\$ 722,769		\$ 539,651	\$ 539,651
Tax Payable		<u>\$ 613,228</u>	<u>\$ 722,769</u>		<u>\$ 668,237</u>	<u>\$ 539,651</u>
Tax Deferred	<u>\$ 1,152,879</u>			<u>\$ 1,262,420</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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 8: PENSIONS (Continued)

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	\$30,116	100%	-0-
2011	\$29,623	100%	-0-
2010	\$24,384	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 has permitted employees to accrue unused sick pay for limited days, which may be paid or otherwise resolved at a later date at an agreed upon rate. There is no provision for accruing of vacation days if not currently used.

In accordance with New Jersey principles, the amount is not reported as an expenditure or liability in the financial statements.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 13: OTHER REQUIRED DISCLOSURES (Continued)

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:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 133	\$ 8,096
Dog License Fund	-	10
Other Trust Funds	1,705	-
General Capital Fund	-	123
Grants Fund	<u>6,391</u>	<u>-</u>
	<u>\$ 8,229</u>	<u>\$ 8,229</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		\$ 333,404
Increased by Receipts:			
Collector	A-5	\$ 4,421,949	
Miscellaneous Revenue Not Anticipated	A-2	90,885	
Revenue Accounts Receivable	A-8	296,422	
Amount Due State of N.J. for Senior Citizens/Veterans Deductions	A-17	17,000	
Amount Due General Capital	C	36,123	
Garden State Trust Aid - CY2013	A-18	22,315	
State Grants	A-19	7,557	
Federal Impact Aid Receipts	A-21	48,628	4,940,879
			5,274,283
Decreased by Disbursements:			
Interfund Advances	A	653	
Amount Due Dog License Fund	B	3,504	
Reserve for Encumbrances	A-9	679,258	
Prior Year Appropriation Reserves	A-10	6,843	
Tax Overpayments	A-12	6,224	
County Taxes	A-13	1,412,625	
Local District School Tax	A-14	1,335,997	
Regional High School Tax	A-15	1,207,888	
Municipal Open Space	A-16	47,136	
State Grant Funds	A-20	10,350	4,710,478
Balance December 31, 2012	A		<u>\$ 563,805</u>

CURRENT FUND
SCHEDULE OF CASH -- COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Interest and Costs on Taxes	A-2	\$ 23,230	
Miscellaneous Revenue Not Anticipated	A-2	478	
Taxes Receivable	A-6	4,364,461	
2013 Prepaid Taxes	A-11	27,556	
Tax Overpayments	A-12	<u>6,224</u>	<u>\$ 4,421,949</u>
Payments to Treasurer	A-4		<u>\$ 4,421,949</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 37,409
Increased by:		
Transfers from Taxes Receivable	A-6	<u>5,550</u> 42,959
Balance December 31, 2012	A	<u>\$ 42,959</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-8

	<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>
Construction Code Department:				
Fees and Permits		\$ 4,616	\$ 4,616	-
Alina Lodge-In Lieu Payments		30,000	30,000	
Tuition Adjustment - Blirstown BOE		45,915	45,915	
Cell Tower Rentals		94,932	94,932	
Energy Receipts Tax		120,959	120,959	
Garden State Trust Fund		22,315	22,315	
 Totals	 -	 \$ 318,737	 \$ 318,737	 -

REF.

A

A-2

A

Received by Treasurer	\$ 296,422
Transfers From Reserve-Garden State Trust	<u>22,315</u>
	<u>\$ 318,737</u>

CURRENT FUND
SCHEDULE OF ENCUMBRANCES PAYABLE

A-9

REF.

Increased by:			
Charges to 2012 Budget Appropriations	A-3	\$ <u>679,258</u>	\$ <u>679,258</u>
Decreased by:			
Payments	A-4		\$ <u>679,258</u>

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

A-10

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Genral Administration:				
Other Expenses	\$ 539	\$ 539	\$ 517	\$ 22
Codification of Ordinances	147	147	147	
Finance Administration:				
Other Expenses	157	157	28	129
Legal:				
Other Expenses	4,376	4,376	1,779	2,597
Engineering Services:				
Other Expenses	980	980	89	891
Planning Board:				
Other Expenses	214	214	113	101
Zoning Board:				
Other Expenses	251	251	49	202
Code Enforcement:				
Other Expenses	50	50	36	14
Road Repairs and Maintenance:				
Other Expenses	6,384	6,384	1,729	4,655
Building and Grounds:				
Other Expenses	409	409	265	144
Electricity	1,074	1,074	465	609
Street Lighting	268	268	30	238
Telephone	618	618	471	147
Fuel Oil	1,514	1,514	1,125	389
All Accounts - No Change	30,017	30,017		30,017
 TOTALS	 <u>\$ 46,998</u>	 <u>\$ 46,998</u>	 <u>\$ 6,843</u>	 <u>\$ 40,155</u>
REF.		A	A-4	A-1

