

BOROUGH OF HOPATCONG
SUSSEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012



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BOROUGH OF HOPATCONG

SUSSEX COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2012

LERCH, VINCI & HIGGINS, LLP

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JULIUS B. CONSONI, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

ELIZABETH A. SHICK, CPA, RMA, PSA
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MARK SACO, CPA

Report on the Financial Statements

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, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Hopatcong on the basis of financial accounting and reporting principles and 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 is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Hopatcong prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Hopatcong as of December 31, 2012 and 2011, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 15 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust 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 Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 36 percent and 33 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2012 and 2011.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above 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, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

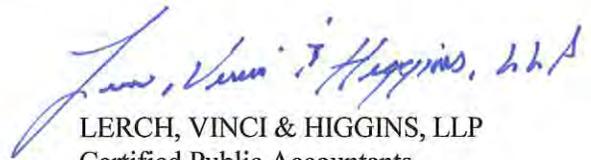
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hopatcong as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section 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 listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of 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. Such 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hopatcong's internal control over financial reporting and compliance.



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 18, 2013

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash - Treasurer	A-4	\$ 5,324,939	\$ 4,232,511
Cash - Change Fund	A-5	<u>220</u>	<u>220</u>
		<u>5,325,159</u>	<u>4,232,731</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	1,116,546	1,003,752
Tax Title Liens Receivable	A-8	180,639	294,557
Property Acquired for Taxes - Assessed Valuation	A-9	5,104,300	3,662,400
Revenue Accounts Receivable	A-11	26,553	26,663
Due from Federal and State Grants Fund	A-24		6,593
Due from Other Trust Fund	B-11	<u>448</u>	<u>905</u>
		<u>6,428,486</u>	<u>4,994,870</u>
Deferred Charges			
Special Emergency Appropriations	A-28	<u>300,000</u>	<u>-</u>
		<u>300,000</u>	<u>-</u>
Total Regular Fund		<u>12,053,645</u>	<u>9,227,601</u>
Federal and State Grant Fund			
Cash	A-4	3,272	41,698
Grants Receivable	A-10	<u>525,718</u>	<u>349,801</u>
Total Federal and State Grant Fund		<u>528,990</u>	<u>391,499</u>
Total Assets		<u>\$ 12,582,635</u>	<u>\$ 9,619,100</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,12	\$ 1,549,020	\$ 1,388,421
Encumbrances Payable	A-14	543,634	275,206
Prepaid Taxes	A-15	279,954	176,267
Tax Overpayments	A-16	4,162	-
Miscellaneous Reserves	A-17	625,542	411,778
Appropriated Reserves	A-25	2,965	7,606
Due to State of New Jersey - Senior Citizens & Veterans	A-6	22,508	328
Due to State of New Jersey - Marriage License Fees	A-26	375	325
Due to State of New Jersey - State Training Fees	A-27	2,210	1,457
Due to Federal and State Grants Fund	A-24	-	-
Due to County for Added Taxes	A-18	4,480	2,782
		<u>3,034,850</u>	<u>2,264,170</u>
Reserve for Receivables and Other Assets		6,428,486	4,994,870
Fund Balance	A-1	<u>2,590,309</u>	<u>1,968,561</u>
Total Regular Fund		<u>12,053,645</u>	<u>9,227,601</u>
Federal and State Grant Fund			
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	210,000	
Reserve for Encumbrances	A-13	185	84,522
Reserve for Grants and Donations - Unappropriated	A-21	14,653	11,394
Reserve for Grants and Donations - Appropriated	A-22	304,152	288,477
Total Federal and State Grant Fund		<u>528,990</u>	<u>391,499</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 12,582,635</u>	<u>\$ 9,619,100</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>Year 2012</u>	<u>Year 2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,050,000	\$ 850,000
Miscellaneous Revenue Anticipated	A-2	2,797,375	1,987,366
Receipts from Delinquent Taxes	A-2	1,011,497	1,075,923
Receipts from Current Taxes	A-2	41,710,793	41,005,380
Non-Budget Revenue	A-2	194,999	128,758
Other Credits to Income			
Prior Year Interfunds Returned	A	7,498	1,588
Unexpended Balance of Appropriation Reserves	A-12	1,088,109	985,767
Grants Unappropriated Reserves Cancelled	A-1		1
Grants Appropriated Reserves Cancelled	A-1	-	6,592
		<u>47,860,271</u>	<u>46,041,375</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,888,358	5,960,232
Other Expenses	A-3	6,641,540	5,520,941
Capital Improvements	A-3	305,120	75,590
Municipal Debt Service	A-3	1,176,166	1,014,858
Deferred Charges and Statutory Expenditures	A-3	1,444,189	1,555,462
County Taxes	A-18	8,110,217	7,976,120
Municipal Open Space Taxes	A-20	9,993	10,194
Local School Taxes	A-19	22,854,560	22,388,907
Other Debits			
Interfund Advance	A	448	7,498
Refund of Prior Year Revenue	A-4	512	
Prior Year Senior Citizens' Deductions Disallowed	A-6	5,044	3,687
Prior Year Veterans' Deductions Disallowed	A-6	14,000	
Reserve for Pending Tax Appeals	A-17	38,376	28,645
		<u>46,488,523</u>	<u>44,542,134</u>
Less: Expenditures Included Above Which by Statute are			
Deferred Charges to Succeeding Year's Budget	A-28	300,000	-
		<u>46,188,523</u>	<u>44,542,134</u>
Total Adjusted Expenditures			
Excess in Revenue		1,671,748	1,499,241
Fund Balance, January 1	A	1,968,561	1,319,320
		3,640,309	2,818,561
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	1,050,000	850,000
Fund Balance, December 31	A	<u>\$ 2,590,309</u>	<u>\$ 1,968,561</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, 2012

