

**BOROUGH OF HOPATCONG**  
**SUSSEX COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**



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**BOROUGH OF HOPATCONG**

**SUSSEX COUNTY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035  
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Hopatcong  
Hopatcong, New Jersey

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Hopatcong, as of December 31, 2011 and 2010 and the related statement of operations and changes in fund balance – regulatory basis, 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 Borough of Hopatcong's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hopatcong's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the financial statements of the Length of Service Award Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Funds, and represent 33 percent and 33 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2011 and 2010.

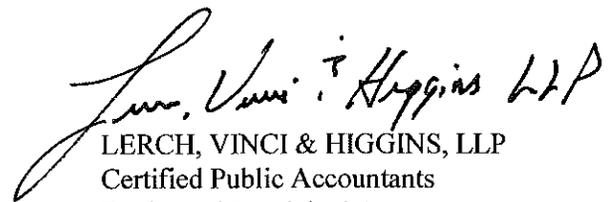
## INDEPENDENT AUDITOR'S REPORT (Continued)

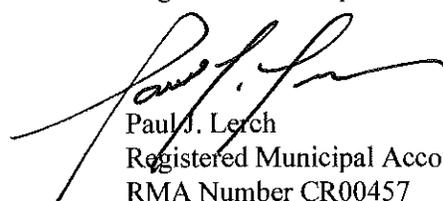
In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Hopatcong, as of December 31, 2011 and 2010, or the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Hopatcong, as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis, and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2012 on our consideration of the Borough of Hopatcong's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hopatcong as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Hopatcong. The supplementary schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
June 6, 2012

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash - Treasurer	A-4	\$ 4,232,511	\$ 3,673,275
Cash - Change Fund	A-5	220	220
		<u>4,232,731</u>	<u>3,673,495</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	1,003,752	1,092,534
Tax Title Liens Receivable	A-8	294,557	229,227
Property Acquired for Taxes - Assessed Valuation	A-9	3,662,400	3,662,400
Revenue Accounts Receivable	A-11	26,663	17,596
Due from Federal and State Grants Fund	A-24	6,593	
Due from Sewer Utility Operating Fund	E-18		78
Due from General Capital Fund	C-8		370
Due from Other Trust Fund	B-11	905	1,140
		<u>4,994,870</u>	<u>5,003,345</u>
 Total Regular Fund		 <u>9,227,601</u>	 <u>8,676,840</u>
Federal and State Grant Fund			
Cash	A-4	41,698	27,509
Due from Current Fund	A-24		3,552
Grants Receivable	A-10	349,801	523,352
		<u>391,499</u>	<u>554,413</u>
 Total Federal and State Grant Fund		 <u>391,499</u>	 <u>554,413</u>
 Total Assets		 <u>\$ 9,619,100</u>	 <u>\$ 9,231,253</u>

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,12	\$ 1,388,421	\$ 1,630,059
Encumbrances Payable	A-14	275,206	137,067
Prepaid Taxes	A-15	176,267	170,822
Tax Overpayments	A-16		18,142
Miscellaneous Reserves	A-17	411,778	380,298
Appropriated Reserves	A-25	7,606	6,010
Due to State of New Jersey - Senior Citizens & Veterans	A-6	328	2,208
Due to State of New Jersey - Marriage License Fees	A-26	325	875
Due to State of New Jersey - State Training Fees	A-27	1,457	2,221
Due to Federal and State Grants Fund	A-24	-	3,552
Due to County for Added Taxes	A-18	2,782	2,921
		<u>2,264,170</u>	<u>2,354,175</u>
Reserve for Receivables and Other Assets		4,994,870	5,003,345
Fund Balance	A-1	<u>1,968,561</u>	<u>1,319,320</u>
<b>Total Regular Fund</b>		<u>9,227,601</u>	<u>8,676,840</u>
<b>Federal and State Grant Fund</b>			
Due to Current Fund	A-24	6,593	
Due to Open Space Trust Fund	A-23	513	
Due to Sewer Utility Operating Fund	E-8		250,000
Reserve for Encumbrances	A-13	84,522	
Reserve for Grants and Donations - Unappropriated	A-21	11,394	1
Reserve for Grants and Donations - Appropriated	A-22	<u>288,477</u>	<u>304,412</u>
<b>Total Federal and State Grant Fund</b>		<u>391,499</u>	<u>554,413</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 9,619,100</u>	<u>\$ 9,231,253</u>

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>Year 2011</u>	<u>Year 2010</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 850,000	\$ 618,000
Miscellaneous Revenue Anticipated	A-2	1,987,366	2,609,338
Receipts from Delinquent Taxes	A-2	1,075,923	907,417
Receipts from Current Taxes	A-2	41,005,380	39,343,695
Non-Budget Revenue	A-2	128,758	106,844
Other Credits to Income			
Prior Year Interfunds Returned	A	1,588	49,890
Unexpended Balance of Appropriation Reserves	A-12	985,767	760,777
Grants Unappropriated Reserves Cancelled	A-21	1	
Grants Appropriated Reserves Cancelled	A-22	<u>6,592</u>	<u>-</u>
 Total Revenues		 <u>46,041,375</u>	 <u>44,395,961</u>
 <b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,960,232	5,825,812
Other Expenses	A-3	5,520,941	5,451,199
Capital Improvements	A-3	75,590	438,455
Municipal Debt Service	A-3	1,014,858	1,035,093
Deferred Charges and Statutory Expenditures	A-3	1,555,462	1,521,883
County Taxes	A-18	7,976,120	7,659,364
Municipal Open Space Taxes	A-20	10,194	10,245
Local School Taxes	A-19	22,388,907	21,486,584
Other Debits			
Interfund Advance	A	7,498	1,588
Prior Year Senior Citizens' Deductions Disallowed	A-6	3,687	2,949
Reserve for Pending Tax Appeals	A-17	<u>28,645</u>	<u>37,698</u>
 Total Expenditures		 <u>44,542,134</u>	 <u>43,470,870</u>
 Excess in Revenue		 1,499,241	 925,091
 Fund Balance, January 1	A	 <u>1,319,320</u>	 <u>1,012,229</u>
		2,818,561	1,937,320
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>850,000</u>	<u>618,000</u>
 Fund Balance, December 31	A	 <u>\$ 1,968,561</u>	 <u>\$ 1,319,320</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	2011 Anticipated Budget	Added by N.J.S. 40A:4-87	2011 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 850,000	-	\$ 850,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,400		25,632	\$ 8,232
Fees and Permits					
Construction Code Official	A-11	155,000		124,185	(30,815)
Other	A-2	69,000		83,629	14,629
Fines and Costs					
Municipal Court	A-11	145,000		146,246	1,246
Interest and Costs on Taxes	A-11	180,000		217,327	37,327
Energy Receipts Tax	A-11	738,433		738,433	
Interest on Investments and Deposits	A-2	8,035		10,572	2,537
Consolidated Municipal Property Tax Relief Aid	A-11	214,837		214,837	
State and Federal Grants Offset With Appro.					
Clean Communities Grant	A-10		\$ 27,500	27,500	
Municipal Alliance on Alcoholism and Drug Abuse	A-10		13,134	13,134	
Police Body Armor Fund	A-10		2,545	2,545	
DCA Small Cities Grant (Sr. Center)	A-10		146,300	146,300	
Alcohol Education and Rehabilitation Fund	A-10		539	539	
Recycling Tonnage Grant	A-10		11,890	11,890	
Bulletproof Partnership Program	A-10		337	337	
Click It or Ticket It	A-10		4,000	4,000	
Drunk Driving Enforcement Fund	A-10		7,527	7,527	
Over the Limit/Under Arrest	A-10		4,400	4,400	
Safe and Secure Communities Program	A-10		51,082	51,082	
Drive Sober or Get Pulled Over Grant	A-10		5,000	5,000	
Special Items					
Atlantic Health DWI Donation	A-11		500	500	
Cell Tower Rental	A-11	71,800		73,199	1,399
Cable TV Franchise Fee	A-11	56,377		58,740	2,363
Life Hazard Use Fees	A-11	9,547		8,253	(1,294)
Fire Prevention Fees	A-11	11,000	-	11,559	559
Total Miscellaneous Revenues	A-1	<u>1,676,429</u>	<u>274,754</u>	<u>1,987,366</u>	<u>36,183</u>
Receipts from Delinquent Taxes	A-1,A-7,A-8	<u>800,000</u>	-	<u>1,075,923</u>	<u>275,923</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2,A-7	<u>11,825,922</u>	-	<u>11,901,514</u>	<u>75,592</u>
Total	A-3	<u>\$ 15,152,351</u>	<u>\$ 274,754</u>	15,814,803	<u>\$ 387,698</u>
Non-Budget Revenue	A-1,A-2			<u>128,758</u>	
				<u>\$ 15,943,561</u>	

**BOROUGH OF HOPATCONG**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 41,005,380
Less: Reserve for Tax Appeals Pending	A-1,17	28,645
Less: Allocated to School, County and Special Taxes	A-18,A-19,A-20	<u>30,375,221</u>
		10,601,514
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>1,300,000</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 11,901,514</u>
 <b>Fees and Permits - Other</b>		
Township Clerk	A-11	\$ 44,515
Tax Searches	A-11	310
Police Department	A-11	2,122
Zoning/Planning	A-11	7,800
Board of Health	A-11	14,932
DPW - Bulk Stickers	A-11	<u>13,950</u>
	A-2	<u>\$ 83,629</u>
 Receipts from Delinquent Taxes		
Taxes	A-7	\$ <u>1,075,923</u>
	A-2	<u>\$ 1,075,923</u>
 Interest on Investments		
Revenue Accounts Receivable	A-11	\$ 8,222
Due from General Capital Fund	C-8	1,445
Due from Other Trust Funds	B-9	<u>905</u>
	A-2	<u>\$ 10,572</u>

**BOROUGH OF HOPATCONG**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

ANALYSIS OF NON-BUDGET REVENUES

Administrative Fee for Sale of Property	\$	125
Administrative Fee for Police Outside Employment		902
Bid Specifications		1,275
Court Interlocal Agreement <sup>1</sup>		23,333
Duplicate Tax Bills		1,165
Hazardous Materials Fee		1,500
Hotel Fees		3,530
Miscellaneous		217
NJDMV Inspection Fees		1,550
Notary Fees		103
NSF Fees		760
Post Year Tax Statement Administrative Fees		3,913
Prior Year Voided Checks		105
Prior Year Refunds		8,602
Recycling		5,984
Rent - Civic Center		2,500
Tires		177
Tax Collector Fees		9,587
Tax Sale Premium		3,500
Write-off Prior Year Stale Dated Items		1,015
Insurance Dividends		58,915
		58,915
A-2,A-4	\$	128,758

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Administrative and Executive					
Salaries and Wages	\$ 214,006	\$ 214,006	\$ 183,219	\$ 30,787	
Other Expenses	109,720	109,720	85,087	24,633	
Mayor and Council					
Salaries and Wages	15,250	15,250	14,608	642	
Other Expenses	4,850	4,850	3,399	1,451	
Borough Clerk					
Salaries and Wages	91,167	91,167	84,419	6,748	
Election					
Other Expenses	15,910	15,910	13,272	2,638	
Financial Administration					
Salaries and Wages	118,877	118,877	109,906	8,971	
Other Expenses	47,416	47,416	29,661	17,755	
Audit Services	23,100	23,100	20,800	2,300	
Computerized Data Processing					
Other Expenses	39,000	48,000	28,302	19,698	
Collection of Taxes					
Salaries and Wages	185,214	185,214	156,862	28,352	
Other Expenses	14,179	14,179	14,046	133	
Assessment of Taxes					
Salaries and Wages	99,292	99,292	91,266	8,026	
Other Expenses	28,275	31,275	26,000	5,275	
Liquidation of Tax Title Liens and Foreclosed Property					
Other Expenses	105,000	130,000	110,297	19,703	
Legal Services					
Other Expenses	3,000	3,000		3,000	
Engineering Services and Costs					
Other Expenses	45,000	25,000	12,884	12,116	
Economic Development					
Other Expenses	1,000	1,000		1,000	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Planning Board					
Salaries and Wages	16,476	16,476	15,640	836	
Other Expenses	10,041	12,041	10,768	1,273	
Zoning Costs					
Salaries and Wages	63,624	63,624	61,129	2,495	
Other Expenses	9,408	9,408	4,685	4,723	
<b>PUBLIC SAFETY</b>					
Police					
Salaries and Wages	3,024,563	3,024,563	2,615,335	409,228	
Other Expenses	79,700	79,700	65,428	14,272	
Emergency Dispatch Services					
Salaries and Wages	474,699	433,699	389,018	44,681	
Other Expenses	45,330	45,330	29,702	15,628	
Emergency Management					
Salaries and Wages	2,060	2,060		2,060	
Other Expenses	3,880	3,880	3,880	-	
First Aid Organization Contribution	40,000	40,000	40,000	-	
Municipal Prosecutor					
Other Expenses	34,000	34,000	30,362	3,638	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 110,871	\$ 110,871	\$ 110,702	\$ 169	
Fire Prevention Bureau					
Salaries and Wages	25,241	25,241	20,629	4,612	
Other Expenses	5,925	5,925	4,192	1,733	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,054,686	1,054,686	1,008,709	45,977	
Other Expenses	265,170	265,170	256,588	8,582	
Contractual - Garbage	1,186,500	1,186,500	1,183,852	2,648	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	28,209	28,209	13,573	14,636	
Buildings and Grounds					
Other Expenses	77,420	77,420	43,381	34,039	
Vehicle Maintenance					
Other Expenses	153,000	153,000	141,114	11,886	
MUNICIPAL COURT					
Salaries and Wages	160,466	173,466	164,833	8,633	
Other Expenses	6,100	6,100	4,683	1,417	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	60,662	60,662	54,113	6,549	
Other Expenses	14,400	14,400	9,374	5,026	
Environmental Commission					
Salaries and Wages	955	955	557	398	
Other Expenses	1,845	1,845	866	979	
Animal Control					
Salaries and Wages	71,541	71,541	61,608	9,933	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	43,528	43,528	40,563	2,965	
Senior Citizens Programs					
Other Expenses	9,000	9,000	3,965	5,035	

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION:					
Board of Recreation Commissioners					
Salaries and Wages	\$ 67,421	\$ 67,421	\$ 36,317	\$ 31,104	
Other Expenses	11,750	11,750	3,173	8,577	
Park Maintenance					
Salaries and Wages	21,454	21,454	14,472	6,982	
Other Expenses	90,500	90,500	80,282	10,218	
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office					
Salaries and Wages	16,000	10,000	9,352	648	
Open Space Committee					
Salaries and Wages	955	955	398	557	
Celebration of Public Events					
Other Expenses	10,185	10,185	9,323	862	
Insurance					
General Liability Insurance	215,046	200,046	197,972	2,074	
Workers Compensation	236,607	226,607	225,875	732	
Employee Group Health	1,360,000	1,360,000	1,130,570	229,430	
State Unemployment Insurance	50,000	50,000	45,956	4,044	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement:					
Building Inspector					
Salaries and Wages	166,095	166,095	159,136	6,959	
Other Expenses	6,600	6,600	4,676	1,924	
UTILITY EXPENSES & BULK PURCHASES					
Electricity	140,500	140,500	97,296	43,204	
Street Lighting	48,000	48,000	40,278	7,722	
Telephone	47,500	47,500	45,922	1,578	
Fuel Oil	72,750	87,750	87,750	-	
Gasoline	145,500	170,500	165,698	4,802	
State Mandated Landfill - Monitoring					
Other Expenses	10,000	10,000	2,260	7,740	-
Total Operations Within "CAPS"	<u>10,956,419</u>	<u>10,956,419</u>	<u>9,729,983</u>	<u>1,226,436</u>	<u>-</u>
Detail					
Salaries and Wages	5,994,232	5,960,232	5,292,089	668,143	-
Other Expenses	<u>4,962,187</u>	<u>4,996,187</u>	<u>4,437,894</u>	<u>558,293</u>	<u>-</u>