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-11

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 17,425
Increased by:		
2013 Taxes Collected in Advance	A-5	<u>27,556</u> 44,981
Decreased by:		
Applied to 2012 Taxes Receivable	A-6	<u>17,425</u>
Balance December 31, 2012	A	<u>\$ 27,556</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-12

REF.

Increased by:

2013 Tax Overpayments

A-5

\$ 6,224

Decreased by:

Refunded

A-4

\$ 6,224

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-13

	<u>REF.</u>		
Balance December 31, 2011	A	\$	2,479
Increased by:			
2012 Levy:			
County Taxes	A-1:6	\$	1,182,942
County Library Taxes	A-1:6		99,931
County Open Space Tax	A-1:6		126,421
Added and Omitted Taxes	A-1:6		<u>852</u>
			<u>1,410,146</u>
			1,412,625
Decreased by:			
Payments	A-4	\$	<u>1,412,625</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-14

	<u>REF.</u>	
Balance December 31, 2011:		
School Tax Payable		-
School Tax Deferred		\$ 722,769
		\$ 722,769
Increased by:		
Levy - School Year July 1, 2012 to June 30, 2013	A-6	1,226,456
		<u>1,949,225</u>
Decreased by:		
Payments	A-4	<u>1,335,997</u>
Balance December 31, 2012:		
School Tax Payable	A	-
School Tax Deferred		<u>613,228</u>
		<u>\$ 613,228</u>
2012 Liability for Local District School Tax:		
Tax Paid		\$ 1,335,997
Tax Payable 12/31/12		<u>613,228</u>
		1,949,225
Add: Deferred School Tax Reversal at 12/31/12-Excess Over 50% of Levy		109,541
Less -- Tax Payable 12/31/11		<u>722,769</u>
Amount Charged to 2012 Operations	A-1	<u>\$ 1,335,997</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2011:			
School Tax Payable			
School Tax Deferred		<u>\$ 539,651</u>	\$ 539,651
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6	1,336,474	<u>1,876,125</u>
Decreased by:			
Payments	A-4	<u>1,207,888</u>	
Balance December 31, 2012:			
School Tax Payable	A	128,586	
School Tax Deferred		<u>539,651</u>	<u>\$ 668,237</u>
2012 Liability for Regional High School Tax:			
Tax Paid			\$ 1,207,888
Tax Payable 12/31/12			<u>668,237</u>
			1,876,125
Less -- Deferred School Taxes at 12/31/12			-
Less -- Tax Payable 12/31/11			<u>539,651</u>
Amount Charged to 2012 Operations	A-1		<u>\$ 1,336,474</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-16

	<u>REF.</u>	
Balance December 31, 2011	A	\$ (206)
Increased by:		
2012 Levy:		
Open Space Tax	A-6	<u>\$ 47,342</u>
		47,136
Decreased by:		
Payments to Trust Fund	A-4	<u>\$ 47,136</u>

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

A-17

	<u>REF.</u>		
Balance December 31, 2011	A	\$	(956)
Increased by:			
Senior Citizens Deductions Disallowed By Tax Collector Received in Cash from State	A-4	\$ 17,000	<u>17,000</u> 16,044
Decreased by:			
Veterans Deductions per Tax Billings	A-6	1,750	
Senior Citizens Deductions per Tax Billings	A-6	15,250	
Senior Citizens Deductions Allowed By Tax Collector	A-6	<u>-</u>	<u>17,000</u>
Balance December 31, 2012	A	\$	<u>(956)</u>
<u>ANALYSIS OF BALANCE:</u>			
Amount Due To State of N.J. -- Pre 1/1/78		\$ 2,015	
Amount Due From State of N.J. -- Post 1/1/78		<u>(2,971)</u>	<u>\$ (956)</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR GARDEN STATE TRUST FUND