	Reference	2012 Anticipated Budget	Added by N.J.S. 40A:4-87	2012 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,050,000	-	\$ 1,050,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,400		24,007	\$ 6,607
Fees and Permits					
Construction Code Official	A-11	120,000		140,607	20,607
Other	A-2	55,000		50,826	(4,174)
Fines and Costs					
Municipal Court	A-11	140,000		174,601	34,601
Interest and Costs on Taxes	A-11	184,000		220,510	36,510
Energy Receipts Tax	A-11	772,896		772,896	
Interest on Investments and Deposits	A-2	8,000		18,518	10,518
Consolidated Municipal Property Tax Relief Aid	A-11	180,374		180,374	
Interlocal Agreement - Municipal Court	A-11	70,000		70,000	
State and Federal Grants Offset With Appro.					
Clean Communities Grant	A-10	27,581		27,581	
Municipal Alliance on Alcoholism and Drug Abuse	A-10		\$ 13,134	13,134	
Police Body Armor Fund	A-10		2,689	2,689	
DOT Discretionary Aid - Road Resurfacing	A-10	250,000		250,000	
NJ HAVA Grant for Polling Places	A-10	3,206		3,206	
Recycling Tonnage Grant	A-10		16,633	16,633	
Bulletproof Partnership Program	A-10		675	675	
Click It or Ticket It	A-10		4,000	4,000	
Drunk Driving Enforcement Fund	A-10		7,328	7,328	
Safe and Secure Communities Program	A-10		60,000	60,000	
Drive Sober or Get Pulled Over Grant	A-10		8,800	8,800	
Restricted Donation - PSE&G Settlement	A-11	294,000	342,325	594,308	(42,017)
Special Items					
Cell Tower Rental	A-11	71,800		74,622	2,822
Cable TV Franchise Fee	A-11	60,772		60,772	
Life Hazard Use Fees	A-11	9,547		9,203	(344)
Fire Prevention Fees	A-11	11,000	-	12,085	1,085
Total Miscellaneous Revenues	A-1	<u>2,275,576</u>	<u>455,584</u>	<u>2,797,375</u>	<u>66,215</u>
Receipts from Delinquent Taxes	A-1,A-7,A-8	<u>815,000</u>	-	<u>1,011,497</u>	<u>196,497</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2,A-7	<u>12,039,217</u>	-	<u>12,177,647</u>	<u>138,430</u>
Total	A-3	<u>\$ 16,179,793</u>	<u>\$ 455,584</u>	17,036,519	<u>\$ 401,142</u>
Non-Budget Revenue	A-1,A-2			<u>194,999</u>	
				<u>\$ 17,231,518</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, 2012
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 41,710,793
Less: Reserve for Tax Appeals Pending	A-1,17	38,376
Less: Allocated to School, County and Special Taxes	A-18,A-19,A-20	<u>30,974,770</u>
		10,697,647
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>1,480,000</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 12,177,647</u>
 Fees and Permits - Other		
Township Clerk	A-11	\$ 8,715
Tax Searches	A-11	60
Police Department	A-11	2,340
Zoning/Planning	A-11	7,025
Board of Health	A-11	17,096
DPW - Bulk Stickers	A-11	<u>15,590</u>
	A-2	<u>\$ 50,826</u>
 Receipts from Delinquent Taxes		
Taxes	A-7	\$ 1,002,446
Tax Title Liens	A-8	<u>9,051</u>
	A-2	<u>\$ 1,011,497</u>
 Interest on Investments		
Revenue Accounts Receivable	A-11	\$ 18,517
Due from General Capital Fund	C-8	<u>1</u>
	A-2	<u>\$ 18,518</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