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"</b>					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 478,000	\$ 478,000	\$ 426,481	\$ 51,519	
Public Employee's Retirement System of NJ	401,010	401,010	400,991	19	
Police & Fireman's Retirement System of NJ	674,452	674,452	674,452		
Defined Contribution Retirement Program	2,000	2,000	939	1,061	-
<b>Total Deferred Charges &amp; Statutory Expenditures - Municipal Within "CAPS"</b>	<u>1,555,462</u>	<u>1,555,462</u>	<u>1,502,863</u>	<u>52,599</u>	<u>-</u>
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<u>12,511,881</u>	<u>12,511,881</u>	<u>11,232,846</u>	<u>1,279,035</u>	<u>-</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
County Mandated Flow Control Fees	150,000	150,000	61,114	88,886	
Contribution to LOSAP	100,000	100,000	80,000	20,000	-
<b>Total Other Operations Excluded from "CAPS"</b>	<u>250,000</u>	<u>250,000</u>	<u>141,114</u>	<u>108,886</u>	<u>-</u>
<b>Public and Private Programs Offset by Revenues</b>					
<b>State and Federal Programs Offset by Revenues</b>					
<b>State of N.J. - Clean Communities Program</b>					
		27,500	27,500		
<b>Municipal Alliance on Alcoholism and Drug Abuse</b>					
<b>County Share</b>					
		13,134	13,134		
<b>Drive Sober or Get Pulled Over Grant</b>					
		5,000	5,000		
<b>Over the Limit Under Arrest</b>					
		4,400	4,400		
<b>Safe and Secure Grant</b>					
		51,082	51,082		
<b>Police Body Armor Fund</b>					
		2,545	2,545		
<b>Bulletproof Vest Program</b>					
		337	337		
<b>Drunk Driving Enforcement Fund</b>					
		7,527	7,527		
<b>Alcohol Education &amp; Rehabilitation Fund</b>					
		539	539		
<b>DCA Small Cities Grant (Senior Ctr.)</b>					
		146,300	146,300		
<b>Recycling Tonnage Grant</b>					
		11,890	11,890		
<b>Click It or Ticket</b>					
		4,000	4,000		
<b>Atlantic Health DWI Donation</b>					
	-	500	-	500	-
<b>Total Public and Private Programs Offset by Revenues</b>	<u>-</u>	<u>274,754</u>	<u>274,254</u>	<u>500</u>	<u>-</u>
<b>Total Operations Excluded from "CAPS"</b>	<u>250,000</u>	<u>524,754</u>	<u>415,368</u>	<u>109,386</u>	<u>-</u>
<b>Detail</b>					
Other Expenses	250,000	524,754	415,368	109,386	-

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 75,590	\$ 75,590	\$ 75,590	-	-
Total Capital Improvements Excluded from "CAPS"	<u>75,590</u>	<u>75,590</u>	<u>75,590</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	585,000	585,000	585,000		
Interest on Bonds	175,780	175,780	175,780		
Interest on Notes	72,600	72,600	72,578		\$ 22
Payment of Notes	<u>181,500</u>	<u>181,500</u>	<u>181,500</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,014,880</u>	<u>1,014,880</u>	<u>1,014,858</u>	<u>-</u>	<u>22</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,340,470</u>	<u>1,615,224</u>	<u>1,505,816</u>	<u>109,386</u>	<u>22</u>
Subtotal General Appropriations	13,852,351	14,127,105	12,738,662	1,388,421	22
Reserve for Uncollected Taxes	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 15,152,351</u>	<u>\$ 15,427,105</u>	<u>\$ 14,038,662</u>	<u>\$ 1,388,421</u>	<u>\$ 22</u>
Reference	A-2			A	

**BOROUGH OF HOPATCONG  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Adopted Budget	A-2	\$ 15,152,351	
Added by N.J.S.A. 40A:4-87	A-2	<u>274,754</u>	
		<u>\$ 15,427,105</u>	
Cash Disbursed	A-4		\$ 12,189,202
Encumbrances Payable	A-14		275,206
Appropriated Reserves - Federal and State Grants Fund	A-22		274,254
Reserve for Uncollected Taxes	A-2		<u>1,300,000</u>
			<u>\$ 14,038,662</u>

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ 44,653	\$ 41,017
		<u>44,653</u>	<u>41,017</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	981,312	865,744
Investments	B-3	300,821	303,334
		<u>1,282,133</u>	<u>1,169,078</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-3	122,999	69,287
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Cash	B-3	86,484	136,086
Due from Grants Fund	B-6	513	-
		<u>86,997</u>	<u>136,086</u>
<b>LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)</b>			
Investments	B	671,085	633,582
Contribution Receivable	B	89,298	77,050
		<u>760,383</u>	<u>710,632</u>
Total Assets		<u>\$ 2,297,165</u>	<u>\$ 2,126,100</u>

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of New Jersey	B-5	\$ 213	\$ 42
Reserve for Animal Control Expenditures	B-4	<u>44,440</u>	<u>40,975</u>
		<u>44,653</u>	<u>41,017</u>
<b>OTHER TRUST FUND</b>			
Due to Current Fund	B-11	905	1,140
Miscellaneous Reserves	B-7	1,215,665	1,109,825
Payroll Deductions Payable	B-9	<u>65,563</u>	<u>58,113</u>
		<u>1,282,133</u>	<u>1,169,078</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Reserve for Unemployment Insurance Claims	B-8	<u>122,999</u>	<u>69,287</u>
		<u>122,999</u>	<u>69,287</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Reserve for Open Space Preservation	B-10	<u>86,997</u>	<u>136,086</u>
		<u>86,997</u>	<u>136,086</u>
<b>LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)</b>			
Reserve for LOSAP	B	<u>760,383</u>	<u>710,632</u>
		<u>760,383</u>	<u>710,632</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u><u>\$ 2,297,165</u></u>	<u><u>\$ 2,126,100</u></u>

**BOROUGH OF HOPATCONG  
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	<u>2011 Anticipated</u>	<u>2011 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-10	\$ 10,187	\$ 10,194	\$ 7
		<u>\$ 10,187</u>	10,194	<u>\$ 7</u>
Non-Budget Revenue	B-10		<u>717</u>	
			<u>\$ 10,911</u>	
Analysis of Non-Budget Revenue				
Cancellation of Grant Balance			\$ 513	
Interest on Investments and Deposits			<u>204</u>	
			<u>\$ 717</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	<u>Budget (Memorandum)</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Development of Lands for Recreation and Conservation				
Other Expenses	B-10	\$ 10,187	\$ 60,000	\$ (49,813)
		<u>\$ 10,187</u>	<u>\$ 60,000</u>	<u>\$ (49,813)</u>
	<u>Reference</u>		B-10	

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 1,423,033	\$ 1,742,028
Deferred Charges to Future Taxation			
Funded	C-4	9,367,000	4,192,000
Unfunded	C-5	<u>-</u>	<u>4,876,607</u>
 Total Assets		 <u>\$ 10,790,033</u>	 <u>\$ 10,810,635</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Improvement Authorizations			
Funded	C-6	\$ 1,041,856	\$ 196,381
Unfunded	C-6		783,331
Contracts Payable	C-11	191,330	761,376
General Serial Bonds	C-7	9,367,000	4,192,000
Bond Anticipation Notes	C-10		4,838,512
Capital Improvement Fund	C-9	25,390	5,850
Due to Current Fund	C-8		370
Fund Balance	C-1	<u>164,457</u>	<u>32,815</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,790,033</u>	 <u>\$ 10,810,635</u>

There were bonds and notes authorized but not issued on December 31, 2011 and 2010 of \$0 and \$38,095, respectively, (Exhibit C-12).

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	C	\$ 32,815	\$ 20,542
Increased by:			
Funded Improvement Authorizations Cancelled	C-6	32,838	
Premium on Sale of Bonds and Notes	C-2	<u>98,804</u>	<u>32,273</u>
		<u>164,457</u>	<u>52,815</u>
Decreased by:			
Revenue Anticipated in Current Fund	C-1	<u>-</u>	<u>20,000</u>
		<u>-</u>	<u>20,000</u>
Balance, December 31	C	<u>\$ 164,457</u>	<u>\$ 32,815</u>

**BOROUGH OF HOPATCONG**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 212,670	\$ 238,332
Change Fund	D-6	30	30
Due from Water Utility Capital Fund	D-9	1,172	71
		<u>213,872</u>	<u>238,433</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-8	66,607	58,257
		<u>66,607</u>	<u>58,257</u>
Deferred Charge:			
Emergency Appropriation	D-22	36,500	-
		<u>36,500</u>	<u>-</u>
		<u>316,979</u>	<u>296,690</u>
CAPITAL FUND			
Cash	D-5	896,942	504,633
Grants Receivable	D-23	970,000	
Fixed Capital	D-14	4,794,179	2,759,856
Fixed Capital Authorized and Uncompleted	D-17	2,864,425	2,809,311
		<u>9,525,546</u>	<u>6,073,800</u>
Total Assets		<u>\$ 9,842,525</u>	<u>\$ 6,370,490</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	D-3,D-11	\$ 53,975	\$ 80,719
Encumbrances Payable	D-12	29,688	14,239
Prepaid Water Rents	D-13	3,426	461
Accrued Interest on Bonds, Notes and Loans	D-10	<u>39,650</u>	<u>26,952</u>
		126,739	122,371
Reserve for Receivables		66,607	58,257
Fund Balance	D-1	<u>123,633</u>	<u>116,062</u>
		<u>316,979</u>	<u>296,690</u>
<b>CAPITAL FUND</b>			
FMHA Bonds Payable	D-20	694,995	736,412
Water Supply Loans Payable	D-24	203,569	260,030
NJ Environmental Infrastructure Trust Loans Payable	D-25	353,298	383,982
Bond Anticipation Notes	D-27	-	1,943,680
Serial Bonds Payable	D-28	2,335,000	
Accrued Interest Payable	D-26	3,948	5,120
Reserve for Deferred Amortization	D-18	1,057,205	1,063,143
Reserve for Amortization	D-15	2,321,038	1,181,921
Improvement Authorizations			
Funded	D-19	1,493,018	68,046
Unfunded	D-19	693,500	387,620
Due to Water Utility Operating Fund	D-9	1,172	71
Contracts Payable	D-16	292,825	734
Capital Improvement Fund	D-21	3,408	3,408
Fund Balance	D-4	<u>72,570</u>	<u>39,633</u>
		<u>9,525,546</u>	<u>6,073,800</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 9,842,525</u>	<u>\$ 6,370,490</u>

There were bonds and notes authorized but not issued on December 31, 2011 and 2010 of \$693,500 and \$0, respectively, (Exhibit D-29).

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Surplus Utilized	D-2	\$ 95,398	\$ 84,768
Rents	D-2	701,102	686,656
Connection Fees	D-2	2,800	10,150
Water Capital Fund Balance	D-2	35,000	20,000
Miscellaneous - Non Budget Revenue	D-2	4,964	1,494
Other Credits to Income:			
Unexpended - Balance of Appropriation Reserves	D-11	<u>53,372</u>	<u>21,271</u>
 Total Income		 <u>892,636</u>	 <u>824,339</u>
 <b>EXPENDITURES</b>			
Budget and Emergency Appropriations			
Operating	D-3	501,488	473,028
Capital	D-3	36,500	
Debt Service	D-3	251,579	247,062
Deferred Charges and Statutory Expenditures	D-3	<u>36,600</u>	<u>32,800</u>
 Total Expenditures		 <u>826,167</u>	 <u>752,890</u>
 Less: Expenditures Included Above which by Statute are Deferred Charges to Succeeding Year's Budget			
	D-22	<u>36,500</u>	<u>-</u>
 Total Adjusted Expenditures		 <u>789,667</u>	 <u>752,890</u>
 Excess in Revenue		 102,969	 71,449
 Fund Balance, January 1	D	 <u>116,062</u>	 <u>129,381</u>
		219,031	200,830
Decreased by:			
Utilized as Revenue	D-1	<u>95,398</u>	<u>84,768</u>
 Fund Balance, December 31	D	 <u>\$ 123,633</u>	 <u>\$ 116,062</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG  
STATEMENT OF REVENUES - REGULATORY BASIS  
WATER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Reference	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 95,398	\$ 95,398	
Rents	D-1,D-8	665,000	701,102	\$ 36,102
Connection Fees	D-1, D-5	5,000	2,800	(2,200)
Water Capital Fund Balance	D-1, D-5	35,000	35,000	
Miscellaneous	D-1	-	4,964	4,964
		<u>\$ 800,398</u>	<u>\$ 839,264</u>	<u>\$ 38,866</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	D-9	\$ 674		
Miscellaneous	D-5	<u>4,290</u>		
			<u>\$ 4,964</u>	

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Appropriated Budget	Budget After Modification	Expended Paid or Charged	Reserved	Cancelled
<b>OPERATING</b>					
Salaries and Wages	\$ 225,727	\$ 225,727	\$ 211,681	\$ 14,046	
Other Expenses	275,761	275,761	241,594	34,167	
<b>CAPITAL</b>					
Down Payment on Improvements		36,500	36,500		
<b>DEBT SERVICE</b>					
Payment on Loan Principal	129,740	129,740	129,734		\$ 6
Payment on Note Principal	26,000	26,000	26,000		
Interest on Loans	56,900	56,900	53,991		2,909
Interest on Notes	49,670	49,670	41,854		7,816
<b>STATUTORY EXPENDITURES</b>					
Contribution to					
Public Employees Retirement System	15,100	15,100	15,100		
Social Security System (O.A.S.I.)	16,500	16,500	15,738	762	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 800,398</u>	<u>\$ 836,898</u>	<u>\$ 772,192</u>	<u>\$ 53,975</u>	<u>\$ 10,731</u>
	<u>Reference</u>	D-2	D-2	D	
	<u>Adopted Budget</u>	<u>Reference</u>			
	Emergency Authorization	D-2	\$ 800,398		
		D-22	36,500		
			<u>\$ 836,898</u>		
Cash Disbursements	D-5		\$ 646,659		
Accrued Interest	D-10		95,845		
Encumbrances Payable	D-12		29,688		
			<u>\$ 772,192</u>		

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	D	\$ 39,633	\$ 46,669
Increased by:			
Funded Improvement Authorizations Cancelled	D-15	22,684	
Funded Improvement Authorizations Cancelled	D-18	27,304	
Premium on Sale of Bonds and Notes	D-5	<u>40,054</u>	<u>12,964</u>
		129,675	59,633
Decreased by:			
Appropriated to Finance Improvement Authorizations	D-19	22,105	
Revenue Anticipated in Water Operating Fund	D-2	<u>35,000</u>	<u>20,000</u>
Balance, December 31	D	<u>\$ 72,570</u>	<u>\$ 39,633</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 2,474,594	\$ 1,929,683
Due from Federal and State Grants Fund	E-8		250,000
Due from Sewer Utility Capital Fund	E-17	-	62
		<u>2,474,594</u>	<u>2,179,745</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	E-7	468,412	485,533
		<u>468,412</u>	<u>485,533</u>
		<u>2,943,006</u>	<u>2,665,278</u>
CAPITAL FUND			
Cash	E-5,E-6	383,239	303,495
Fixed Capital	E-12	56,777,184	2,492,456
Fixed Capital Authorized and Uncompleted	E-13	3,914,000	58,347,500
		<u>61,074,423</u>	<u>61,143,451</u>
Total Assets		<u>\$ 64,017,429</u>	<u>\$ 63,808,729</u>

**BOROUGH OF HOPATCONG**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>			
<b>OPERATING FUND</b>			
Liabilities			
Appropriation Reserves	E-3,E-9	\$ 77,066	\$ 90,658
Encumbrances Payable	E-11	20,099	14,476
Due to Current Fund	E-18		78
Accrued Interest on Bonds,Notes and Loans	E-10	506,408	515,907
Prepaid Sewer Rents	E-19	<u>269,364</u>	<u>268,313</u>
		872,937	889,432
Reserve for Receivables		468,412	485,533
Fund Balance	E-I	<u>1,601,657</u>	<u>1,290,313</u>
		<u>2,943,006</u>	<u>2,665,278</u>
<b>CAPITAL FUND</b>			
Serial Bonds Payable	E-15	17,060,000	17,060,000
NJ Environmental Infrastructure Trust Loans Payable	E-16	11,208,032	12,103,725
Bond Anticipation Notes	E-23	12,238,000	12,394,000
Reserve for Amortization	E-14	19,889,518	4,428,731
Reserve for Deferred Amortization	E-20	330,000	14,853,500
Improvement Authorization			
Funded	E-22	-	25,000
Unfunded	E-22	76,983	83,772
Contracts Payable	E-21		124,483
Due to Sewer Utility Operating Fund	E-17		62
Fund Balance	E-4	<u>271,890</u>	<u>70,178</u>
		<u>61,074,423</u>	<u>61,143,451</u>
<b>Total Liabilities, Reserves and Fund Balances</b>		<u>\$ 64,017,429</u>	<u>\$ 63,808,729</u>

There were no bonds and notes authorized but not issued on December 31, 2011 and 2010.