A-18

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 22,315
Increased by:		
Garden State Trust Funds	A-4	<u>22,315</u> 44,630
Decreased by:		
Realized as Revenue	A-2:8	<u>22,315</u>
Balance December 31, 2012	A	<u>\$ 22,315</u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-19

<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>
ESP Grant	\$ 3,000				\$ 3,000
Clean Communities Program		\$ 6,793	\$ 6,644	\$ 149	
Recycling Tonnage Grant		913	913		
Storm Water Grant	5,000				5,000
Totals	<u>\$ 8,000</u>	<u>\$ 7,706</u>	<u>\$ 7,557</u>	<u>\$ 149</u>	<u>\$ 8,000</u>
REF.	A	A-2	A-4	A-20	A

CURRENT FUND
SCHEDULE OF STATE GRANTS

A-20

	TRANSFER FROM				BALANCE 12/31/12
	BALANCE 12/31/11	2012 BUDGET APPROPRIATIONS	EXPENDED	CANCELED	
ESP Grant	\$ 3,000				\$ 3,000
Municipal Alliance - County Share	2,730		\$ 244		2,486
Municipal Alliance - Township Share	2,107		96		2,011
Clean Communities Grant - CY 12		\$ 6,793	1,933	\$ 149	4,711
Clean Communities Grant - CY 11	6,786		6,786		-
Clean Communities Grant - CY 10	1,291		1,291		-
Recycling Tonnage Grant	952	913			1,865
NJLM Education Foundation Grant	318				318
Totals	\$ 17,184	\$ 7,706	\$ 10,350	\$ 149	\$ 14,391
REF.	A	A-3	A-4	A-19	A

CURRENT FUND
SCHEDULE OF RESERVE FOR TOWNSHIP SCHOOL OBLIGATIONS

A-21

	<u>REF.</u>	
Balance December 31, 2011	A	\$127,458
Increased by:		
Pahquarry Receipts	A-4	<u>48,628</u>
		176,086
Decreased by:		
Payments	A-2	<u>5,000</u>
Balance December 31, 2012	A	<u>\$171,086</u>

CURRENT FUND
SCHEDULE OF DEFERRED CHARGES

A-22

	BALANCE	APPROPRIATED		BALANCE
	<u>12/31/11</u>	2012	RESULTING	<u>12/31/12</u>
		<u>BUDGET</u>	<u>FROM 2012</u>	
Special Emergency - Hurricane Irene NJS 40A:4-55	\$ 75,000	\$ 15,000		\$ 60,000
Special Emergency - Codification of Ordinances			\$ 3,204	3,204
Totals	<u>\$ 75,000</u>	<u>\$ 15,000</u>	<u>\$ 3,204</u>	<u>\$ 63,204</u>
REF.	A	A-3	A-3	A

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

		DOG	
	<u>REF.</u>	<u>LICENSES</u>	<u>OTHER</u>
Balance December 31, 2011	B	\$ 1,324	\$ 246,800
Increased by Receipts:			
Accounts Receivable	B-3	5,186	
Amount Due Current Fund	B-6:7	3,514	
Planning Board Escrow Deposits	B-8		6,325
Driveway Bond Deposits	B-9		62
Special District Tax - Open Space	B-11		47,476
COAH Receipts	B-13	-	33
Lien Receipts	B-14	-	16
Total Receipts		<u>8,700</u>	<u>53,912</u>
		<u>10,024</u>	<u>300,712</u>
Decreased by Disbursements:			
Expenditures Under R.S. 4:29-15.11	B-4	2,654	
State Dog License Fees	B-5	672	
Amount Due Current Fund	B-6:7		206
Escrow Trust Deposits Refunded	B-8		7,553
Special District Tax - Open Space	B-11		26,171
COAH Payments	B-13		62,239
Lien Refunds	B-14	-	1,000
Total Disbursements		<u>3,326</u>	<u>97,169</u>
Balance December 31, 2012	B	<u>\$ 6,698</u>	<u>\$ 203,543</u>

TRUST FUND
SCHEDULE OF ACCOUNTS RECEIVABLE - DOG REGISTRAR

B-3

REF.