ANALYSIS OF NON-BUDGET REVENUES

2008 Highlands Initial Assessment Grant		\$ 15,000
Administrative Fee for Police Outside Employment		918
Bid Specifications		3,780
Court Interlocal Agreement'		5,833
Duplicate Tax Bills		1,280
Hotel Fees		1,357
Miscellaneous		50
NJDMV Inspection Fees		3,850
Notary Fees		29
NSF Fees		680
Post Year Tax Statement Administrative Fees		3,909
Prior Year Voided Checks		420
Prior Year Refunds		73,643
Recycling		6,266
Rent - Civic Center		2,000
Tires		147
Tax Collector Fees		10,294
Sale of Generator		7,100
Write-off Prior Year Stale Dated Items		965
Insurance Dividends		<u>57,478</u>
	A-2,4	<u>\$ 194,999</u>
	Cash Received A-4	\$ 179,999
Prior Year Adjustment - Grants Receivable	A-4	<u>15,000</u>
		<u>\$ 194,999</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 210,256	\$ 210,256	\$ 199,557	\$ 10,699	
Other Expenses	101,260	101,260	71,525	29,735	
Mayor and Council					
Salaries and Wages	15,250	15,250	14,603	647	
Other Expenses	4,400	4,400	2,254	2,146	
Borough Clerk					
Salaries and Wages	82,150	82,150	77,200	4,950	
Election					
Other Expenses	28,260	28,260	22,633	5,627	
Financial Administration					
Salaries and Wages	123,467	123,467	116,545	6,922	
Other Expenses	62,625	52,625	31,877	20,748	
Audit Services	20,800	20,800	20,800		
Computerized Data Processing					
Other Expenses	47,500	47,500	35,259	12,241	
Collection of Taxes					
Salaries and Wages	159,727	161,227	153,672	7,555	
Other Expenses	13,735	13,735	12,965	770	
Assessment of Taxes					
Salaries and Wages	137,408	137,408	131,433	5,975	
Other Expenses	44,850	344,850	313,497	31,353	
Legal Services					
Other Expenses	125,000	125,000	98,579	26,421	
Engineering Services and Costs					
Other Expenses	45,000	75,000	64,182	10,818	
Economic Development					
Other Expenses	10,000	10,000		10,000	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Salaries and Wages	83,383	78,883	68,623	10,260	
Other Expenses	19,566	21,066	10,810	10,256	
PUBLIC SAFETY					
Police					
Salaries and Wages	2,843,538	2,849,538	2,671,707	177,831	
Other Expenses	77,300	82,300	75,546	6,754	
Emergency Dispatch Services					
Salaries and Wages	501,176	459,176	406,018	53,158	
Other Expenses	49,755	49,755	43,525	6,230	
Emergency Management					
Salaries and Wages	2,000	2,000		2,000	
Other Expenses	3,760	3,760	3,700	60	
First Aid Organization Contribution					
Other Expenses	40,000	40,000	40,000		
Municipal Prosecutor					
Other Expenses	44,000	44,000	40,000	4,000	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 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)					
PUBLIC SAFETY (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 119,500	\$ 119,500	\$ 116,934	\$ 2,566	
Fire Prevention Bureau					
Salaries and Wages	25,341	25,341	23,583	1,758	
Other Expenses	4,950	4,950	4,041	909	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,156,602	1,156,602	1,054,880	101,722	
Other Expenses	272,320	272,320	156,545	115,775	
Contractual - Garbage	1,211,000	1,211,000	1,208,555	2,445	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	29,250	29,250	22,539	6,711	
Buildings and Grounds					
Other Expenses	73,350	73,350	53,539	19,811	
Vehicle Maintenance					
Other Expenses	153,000	153,000	127,410	25,590	
MUNICIPAL COURT					
Salaries and Wages	135,555	135,555	117,514	18,041	
Other Expenses	6,915	6,915	6,213	702	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	10,983	10,983	10,656	327	
Other Expenses	12,650	6,650	6,460	190	
Environmental Commission					
Salaries and Wages	984	984	82	902	
Other Expenses	1,750	1,750	983	767	
Animal Control					
Salaries and Wages	75,800	75,800	56,615	19,185	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	45,115	45,115	41,659	3,456	
Senior Citizens Programs					
Other Expenses	8,730	8,730	4,100	4,630	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 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	\$ 68,499	\$ 53,499	\$ 35,318	\$ 18,181	
Other Expenses	8,390	8,390	1,652	6,738	
Park Maintenance					
Salaries and Wages	22,098	22,098	10,964	11,134	
Other Expenses	88,000	88,000	69,650	18,350	
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office					
Salaries and Wages	1,000	1,000	1,000		
Open Space Committee					
Salaries and Wages	984	984	164	820	
Celebration of Public Events					
Other Expenses	15,000	15,000	13,273	1,727	
Insurance					
General Liability Insurance	215,046	211,046	210,983	63	
Workers Compensation	236,607	229,607	229,467	140	
Employee Group Health	1,414,400	1,414,400	1,292,133	122,267	
State Unemployment Insurance	50,000	50,000	23,249	26,751	
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	171,042	171,042	163,104	7,938	
Other Expenses	6,400	6,400	4,050	2,350	
UTILITY EXPENSES & BULK PURCHASES					
Electricity	140,500	130,500	93,313	37,187	
Street Lighting	48,000	53,000	45,474	7,526	
Telephone	47,500	67,500	67,095	405	
Fuel Oil	90,000	90,000	86,293	3,707	
Gasoline	165,000	190,000	188,452	1,548	
State Mandated Landfill - Monitoring					
Other Expenses	10,000	10,000	2,475	7,525	
Contingent	10,000	10,000	-	10,000	-
Total Operations Within "CAPS"	<u>11,048,427</u>	<u>11,343,927</u>	<u>10,276,927</u>	<u>1,067,000</u>	<u>-</u>
Detail					
Salaries and Wages	5,872,358	5,818,358	5,354,897	463,461	-
Other Expenses (Including Contingent)	5,176,069	5,525,569	4,922,030	603,539	-