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - SEWER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	E-2	\$ 374,783	\$ 454,053
Rents	E-2	4,174,270	4,199,650
Miscellaneous - Non Budget Revenue	E-2	17,152	6,968
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-9	<u>70,807</u>	<u>66,449</u>
 Total Income		 <u>4,637,012</u>	 <u>4,727,120</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operating	E-3	1,621,183	1,594,873
Debt Service	E-3	2,293,102	2,401,755
Deferred Charges and Statutory Expenditures	E-3	<u>36,600</u>	<u>32,800</u>
 Total Expenditures		 <u>3,950,885</u>	 <u>4,029,428</u>
 Excess in Revenue		 686,127	 697,692
Fund Balance, January 1	E	<u>1,290,313</u>	<u>1,046,674</u>
		1,976,440	1,744,366
Decreased by:			
Utilized as Revenue	E-1	<u>374,783</u>	<u>454,053</u>
 Fund Balance, December 31	E	 <u>\$ 1,601,657</u>	 <u>\$ 1,290,313</u>

**BOROUGH OF HOPATCONG**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**SEWER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Surplus Utilized	E-1	\$ 374,783	\$ 374,783	
Rents	E-1, E-7	3,775,000	4,174,270	\$ 399,270
Miscellaneous	E-5	-	17,152	17,152
		<u>\$ 4,149,783</u>	<u>\$ 4,566,205</u>	<u>\$ 416,422</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	E-17	\$ 445		
Miscellaneous	E-5	<u>16,707</u>		
	E-1		<u>\$ 17,152</u>	

**BOROUGH OF HOPATCONG**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Appropriated Budget	Budget After Modification	Expended		
			Paid or Charged	Reserved	Cancelled
<b>OPERATING</b>					
Salaries and Wages	\$ 219,727	\$ 219,727	\$ 209,520	\$ 10,207	
Other Expenses	1,401,456	1,401,456	1,340,560	60,896	
<b>DEBT SERVICE</b>					
Payment of Loan Principal	896,000	896,000	895,693		\$ 307
Payment of Note Principal	170,000	170,000	170,000		
Interest on Bonds	750,000	750,000	749,823		177
Interest on Notes	319,000	319,000	154,932		164,068
Interest on Loans	357,000	357,000	322,654		34,346
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>					
Contribution to					
Public Employees Retirement System	15,100	15,100	15,100		
Social Security System (O.A.S.I.)	16,500	16,500	15,537	963	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 4,149,783</u>	<u>\$ 4,149,783</u>	<u>\$ 3,873,819</u>	<u>\$ 77,066</u>	<u>\$ 198,898</u>
	<u>Reference</u>	<u>E-2</u>	<u>E-2</u>	<u>E</u>	
Cash Disbursements	E-5		\$ 2,626,311		
Accrued Interest	E-10		1,227,409		
Encumbrances Payable	E-11		20,099		
			<u>\$ 3,873,819</u>		

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**SEWER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	E	\$ 70,178	\$ 14,027
Increased by:			
Funded Improvement Authorizations Cancelled	E-14	54,296	
Funded Improvement Authorizations Cancelled	E-20	74,110	
Premium on Sale of Bonds and Notes	E-5	<u>73,306</u>	<u>56,151</u>
Balance, December 31	E	<u>\$ 271,890</u>	<u>\$ 70,178</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 9,916,525	\$ 9,988,225
Buildings and Building Improvements	8,835,611	8,835,611
Machinery and Equipment	<u>7,359,234</u>	<u>6,887,149</u>
	<u>\$ 26,111,370</u>	<u>\$ 25,710,985</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 26,111,370</u>	<u>\$ 25,710,985</u>

**NOTES TO FINANCIAL STATEMENTS**



**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Borough of Hopatcong have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements 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 municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**A. Reporting Entity**

The Borough of Hopatcong (the "Borough") was incorporated in 1898 and operates under an elected (Mayor/Council) form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

*Current Fund* – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

*Trust Funds* - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

*Other Trust Fund* - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

*Animal Control Fund* - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

*Unemployment Insurance Fund* - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

*Length of Service Award Program Fund (LOSAP)* – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

*Open Space Fund* - This fund is used to account for the receipts and disbursements relating to municipal open space.

*General Capital Fund* – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

*Water Utility Fund* - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

*Sewer Utility Fund* - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

*General Fixed Assets Account Group* - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water and sewer utility funds. The Borough's infrastructure is not reported in the account group.

The Borough of Hopatcong follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Property Tax Revenues** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, 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. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. 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 quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. 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 tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**Miscellaneous Revenues** - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Utility Rents** - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water and sewer utility operating funds. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Grant and Similar Award Revenues** - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

- Other Trust Fund (Except Open Space Preservation Trust Fund)
- General Capital Fund
- Water Capital Fund
- Sewer Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no 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. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. 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 Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011 and 2010 the Borough Council increased the original budget by \$274,754 and \$128,866. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2011 and 2010.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Expenditures** – 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 appropriation 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 unmaturing interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

**Encumbrances** - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

**Appropriation Reserves** – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**Property Acquired for Taxes** – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Tax Appeals and Other Contingent Losses** - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Hopatcong has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,500 and an estimated useful life in excess of two years.

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 sewerage and drainage systems are not capitalized.

Fixed Assets purchased are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water and sewer utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**Use of Estimates** - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**Reclassifications** - Certain reclassifications have been made to the December 31, 2010 balances to conform to the December 31, 2011 presentation.

**BOROUGH OF HOPATCONG  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**Comparative Data** - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough'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.

**C. Basic Financial Statements**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough 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 reporting requirements under GAAP.

**NOTE 2 DEPOSITS AND INVESTMENTS**

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

**Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the Borough's deposits were \$10,900,355 and \$9,531,339 and bank and brokerage firm balances of the Borough's deposits amounted to \$10,960,658 and \$9,835,399, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	\$ 10,957,179	\$ 2,331,193
Uninsured and uncollateralized	<u>3,479</u>	<u>7,504,206</u>
	<u>\$ 10,960,658</u>	<u>\$ 9,835,399</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2011 and 2010, the Borough’s bank balances of \$3,479 and \$7,504,206 were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and uncollateralized	\$ 3,479	\$ 7,504,206

**Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2011 and 2010, the Borough had the following investments:

	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<u>2011</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 225,821
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 671,085	671,085
	<u>\$ 671,085</u>	<u>\$ 971,906</u>

**BOROUGH OF HOPATCONG  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<u>2010</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 228,334
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 633,582	633,582
	<u>\$ 633,582</u>	<u>\$ 936,916</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2011 and 2010, \$300,821 and \$303,334 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2011</u>		
Uninsured and Uncollateralized	\$ 671,085	\$ 300,821
	<u>Fair Value</u>	<u>Book Value</u>
<u>2010</u>		
Uninsured and Uncollateralized	\$ 633,582	\$ 303,334

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Funds are assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE**

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<b><u>2011</u></b>				
Property Taxes	\$ 1,003,752			\$ 1,003,752
Tax Title Liens	294,557			294,557
Utility Rents	<u>-</u>	<u>\$ 66,607</u>	<u>\$ 468,412</u>	<u>535,019</u>
	<u>\$ 1,298,309</u>	<u>\$ 66,607</u>	<u>\$ 468,412</u>	<u>\$ 1,833,328</u>

In 2011, the Borough collected \$1,075,923 and \$543,790 from delinquent taxes and utility rents, which represented 81% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2010.

Receivables at December 31, 2010 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<b><u>2010</u></b>				
Property Taxes	\$ 1,092,534			\$ 1,092,534
Tax Title Liens	229,227			229,227
Utility Rents	<u>-</u>	<u>\$ 58,257</u>	<u>\$ 485,533</u>	<u>543,790</u>
	<u>\$ 1,321,761</u>	<u>\$ 58,257</u>	<u>\$ 485,533</u>	<u>\$ 1,865,551</u>

In 2010, the Board collected \$907,417 and \$591,875 from delinquent taxes and utility rents, which represented 82% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2010.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility funds. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,367,000	\$ 9,030,512
Water Utility		
Bonds and Notes	3,586,862	3,324,104
Sewer Utility		
Bond, Notes and Loans	<u>40,506,032</u>	<u>41,557,725</u>
Net Debt Issued	53,459,894	53,912,341
Authorized But Not Issued		
General		
Bonds and Notes	-	38,095
Water Utility		
Bonds and Notes	<u>693,500</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 54,153,394</u>	<u>\$ 53,950,436</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .48% and .44% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2011</u></b>			
General Debt	\$ 9,367,000		\$ 9,367,000
School Debt			
Utility Debt	<u>44,786,394</u>	<u>44,786,394</u>	<u>-</u>
Total	<u>\$ 54,153,394</u>	<u>\$ 44,786,394</u>	<u>\$ 9,367,000</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2010</u></b>			
General Debt	\$ 9,068,607		\$ 9,068,607
School Debt	435,000	\$ 435,000	
Utility Debt	<u>44,881,829</u>	<u>44,881,829</u>	<u>-</u>
Total	<u>\$ 54,385,436</u>	<u>\$ 45,316,829</u>	<u>\$ 9,068,607</u>

**Statutory Borrowing Power**

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 64,558,638	\$ 66,291,144
Net Debt	<u>9,367,000</u>	<u>9,068,607</u>
Remaining Borrowing Power	<u>\$ 55,191,638</u>	<u>\$ 57,222,537</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Long-Term Debt**

The Borough's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$2,210,000, 2003 General Bonds, due in annual installments of \$227,000 to \$230,000 through August 1, 2013, interest at 3.50%	\$ 457,000	\$ 687,000
\$3,865,000, 2006 Refunding Bonds, due in annual installments of \$355,000 to \$405,000 through August 1, 2019, interest at 4.00% to 5.00%	3,150,000	3,505,000
\$5,760,000, 2011 General Bonds, due in annual installments of \$325,000 to \$650,000 through September 1, 2021, interest at 2.00% to 2.50%	<u>5,760,000</u>	<u>-</u>
	<u>\$ 9,367,000</u>	<u>\$ 4,192,000</u>

**Utility Bonds**

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The sewer utility bonds outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
<b>Water Utility</b>		
\$2,335,000, 2011 Water Improvement Bonds, due in annual installments of \$65,000 to \$130,000 through September 1, 2031, interest at 2.00% to 4.00%	\$ 2,335,000	<u>-</u>
	<u>\$ 2,335,000</u>	<u>\$ -</u>
	<u>2011</u>	<u>2010</u>
<b>Sewer Utility</b>		
\$17,060,000, 2006 Sewer Refunding Bonds, due in annual installments of \$20,000 to \$9,840,000 through August 1, 2033, interest at 4.00% to 4.35%	<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>
	<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Long-Term Debt** (Continued)

**Water Utility Intergovernmental Loans Payable**

The Borough entered into an agreement with the Farmers Home Administration for the issuance of bonds for the acquisition and reconstruction of its water supply and distribution system.

The Borough has also entered into two loan agreements with the NJ Department of Environmental Protection to rehabilitate its water supply and distribution system.

The Borough has also entered into three loan agreements with the State of New Jersey, acting by and through a NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the aggregate amount of \$17,124,545, which represents direct obligations of the Borough. The loan agreements were obtained to finance a portion of the cost of water supply and distribution system and wastewater treatment system projects.

The Borough pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the water utility and sewer utility at December 31 are as follows:

**Water Utility**

	<u>2011</u>	<u>2010</u>
\$1,316,000 FMHA Loans Payable due in semi-annual installments of \$21,488 to \$37,790 through August 16, 2023, interest at 5.00%	\$ 694,995	\$ 736,412
\$461,969 Water Supply Loans Payable due in semi-annual installments of \$19,454 to \$21,217 through December 26, 2014, interest at 3.50%	121,950	159,860
\$261,966 Water Supply Loans Payable due in semi-annual installments of \$10,102 to \$11,309 through July 30, 2015, interest at 3.25%	81,619	100,170
\$335,000, 2000 Trust Loan, due in annual installments of \$20,000 to \$25,000 through August 1, 2020, interest at 5.00% to 5.25%	200,000	215,000
\$335,000, 2000 Fund Loan, due in annual installments of \$395 to \$16,333 through August 1, 2020,	<u>153,298</u>	<u>168,982</u>
Total Water Utility Loans	<u>\$ 1,251,862</u>	<u>\$ 1,380,424</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Sewer Utility**

	<u>2011</u>	<u>2010</u>
\$2,840,000, 2001 Trust Loan, due in annual installments of \$155,000 to \$240,000 through August 1, 2021, interest at 4.75% to 5.5%	\$ 1,960,000	\$ 2,105,000
\$2,650,000, 2001 Fund Loan, due in semi-annual installments of \$3,576 to \$154,126 through August 1, 2021	1,586,733	1,744,434
\$5,720,000, 2002 Trust Loan, due in annual installments of \$295,000 to \$485,000 through August 1, 2022, interest at 4.75% to 5.5%	4,210,000	4,490,000
\$5,250,000, 2002 Fund Loan, due in semi-annual installments of \$7,141 to \$307,812 through August 1, 2022	<u>3,451,299</u>	<u>3,764,291</u>
<b>Total Environmental Infrastructure Loans</b>	<b><u>\$ 11,208,032</u></b>	<b><u>\$ 12,103,725</u></b>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar Year	General Serial Bonds		Water Utility Bonds and Loans		Sewer Utility Bonds and Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 910,000	\$ 266,166	\$ 202,426	\$ 117,650	\$ 686,292	\$ 1,040,183	\$ 3,222,717
2013	957,000	238,568	215,029	113,789	711,832	1,025,896	3,262,114
2014	995,000	203,873	223,865	106,950	730,159	1,008,343	3,268,189
2015	1,025,000	175,873	194,337	100,200	781,540	991,751	3,268,700
2016	1,050,000	147,273	203,837	94,371	1,124,868	974,014	3,594,363
2017-2021	4,430,000	315,143	1,101,282	374,175	6,892,875	5,330,434	18,443,909
2022-2026			796,086	194,617	6,185,468	3,277,683	10,453,853
2027-2031			650,000	65,650	7,185,000	1,888,270	9,788,920
2032-2036	-	-	-	-	3,970,000	283,275	4,253,275
<b>Total</b>	<b><u>\$ 9,367,000</u></b>	<b><u>\$ 1,346,896</u></b>	<b><u>\$ 3,586,862</u></b>	<b><u>\$ 1,167,402</u></b>	<b><u>\$ 28,268,032</u></b>	<b><u>\$ 15,819,848</u></b>	<b><u>\$ 59,556,040</u></b>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<b><u>2011</u></b>					
General Capital Fund					
Bonds Payable	\$ 4,192,000	5,760,000	\$ 585,000	\$ 9,367,000	\$ 910,000
General Capital Fund Long-Term Liabilities	<u>\$ 4,192,000</u>	<u>\$ 5,760,000</u>	<u>\$ 585,000</u>	<u>\$ 9,367,000</u>	<u>\$ 910,000</u>
Water Utility Capital Fund					
Bonds Payable		\$ 2,335,000		\$ 2,335,000	\$ 65,000
Loans Payable					
FMHA	\$ 736,412		\$ 41,417	694,995	43,514
Water Supply	260,030	1,172	57,633	203,569	55,669
Wastewater Loans	383,982	-	30,684	353,298	38,243
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 1,380,424</u>	<u>\$ 2,336,172</u>	<u>\$ 129,734</u>	<u>\$ 3,586,862</u>	<u>\$ 202,426</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans					
Wastewater Loans	12,103,725	-	\$ 895,693	11,208,032	\$ 686,292
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 29,163,725</u>	<u>\$ -</u>	<u>\$ 895,693</u>	<u>\$ 28,268,032</u>	<u>\$ 686,292</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<b><u>2010</u></b>					
General Capital Fund Bonds Payable	\$ 4,782,000	-	\$ 590,000	\$ 4,192,000	\$ 585,000
General Capital Fund Long-Term Liabilities	<u>\$ 4,782,000</u>	<u>\$ -</u>	<u>\$ 590,000</u>	<u>\$ 4,192,000</u>	<u>\$ 585,000</u>
Water Utility Capital Fund Loans Payable					
FMHA	\$ 775,833		\$ 39,421	\$ 736,412	\$ 41,417
Water Supply	314,611	\$ 1,133	55,714	260,030	57,633
Wastewater Loans	<u>415,119</u>	<u>-</u>	<u>31,137</u>	<u>383,982</u>	<u>30,684</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 1,505,563</u>	<u>\$ 1,133</u>	<u>\$ 126,272</u>	<u>\$ 1,380,424</u>	<u>\$ 129,734</u>
Sewer Utility Capital Fund Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans Wastewater Loans	<u>12,988,282</u>	<u>-</u>	<u>\$ 884,557</u>	<u>12,103,725</u>	<u>\$ 895,693</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 30,048,282</u>	<u>\$ -</u>	<u>\$ 884,557</u>	<u>\$ 29,163,725</u>	<u>\$ 895,693</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt**

The Borough's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Bond Anticipation Notes				
General Capital Fund	\$ 4,858,512		\$ 4,858,512	
Water Utility Capital Fund	1,943,680		1,943,680	
Sewer Utility Capital Fund	<u>12,394,000</u>	<u>\$ 12,238,000</u>	<u>12,394,000</u>	<u>\$ 12,238,000</u>
Total	<u>\$ 19,196,192</u>	<u>\$ 12,238,000</u>	<u>\$ 19,196,192</u>	<u>\$ 12,238,000</u>
	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Bond Anticipation Notes				
General Capital Fund	\$ 3,650,515	\$ 4,858,512	\$ 3,650,515	\$ 4,858,512
Water Utility Capital Fund	1,893,280	1,943,680	1,893,280	1,943,680
Sewer Utility Capital Fund	<u>12,564,000</u>	<u>12,394,000</u>	<u>12,564,000</u>	<u>12,394,000</u>
Total	<u>\$ 18,107,795</u>	<u>\$ 19,196,192</u>	<u>\$ 18,107,795</u>	<u>\$ 19,196,192</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 5 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Land and Land Improvements	\$ 9,988,225	\$ 22,800	\$ 94,500	\$ 9,916,525
Buildings and Building Improvements	8,835,611			8,835,611
Machinery and Equipment	<u>6,887,149</u>	<u>735,423</u>	<u>263,338</u>	<u>7,359,234</u>
	<u>\$ 25,710,985</u>	<u>\$ 758,223</u>	<u>\$ 357,838</u>	<u>\$ 26,111,370</u>
	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Land and Land Improvements	\$ 9,592,525	\$ 395,700		\$ 9,988,225
Buildings and Building Improvements	8,792,833	42,778		8,835,611
Machinery and Equipment	<u>6,966,007</u>	<u>153,104</u>	<u>\$ 231,962</u>	<u>6,887,149</u>
	<u>\$ 25,351,365</u>	<u>\$ 591,582</u>	<u>\$ 231,962</u>	<u>\$ 25,710,985</u>

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 5 FIXED ASSETS (Continued)**

**Water and Sewer Utility Funds Fixed Assets**

The following is a summary of changes in the utility funds fixed assets for the years 2011 and 2010.