Increased By:

Due to State	B-5	\$ 673	
Dog Fees	B-4	<u>4,513</u>	<u>\$ 5,186</u>
			5,186

Decreased By:

Collections	B-2		<u>\$ 5,186</u>
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TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-4

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 4,828
Increased by:		
Dog License Fees	B-3	<u>4,513</u> 9,341
Decreased by:		
Expenditures Under R.S.4:29-15.11.	B-2	<u>2,654</u>
Balance December 31, 2012	B	<u>\$ 6,687</u>

<u>LICENSE FEES</u>	
<u>COLLECTED</u>	
<u>YEAR</u>	<u>AMOUNT</u>
2011	\$ 3,917
2010	<u>2,851</u>
	<u>\$ 6,768</u>

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

B-5

	<u>REF.</u>	
Increased by:		
Collected in 2012:		
State Board of Health Fees	B-3	\$ <u>673</u> 673
Decreased by:		
Payments	B-2	<u>672</u>
Balance December 31, 2012	B	<u>\$ 1</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-6

	<u>REF.</u>	
Balance December 31, 2011	B	\$ (3,504)
Increased by:		
Due Current Fund	B-2	3,504
Interest Credits Due Current Fund	B-2	<u>10</u> <u>3,514</u> 10
Balance December 31, 2012	B	\$ <u>10</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
OTHER TRUST FUND

B-7

REF.

Balance December 31, 2011	B	\$ 1,499
Increased by:		
Interfund Returned-Municipal Open Space Beginning Balance	B-2	<u>206</u>
Balance December 31, 2012	B	<u>\$ 1,705</u>
 <u>Detail of Balance:</u>		
Snow Removal Reserve		<u>\$ 1,705</u>
Total Receivables		<u>\$ 1,705</u>

TRUST FUND
SCHEDULE OF RESERVE FOR PLANNING BOARD ESCROW DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 73,478
Increased by:		
Escrow Deposits	B-2	<u>6,325</u> 79,803
Decreased by:		
Escrow Deposits Refunded	B-2	<u>7,553</u>
Balance December 31, 2012	B	<u>\$ 72,250</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BOND DEPOSITS

B-9

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 32,660
Increased by:		
Driveway Bond Deposits	B-2	<u> 62</u> 32,722
Balance December 31, 2012	B	<u>\$ 32,722</u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION ESCROW DEPOSITS

B-10

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 5,245
Balance December 31, 2012	B	\$ <u>5,245</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TAXES

B-11

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 66,598
Increased by:		
2012 Levy:		
Open Space Tax Levy	B-2	\$ 47,342
Interest Credits	B-2	<u>134</u>
		<u>47,476</u>
		114,074
Decreased by:		
Debt Service Principal and Interest	B-2	11,024
Open Space Expenditures	B-2	<u>15,147</u>
		<u>26,171</u>
 Balance December 31, 2012	 B	 <u>\$ 87,903</u>

Detail:

Open Space Levy including Added/Omitted Taxes - 1999	\$ 10,000
Open Space Levy including Added/Omitted Taxes - 2000	10,356
Open Space Levy including Added/Omitted Taxes - 2001	10,923
Open Space Levy including Added/Omitted Taxes - 2002	14,441
Open Space Levy including Added/Omitted Taxes - 2003	43,556
Open Space Levy including Added/Omitted Taxes - 2004	44,880
Open Space Levy including Added/Omitted Taxes - 2005	45,719
Open Space Levy including Added/Omitted Taxes - 2006	46,901
Open Space Levy including Added/Omitted Taxes - 2007	46,926
Open Space Levy including Added/Omitted Taxes - 2008	47,441
Open Space Levy including Added/Omitted Taxes - 2009	47,445
Open Space Levy including Added/Omitted Taxes - 2010	47,350
Open Space Levy including Added/Omitted Taxes - 2011	15,800
Open Space Levy including Added/Omitted Taxes - 2012	47,342
Green Acres Trust - State Share for Open Space Acquisition - 2012	378,425
Warren County - County Share for Open Space Acquisition - 2004	15,000
Interest Credits	8,182
Finance Improvement Authorizations - Development Easement (Water Co. Property)	(20,000)
Disbursements for Acquisition of Open Space - 2012	(26,171)
Disbursements for Acquisition of Open Space - 2011	(36,177)
Disbursements for Acquisition of Open Space - 2010	(467,119)
Disbursements for Acquisition of Open Space - 2009	(60,599)
Disbursements for Acquisition of Open Space - 2008	(18,066)
Disbursements for Acquisition of Open Space - 2007	(30,300)
Disbursements for Acquisition of Open Space - 2006	(12,500)
Disbursements for Acquisition of Open Space - 2005	(116,750)
Disbursements for Acquisition of Open Space - 2004 and Prior	<u>(5,102)</u>
	<u>\$ 87,903</u>