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES- MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 492,000	\$ 492,000	\$ 451,466	\$ 40,534	
Public Employee's Retirement System of NJ	373,924	376,924	376,709	215	
Police & Fireman's Retirement System of NJ	571,705	571,705	571,705		
Defined Contribution Retirement Program	2,060	3,560	1,611	1,949	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,439,689</u>	<u>1,444,189</u>	<u>1,401,491</u>	<u>42,698</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>12,488,116</u>	<u>12,788,116</u>	<u>11,678,418</u>	<u>1,109,698</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
County Mandated Flow Control Fees	150,000	150,000	77,016	72,984	
Contribution to LOSAP	100,000	100,000	-	100,000	
Employee Group Health Insurance (1977 Cap Law)	85,600	85,600	85,600	-	-
Total Other Operations Excluded from "CAPS"	<u>335,600</u>	<u>335,600</u>	<u>162,616</u>	<u>172,984</u>	<u>-</u>
Interlocal Municipal Services Agreement					
Municipal Court					
Salaries and Wages	70,000	70,000	70,000	-	-
Total Interlocal Municipal Services Agreement	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
State and Federal Programs Offset by Revenues					
State of N.J. - Clean Communities					
Program	27,581	27,581	27,581		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share		13,134	13,134		
Drive Sober or Get Pulled Over Grant		8,800	8,800		
Safe and Secure Grant		60,000	60,000		
Police Body Armor Fund		2,689	2,689		
Bulletproof Vest Program		675	675		
Drunk Driving Enforcement Fund		7,328	7,328		
NJ HAVA Grant Polling Places	3,206	3,206	3,206		
Recycling Tonnage Grant		16,633	16,633		
Click It or Ticket		4,000	4,000		
PSE&G Settlement/Donation	294,000	636,325	369,987	266,338	-
Total Public and Private Programs Offset by Revenues	<u>324,787</u>	<u>780,371</u>	<u>514,033</u>	<u>266,338</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>730,387</u>	<u>1,185,971</u>	<u>746,649</u>	<u>439,322</u>	<u>-</u>
Detail					
Salaries and Wages	-	70,000	70,000	-	-
Other Expenses	730,387	1,115,971	676,649	439,322	-