<b><u>Water Utility Fund</u></b>	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,759,856	\$ 2,034,323	\$ -	\$ 4,794,179
	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,759,856	\$ -	\$ -	\$ 2,759,856
	Balance December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<b><u>Sewer Utility Fund</u></b>				
<b><u>2011</u></b>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,492,456	\$ 54,284,728	\$ -	\$ 56,777,184
	Balance December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<b><u>2010</u></b>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,492,456	\$ -	\$ -	\$ 2,492,456

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 6 DUE TO/FROM OTHER FUNDS**

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2011</u>		<u>2010</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 7,498		\$ 1,588	\$ 3,552
Grants Fund		\$ 7,106	3,552	250,000
Animal Control Fund				
Other Trust Fund		905		1,140
Open Space Trust Fund	513			
General Capital Fund				370
Water Operating Fund	1,172		71	
Water Capital Fund		1,172		71
Sewer Operating Fund			250,062	78
Sewer Capital Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>
Total	<u>\$ 9,183</u>	<u>\$ 9,183</u>	<u>\$ 255,273</u>	<u>\$ 255,273</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

The Borough expects all interfund balances to be liquidated within one year.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Funds are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>
<b>Current Fund</b>				
Cash Surplus	\$ 1,968,561	\$ 1,050,000	\$ 1,319,320	\$ 850,000
	<u>\$ 1,968,561</u>	<u>\$ 1,050,000</u>	<u>\$ 1,319,320</u>	<u>\$ 850,000</u>
<b>Water Utility Operating Fund</b>				
Cash Surplus	\$ 123,633	\$ 81,446	\$ 116,062	\$ 95,398
	<u>\$ 123,633</u>	<u>\$ 81,446</u>	<u>\$ 116,062</u>	<u>\$ 95,398</u>
<b>Sewer Utility Operating Fund</b>				
Cash Surplus	\$ 1,601,657	\$ 409,531	\$ 1,290,313	\$ 374,783
	<u>\$ 1,601,657</u>	<u>\$ 409,531</u>	<u>\$ 1,290,313</u>	<u>\$ 374,783</u>

**NOTE 8 COMPENSATED ABSENCES**

Under the existing policies and labor agreements, the Borough permits employees to accrue an unlimited amount of unused sick time, which may be taken as time off for illness or paid upon retirement at a rate of 25% of average daily pay for the first 100 days, 30% for the next 100 days and 42% for all days accumulated over 200. The average daily pay is determined by multiplying the hourly rate times 8. However, such payment is limited to a maximum of \$10,000 and is restricted to employees with at least 25 years of continuous service to the Borough at the time of retirement. If time is taken upon illness, payout of such time is at 100% of the pay rate. However, an employee who has been absent on sick leave for three or more consecutive working days, or for periods totaling 10 days in one calendar year, must submit acceptable medical evidence substantiating the illness.

The Borough also permits employees to accrue current year unused vacation time. However, such accrual must be formally approved by the Borough Administrator and must be utilized during the first quarter of the next succeeding calendar year. If these restrictions are met, payment of such time is at 100% of the pay rate. If not, unused accumulated time is forfeited.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 8 COMPENSATED ABSENCES (Continued)**

In addition, employees are permitted to accrue an unlimited amount of unused compensatory time for overtime worked. This time, however, is forfeited upon termination of employment.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,604,862 and \$1,661,135 at December 31, 2011 and 2010, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2011 and 2010, the Borough has reserved in the Other Trust Fund \$138,399 and \$93,276, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**NOTE 9 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds (Continued)**

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Significant Legislation (Continued)**

- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Funded Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 8.50% for PFRS and 5.50% for DCRP of employees' annual compensation.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 9 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Annual Pension Cost (APC)**

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2011, 2010 and 2009, the Borough, except for the amounts deferred during the year ended December 31, 2010, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2011	\$ 674,452	\$ 431,191	\$ 939
2010	576,165	345,508	193
2009	281,994	209,095	893

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$395,044 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2011 and 2010 is \$491,558 and \$454,095, respectively.

**NOTE 10 POST-RETIREMENT MEDICAL BENEFITS**

**Plan Description**

The Borough provides a post employment healthcare plan for its eligible retirees. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough provides \$2,500 annually until the age of 65 and then \$1,000 annually after age 65.

**Funding Policy**

The required contribution is funded on a pay-as-you-go basis. For the year 2011, the Borough contributed \$6,500 for current premiums. The Borough has not had an actuarial valuation to date.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Hopatcong is a member of the Morris County Municipal Joint Insurance Fund. The joint insurance fund is an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Fund is a risk-sharing public entity pool. The Fund coverage amounts are on file with the Borough.

The Borough is also a member of the North Jersey Municipal Employee Benefits Fund. This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The Fund is a risk-sharing public entity pool. The Fund coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Borough/</u> <u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 78,192	\$ 24,572	\$ 122,999
2010	27,442	57,762	69,287
2009	43,421		99,528

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 CONTINGENT LIABILITIES**

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011 and 2010. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2011 and 2010, the Borough reserved \$214,000 and \$200,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2011 and 2010, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 13 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2011 and 2010, the Borough had not determined if arbitrage earnings are due to the IRS.

**BOROUGH OF HOPATCONG  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 14 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

The Borough of Hopatcong Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 1, 2001 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Hopatcong approved the adoption of the Plan at the general election held on November 6, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Rescue Squad, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Hopatcong has contributed \$1,150 and \$1,150 for 2011 and 2010, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,150 for 2011 and 2010, respectively for each eligible volunteer rescue squad members into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**BOROUGH OF HOPATCONG  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 14 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)**

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

**NOTE 15 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2011</u>		
Streetscape Project	\$61,241	2012
2010 Road Resurfacing Project	38,490	2012
2011 Road Resurfacing Project	71,667	2012
Road Repaving Program	39,501	2012
Elba Point-Electrical Improvements & Emergency Backup Service	250,969	2012
<u>2010</u>		
Streetscape Project	\$ 93,416	2011
2010 Road Resurfacing Project	38,490	2011
Three (3) DPW Vehicles	189,692	2011
Fire Tanker Truck	322,764	2011
Two (2) Police Vehicles	57,606	2011
Road Paving Program	61,728	2011

**NOTE 16 CLOSURE AND POST-CLOSURE CARE COSTS**

The Borough of Hopatcong has closed its landfill in accordance with an order from the Department of Environmental Protection, State of New Jersey. As of December 31, 2011 and 2010, the Borough has set aside \$300,821 and \$303,334 in the Other Trust Funds to fund the landfill closure. Ultimate costs of the closure will likely exceed the funds set aside. The extent of the closure costs has not been determined at this time. However, the Borough will pursue grants and aid to offset the debt likely to be required to fund the landfill closure.

**CURRENT FUND**



**BOROUGH OF HOPATCONG  
STATEMENT OF CURRENT CASH - TREASURER**

	Regular Fund	Federal and State Grants Fund
Balance, December 31, 2010	\$ 3,673,275	\$ 27,509
Increased by Receipts:		
Taxes Receivable	\$ 41,709,276	
Non-Budget Revenue	128,758	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	195,638	
Prepaid Taxes	176,267	
Grants Receivable		\$ 442,665
Revenue Accounts Receivable	1,710,762	
Tax Overpayments	34,971	
Unappropriated Grant Reserves		11,394
Miscellaneous Reserves	387,737	
Receipts from Current Fund		3,552
Due to State - Marriage License Fees	325	
Due to State - Training Fees	1,457	
Receipts from Other Trust Fund	1,140	
Receipts from General Capital Fund	1,815	
Receipts from Sewer Operating Fund	78	
	44,348,224	-
	48,021,499	457,611
Decreased by Disbursements:		
2011 Budget Appropriations	12,189,202	
2010 Appropriation Reserves	753,753	
County Taxes Payable	7,976,259	
Local School Taxes Payable	22,388,907	
Municipal Open Space Taxes Payable	10,194	
Appropriated Grant Reserves		193,422
Miscellaneous Reserves	384,902	
Tax Overpayments Refunded	53,113	
Appropriated Reserves - Hudson Guild Farms	26,010	
Due to State - Marriage License Fees	875	
Due to State - Training Fees	2,221	
Amount Paid to Sewer Operating Fund		250,000
Amount Paid to Grants Fund	3,552	
	43,788,988	-
	48,021,499	443,422
Balance, December 31, 2011	\$ 4,232,511	\$ 41,698

**BOROUGH OF HOPATCONG  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</u>
Tax Collector	\$ <u>220</u>	\$ <u>220</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY  
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2010		\$ 2,208
Increased by:		
Received in Cash from State	\$ 195,638	
Senior Citizens' Deductions Disallowed by Tax Collector - Prior Year	3,937	
Senior Citizens' Deductions Disallowed by Tax Collector	<u>295</u>	
		<u>199,870</u>
		202,078
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	37,250	
Senior Citizens' Deductions Allowed Per Tax Collector	1,500	
Veterans' Deductions Per Tax Billings	160,250	
Veterans' Deductions Allowed Per Tax Collector	2,500	
Veterans' Deductions Allowed Per Tax Collector - Prior Year	<u>250</u>	
		<u>201,750</u>
Balance, December 31, 2011		\$ <u>328</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance, December 31, 2010</u>	<u>2011 Levy</u>	<u>Added Taxes</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>2010</u>	<u>Collected In 2011</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Transfer to Tax Title Liens</u>	<u>Balance, December 31, 2011</u>
2008	\$ 6,079					\$ 2,497				\$ 3,582
2009	21,239					13,333				7,906
2010	<u>1,065,216</u>	-	\$ 205	\$ 3,937	-	<u>1,060,093</u>	\$ 250	-	\$ 1,831	<u>7,184</u>
2011	1,092,534	-	205	3,937	-	1,075,923	250	-	1,831	18,672
	<u>-</u>	\$ 42,230,546	-	295	\$ 170,822	<u>40,633,353</u>	201,500	\$ 177,878	62,208	<u>985,080</u>
	\$ 1,092,534	\$ 42,230,546	\$ 205	\$ 4,232	\$ 170,822	\$ 41,709,276	\$ 201,750	\$ 177,878	\$ 64,039	\$ 1,003,752

Analysis of 2011 Property Tax Levy

<b>TAX YIELD</b>	
General Purpose Tax	\$ 42,216,121
Added Taxes (54:4-63.1 et seq.)	<u>14,425</u>
	<u>\$ 42,230,546</u>
<b>TAX LEVY</b>	
Local School Tax	\$ 22,388,907
County Taxes	
County Tax	\$ 7,194,482
County Library	523,198
County Health	192,703
County Open Space Preservation	62,955
Due County for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>2,782</u>
	7,976,120
Local Tax for Municipal Purposes	11,825,922
Municipal Open Space Preservation	10,194
Add Additional Tax Levied	<u>29,403</u>
	<u>11,865,519</u>
	<u>\$ 42,230,546</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, December 31, 2010		\$ 229,227
Increased by:		
Transferred from Taxes Receivable	\$ 64,039	
Added Taxes	964	
Interest and Costs at Tax Sale	<u>327</u>	
		<u>65,330</u>
Balance, December 31, 2011		<u>\$ 294,557</u>

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)**

Balance, December 31, 2010	<u>\$ 3,662,400</u>
Balance, December 31, 2011	<u>\$ 3,662,400</u>

**BOROUGH OF HOPATCONG  
FEDERAL AND STATE GRANTS FUND  
STATEMENT OF GRANTS RECEIVABLE**

	Balance December 31, 2010	Revenue Realized	Decreased	Balance December 31, 2011
Municipal Alliance on Alcoholism & Drug Abuse - 2009	\$ 40		\$ 40	
Municipal Alliance on Alcoholism & Drug Abuse - 2010	13,134		13,134	
Municipal Alliance on Alcoholism & Drug Abuse - 2011		\$ 13,134	\$ 5,794	\$ 7,340
Clean Communities		27,500	27,500	
Alcohol Education & Rehabilitation Fund		539	539	
Recycling Tonnage Grant		11,890	11,890	
Body Armor Fund		2,545	2,545	
Bulletproof Partnership		337	337	
Click it or Ticket		4,000	4,000	
Drunk Driving Enforcement Fund		7,527	7,527	
Safe and Secure Communities Program	15,000	51,082	53,312	12,770
NJ Highlands Council:				
Plan Conformance	40,655		20,062	20,593
TDR Feasibility	12,500			12,500
Over the Limit/Under Arrest	5,000	4,400	9,400	
NJ Department of Transportation Trust Fund Authority Act - Road Paving	50,000		50,000	
NJ Department of Transportation Trust Fund Authority Act - Enhancement	371,512		226,214	145,298
Smart Growth Planning Program - 2009	1,875		1,875	
Smart Growth Planning Program - 2010	6,500		6,500	
DCA Small Cities Grant (Senior Ctr.)		146,300		146,300
Drive Sober or Get Pulled Over Grant		5,000		5,000
Sharing Availability Resources Efficiency (SHARE) Grant		-	7,136	-
	<u>\$ 523,352</u>	<u>\$ 274,254</u>	<u>\$ 447,805</u>	<u>\$ 349,801</u>
		Cash Receipts	\$ 442,665	
		Cancelled	5,140	
			<u>\$ 447,805</u>	

**BOROUGH OF HOPATCONG**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2010</u>	Accrued in <u>2011</u>	Collected by <u>Treasurer</u>	Balance, December 31, <u>2011</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 25,632	\$ 25,632	
Fees and Permits		44,515	44,515	
Tax Searches				
Fees and Permits		310	310	
Police Department				
Fees and Permits		2,122	2,122	
Planning/Zoning				
Fees and Permits		7,800	7,800	
DPW - Bulk Stickers				
Fees and Permits		13,950	13,950	
Construction Code Official				
Fees and Permits		124,185	124,185	
Board of Health				
Fees and Permits		14,932	14,932	
Municipal Court				
Fines and Costs	\$ 9,182	153,877	146,246	\$ 16,813
Interest and Cost on Taxes	8,414	218,763	217,327	9,850
Energy Receipts Tax		738,433	738,433	
Interest on Investments and Deposits		8,222	8,222	
Consolidated Municipal Property Tax Relief Act		214,837	214,837	
Atlantic Health DWI Donation		500	500	
Cell Tower Rental		73,199	73,199	
Cable TV Franchise Fees		58,740	58,740	
Life Hazard Use Fees		8,253	8,253	
Fire Prevention Fees	-	11,559	11,559	-
	<u>\$ 17,596</u>	<u>\$ 1,719,829</u>	<u>\$ 1,710,762</u>	<u>\$ 26,663</u>