TRUST FUND
SCHEDULE OF RESERVE FOR SNOW REMOVAL

B-12

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 1,705
Balance December 31, 2012	B	<u>\$ 1,705</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH

B-15

	<u>REF.</u>	
Balance December 31, 2011	<u>B</u>	\$ 62,212
Increased by:		
Coah Receipts	B-2	<u> 33</u> 62,245
Decreased by:		
Coah Disbursements	B-2	<u>62,239</u>
Balance December 31, 2012	B	<u>\$ 6</u>

TRUST FUND
SCHEDULE OF RESERVE FOR THIRD PARTY TAX LIENS

B-14

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 6,401
Increased by:		
Receipts	B-2	<u> 16</u> 6,417
Decreased by:		
Refunds	B-2	<u> 1,000</u>
Balance December 31, 2012	B	<u>\$ 5,417</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2011	C	\$	53,321
Increased by:			
Interest Earned	C-3	\$	123
Current Fund Budget Appropriation - Capital Improvement Fund	C-6	<u>10,500</u>	<u>10,623</u>
			63,944
Decreased by:			
Transfer Interfund Balance to Grant Fund	C-9	36,123	
Improvement Authorizations	C-7	<u>3,393</u>	<u>39,516</u>
Balance December 31, 2012	C	<u>\$</u>	<u>24,428</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

	<u>REF.</u>	
Increased by:		
Interest Earned	C-2	\$ <u>123</u> 123
Balance December 31, 2012	C	\$ <u><u>123</u></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>	<u>DECREASED</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>ANALYSIS OF BALANCE</u> <u>DEBT</u>	
				<u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>DEBT</u> <u>ISSUED</u>
Acquisition of Loader	\$ 816		\$ 816	\$ 816	
Acquisition of Dump Truck	28,500	\$ 9,500	19,000		\$ 19,000
Acquisition of Dump Truck	26,600	6,650	19,950		19,950
Acquisition of Development Easement	60,000	10,000	50,000		50,000
Tractor, Backhoe, Resurfacing of Various Township Road:	416,000	52,000	364,000		364,000
Millbrook-Stillwater Road	34,400		34,400	34,400	
	<u>\$ 566,316</u>	<u>\$ 78,150</u>	<u>\$ 488,166</u>	<u>\$ 35,216</u>	<u>\$ 452,950</u>
REF.	C	C-8	C		C-8

GENERAL CAPITAL FUND
SCHEDULE OF RESERVE FOR ROAD EQUIPMENT

C-5

	<u>REF.</u>	
Balance December 31, 2011	C	<u>\$ 529</u>
Balance December 31, 2012	C	<u>\$ 529</u>

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 35,027
Increased by:		
Current Fund Budget Appropriation - Capital Improvement Fund	C-2	<u>10,500</u> 45,527
Decreased by:		
Funding of Improvement Authorizations	C-7	<u>10,500</u>
Balance December 31, 2012	C	<u>\$ 35,027</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-7

<u>IMPROVEMENT DESCRIPTION</u>	<u>ORDINANCE</u>		<u>AMOUNT</u>	<u>BALANCE</u> <u>12/31/11</u>		<u>CAPITAL</u> <u>IMPROVEMENT</u> <u>FUND</u>	<u>PAID</u>	<u>BALANCE</u> <u>12/31/12</u>	
	<u>NUMBER</u>	<u>DATE</u>		<u>FUNDED</u>	<u>UNFUNDED</u>			<u>FUNDED</u>	<u>UNFUNDED</u>
Tractor, Backhoe, Resurfacing of Birch Ridge Road, Maple Lane Road, and Sun Set Lake Road	2007-11	10/17/07	697,000		\$ 8,698		\$ 705		\$ 7,993
Various Road Improvements	2012-06	8/01/12	10,500			\$ 10,500	2,688	\$ 7,812	
					-	\$ 8,698	\$ 3,393	\$ 7,812	\$ 7,993
REF.				C	C	C-6	C-2	C	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-8