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 55,120	\$ 55,120	\$ 55,120		
New Jersey Transportation Trust Fund	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	-	-
Total Capital Improvements Excluded from "CAPS"	<u>305,120</u>	<u>305,120</u>	<u>305,120</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	910,000	910,000	910,000		
Interest on Bonds	<u>266,170</u>	<u>266,170</u>	<u>266,166</u>	-	\$ 4
Total Municipal Debt Service Excluded from "CAPS"	<u>1,176,170</u>	<u>1,176,170</u>	<u>1,176,166</u>	-	4
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,211,677</u>	<u>2,667,261</u>	<u>2,227,935</u>	\$ 439,322	4
Subtotal General Appropriations	14,699,793	15,455,377	13,906,353	1,549,020	4
Reserve for Uncollected Taxes	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,480,000</u>	-	-
Total General Appropriations	<u>\$ 16,179,793</u>	<u>\$ 16,935,377</u>	<u>\$ 15,386,353</u>	<u>\$ 1,549,020</u>	<u>\$ 4</u>
Reference	A-2			A	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Adopted Budget	A-2	\$ 16,179,793	
Added by Special Emergency	A-28	300,000	
Added by N.J.S.A. 40A:4-87	A-2	<u>455,584</u>	
		<u>\$ 16,935,377</u>	
Cash Disbursed	A-4		\$ 12,968,673
Encumbrances Payable	A-14		543,634
Appropriated Reserves - Federal and State Grants Fund	A-22		394,046
Reserve for Uncollected Taxes	A-2		<u>1,480,000</u>
			<u>\$ 15,386,353</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 24,947	\$ 44,653
		<u>24,947</u>	<u>44,653</u>
OTHER TRUST FUND			
Cash	B-3	1,021,955	981,312
Investments	B-3	<u>278,292</u>	<u>300,821</u>
		<u>1,300,247</u>	<u>1,282,133</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-3	<u>131,627</u>	<u>122,999</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	56,990	86,484
Due from Grants Fund	B-6	<u>-</u>	<u>513</u>
		<u>56,990</u>	<u>86,997</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Investments	B	775,788	671,085
Contribution Receivable	B	<u>90,792</u>	<u>89,298</u>
		<u>866,580</u>	<u>760,383</u>
Total Assets		<u>\$ 2,380,391</u>	<u>\$ 2,297,165</u>

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-5	\$ 24	\$ 213
Reserve for Animal Control Expenditures	B-4	<u>24,923</u>	<u>44,440</u>
		<u>24,947</u>	<u>44,653</u>
OTHER TRUST FUND			
Due to Current Fund	B-11	448	905
Miscellaneous Reserves	B-7	1,211,916	1,215,665
Payroll Deductions Payable	B-9	<u>87,883</u>	<u>65,563</u>
		<u>1,300,247</u>	<u>1,282,133</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Claims	B-8	<u>131,627</u>	<u>122,999</u>
		<u>131,627</u>	<u>122,999</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-10	<u>56,990</u>	<u>86,997</u>
		<u>56,990</u>	<u>86,997</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>866,580</u>	<u>760,383</u>
		<u>866,580</u>	<u>760,383</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,380,391</u>	<u>\$ 2,297,165</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	<u>2012 Anticipated</u>	<u>2012 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-10	\$ 9,982	\$ 9,993	\$ 11
		<u>\$ 9,982</u>	<u>\$ 9,993</u>	<u>\$ 11</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 9,982	\$ 40,000	\$ (30,018)
		<u>\$ 9,982</u>	<u>\$ 40,000</u>	<u>\$ (30,018)</u>
	<u>Reference</u>		B-10	