**BOROUGH OF HOPATCONG**  
**STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance December <u>2010</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<b>Salaries and Wages</b>				
Mayor and Council	\$ 705	\$ 705	\$ 584	\$ 121
Administrative and Executive	17,686	17,686	7,558	10,128
Borough Clerk	3,560	3,560	3,358	202
Financial Administration	5,040	5,040	4,390	650
Assessment of Taxes	7,099	7,099	3,196	3,903
Collection of Taxes	16,253	16,253	6,511	9,742
Planning Board	1,041	1,041	577	464
Zoning Costs	2,520	2,520	2,303	217
Environmental Commission	76	76		76
Police	279,148	279,148	145,854	133,294
Emergency Dispatch	99,277	99,277	13,708	85,569
Fire Prevention	3,804	3,804	664	3,140
Streets and Roads Maintenance	72,858	72,858	49,145	23,713
Municipal Court	11,454	11,454	5,777	5,677
Animal Control	3,769	3,769	3,091	678
Board of Health	2,235	2,235	2,135	100
Senior Citizens and Handicapped Transportation	1,932	1,932	1,606	326
Open Space Committee	206	206		206
Recreation Commission	32,874	32,874	1,301	31,573
Park Maintenance	1,417	1,417		1,417
Building Inspector	8,013	8,013	6,188	1,825
CDBG Office	1,256	1,256		1,256
Interlocal Agreement - Police	14,502	14,502		14,502
<b>Other Expenses</b>				
Mayor and Council	1,862	1,862		1,862
Administrative and Executive	36,154	41,834	15,914	25,920
Elections	8,802	8,901	99	8,802
Data Processing	15,669	18,761	5,289	13,472
Financial Administration				
Miscellaneous	5,028	5,028	4,086	942
Audit Services	22,625	22,625	20,000	2,625
Assessment of Taxes	6,479	9,132	7,710	1,422
Collection of Taxes	4,857	6,388	5,125	1,263
Liquidation of Tax Title Liens	2,545	2,545		2,545
Legal Services	28,413	33,633	14,588	19,045
Engineering Services and Costs	6,614	11,856	5,682	6,174
Economic Development	1,000	1,000		1,000
Planning Board	2,315	3,463	1,961	1,502
Zoning Costs	5,553	5,813	1,167	4,646
Environmental Commission	860	968	115	853
Aid to Volunteer Fire Companies	16,041	23,156	10,384	12,772
Police	16,624	40,397	23,360	17,037
Purchase of Police Cars				-
Emergency Dispatch	21,634	22,713	2,429	20,284
Emergency Management	1,401	1,514	265	1,249
Fire Prevention	2,690	2,795	157	2,638
Municipal Prosecutor	10,880	10,880	7,480	3,400
Street and Road Maintenance	44,937	54,729	28,275	26,454
Contractual - Garbage	64,511	64,511	60,000	4,511
Recycling	5,639	15,714	12,025	3,689
Buildings and Grounds	3,928	6,996	3,393	3,603
Vehicle Maintenance	41,033	49,193	13,577	35,616
Municipal Court	2,000	2,128	294	1,834
Board of Health	8,950	9,199	709	8,490
Park Maintenance	23,320	31,851	2,364	29,487
Senior Citizens Programs	3,657	4,557	2,900	1,657
Celebration of Public Events	804	873	230	643

**BOROUGH OF HOPATCONG  
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance December 31, 2010	Budget After Transfer on Modification	Paid or Charged	Balance Lapsed
Other Expenses (Cont.)				
Recreation Commission	\$ 7,935	\$ 8,014	\$ 420	\$ 7,594
Building Inspector	4,110	4,110	84	4,026
Utilities:				
Electricity	17,724	27,506	9,782	17,724
Street Lighting	1,635	5,150	3,515	1,635
Telephone	17	4,115	4,098	17
Fuel Oil	18,419	23,592	15,757	7,835
Gasoline	50,089	59,701	13,960	45,741
Social Security System (O.A.S.I.)	34,057	34,057		34,057
Interlocal Agreement - Police	3,261	3,261		3,261
State Unemployment Insurance	72,810	72,810	71,116	1,694
Defined Contribution Retirement Program Insurance	17	17		17
General Liability	24,195	24,195	23,025	1,170
Workers Compensation	1,855	1,855		1,855
Employee Group Health	138,066	138,234	1,280	136,954
Hudson Guild Foundation	40,000	40,000	40,000	-
State Mandated Landfill - Monitoring	9,032	10,000	968	9,032
Contingent	15,000	15,000		15,000
County Mandated Flow Control Fees	88,287	93,769	12,780	80,989
LOSAP	100,000	100,000	77,050	22,950
	<u>\$ 1,630,059</u>	<u>\$ 1,767,126</u>	<u>\$ 781,359</u>	<u>\$ 985,767</u>

Appropriation Reserves \$ 1,630,059  
Transferred from Reserve for Encumbrances 137,067  
  
\$ 1,767,126

Transferred to Appropriated Reserve - Hudson Guild \$ 27,606  
Cash Disbursement 753,753  
  
\$ 781,359

EXHIBIT A-13

**STATEMENT OF RESERVE FOR ENCUMBRANCES  
FEDERAL AND STATE GRANTS FUND**

Increased by:	
Charges to Grant Appropriated Reserves	\$ 84,522
Balance December 31, 2011	<u>\$ 84,522</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2010	\$	137,067
Increased by:		
Charges to 2011 Appropriations		<u>275,206</u>
		412,273
Decreased by:		
Cancelled and Restored to Appropriation Reserves		<u>137,067</u>
Balance, December 31, 2011	\$	<u><u>275,206</u></u>

EXHIBIT A-15

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2010	\$	170,822
Increased by:		
2012 Prepaid Taxes		<u>176,267</u>
		347,089
Decreased by:		
Application to 2011 Taxes		<u>170,822</u>
Balance, December 31, 2011	\$	<u><u>176,267</u></u>

EXHIBIT A-16

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2010	\$	18,142
Increased by:		
Overpayments		<u>34,971</u>
		53,113
Decreased by:		
Refunds		<u>53,113</u>
Balance, December 31, 2011	\$	<u><u>-</u></u>

**BOROUGH OF HOPATCONG  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2010</u>	Transferred from 2011 Tax <u>Collections</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	Balance, December 31, <u>2011</u>
Tax Sale Premiums	\$ 132,300		\$ 132,100	\$ 91,300	\$ 173,100
Sale of Municipal Assets	4,600		14,500		19,100
Pending Tax Appeals	200,000	\$ 28,645		14,645	214,000
Third Party Tax Title Liens	41,000		237,869	276,698	2,171
Third Party Tax Title Lien Attorney Fees	2,398		2,251	2,259	2,390
Unidentified Receipts	<u>-</u>	<u>-</u>	<u>1,017</u>	<u>-</u>	<u>1,017</u>
	<u>\$ 380,298</u>	<u>\$ 28,645</u>	<u>\$ 387,737</u>	<u>\$ 384,902</u>	<u>\$ 411,778</u>

EXHIBIT A-18

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2010	\$ 2,921
Increased by:	
2011 Levy	
County Tax	\$ 7,194,482
County Library	523,198
County Health	192,703
County Open Space Preservation	62,955
County Tax for Added Taxes (54:4-63.1)	<u>2,782</u>
	<u>7,976,120</u>
	7,979,041
Decreased by:	
Payments	<u>7,976,259</u>
Balance, December 31, 2011	<u>\$ 2,782</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF LOCAL SCHOOL TAXES PAYABLE**

Increased by:		
2011 Levy		\$ <u>22,388,907</u>
Decreased by:		
Payments		\$ <u>22,388,907</u>

EXHIBIT A-20

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE**

Balance, December 31, 2010		\$ -
Increased by:		
2011 Levy		
Municipal Open Space Preservation	\$ 10,187	
Municipal Open Space Preservation - Added Taxes	<u>7</u>	
		<u>10,194</u>
		10,194
Decreased by:		
Payments to Open Space Trust Fund		<u>10,194</u>
Balance, December 31, 2011		<u>\$ -</u>

**BOROUGH OF HOPATCONG  
FEDERAL AND STATE GRANTS FUND  
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

	Balance December 31, 2010	Cancelled	Received	Balance December 31, 2011
Recycling Tonnage Grant	\$ 1	\$ 1	\$ 11,394	\$ 11,394
	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 11,394</u>	<u>\$ 11,394</u>

EXHIBIT A-22

**STATEMENT OF RESERVES FOR APPROPRIATED GRANTS  
FEDERAL AND STATE GRANTS FUND**

	Balance December 31, 2010	Transfer from 2011 Budget	Cancelled	Paid or Charged	Balance December 31, 2011
Clean Communities Program - 2009	\$ 21		\$ 21		
Clean Communities Program - 2010	9,653			\$ 9,653	
Clean Communities Program - 2011		\$ 27,500		9,536	\$ 17,964
Recycling Tonnage Grant	24,872	11,890			36,762
Alcohol Education and Rehabilitation	1,055	539		400	1,194
Municipal Alliance - 2009	40		40		-
Municipal Alliance -2010	4,469		554	3,915	-
Municipal Alliance -2011		13,134		13,046	88
Municipal Alliance - Local Match	3,576			3,576	-
Safe and Secure Communities		51,082		51,082	-
DCA Small Cities Grant (Senior Ctr)		146,300			146,300
NJ Highlands Council:					-
Plan Conformance	39,019			810	38,209
TDR Feasibility	8,067				8,067
Over the Limit Under Arrest	2,300	4,400		6,700	-
Drunk Driving Enforcement Fund	13,848	7,527		6,728	14,647
Body Armor Replacement Fund	8,145	2,545		1,973	8,717
Drive Sober or Get Pulled Over Grant		5,000		3,000	2,000
NJ-DOT Trust Fund Authority Act - Enhancement	170,290			155,761	14,529
Smart Growth Planning Program - 2009	1,875		1,875		-
Smart Growth Planning Program - Local Match - 2009	940		513	427	-
Smart Growth Planning Program - Local Match - 2010 (Open Space)	7,000			7,000	-
Sharing Availability Resources Efficiency (SHARE) Grant	2,671		2,671		-
Stormwater Management Grant	4,025		4,025		-
Emergency Telecommunications	2,546		2,546		-
Bulletproof Partnership		337		337	-
Click it or Ticket	-	4,000	-	4,000	-
	<u>\$ 304,412</u>	<u>\$ 274,254</u>	<u>\$ 12,245</u>	<u>\$ 277,944</u>	<u>\$ 288,477</u>
			\$ 513		
			5,140		
			<u>6,592</u>		
			<u>\$ 12,245</u>		
			Cash Disbursements	\$ 193,422	
			Reserve for Encumbrances	<u>84,522</u>	
				<u>\$ 277,944</u>	
Transferred - 2011 Current Fund Budget	<u>\$ 274,254</u>				

**BOROUGH OF HOPATCONG  
STATEMENT OF AMOUNT DUE TO OPEN SPACE TRUST FUND  
FEDERAL AND STATE GRANTS FUND**

Increased by:		
Grant Appropriated Reserve Cancelled	\$	<u>513</u>
Balance, December 31, 2011	\$	<u>513</u>

**STATEMENT OF AMOUNT DUE TO/(FROM) CURRENT FUND-  
FEDERAL AND STATE GRANTS FUND**

Balance, December 31, 2010 (Due From)	\$	3,552
Increased by:		
Unappropriated Grant Reserves Cancelled	\$	1
Appropriated Grant Reserves Cancelled	<u>6,592</u>	<u>6,593</u>
		10,145
Decreased by:		
Cash Receipts		<u>3,552</u>
Balance, December 31, 2011 (Due To)	\$	<u>6,593</u>

**STATEMENT OF APPROPRIATED RESERVES -  
HUDSON GUILD FARMS - PRIVATE DONATION**

Balance, December 31, 2010	\$	6,010
Increased by:		
Transferred from Appropriation Reserves		27,606
		33,616
Decreased by:		
Disbursements		26,010
Balance, December 31, 2011	\$	7,606

Analysis:

	\$	2,965
Recreation		2,965
Court Improvements		4,641
	\$	7,606

**BOROUGH OF HOPATCONG**  
**STATEMENT OF AMOUNT DUE TO STATE - MARRIAGE LICENSE FEES**

Balance, December 31, 2010	\$	875
Increased by:		
Cash Receipts		325
		1,200
Decreased by:		
Cash Disbursements		875
Balance, December 31, 2011	\$	325

**STATEMENT OF AMOUNT DUE TO STATE - STATE TRAINING FEES**

Balance, December 31, 2010	\$	2,221
Increased by:		
Cash Receipts		1,457
		3,678
Decreased by:		
Cash Disbursements		2,221
Balance, December 31, 2011	\$	1,457

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**TRUST FUND**



**BOROUGH OF HOPATCONG  
STATEMENT OF TRUST CASH AND INVESTMENTS - TREASURER**

	Animal Control Fund	Other Trust Fund	Unemployment Insurance Trust Fund	Open Space Preservation Trust
Balance, December 31, 2010	\$ 41,017	\$ 1,169,078	\$ 69,287	\$ 136,086
Increased by Receipts:				
Dog Licenses Issued	\$ 29,857			
Late/Replacement/Miscellaneous Fees	1,215			
Cat Licenses Issued	2,482			
Interlocal Agreements/Animal Shelters	5,930			
Donations	8,277			
Miscellaneous Reserves		\$ 298,623		
Receipts from County			\$ 10,194	
Payroll Deductions Payable	44	7,654,647	92	204
Interest on Investments and Deposits		905	78,192	
Unemployment Contributions			-	
State Registration Fees	<u>3,542</u>	<u>-</u>	<u>-</u>	<u>10,398</u>
	51,347	7,954,175	78,284	146,484
Decreased by:				
Expenditures Under R.S. 4:19-15.1	44,340			
Due to State of New Jersey		9,123,253	147,571	
Animal License Fees	3,371			
Unemployment Claims			24,572	
Payroll Deductions Payable		7,647,197		
Payments to General Capital - Current Year Improvement				60,000
Authorizations				
Payments to Current Fund				
Miscellaneous Reserves	<u>-</u>	<u>1,140</u>	<u>-</u>	<u>-</u>
	47,711	7,841,120	24,572	60,000
Balance, December 31, 2011	\$ 44,653	\$ 1,282,133	\$ 122,999	\$ 86,484

**BOROUGH OF HOPATCONG  
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2010		\$ 40,975
Increased by:		
Dog Licenses Issued	\$ 29,857	
Late/Replacement/Miscellaneous Fees	1,215	
Cat Licenses Issued	2,482	
Interlocal Agreements/Animal Shelters	5,930	
Donations	8,277	
Interest	<u>44</u>	
		<u>47,805</u>
		88,780
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>44,340</u>
Balance, December 31, 2011		<u>\$ 44,440</u>

<u>Analysis:</u>	
Reserve for Animal Control Expenditures	\$ 36,163
Reserve for Animal Pound Renovation Donations	<u>8,277</u>
	<u>\$ 44,440</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FUND**

Balance, December 31, 2010		\$ 42
Increased by:		
2011 State Registration Fees		<u>3,542</u>
		3,584
Decreased by:		
Payments		<u>3,371</u>
Balance, December 31, 2011		<u>\$ 213</u>

**STATEMENT OF AMOUNT DUE FROM GRANTS FUND  
OPEN SPACE PRESERVATION TRUST FUND**

Increased by:		
Cancellation of Grant Balance		<u>\$ 513</u>
Balance, December 31, 2011		<u>\$ 513</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF MISCELLANEOUS RESERVES  
OTHER TRUST FUND**

	Balance December <u>31, 2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December <u>31, 2011</u>
Developer's Escrow	\$ 299,130	\$ 90,369	\$ 86,554	\$ 302,945
Public Defender	3,150	21,974	17,400	7,724
Housing Trust	105,255	15,324		120,579
Fire Safety	11,005	3,600	7,910	6,695
Parking Offenses Adjudication Act	909	16		925
Police Outside Employment	7,546	11,350	7,325	11,571
Celebration of Public Events	472	6,103	5,200	1,375
Snow Removal	68,272	60,084		128,356
HUD Programs	188,707	4,669	19,261	174,115
Accumulated Leave	93,276	45,123		138,399
Recreation	28,769	36,983	43,592	22,160
Landfill	<u>303,334</u>	<u>3,028</u>	<u>5,541</u>	<u>300,821</u>
	<u>\$ 1,109,825</u>	<u>\$ 298,623</u>	<u>\$ 192,783</u>	<u>\$ 1,215,665</u>

EXHIBIT B-8

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS**

Balance, December 31, 2010	\$ 69,287
Increased by:	
Deposits	\$ 78,192
Receipts-Interest Earnings	<u>92</u>
	<u>78,284</u>
	147,571
Decreased by:	
Unemployment Insurance Claims	<u>24,572</u>
Balance, December 31, 2011	<u>\$ 122,999</u>

EXHIBIT B-9

**STATEMENT OF PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND**

Balance, December 31, 2010	\$ 58,113
Increased by:	
Cash Receipts	<u>7,654,647</u>
	7,712,760
Decreased by:	
Cash Disbursements	<u>7,647,197</u>
Balance, December 31, 2011	<u>\$ 65,563</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF RESERVE FOR OPEN SPACE PRESERVATION  
OPEN SPACE PRESERVATION TRUST FUND**