<u>IMPROVEMENT DESCRIPTION</u>	<u>ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE 12/31/11</u>	<u>DECREASED</u>	<u>BALANCE 12/31/12</u>
Acquisition of Loader/Dump Truck	\$95,000	7/25/04	7/12/13	\$9,500	1.50%	\$ 26,300	\$ 9,500	\$ 16,800
Acquisition of Dump Truck	\$66,500	7/22/05	7/12/13	\$6,650	1.50%	25,100	6,650	18,450
Acquisition of Development Easement	\$100,000	7/20/07	7/12/13	\$10,000	1.50%	63,700	10,000	53,700
Tractor, Backhoe, Resurfacing of Various Township Roads	\$520,000	12/5/07	7/12/13	\$52,000	1.50%	416,000	52,000	364,000
						<u>\$ 531,100</u>	<u>\$ 78,150</u>	<u>\$ 452,950</u>
REF.						C	C-4	C

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE GRANTS FUND

C-9

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 36,123
Decreased by:		
Transfer to Grants Fund	C-2	<u>\$ 36,123</u>

PUBLIC ASSISTANCE FUND SCHEDULES

N/A

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>BALANCE</u> <u>12/31/12</u>
General Fixed Assets:			
Land	\$ 342,300		\$ 342,300
Buildings	663,337		663,337
Machinery and Equipment	<u>904,459</u>		<u>904,459</u>
Total General Fixed Assets	<u>\$ 1,910,096</u>	<u>-</u>	<u>\$ 1,910,096</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

The audit of the financial statements of the Township of Hardwick, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township.

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:

"BE IT RESOLVED, that the Mayor and Committee hereby establish an interest rate of 8% per annum on amounts over \$1,500. BE IT FURTHER RESOLVED that no interest shall be charged if payment of taxes, any installment, is made within ten (10) days after the date upon which the same became payable. An additional penalty of 6% shall be added on delinquencies in excess of \$10,000 which are not paid prior to the end of the calendar year."

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 2012 tax levy.

The last tax sale was held in August 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	5
2011	5
2010	7

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 12, 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:

<u>Verification Type</u>	Type of Receivable - Real Property Tax		Date of Circulars - November 12, 2012	
	<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	980	60	25
2013 Property Tax	Positive	980	60	25
2012 Delinquent Tax	Negative	174	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 Hardwick 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	\$ 105,398	2.10%	\$ 103,625	2.10%
Miscellaneous - From Other Than				
Local Property Tax Levies	513,166	10.23%	461,117	9.32%
Collection of Delinquent Taxes and				
Tax Title Liens	127,922	2.55%	184,406	3.73%
Collection of Current Tax Levy	4,270,964	85.12%	4,196,203	84.85%
Interfund Loans Returned	<u>205</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
Total Income	<u>5,017,655</u>	<u>100.00%</u>	<u>4,945,351</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	778,343	15.86%	824,538	17.05%
County Taxes	1,410,146	28.73%	1,439,553	29.77%
Local and Regional Taxes	2,672,471	54.44%	2,556,021	52.85%
Municipal Open Space Tax	47,342	0.96%	15,800	0.33%
Other Expenditures	<u>565</u>	<u>0.01%</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	<u>4,908,867</u>	<u>100.00%</u>	<u>4,835,912</u>	<u>100.00%</u>

Excess in Revenue	108,788		109,439	
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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>3,204</u>		<u>75,000</u>	

Statutory Excess to Fund Balance	111,992		184,439	
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Fund Balance January 1	187,476		106,662	
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Less:

Utilization as Anticipated Revenue	<u>105,398</u>		<u>103,625</u>	
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Fund Balance December 31	<u>\$ 194,070</u>		<u>\$ 187,476</u>	
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Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.796</u>	<u>\$2.748</u>	<u>\$2.800</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.246	\$0.223	\$0.215
County	\$0.895	\$0.915	\$0.907
Local School	\$0.778	\$0.916	\$0.862
Regional High School	\$0.847	\$0.684	\$0.786
Municipal Open Space Tax	\$0.030	\$0.010	\$0.030

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2012	\$157,717,857
2011	\$157,761,741
2010	\$157,065,887

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	\$4,410,993	\$4,270,964	96.82%
2011	\$4,338,016	\$4,196,203	96.73%
2010	\$4,414,719	\$4,255,907	96.40%

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	\$42,959	\$127,080	\$170,039	3.85%
2011	\$37,409	\$124,084	\$161,493	3.72%
2010	\$42,994	\$164,749	\$207,743	4.71%