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2,C-3	\$ 1,484,782	\$ 1,423,033
Deferred Charges to Future Taxation			
Funded	C-4	8,457,000	9,367,000
Unfunded	C-5	<u>1,047,280</u>	<u>-</u>
 Total Assets		 <u>\$ 10,989,062</u>	 <u>\$ 10,790,033</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Improvement Authorizations			
Funded	C-6	\$ 595,788	\$ 1,041,856
Unfunded	C-6	305,920	
Contracts Payable	C-11	381,958	191,330
General Serial Bonds	C-7	8,457,000	9,367,000
Bond Anticipation Notes	C-10	1,047,000	
Capital Improvement Fund	C-9	25,390	25,390
Fund Balance	C-1	<u>176,006</u>	<u>164,457</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,989,062</u>	 <u>\$ 10,790,033</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$280 and \$-0-, respectively, (Exhibit C-12).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 164,457	\$ 32,815
Increased by:			
Funded Improvement Authorizations Cancelled	C-1		32,838
Premium on Sale of Bonds and Notes	C-2	<u>11,549</u>	<u>98,804</u>
Balance, December 31	C	<u>\$ 176,006</u>	<u>\$ 164,457</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 372,101	\$ 212,670
Change Fund	D-6	30	30
Due from Water Utility Capital Fund	D-9	<u>1,213</u>	<u>1,172</u>
		<u>373,344</u>	<u>213,872</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-8	<u>113,928</u>	<u>66,607</u>
		<u>113,928</u>	<u>66,607</u>
Deferred Charge:			
Emergency Appropriation	D-22	<u>-</u>	<u>36,500</u>
		<u>-</u>	<u>36,500</u>
		<u>487,272</u>	<u>316,979</u>
CAPITAL FUND			
Cash	D-5	891,220	896,942
Grants Receivable	D-23	837,983	970,000
Fixed Capital	D-14	4,794,179	4,794,179
Fixed Capital Authorized and Uncompleted	D-17	<u>2,926,425</u>	<u>2,864,425</u>
		<u>9,449,807</u>	<u>9,525,546</u>
Total Assets		<u>\$ 9,937,079</u>	<u>\$ 9,842,525</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3,D-11	\$ 132,602	\$ 53,975
Encumbrances Payable	D-12	31,506	29,688
Prepaid Water Rents	D-13	-	3,426
Accrued Interest on Bonds, Notes and Loans	D-10	<u>43,517</u>	<u>39,650</u>
		207,625	126,739
Reserve for Receivables		113,928	66,607
Fund Balance	D-1	<u>165,719</u>	<u>123,633</u>
		<u>487,272</u>	<u>316,979</u>
CAPITAL FUND			
FMHA Bonds Payable	D-20	651,481	694,995
Water Supply Loans Payable	D-24	143,953	203,569
NJ Environmental Infrastructure Trust Loans Payable	D-25	315,054	353,298
Bond Anticipation Notes	D-27	752,380	-
Serial Bonds Payable	D-28	2,270,000	2,335,000
Accrued Interest Payable	D-26	2,735	3,948
Reserve for Deferred Amortization	D-18	1,060,305	1,057,205
Reserve for Amortization	D-15	2,527,412	2,321,038
Improvement Authorizations			
Funded	D-19	425,025	1,493,018
Unfunded	D-19	560,899	693,500
Due to Water Utility Operating Fund	D-9	1,213	1,172
Contracts Payable	D-16	688,173	292,825
Capital Improvement Fund	D-21	308	3,408
Fund Balance	D-4	<u>50,869</u>	<u>72,570</u>
		<u>9,449,807</u>	<u>9,525,546</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 9,937,079</u>	<u>\$ 9,842,525</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$20 and \$693,500, 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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER INCOME REALIZED			
Surplus Utilized	D-2	\$ 81,446	\$ 95,398
Rents	D-2	841,187	701,102
Connection Fees	D-2	28,665	2,800
Water Capital Fund Balance	D-2	30,000	35,000
Miscellaneous - Non Budget Revenue	D-2	22,114	4,964
Other Credits to Income:			
Unexpended - Balance of Appropriation Reserves	D-11	<u>33,570</u>	<u>53,372</u>
 Total Income		 <u>1,036,982</u>	 <u>892,636</u>
 EXPENDITURES			
Budget and Emergency Appropriations			
Operating	D-3	513,636	501,488
Capital	D-3		36,500
Debt Service	D-3	326,214	251,579
Deferred Charges and Statutory Expenditures	D-3	<u>73,600</u>	<u>36,600</u>
 Total Expenditures		 <u>913,450</u>	 <u>826,167</u>
 Less: Expenditures Included Above which by Statute are Deferred Charges to Succeeding Year's Budget	 D-22	 <u>-</u>	 <u>36,500</u>
 Total Adjusted Expenditures		 <u>913,450</u>	 <u>789,667</u>
 Excess in Revenue		 123,532	 102,969
 Fund Balance, January 1	 D	 <u>123,633</u>	 <u>116,062</u>
		247,165	219,031
Decreased by:			
Utilized as Revenue	D-1	<u>81,446</u>	<u>95,398</u>
 Fund Balance, December 31	 D	 <u>\$ 165,719</u>	 <u>\$ 123,633</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, 2012

	Reference	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 81,446	\$ 81,446	
Rents	D-1,D-8	806,000	841,187	\$ 35,187
Connection Fees	D-1, D-5	-	28,665	28,665
Water Capital Fund Balance	D-1, D-5	30,000	30,000	
Miscellaneous	D-1	-	22,114	22,114
		<u>\$ 917,446</u>	<u>\$ 1,003,412</u>	<u>\$ 85,966</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	D-9	\$ 1	
Miscellaneous	D-5	<u>22,113</u>	
			<u>\$ 22,114</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated Budget</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 236,965	\$ 236,965	\$ 222,699	\$ 14,266	
Other Expenses	276,671	276,671	180,335	96,336	
DEFERRED CHARGE:					
Emergency Appropriation	36,500	36,500	36,500		
DEBT SERVICE					
Payment on Loan Principal	141,380	141,380	141,375		\$ 5
Interest on Loans	52,070	52,070	48,608		3,462
Interest on Notes	4,660	4,660	4,638		22
Payment of Bond Principal	65,000	65,000	65,000		-
Interest on Bonds	67,100	67,400	66,593		807
STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	15,100	15,100	15,100		
Social Security System (O.A.S.I.)	17,000	17,000		17,000	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 917,446</u>	<u>\$ 917,746</u>	<u>\$ 780,848</u>	<u>\$ 132,602</u>	<u>\$ 4,296</u>
	<u>Reference</u>	D-2	D-2	D	
Cash Disbursements	D-5		\$ 659,596		
Accrued Interest	D-10		53,246		
Emergency Appropriation	D-22		36,500		
Encumbrances Payable	D-12		<u>31,506</u>		
			<u>\$ 780,848</u>		