Balance, December 31, 2010		\$ 136,086
Increased by:		
2011 Tax Levy	\$ 10,187	
2011 Added Tax Levy	<u>7</u>	
	\$ 10,194	
Cancelled Grant Balance		513
Interest on Investments		<u>204</u>
		<u>10,911</u>
		146,997
Decreased by:		
Appropriated to Finance Improvement Authorizations - General Capital Fund		<u>60,000</u>
Balance, December 31, 2011		<u><u>\$ 86,997</u></u>

**STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND**

Balance, December 31, 2010		\$ 1,140
Increased by:		
Interest on Investments		<u>905</u>
		2,045
Decreased by:		
Payments to Current Fund		<u>1,140</u>
Balance, December 31, 2011		<u><u>\$ 905</u></u>

**GENERAL CAPITAL FUND**



**BOROUGH OF HOPATCONG  
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, December 31, 2010		\$ 1,742,028
Increased by:		
Interest Earned	\$ 1,445	
Capital Improvement Fund- Budget Appropriation	75,590	
Receipts from Open Space Trust	60,000	
Serial Bonds Issued	5,760,000	
Premium on Sale of Bonds	<u>98,804</u>	
		<u>5,995,839</u>
		7,737,867
Decreased by Disbursements:		
Improvement Authorizations	894,631	
Contracts Payable	761,376	
Payments to Current Fund - Interest	1,815	
Bond Anticipation Notes	<u>4,657,012</u>	
		<u>6,314,834</u>
Balance, December 31, 2011		<u>\$ 1,423,033</u>

**BOROUGH OF HOPATCONG  
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2011</u>
Fund Balance	\$ 164,457
Capital Improvement Fund	25,390
Contracts Payable	191,330

<u>Ordinance Number</u>	<u>Improvement Description</u>	
13-06	Various Improvements	25,240
03-07	Various Improvements	68,457
10-08	Various Improvements	20,967
11-08	Various Improvements	6,675
23-09	Various Improvements	29,169
11-10	Various Improvements	301,642
17-10	Recreational Improvements (Open Space)	164,674
18-10	Oil Tank Removal & Replacement	20,667
9-11	Various Improvements	210,273
13-11	Recreational Improvements (Open Space)	44,148
21-11	Various Roadway Improvements	<u>149,944</u>
		<u>\$ 1,423,033</u>

**BOROUGH OF HOPATCONG**  
**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2010	\$ 4,192,000
Increased by:	
Bonds Issued	<u>5,760,000</u>
	9,952,000
Decreased by:	
2011 Budget Appropriations	
Serial Bonds	<u>585,000</u>
Balance, December 31, 2011	<u>\$ 9,367,000</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2010	2011 Authorizations	Improvement Authorizations Cancelled	Funded by Bonds	Notes Paid by Budget Appropriation	Balance December 31, 2011
21-04	Various Improvements	\$ 478,165			\$ 427,165	\$ 51,000	
20-05	Various Improvements	508,000			489,700	18,300	
13-06	Various Improvements	564,800			524,700	40,100	
03-07	Various Improvements	819,250			771,150	48,100	
10-08	Various Improvements	399,000			375,000	24,000	
23-09	Various Improvements	723,900			723,900		
11-10	Various Improvements	1,345,397			1,345,340		
18-10	Oil Tank Removal and Replacement	38,095		57	38,095		
09-11	Various Improvements	-	\$ 779,950		779,950		
21-11	Various Roadway Improvements	-	285,000		285,000		
		<u>\$ 4,876,607</u>	<u>\$ 1,064,950</u>	<u>\$ 57</u>	<u>\$ 5,760,000</u>	<u>\$ 181,500</u>	<u>\$ -</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2010		Funded by Open Space	2011 Authorizations		Capital Improvement Fund	Paid or Charged	Authorizations Cancelled	Balance, December 31, 2011	
			Funded	Unfunded		Deferred Charges to Future Taxation Unfunded	Funded				Unfunded	
08-03	Various Improvements	\$ 496,000	\$ 195						\$ 195			
21-04	Various Improvements	1,032,050	\$	22,733				\$ 22,733				
20-05	Various Improvements	299,700		21,251				1,005	20,246			
13-06	Various Improvements	626,000		54,971				22,550	7,381	\$	25,240	
03-07	Various Improvements	696,500		88,142				14,669	5,016		68,457	
10-08	Various Improvements	913,000		25,740				4,773			20,967	
11-08	Various Improvements	420,000	6,675								6,675	
23-09	Various Improvements	762,000		71,605				42,436			29,169	
11-10	Various Improvements	1,416,208		472,046				170,347	57		301,642	
17-10	Recreational Improvements (Open Space)	207,500	189,511					24,837			164,674	
18-10	Oil Tank Removal & Replacement	40,000		26,843				6,176			20,667	
9-11	Various Improvements	821,000					\$ 779,950	\$ 41,050			210,273	
13-11	Recreational Improvements (Open Space)	60,000						15,852			44,148	
21-11	Various Roadway Improvements	300,000					285,000	15,000			149,944	
		\$ 196,381	\$ 783,331	\$ 60,000	\$ 1,064,950	\$ 56,050	\$ 1,085,961	\$ 32,895	\$ 1,041,856	\$		

Cash Disbursements \$ 894,631  
 Contracts Payable 191,330  
\$ 1,085,961

Capital Surplus \$ 32,838  
 Deferred Charges - Unfunded 57  
\$ 32,895

**BOROUGH OF HOPATCONG  
STATEMENT OF SERIAL BONDS  
GENERAL CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>					
General Improvement Bonds	8/1/2003	\$2,210,000	8/1/2012	\$ 230,000	3.500%	\$ 687,000		\$ 230,000	\$ 457,000
			8/1/2013	227,000	3.500%				
General Refunding Bonds	9/1/2006	3,865,000	8/1/2012	355,000	5.000%				
			8/1/2013	405,000	5.000%				
			8/1/2014	405,000	4.000%				
			8/1/2015	405,000	4.000%				
			8/1/2016	400,000	4.000%				
			8/1/2017	400,000	4.000%				
			8/1/2018	395,000	4.000%				
	8/1/2019	385,000	4.100%		3,505,000		355,000	3,150,000	
General Improvement Bonds	9/15/2011	5,760,000	9/1/2012	325,000	2.000%				
			9/1/2013	325,000	2.000%				
			9/1/2014	590,000	2.000%				
			9/1/2015	620,000	2.000%				
			9/1/2016	650,000	2.000%				
			9/1/2017	650,000	2.000%				
			9/1/2018	650,000	2.000%				
			9/1/2019	650,000	2.125%				
			9/1/2010	650,000	2.250%				
				9/1/2021	650,000	2.500%			\$ 5,760,000
						\$ 4,192,000	\$ 5,760,000	\$ 9,367,000	
							\$ 585,000	\$ 9,367,000	
							\$ 585,000	\$ 585,000	

Paid by Budget Appropriation

**BOROUGH OF HOPATCONG  
STATEMENT OF DUE TO CURRENT FUND**

Balance, December 31, 2010	\$ 370
Increased by:	
Interest Earned	<u>1,445</u>
	1,815
Decreased by:	
Payments to Current Fund	<u>1,815</u>
Balance, December 31, 2011	<u><u>\$ -</u></u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2010	\$ 5,850
Increased by:	
2011 Budget Appropriation	<u>75,590</u>
	81,440
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>56,050</u>
Balance, December 31, 2011	<u><u>\$ 25,390</u></u>

**BOROUGH OF HOPATCONG  
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2010	Decreased	Balance, December 31, 2011
21-04	Various Improvements	9/23/2004	\$ 981,000	9/16/2010	9/16/2011	1.50%	\$ 478,165	\$ 478,165	
20-05	Various Improvements	9/23/2005	563,400	9/16/2010	9/16/2011	1.50%	508,000	508,000	
13-06	Various Improvements	9/21/2006	645,000	9/16/2010	9/16/2011	1.50%	564,800	564,800	
03-07	Various Improvements	9/19/2007	867,350	9/16/2010	9/16/2011	1.50%	819,250	819,250	
10-08	Various Improvements	9/18/2008	399,000	9/16/2010	9/16/2011	1.50%	399,000	399,000	
23-09	Various Improvements	9/17/2009	723,900	9/16/2010	9/16/2011	1.50%	723,900	723,900	
17-10	Various Improvements	9/16/2010	1,345,397	9/16/2010	9/16/2011	1.50%	1,345,397	1,345,397	
							<u>\$ 4,838,512</u>	<u>\$ 4,838,512</u>	<u>\$ -</u>
							Serial Bonds Issued	\$ 4,656,955	
							Paid by Budget Appropriation	181,500	
							Paid by Capital Cash	<u>57</u>	
							<u>\$ 4,838,512</u>	<u>\$ 4,838,512</u>	<u>\$ -</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2010	\$ 761,376
Increased by:	
Charges to Improvement Authorizations	<u>191,330</u>
	952,706
Decreased by:	
Paid in 2011	<u>761,376</u>
Balance, December 31, 2011	<u>\$ 191,330</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2010	Bonds Issued	Balance December 31, 2011
18-10	Oil Tank Removal and Replacement	\$ 38,095	38,095	-
		<u>\$ 38,095</u>	<u>\$ 38,095</u>	<u>\$ -</u>

**WATER UTILITY FUND**



**BOROUGH OF HOPATCONG  
STATEMENT OF WATER UTILITY CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2010	\$ 238,332	\$ 504,633
Increased by Receipts:		
Consumer Accounts Receivable	\$ 700,641	
Connection Fees	2,800	
Water Capital Fund Balance	35,000	
Receipts from Water Capital Fund	745	
Miscellaneous Revenue	4,290	
Interest on Investments		\$ 674
Down Payment on Improvements		36,500
Premium on Sale of Bonds		40,054
Serial Bonds		2,335,000
Prepaid Rents	<u>3,426</u>	<u>-</u>
	<u>746,902</u>	<u>2,412,228</u>
	985,234	2,916,861
Decreased by Dishursements:		
2011 Budget Appropriations	646,659	
2010 Appropriation Reserves	41,586	
Contracts Payable		734
Improvement Authorizations		65,760
Bond Anticipation Notes		1,917,680
Due from Water Capital Fund	1,172	
Payments to Water Operating Fund - Budget Revenue		35,000
Other		745
Accrued Interest	<u>83,147</u>	<u>-</u>
	<u>772,564</u>	<u>2,019,919</u>
Balance, December 31, 2011	<u>\$ 212,670</u>	<u>\$ 896,942</u>

**STATEMENT OF CHANGE FUND  
WATER OPERATING FUND**

<u>Office</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</u>
Water Utility Collector	<u>\$ 30</u>	<u>\$ 30</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF WATER UTILITY CAPITAL CASH  
ANALYSIS OF CASH**

	Balance, December 31, <u>2011</u>
Capital Improvement Fund	\$ 3,408
Contracts Payable	292,825
Amount Due to Water Operating Fund	1,172
Fund Balance	72,570
Grants Receivable	(970,000)
Accrued Interest on Bonds	3,948

<u>Ord. #</u>	<u>Improvement Authorizations</u>	
12-08	Improvements to Water Supply and Distribution System	45,970
24-09	Improvements to Water Supply and Distribution System	230,059
12-10	Improvements to Water Supply and Distribution System	60,018
10-11	Improvements to Water Supply and Distribution System	289,814
28-11	Improvements to Water Supply and Distribution System	867,158
		-
		<hr style="border-top: 1px solid black;"/> <u>\$ 896,942</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE  
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010		\$ 58,257
Increased by:		
Water Rents Levied		<u>709,452</u>
		767,709
Decreased by:		
Collections	\$ 700,641	
Prepaid Rents Applied	<u>461</u>	
		<u>701,102</u>
Balance, December 31, 2011		<u>\$ 66,607</u>

**STATEMENT OF AMOUNT DUE FROM WATER CAPITAL FUND  
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010		\$ 71
Increased by:		
Cash Disbursements	\$ 1,172	
Interest Earned	<u>674</u>	
		<u>1,846</u>
		1,917
Decreased by:		
Receipts		<u>745</u>
Balance, December 31, 2011		<u>\$ 1,172</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF ACCRUED INTEREST ON BONDS  
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 26,952
Increased by:	
Charged to 2011 Budget	<u>95,845</u>
	122,797
Decreased by:	
Cash Disbursements	<u>83,147</u>
Balance, December 31, 2011	<u>\$ 39,650</u>

**STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, December 31, <u>2010</u>	Transferred from <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 20,208		\$ 7,154	\$ 13,054
Other Expenses	55,511	\$ 14,239	34,432	35,318
Statutory Expenditures				
Unemployment Compensation	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 80,719</u>	<u>\$ 14,239</u>	<u>\$ 41,586</u>	<u>\$ 53,372</u>
		Cash Disbursements	<u>\$ 41,586</u>	

**BOROUGH OF HOPATCONG  
STATEMENT OF ENCUMBRANCES PAYABLE  
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 14,239
Increased by:	
Charged to 2011 Appropriations	29,688
	43,927
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	14,239
Balance, December 31, 2011	\$ 29,688

**STATEMENT OF PREPAID RENTS  
WATER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 461
Increased by:	
Prepaid Rents Received	3,426
	3,887
Decreased by:	
Applied to Consumer Accounts Receivable	461
Balance, December 31, 2011	\$ 3,426

**BOROUGH OF HOPATCONG  
STATEMENT OF FIXED CAPITAL  
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 2,759,856
Increased by:		
Transferred from Fixed Capital Authorized and Uncompleted		<u>2,034,323</u>
Balance, December 31, 2011		<u>\$ 4,794,179</u>

**STATEMENT OF RESERVE FOR AMORTIZATION  
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 1,181,921
Increased by:		
Loans Paid by Operating Budget		
FMHA Bonds	\$ 41,417	
Water Supply Loans	30,684	
NJ Environmental Infrastructure Trust	<u>57,633</u>	
	129,734	
Less: Accrued Interest Applied	<u>(1,172)</u>	
Notes Paid by Budget - Completed Ordinance	\$ 128,562	
Transferred from Deferred Reserve for Amortization	8,100	
	<u>1,025,139</u>	
		<u>1,161,801</u>
		2,343,722
Decreased by:		
Improvement Authorizations Cancelled		<u>22,684</u>
Balance, December 31, 2011		<u>\$ 2,321,038</u>

**STATEMENT OF CONTRACTS PAYABLE  
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 734
Increased by:		
Charges to Improvement Authorizations		<u>292,825</u>
		293,559
Decreased by:		
Cash Disbursements		<u>734</u>
Balance, December 31, 2011		<u>\$ 292,825</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2010	2011 <u>Authorization</u>	Improvement Authorizations Cancelled	Transfer Costs to <u>Fixed Capital</u>	Balance, December 31, 2011
14-00	Improvements to Water System	\$ 33,814		\$ 22,684	\$ 11,130	
16-00	Improvements to Water Supply and Distribution System	686,956		10,463	676,493	
26-02	Improvements to Water System	3,541		741	2,800	
05-03	Improvements to Water Supply and Distribution System	162,500		15,590	146,910	
09-03	Improvements to Water Supply and Distribution System	200,000			200,000	
18-05	Improvements to Water Supply and Distribution System	377,500			377,500	
14-06	Improvements to Water Supply and Distribution System	200,000			200,000	
04-07	Improvements to Water Supply and Distribution System	420,000		510	419,490	
12-08	Improvements to Water Supply and Distribution System	325,000		2,675		\$ 322,325
24-09	Improvements to Water Supply and Distribution System	300,000				300,000
12-10	Improvements to Water Supply and Distribution System	100,000				100,000
10-11	Improvements to Water Supply and Distribution System		\$ 442,100			442,100
28-11	Improvements to Water Supply and Distribution System	-	1,700,000	-	-	1,700,000
		<u>\$ 2,809,311</u>	<u>\$ 2,142,100</u>	<u>\$ 52,663</u>	<u>\$ 2,034,323</u>	<u>\$ 2,864,425</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION  
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 1,063,143
Increased by:		
2011 Authorizations	\$ 1,028,605	
Notes Paid by Budget Appropriation	<u>17,900</u>	
		<u>1,046,505</u>
		2,109,648
Decreased by:		
Improvement Authorizations Cancelled	27,304	
Transfer to Reserve for Amortization	<u>1,025,139</u>	
		<u>1,052,443</u>
Balance, December 31, 2011		<u>\$ 1,057,205</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS  
WATER UTILITY CAPITAL FUND**