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	NONE
2011	NONE
2010	NONE

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>Regular</u>	<u>Utilized In Budget of Succeeding Year</u>	
				<u>Defer School Tax</u>
2012	\$ 194,070	\$ 124,898		
2011	\$ 187,476	\$ 58,836		\$46,562
2010	\$ 106,662	\$ 64,918		\$38,707
2009	\$ 166,454	\$ 165,000		
2008	\$ 187,084	\$ (38,519)		\$214,396

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>
James Perry	Mayor		
Kevin M. Duffy	Deputy Mayor		
Alfred Carrazzone	Committeeman		
Judith M. Fisher	Clerk; Registrar of Vital Statistics; Assessment Search Officer	\$40,000	Selective Insurance Co.
Regina McKenna	Tax Collector; Tax Search Officer	\$100,000	Selective Insurance Co.

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Amy B. Maronpot	Certified Municipal Finance Officer	\$40,000	Selective Insurance Co.
Michael Lavery	Attorney		
David M. Gill	Assessor		

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

<u>Year</u>	<u>Tax Collector</u>
2012	\$88,690

There is a public employees' blanket bond in the amount of \$1,000,000 provided by JIF Joint Insurance Fund. This bond would cover all officials handling monies, except those officials specifically bonded. Those officials included under the blanket bond are the Clerk, Construction Official, Dog Warden and Planning and Zoning Board of Adjustment Secretaries.

All the bonds were examined and were properly executed.



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

Independent Auditor's Report

The Honorable Mayor and
Members of the Township Committee
Township of Hardwick
County of Warren
40 Spring Valley Road
Blairstown, New Jersey 07825

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 Hardwick 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 Hardwick's basic financial statements, and have issued our report thereon dated May 3, 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
May 3, 2013



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
May 3, 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>	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/12	<u>RECEIPTS PROGRAM</u>	<u>DISBURSEM ENTS PROGRAM</u>	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/12	<u>CUMMULATIVE EXPENDITURES</u>
DEPARTMENT OFHOMELAND SECURITY									
Disaster Grants - (Presidentially Declared)-Hurr. Irene	97.036	2012	\$ 50,419	A		\$ 50,419	\$ (50,419)		\$ 50,419
Disaster Grants - (Presidentially Declared)-TS Lee	97.036	2012	6,326	A	-	6,326	(6,326)	-	6,326
			<u>\$ 56,745</u>		<u>-</u>	<u>\$ 56,745</u>	<u>\$ (56,745)</u>	<u>-</u>	<u>\$ 56,745</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 AWARDS
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>	<u>CASH ACCRUED OR DEFERRED REVENUE AT 1/1/12</u>	<u>RECEIPTS</u>		<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/12</u>	
						<u>PROGRAM</u>	<u>OTHER</u>			
<u>DEPT. OF ENVIR. PROTECTION</u>										
Solid Waste Admin.-Clean	4900-765-178900	\$ 6,644	2012	A		\$ 6,644		\$ 1,933	\$ 4,711	
		6,773	2011	A	\$ 6,786			6,786		
		6,786	2010	A	1,291			1,291		
Communities Program		5,095	2008	A	1		\$ (1)			
Municipal Drug Alliance	N/A	3,096	2011	A	2,729		1	244	2,486	
<u>DEPT. OF ENVIRONMENTAL PROTECTION</u>										
Stormwater Management Grant	WQ05-574	5,000	2008	A	(5,000)				(5,000)	
<u>OTHER AWARDS</u>										
Recycling Tonnage Grant		952	2012	A	952	913			1,865	
NJLM Education Foundation, Inc.	Sustainable Jersey Small Grant	1,000	2010	A	318				318	
TOTAL STATE ASSISTANCE						\$ 7,077	\$ 7,557	\$ -	\$ 10,254	\$ 4,380

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

STATUS OF PRIOR AUDIT FINDINGS

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CY
Occurrence

2011-1 I suggest that all interfunds be transferred to their respective fund.

STATUS - Finding is corrected in CY 2012.

2011-2 I suggest that the aged grants receivables be collected or canceled if necessary.

STATUS - Finding is reported in CY 2012 and further corrective action required.

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

Grants Receivable:

I noted various aged grants receivable for a Storm Water Grant (\$5,000) and an ESP Grant (\$3,000).

2012-1(*) I suggest that the aged grants receivables be collected or canceled if necessary.