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	D	\$ 72,570	\$ 39,633
Increased by:			
Funded Improvement Authorizations Cancelled	D-4		22,684
Funded Improvement Authorizations Cancelled	D-4		27,304
Premium on Sale of Bonds and Notes	D-5	<u>8,299</u>	<u>40,054</u>
		80,869	129,675
Decreased by:			
Appropriated to Finance Improvement Authorizations	D-4		22,105
Revenue Anticipated in Water Operating Fund	D-2	<u>30,000</u>	<u>35,000</u>
Balance, December 31	D	<u>\$ 50,869</u>	<u>\$ 72,570</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 2,647,052	\$ 2,474,594
Due from Federal and State Grants Fund	E-8	<u>210,000</u>	<u>-</u>
		<u>2,857,052</u>	<u>2,474,594</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	E-7	<u>516,367</u>	<u>468,412</u>
		<u>516,367</u>	<u>468,412</u>
		<u>3,373,419</u>	<u>2,943,006</u>
CAPITAL FUND			
Cash	E-5,E-6	467,959	383,239
Fixed Capital	E-12	56,777,184	56,777,184
Fixed Capital Authorized and Uncompleted	E-13	<u>3,974,000</u>	<u>3,914,000</u>
		<u>61,219,143</u>	<u>61,074,423</u>
Total Assets		<u>\$ 64,592,562</u>	<u>\$ 64,017,429</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-3,E-9	\$ 200,439	\$ 77,066
Encumbrances Payable	E-11	37,816	20,099
Accrued Interest on Bonds, Notes and Loans	E-10	509,245	506,408
Prepaid Sewer Rents	E-18	<u>282,800</u>	<u>269,364</u>
		1,030,300	872,937
Reserve for Receivables		516,367	468,412
Fund Balance	E-1	<u>1,826,752</u>	<u>1,601,657</u>
		<u>3,373,419</u>	<u>2,943,006</u>
CAPITAL FUND			
Serial Bonds Payable	E-15	17,060,000	17,060,000
NJ Environmental Infrastructure Trust Loans Payable	E-16	10,285,449	11,208,032
Bond Anticipation Notes	E-22	12,092,620	12,238,000
Reserve for Amortization	E-14	20,935,101	19,889,518
Reserve for Deferred Amortization	E-19	378,000	330,000
Improvement Authorization			
Unfunded	E-21	60,599	76,983
Contracts Payable	E-20	2,100	-
Fund Balance	E-4	<u>405,274</u>	<u>271,890</u>
		<u>61,219,143</u>	<u>61,074,423</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 64,592,562</u>	<u>\$ 64,017,429</u>

There were no bonds and notes authorized but not issued on December 31, 2012 and 2011.

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	E-2	\$ 409,531	\$ 374,783
Rents	E-2	4,169,191	4,174,270
Miscellaneous - Non Budget Revenue	E-2	1	17,152
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-9	<u>65,844</u>	<u>70,807</u>
 Total Income		 <u>4,644,567</u>	 <u>4,637,012</u>
EXPENDITURES			
Budget Appropriations			
Operating	E-3	1,651,991	1,621,183
Debt Service	E-3	2,320,850	2,293,102
Deferred Charges and Statutory Expenditures	E-3	<u>37,100</u>	<u>36,600</u>
 Total Expenditures		 <u>4,009,941</u>	 <u>3,950,885</u>
 Excess in Revenue		 634,626	 686,127
 Fund Balance, January 1	E	 <u>1,601,657</u>	 <u>1,290,313</u>
		2,236,283	1,976,440
Decreased by:			
Utilized as Revenue	E-1	<u>409,531</u>	<u>374,783</u>
 Fund Balance, December 31	E	 <u>\$ 1,826,752</u>	 <u>\$ 1,601,657</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Surplus Utilized	E-1	\$ 409,531	\$ 409,531	
Rents	E-1, E-7	3,775,000	4,169,191	\$ 394,191
Miscellaneous	E-5	-	1	1
		<u>\$ 4,184,531</u>	<u>\$ 4,578,723</u>	<u>\$ 394,192</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	E-17	<u>\$ 1</u>		
	E-1		<u>\$ 1</u>	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Appropriated Budget	Budget After Modification	Expended		
			Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 230,965	\$ 233,965	\$ 219,284	\$ 14,681	
Other Expenses	1,421,026	1,418,026	1,254,268	163,758	
DEBT SERVICE					
Payment of Loan Principal	922,590	922,590	922,583		\$ 7
Payment of Note Principal	171,000	171,000	171,000		
Interest on Bonds	749,830	749,830	749,823		7
Interest on Notes	317,040	317,040	165,568		151,472
Interest on Loans	334,980	334,980	311,876		23,104
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	15,100	15,100	15,100		
Social Security System (O.A.S.I.)	17,000	17,000	-	17,000	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 4,184,531</u>	<u>\$ 4,184,531</u>	<u>\$ 3,809,502</u>	<u>\$ 200,439</u>	<u>\$ 174,590</u>
	<u>Reference</u>	<u>E-2</u>	<u>E-2</u>	<u>E</u>	
Cash Disbursements	E-5		\$ 2,544,419		
Accrued Interest	E-10		1,227,267		
Encumbrances Payable	E-11		<u>37,816</u>		
			<u>\$ 3,809,502</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	E	\$ 271,890	\$ 70,178
Increased by:			
Funded Improvement Authorizations Cancelled	E-4		54,296
Funded Improvement Authorizations Cancelled	E-4		74,110
Premium on Sale of Bonds and Notes	E-5	<u>133,384</u>	<u>73,306</u>
Balance, December 31	E	<u>\$ 405,274</u>	<u>\$ 271,890</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Land and Land Improvements	\$ 11,611,019	\$ 9,916,525
Buildings and Building Improvements	8,868,949	8,835,611
Machinery and Equipment	<u>7,696,563</u>	<u>7,359,234</u>
	<u>\$ 28,176,531</u>	<u>\$ 26,111,370</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 28,176,531</u>	<u>\$ 26,111,370</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