2011  
Authorizations

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2010		2011 Authorizations			Paid or Charged	Balance, December 31, 2011	
			Funded	Unfunded	Deferred Charges to Future Revenue	Water Capital Surplus	Down Payment on Improvements		Reserve for Grants Receivable	Improvement Authorizations Cancelled
14-00	Improvements to Water System	\$ 33,814	\$ 22,684							
16-00	Improvements to Water Supply and Distribution System	686,956	10,463							
26-02	Improvements to Water System	3,541	741							
05-03	Improvements to Water Supply and Distribution System	162,500	15,590							
09-03	Improvements to Water Supply and Distribution System	200,000		47				\$ 47		
18-05	Improvements to Water Supply and Distribution System	377,500		4,155				4,155		
14-06	Improvements to Water Supply and Distribution System	200,000		60				60		
04-07	Improvements to Water Supply and Distribution System	420,000		564				54		
12-08	Improvements to Water Supply and Distribution System	325,000		54,589				5,944	\$ 45,970	
24-09	Improvements to Water Supply and Distribution System	300,000		236,805				26,746	230,059	
12-10	Improvements to Water Supply and Distribution System	100,000	18,568	71,400				29,950	60,018	
10-11	Improvements to Water Supply and Distribution System	442,100			\$ 419,995	\$ 22,105		152,286	289,814	
28-11	Improvements to Water Supply and Distribution System	1,700,000			693,500		\$ 36,500	139,343	867,157	\$ 693,500
			\$ 68,046	\$ 387,620	\$ 1,113,495	\$ 22,105	\$ 36,500	\$ 358,585	\$ 1,493,018	\$ 693,500

Cash Disbursements \$ 65,760  
Contracts Payable 292,825  
\$ 358,585

**BOROUGH OF HOPATCONG  
STATEMENT OF FMHA BONDS PAYABLE  
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Outstanding December 31, 2011 Amount</u>			
Farmer's Home Administration	8/16/1985	\$ 1,316,000	2/16/2012	\$ 21,488	5.000 %		
			8/16/2012	22,026			
			2/16/2013	22,576			
			8/16/2013	23,140			
			2/16/2014	23,719			
			8/16/2014	24,312			
			2/16/2015	24,920			
			8/16/2015	25,543			
			2/16/2016	26,181			
			8/16/2016	26,836			
			2/16/2017	27,507			
			8/16/2017	28,195			
			2/16/2018	28,899			
			8/16/2018	29,622			
			2/16/2019	30,362			
			8/16/2019	31,121			
			2/16/2020	31,899			
			8/16/2020	32,697			
			2/16/2021	33,514			
			8/16/2021	34,352			
			2/16/2022	35,211			
			8/16/2022	36,091			
			2/16/2023	36,994			
			8/16/2023	37,790			
						\$ 736,412	\$ 694,995
						<u>41,417</u>	<u>41,417</u>
						<u>\$ 736,412</u>	<u>\$ 694,995</u>
						Paid by Budget Appropriation \$ <u>41,417</u>	

**BOROUGH OF HOPATCONG  
STATEMENT OF CAPITAL IMPROVEMENT FUND  
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2010	<u>\$ 3,408</u>
Balance, December 31, 2011	<u><u>\$ 3,408</u></u>

**STATEMENT OF DEFERRED CHARGE - EMERGENCY AUTHORIZATION  
WATER UTILITY OPERATING FUND**

Increased by:	
Authorized in 2011	<u>\$ 36,500</u>
Balance, December 31, 2011	<u><u>\$ 36,500</u></u>

**STATEMENT OF GRANTS RECEIVABLE  
WATER UTILITY CAPITAL FUND**

Increased by;	
Awarded and Appropriated to Finance Improvement Authorizations	<u>\$ 970,000</u>
Balance, December 31, 2011	<u><u>\$ 970,000</u></u>

**BOROUGH OF HOPATCONG  
STATEMENT OF WATER SUPPLY LOANS PAYABLE  
WATER UTILITY CAPITAL FUND**

<u>Loan Issue</u>	Balance, December 31, 2010	Accrued Interest Applied	Paid by Budget Appropriation	Balance, December 31, 2011
Water Supply Loans	\$ 260,030	\$ 1,172	\$ 57,633	\$ 203,569

EXHIBIT D-25

**STATEMENT OF NJ ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE  
WATER UTILITY CAPITAL FUND**

<u>Loan Issue</u>	Balance, December 31, 2010	Paid by Budget Appropriation	Balance, December 31, 2011
2000 Trust Loan	\$ 215,000	\$ 15,000	\$ 200,000
2000 Fund Loan	168,982	15,684	153,298
	<u>\$ 383,982</u>	<u>\$ 30,684</u>	<u>\$ 353,298</u>

EXHIBIT D-26

**STATEMENT OF ACCRUED INTEREST PAYABLE  
WATER UTILITY CAPITAL FUND**

	Balance, December 31, 2010	Applied to Water Supply Loans Payable	Balance, December 31, 2011
Water Supply Loans Payable	\$ 5,120	\$ 1,172	\$ 3,948

**BOROUGH OF HOPATCONG  
STATEMENT OF BOND ANTICIPATION NOTES  
WATER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2010	Increased	Decreased	Balance, December 31, 2011
09-03	Improvements to Water Supply and Distribution System	9/23/2004	\$ 190,000	9/16/2010	9/16/2011	1.50%	\$ 125,455		\$ 125,455	
20-04	Improvements to Water Supply and Distribution System	9/23/2004	244,625	9/16/2010	9/16/2011	1.50%	231,325		231,325	
18-05	Improvements to Water Supply and Distribution System	9/23/2005	350,500	9/16/2010	9/16/2011	1.50%	335,500		335,500	
14-06	Improvements to Water Supply and Distribution System	9/12/2006	170,000	9/16/2010	9/16/2011	1.50%	162,000		162,000	
04-07	Improvements to Water Supply and Distribution System	9/19/2007	399,000	9/16/2010	9/16/2011	1.50%	393,000		393,000	
12-08	Improvements to Water Supply and Distribution System	9/18/2008	325,000	9/16/2010	9/16/2011	1.50%	325,000		325,000	
24-09	Improvements to Water Supply and Distribution System	9/17/2009	300,000	9/16/2010	9/16/2011	1.50%	300,000		300,000	
12-10	Improvements to Water Supply and Distribution System	9/16/2010	71,400	9/16/2010	9/16/2011	1.50%	71,400		71,400	
							<u>\$ 1,943,680</u>	<u>\$ -</u>	<u>\$ 1,943,680</u>	<u>\$ -</u>
							Bonds Issued			
							Notes Paid by Water Capital Cash			
							Paid by Budget Appropriation			
							<u>\$ 1,915,005</u>	<u>2,675</u>	<u>26,000</u>	<u>\$ 1,943,680</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF SERIAL BONDS  
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>	<u>Outstanding December 31, 2011</u>			
Water Improvement Bonds	9/15/2011	\$2,335,000	9/1/2012	\$65,000	2.000%			
			9/1/2013	70,000	2.000%			
			9/1/2014	75,000	2.000%			
			9/1/2015	85,000	2.000%			
			9/1/2016	115,000	2.000%			
			9/1/2017	115,000	2.000%			
			9/1/2018	120,000	2.000%			
			9/1/2019	130,000	2.125%			
			9/1/2020	130,000	2.250%			
			9/1/2021	130,000	2.500%			
			9/1/2022	130,000	4.000%			
			9/1/2023	130,000	4.000%			
			9/1/2024	130,000	4.000%			
			9/1/2025	130,000	4.000%			
			9/1/2026	130,000	4.000%			
			9/1/2027	130,000	3.100%			
			9/1/2028	130,000	3.200%			
			9/1/2029	130,000	3.300%			
			9/1/2030	130,000	3.400%			
			9/1/2031	130,000	3.500%			
						-	<u>\$ 2,335,000</u>	
						-	<u>\$ 2,335,000</u>	

**BOROUGH OF HOPATCONG  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2010	2011 Authorizations	Increased by Bonds Issued	Balance December 31, 2011
10-11	Improvements to Water Supply and Distribution System	\$	419,995	\$ 419,995	
28-11	Improvements to Water Supply and Distribution System	-	693,500	-	\$ 693,500
		\$	\$ 1,113,495	\$ 419,995	\$ 693,500

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**SEWER UTILITY FUND**



**BOROUGH OF HOPATCONG  
STATEMENT OF SEWER UTILITY CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2010	\$ 1,929,683	\$ 303,495
Increased by Receipts:		
Consumer Accounts Receivable	\$ 3,905,957	
Prepaid Sewer Rents	269,364	
Miscellaneous Revenue	16,707	
Receipts from Sewer Capital Fund	507	
Receipts from Grants Fund	250,000	
Bond Anticipation Notes		\$ 14,000
Interest on Investments		445
Premium on Sale of Bonds and Notes	-	<u>73,306</u>
	<u>4,442,535</u>	<u>87,751</u>
	6,372,218	391,246
Decreased by Disbursements:		
2011 Budget Appropriations	2,626,311	
2010 Appropriation Reserves	34,327	
Payments to Current Fund	78	
Improvement Authorizations		7,500
Payments to Sewer Operating Fund		507
Accrued Interest on Bonds and Loans	<u>1,236,908</u>	<u>-</u>
	<u>3,897,624</u>	<u>8,007</u>
Balance, December 31, 2011	<u>\$ 2,474,594</u>	<u>\$ 383,239</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF SEWER UTILITY CAPITAL CASH  
SEWER UTILITY CAPITAL FUND**

		Balance, December 31, <u>2011</u>
Fund Balance		\$ 271,890
 <u>Improvement Authorization</u>		
<u>Ord. No.</u>	<u>Improvement Description</u>	
	Excess Note Proceeds	34,366
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	62,983
11-11	Sewer Utility Truck Body Replacement	<u>14,000</u>
		<u>\$ 383,239</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010		\$ 485,533
Increased by:		
Sewer Rents Levied		<u>4,157,149</u>
		4,642,682
Decreased by:		
Collections:		
Cash Receipts	\$ 3,905,957	
Prepaid Rents Applied	<u>268,313</u>	
		<u>4,174,270</u>
Balance, December 31, 2011		<u>\$ 468,412</u>

**STATEMENT OF DUE FROM GRANTS FUND  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010		\$ 250,000
Decreased by:		
Received in 2011		<u>250,000</u>
Balance, December 31, 2011		<u>\$ -</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF 2011 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND**

	Balance, December 31, 2010	Encumbrances Cancelled	Modified Balance	Paid or Charged	Balance Lapsed
Operating					
Salaries and Wages	\$ 28,887		\$ 28,887	\$ 7,282	\$ 21,605
Other Expenses	56,771	\$ 14,476	71,247	27,045	44,202
Statutory Expenditures					
Contribution to Unemployment Compensation	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 90,658</u>	<u>\$ 14,476</u>	<u>\$ 105,134</u>	<u>\$ 34,327</u>	<u>\$ 70,807</u>
			Cash Disbursed	<u>\$ 34,327</u>	

EXHIBIT E-10

**STATEMENT OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 515,907
Increased by:	
Charged to 2011 Budget	<u>1,227,409</u>
	1,743,316
Decreased by:	
Cash Disbursements	<u>1,236,908</u>
Balance, December 31, 2011	<u>\$ 506,408</u>
	Accrued Interest on Bonds \$ 314,309
	Accrued Interest on Notes 62,447
	Accrued Interest on Loans <u>129,652</u>
	<u>\$ 506,408</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF ENCUMBRANCES PAYABLE  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 14,476
Increased by:	
Charged to 2011 Budget	<u>20,099</u>
	34,575
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>14,476</u>
Balance, December 31, 2011	<u>\$ 20,099</u>

**STATEMENT OF FIXED CAPITAL  
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2010	\$ 2,492,456
Increased by:	
Transferred from Fixed Capital Authorized and Uncompleted	<u>54,284,728</u>
Balance, December 31, 2011	<u>\$ 56,777,184</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED  
SEWER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2010	2011 <u>Authorizations</u>	Improvement Authorizations Cancelled	Transfer Costs to Fixed Capital	Balance, December 31, 2011
10-01	Improvement of the Sanitary Sewerage System - Phase I	\$ 22,800,000		\$ 6,647	\$ 22,793,353	
19-02	Improvement of the Sanitary Sewerage System - Phase II	13,500,000		67,463	13,432,537	
11-03	Improvement of the Sanitary Sewerage System - Phase I & II	9,040,000		54,296	8,985,704	
38-04	Improvement of the Sanitary Sewerage System - Phase I & II	9,000,000		13,581	8,986,419	
19-05	Various Improvements	107,500		20,785	86,715	
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	3,900,000				\$ 3,900,000
11-11	Sewer Utility Truck Body Replacement	-	\$ 14,000	-	-	14,000
		<u>\$ 58,347,500</u>	<u>\$ 14,000</u>	<u>\$ 162,772</u>	<u>\$ 54,284,728</u>	<u>\$ 3,914,000</u>

EXHIBIT E-14

**STATEMENT OF RESERVE FOR AMORTIZATION  
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2010	\$ 4,428,731
Increased by:	
NJ Environmental Infrastructure Loans Paid by Operating Budget	\$ 895,693
Notes Paid by Budget Appropriation	4,000
Transfer from Reserve for Deferred Amortization	<u>14,615,390</u>
	15,515,083
	19,943,814
Decreased by:	
Improvement Authorizations Cancelled	<u>54,296</u>
Balance, December 31, 2011	<u>\$ 19,889,518</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF SERIAL BONDS  
SEWER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	Maturities of Bonds			<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Outstanding December 31, 2011</u>	<u>Amount</u>			
Sewer Utility Refunding Bonds	9/1/2006	\$ 17,060,000	8/1/2015	\$ 20,000		4.000%		
			8/1/2016	70,000		4.000%		
			8/1/2017	70,000		4.000%		
			8/1/2018	75,000		4.000%		
			8/1/2019	75,000		4.100%		
			8/1/2020	80,000		4.125%		
			8/1/2021	85,000		4.200%		
			8/1/2022	560,000		4.200%		
			8/1/2023	1,185,000		4.250%		
			8/1/2024	1,180,000		4.250%		
			8/1/2025	1,230,000		4.250%		
			8/1/2026	1,275,000		4.300%		
			8/1/2027	1,315,000		4.300%		
			8/1/2033	9,840,000		4.500%		
							<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>
							<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF NJ ENVIRONMENTAL INFRASTRUCTURE  
LOANS PAYABLE  
SEWER UTILITY CAPITAL FUND**

	Balance December 31, <u>2010</u>	<u>Decreased by:</u>	Balance, December 31, <u>2011</u>
2001 Wastewater Loan	\$ 2,105,000	\$ 145,000	\$ 1,960,000
2001 Fund Loan	1,744,434	157,701	1,586,733
2002 Wastewater Loan	4,490,000	280,000	4,210,000
2002 Fund Loan	<u>3,764,291</u>	<u>312,992</u>	<u>3,451,299</u>
	<u>\$ 12,103,725</u>	<u>\$ 895,693</u>	<u>\$ 11,208,032</u>
Paid by Budget Appropriation		<u>\$ 895,693</u>	

EXHIBIT E-17

**STATEMENT OF AMOUNT DUE FROM SEWER CAPITAL FUND  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010	\$ 62
Increased by:	
Interest Earned	<u>445</u>
	507
Decreased by:	
Amount Paid to Sewer Operating Fund	<u>507</u>
Balance, December 31, 2011	<u>\$ -</u>

EXHIBIT E-18

**STATEMENT OF AMOUNT DUE TO CURRENT FUND  
SEWER OPERATING FUND**

Balance, December 31, 2010	\$ 78
Decreased by:	
Cash Disbursements	<u>78</u>
Balance, December 31, 2011	<u>\$ -</u>

**BOROUGH OF HOPATCONG  
STATEMENT OF PREPAID RENTS  
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2010		\$ 268,313
Increased by:		
Prepaid Rents Received in 2011		<u>269,364</u>
		537,677
Increased by:		
Applied to Consumer Accounts Receivable		<u>268,313</u>
Balance, December 31, 2011		<u><u>\$ 269,364</u></u>

EXHIBIT E-20

**STATEMENT OF RESERVE FOR DEFERRED AMORTIZATION  
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 14,853,500
Increased by:		
Notes Paid by Budget Appropriation		<u>166,000</u>
		15,019,500
Decreased by:		
Improvement Authorizations Cancelled	\$ 74,110	
Transfer to Reserve for Amortization	<u>14,615,390</u>	
		<u>14,689,500</u>
Balance, December 31, 2011		<u><u>\$ 330,000</u></u>

EXHIBIT E-21

**STATEMENT OF CONTRACTS PAYABLE  
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2010		\$ 124,483
Decreased by:		
Cancelled to Improvement Authorizations		<u>124,483</u>
Balance, December 31, 2011		<u><u>\$ -</u></u>



**BOROUGH OF HOPATCONG  
STATEMENT OF BOND ANTICIPATION NOTES  
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2010	Increased	Decreased	Balance, December 31, 2011	
	Acquisition of a New Truck for Use by the Sewer Utility	9/23/2004	\$ 36,000	9/16/2010 9/16/2011	9/16/2011 8/3/2012	1.50% 1.25%	\$ 20,000	\$ 16,000	\$ 20,000	\$ 16,000	
38-04	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2005	9,000,000	8/5/2010 9/16/2011	8/5/2011 8/3/2012	1.25% 1.25%	8,658,000	8,544,000	8,658,000	8,544,000	
19-05	Various Improvements	9/21/2006	86,000	9/16/2010 9/16/2011	9/16/2011 8/3/2012	1.50% 1.25%	78,000	74,000	78,000	74,000	
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2006	3,714,000	8/5/2010 9/16/2011	8/5/2011 8/3/2012	1.25% 1.25%	3,618,000	3,570,000	3,618,000	3,570,000	
13-08	Construction of Sewer Maintenance Storage Facility	9/17/2009	20,000	9/16/2010 9/16/2011	9/16/2011 8/3/2012	1.50% 1.25%	20,000	20,000	20,000	20,000	
11-11	Sewer Utility Truck Body Replacement	8/3/2011	14,000	8/3/2011	8/3/2012	1.25%	-	14,000	-	14,000	
							<u>\$ 12,394,000</u>	<u>\$ 12,238,000</u>	<u>\$ 12,394,000</u>	<u>\$ 12,238,000</u>	
							Paid by Budget Appropriation		\$ 170,000		
							Issued for Cash		\$ 14,000		
							Renewals		<u>12,224,000</u>	<u>12,224,000</u>	
									<u>\$ 12,238,000</u>	<u>\$ 12,394,000</u>	

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**BOROUGH OF HOPATCONG**  
**PART II**  
**GOVERNMENTAL AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035  
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## 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

Honorable Mayor and Members  
of the Borough Council  
Borough of Hopatcong  
Hopatcong, New Jersey

We have audited the financial statements – regulatory basis of the Borough of Hopatcong as of and for the year ended December 31, 2011, and have issued our report thereon dated June 6, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Fund financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

Management of the Borough of Hopatcong is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Hopatcong's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis.

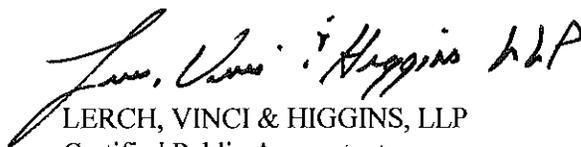
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

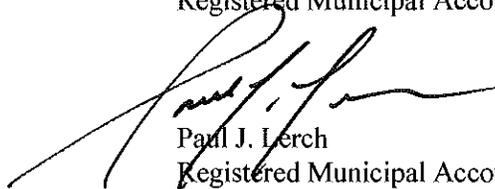
As part of obtaining reasonable assurance about whether the Borough of Hopatcong’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that we reported to management of the Borough of Hopatcong in Part III of this report of audit entitled “Letter of Comments and Recommendations”.

This report is intended solely for the information and use of management, the governing body, others within the Borough, New Jersey Department of Community Affairs and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
June 6, 2012

**BOROUGH OF HOPATCONG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Funding Department	Grant or State Project Number	Grant Year	Federal CFDA Number	Grant Award Amount	2011 Grant Receipts	Balance, December 31, 2010	Revenue Realized	Expenditures	Balance, December 31, 2011	Memo Cumulative Total Expenditure
U.S. Department of Transportation (Passed through State Div. of Highway Traffic Safety)										
Local Municipal Aid - NJTPA - Road Repaving		2010	20.205	\$ 200,000	\$ 50,000				\$ 7,104	\$ 200,000
Local Municipal Aid - NJTPA - Enhancement		2010	20.205	162,865	17,567	\$ 162,865	\$ 155,761		7,104	155,761
Local Municipal Aid - NJTPA - Enhancement		2009	20.205		208,647	7,425			7,425	243,705
Over the Limit/Under Arrest	1160-100-057	2010	20.601	9,400	5,000	2,300	\$ 4,400	2,300	-	9,400
		2011	20.601	4,400	4,400			4,400	-	4,400
Drive Sober or Get Pulled Over		2011	20.601	5,000			5,000	3,000	2,000	3,000
Click it Or Ticket	1160-100-113	2010	20.602	4,000	4,000		4,000	4,000		4,000
U.S. Department of Environmental Protection										
Drinking Water Infrastructure Improvements (FY10)		2011	66.202	485,000			485,000		485,000	485,000
Elba Point Water Infrastructure (FY09)		2011	66.202	485,000			485,000		485,000	485,000
						\$ 172,590	\$ 983,400	\$ 169,461	\$ 986,529	

Note: This schedule is not subject to Single Audit requirements of OMB A-133.



**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**



**BOROUGH OF HOPATCONG  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Hopatcong. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 13,400	\$ 260,854	\$ 274,254
Water Utility Capital Fund	<u>970,000</u>	<u>-</u>	<u>970,000</u>
Total Financial Awards	<u>\$ 983,400</u>	<u>\$ 260,854</u>	<u>\$ 1,244,254</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF HOPATCONG  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING**

The Borough's federal and state loans outstanding at December 31, 2011, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Amount</u>
FMHA Loans		\$ 694,995
Water Supply Loan		121,950
Water Supply Loan		81,619
Wastewater Trust Loan	2000	200,000
Wastewater Trust Loan	2000	153,298
Environmental Infrastructure		
Trust Loan	2001	1,960,000
Fund Loan	2001	1,586,733
Trust Loan	2002	4,210,000
Fund Loan	2002	<u>3,451,299</u>
		<u>\$ 12,459,894</u>

**BOROUGH OF HOPATCONG  
SUSSEX COUNTY, NEW JERSEY**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

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

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 850,000	1.85%	\$ 618,000	1.39%
Miscellaneous - From Other Than Local				
Property Tax Levies	2,116,124	4.60%	2,716,182	6.12%
Collection of Delinquent Taxes and Tax Title Liens	1,075,923	2.34%	907,417	2.04%
Collection of Current Tax Levy	41,005,380	89.06%	39,343,695	88.62%
Other Credits	<u>993,948</u>	<u>2.16%</u>	<u>810,667</u>	<u>1.83%</u>
 Total Income	 <u>46,041,375</u>	 <u>100.00%</u>	 <u>44,395,961</u>	 <u>100.00%</u>
 <b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Municipal Purposes	14,127,083	31.72%	14,272,442	32.83%
County Taxes	7,976,120	17.91%	7,659,364	17.62%
Local School Taxes	22,388,907	50.26%	21,486,584	49.43%
Municipal Open Space Taxes	10,194	0.02%	10,245	0.02%
Other Expenditures	<u>39,830</u>	<u>0.09%</u>	<u>42,235</u>	<u>0.10%</u>
 Total Expenditures	 <u>44,542,134</u>	 <u>100.00%</u>	 <u>43,470,870</u>	 <u>100.00%</u>
 Excess in Revenue	 1,499,241		 925,091	
 Fund Balance, January 1	 <u>1,319,320</u>		 <u>1,012,229</u>	
	2,818,561		1,937,320	
 Less Utilization as Anticipated Revenue	 <u>850,000</u>		 <u>618,000</u>	
 Fund Balance, December 31	 <u>\$ 1,968,561</u>		 <u>\$ 1,319,320</u>	

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
WATER UTILITY OPERATING FUND**

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Surplus Utilized	\$ 95,398	10.69%	\$ 84,768	10.28%
Collection of Water Rents	701,102	78.54%	686,656	83.30%
Connection Fees	2,800	0.31%	10,150	1.23%
Miscellaneous - From Other than Water Rents	39,964	4.48%	21,494	2.61%
Other Credits	<u>53,372</u>	<u>5.98%</u>	<u>21,271</u>	<u>2.58%</u>
 Total Income	 <u>892,636</u>	 <u>100.00%</u>	 <u>824,339</u>	 <u>100.00%</u>
 <b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Operating	501,488	60.70%	473,028	62.83%
Capital	36,500	4.42%		
Debt Service	251,579	30.45%	247,062	32.82%
Deferred Charges and Statutory Expenditures	<u>36,600</u>	<u>4.43%</u>	<u>32,800</u>	<u>4.36%</u>
 Total Expenditures	 <u>826,167</u>	 <u>100.00%</u>	 <u>752,890</u>	 <u>100.00%</u>
 Less: Expenditures Included Above which by Statute are Deferred Charges to Succeeding Year's Budget				
	<u>36,500</u>		<u>-</u>	
 Excess in Revenue	 102,969		 71,449	
 Fund Balance, January 1	 <u>116,062</u>		 <u>129,381</u>	
	219,031		200,830	
Decreased by:				
Utilization as Anticipated Revenue	<u>95,398</u>		<u>84,768</u>	
 Fund Balance, December 31	 <u>\$ 123,633</u>		 <u>\$ 116,062</u>	

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
SEWER UTILITY OPERATING FUND**

	<u>Year 2011</u>		<u>Year 2009</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Surplus Utilized	\$ 374,783	8.08%	\$ 454,053	9.61%
Rents	4,174,270	90.02%	4,199,650	88.84%
Miscellaneous	17,152	0.37%	6,968	0.15%
Other Credits	<u>70,807</u>	<u>1.53%</u>	<u>66,449</u>	<u>1.41%</u>
<b>Total Income</b>	<u><b>4,637,012</b></u>	<u><b>100.00%</b></u>	<u><b>4,727,120</b></u>	<u><b>100.00%</b></u>
<b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Operating	1,621,183	41.03%	1,594,873	39.58%
Debt Service	2,293,102	58.04%	2,401,755	59.61%
Deferred Charges and Statutory Expenditures	<u>36,600</u>	<u>0.93%</u>	<u>32,800</u>	<u>0.81%</u>
<b>Total Expenditures</b>	<u><b>3,950,885</b></u>	<u><b>100.00%</b></u>	<u><b>4,029,428</b></u>	<u><b>100.00%</b></u>
Excess in Revenue	686,127		697,692	
Fund Balance, January 1	<u>1,290,313</u>		<u>1,046,674</u>	
	1,976,440		1,744,366	
Decreased by:				
Utilized by Current Fund Budget	<u>374,783</u>		<u>454,053</u>	
Fund Balance, December 31	<u><b>\$ 1,601,657</b></u>		<u><b>\$ 1,290,313</b></u>	

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.072</u>	<u>\$1.981</u>	<u>\$1.870</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.581	\$0.556	\$0.52
County	0.394	0.376	0.36
Local School	1.097	1.049	0.99
<u>Assessed Valuation</u>			
2011	<u>\$2,037,443,000</u>		
2010		<u>\$2,047,303,100</u>	
2009			<u>\$2,049,603,191</u>

**Comparison of 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>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 42,230,546	\$ 41,005,380	97.10%
2010	40,562,914	39,343,695	96.99%
2009	38,443,458	37,414,461	97.32%

**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>December 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>
2011	\$ 294,557	\$ 1,003,752	\$ 1,298,309	3.07%
2010	229,227	1,092,534	1,321,761	3.26%
2009	184,944	917,153	1,102,097	2.87%

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**Property Acquired By Tax Title Lien Liquidation**

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

<u>Year</u>	<u>Amount</u>
2011	\$3,662,400
2010	3,662,400
2009	3,631,700

**Comparison of Water Utility Levies**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2011	\$709,452	\$701,102	98.82%
2010	699,168	640,911	91.67
2009	692,431	646,686	93.39

**Comparison of Sewer Utility Levies**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2011	\$4,157,149	\$4,174,270	100.41%
2010	4,139,053	3,653,520	88.27
2009	4,269,606	3,723,746	87.21

\* Cash collections include prior year balance collected in the current year.

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2011	\$1,968,561	\$1,050,000
	2010	\$1,319,320	\$850,000
	2009	1,012,229	618,000
<u>Water Utility Operating Fund</u>	2011	\$123,633	\$81,446
	2010	116,062	95,398
	2009	129,381	84,768
<u>Sewer Utility Operating Fund</u>	2011	\$1,601,657	\$409,531
	2010	1,290,313	374,783
	2009	1,046,674	454,053

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Sylvia Petillo	Mayor		
Howard Baker	Councilman		
Richard Bunce	Councilman		
Michael Francis	Councilman		
Madeline McManus	Councilwoman		
Marie Ryder-Galate	Councilwoman		
John Young	Councilman		
Catherine Navarro-Steinel	Borough Administrator (to 5/1/11)	(A)	
Robert Elia	Borough Administrator (from 5/1/11)	(A)	
Lorraine E. Stark	Borough Clerk (to 6/30/11)	(A)	
Catherine Gleason	Borough Clerk (from 7/1/11)	(A)	
Kelleyanne McGann	Chief Financial Officer	\$ 50,000	Morris County Municipal JIF
Regina Thomas	Tax Collector, Tax Search Officer; Water and Sewer Collector	1,000,000	Municipal Excess Liability JIB
John Ursin	Borough Attorney		
C. William Bowkley, Jr.	Magistrate	50,000	Morris County Municipal JIF
Ana Torres-Pearn	Court Administrator; Violations Clerk	50,000	Morris County Municipal JIF
William O'Connor	Construction Code Official	(A)	

(A) Covered under Faithful Performance Blanket Bond by Morris County Municipal Joint Insurance Fund in the amount of \$50,000.

\*All employees, who are not specifically bonded, are covered under a \$1,000,000.00 Faithful Performance Blanket Bond with the Municipal Excess Liability Joint Insurance Fund.

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Prior Year Unresolved**

Our audit revealed that checks issued from the Municipal Court did not contain two signatures. It is recommended that all checks from the Municipal Court contain two signatures.

Our audit revealed that several purchase orders examined had invoice dates that preceded the purchase order dates. It is recommended that continued efforts be made to ensure all purchase orders be issued prior to the ordering of goods or services.

With regards to the HUD/CDBG program that the Borough administers, it was noted that certain case files examined were missing proper supporting documentation or had information that seemed to contradict the guidelines of the program. In addition, the Borough does not have an analysis of existing outstanding loans of the program. It is recommended that continued efforts be made to ensure case files of the HUD/CDBG program contain proper supporting documentation, the Borough consistently follow the program guidelines and that the Borough maintain an analysis of active outstanding loans.

**Contracts and Agreements Required To Be Advertised For NJS 40a:11-4**

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement".

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

The minutes indicate that bids were requested by public advertising for the following items:

Field and Lawn Maintenance	Road Repairing
4x4 Pick Up Truck	Hopatchung Road Redevelopment and
Elba Point Infrastructure Improvements	Beautification Project
Electrical Improvements and Emergency	
Backup Services	

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

**Contracts and Agreements Required To Be Advertised For NJS 40a:11-4 (Continued)**

Our examination of expenditures did reveal that accumulations of expenditures were in excess of \$36,000 "for the performance of any work, or the furnishing or hiring of any materials or supplies," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

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

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

The Governing Body on January 5, 2011 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED that in accordance with N.J.S.A. 54:4-67, any taxes or utility charges remaining unpaid by the 1<sup>st</sup> day of February, May, August and November are subject to interest at the rate of 8% per annum up to \$1,500 and at the rate of 18% per annum for any and all sums exceeding \$1,500, to be calculated from the date the tax or utility charge was payable until the date of actual payment, except that no interest will be charged if the taxes or utility charges for the current quarter are paid during the first ten days of the quarter, and

BE IT FURTHER RESOLVED that a 6% penalty shall be charged on any delinquency in excess of \$10,000 if not paid by the end of the calendar year, and

BE IT FURTHER RESOLVED that if the office of the Collector of Taxes is closed on the first day of February, May, August or November, then the waiver above described shall be extended to include the first business day thereafter, and

BE IT FURTHER RESOLVED that the interest shall revert to the rate of 8% per annum on the first \$1,500 and at the rate of 18% per annum for any and all sums exceeding \$1,500 from the first day of any current quarter unless the taxes or utility charges for the same quarter are paid during the first ten days of the same quarter or as otherwise provided in the resolution, and

BE IT FURTHER RESOLVED that a charge of five dollars (\$5) be made for duplicate tax bills.

It appears from an examination of the collector's records that interest on taxes receivable and water charges were collected in accordance with the foregoing resolution.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 20, 2011 and was complete.

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

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

**Delinquent Taxes and Tax Title Liens (Continued)**

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

<u>Year</u>	<u>Number of Liens</u>
2011	74
2010	69
2009	59

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

**BOROUGH OF HOPATCONG  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

1. All checks from the Municipal Court contain two signatures.
- \* 2. Continued efforts be made to ensure all purchase orders be issued prior to the ordering of goods or services.
- \* 3. Continued efforts be made to ensure all case files of the HUD/CDBG program contain proper supporting documentation, the Borough consistently follow the program guidelines and that the Borough maintain an analysis of active outstanding loans.

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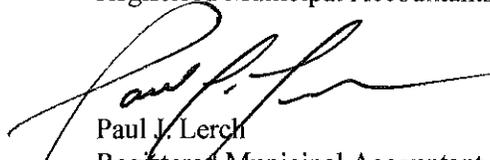
**Status of Prior Year's Audit Findings/Recommendations**

A review was performed on all prior year's recommendations and corrective action has been taken on all except for those denoted with an asterisk(\*).

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants

  
Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457