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.

B. 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.

C. 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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.

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.

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

Length of Service Awards 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.

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.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 11th 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, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 as 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 2012 and 2011 the Borough Council increased the original budget by \$755,584 and \$274,754. The increases were funded by additional aid allotted to the Borough and in addition, the increase in 2012 was also attributable to a special emergency resolution for \$300,000. In addition, the governing body approved several budget transfers during 2012 and 2011.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 unmatured 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, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 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 Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does 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, 2011 balances to conform to the December 31, 2012 presentation.

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

D. Financial Statements – Regulatory Basis

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 regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis 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 for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$12,427,094 and \$10,900,355 and bank and brokerage firm balances of the Borough's deposits amounted to \$12,715,406 and \$10,960,658, 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>2012</u>	<u>2011</u>
Insured	\$ 12,711,925	\$ 10,957,179
Uninsured and uncollateralized	3,481	3,479
	<u>\$ 12,715,406</u>	<u>\$ 10,960,658</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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, 2012 and 2011, the Borough’s bank balances of \$3,481 and \$3,479 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and uncollateralized	\$ 3,481	\$ 3,479
	<u>\$ 3,481</u>	<u>\$ 3,479</u>

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, 2012 and 2011, the Borough had the following investments:

	Fair Value (LOSAP Only)	Book Value
<u>2012</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 203,292
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 775,788	-
	<u>\$ 775,788</u>	<u>\$ 278,292</u>

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	<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	-
	<u>\$ 671,085</u>	<u>\$ 300,821</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, 2012 and 2011, \$1,054,080 and \$971,906 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2012</u>		
Uninsured and Uncollateralized	\$ 775,788	\$ 278,292
	<u>Fair Value</u>	<u>Book Value</u>
<u>2011</u>		
Uninsured and Uncollateralized	\$ 671,085	\$ 300,821

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. As of December 31, 2012 and 2011, the Borough’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation, was rated Baa2 by Moody’s Investors Service.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial. These investments are 100% of the Borough’s total investments.

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 is assigned to the Utility Operating Funds in accordance with the regulatory basis of accounting.

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2012 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2012</u>				
Property Taxes	\$ 1,116,546			\$ 1,116,546
Tax Title Liens	180,639			180,639
Utility Rents	<u>-</u>	<u>\$ 113,928</u>	<u>\$ 516,367</u>	<u>630,295</u>
	<u>\$ 1,297,185</u>	<u>\$ 113,928</u>	<u>\$ 516,367</u>	<u>\$ 1,927,480</u>

In 2012, the Borough collected \$1,011,497 and \$535,019 from delinquent taxes and utility rents, which represented 78% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2011.

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2011</u>				
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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 capital fund projects. 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>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,504,000	\$ 9,367,000
Water Utility		
Bonds and Notes	4,132,868	3,586,862
Sewer Utility		
Bond, Notes and Loans	<u>39,438,069</u>	<u>40,506,032</u>
Net Debt Issued	53,074,937	53,459,894
Authorized But Not Issued		
General		
Bonds and Notes	280	-
Water Utility		
Bonds and Notes	<u>20</u>	<u>693,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 53,075,237</u>	<u>\$ 54,153,394</u>

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 .53% and .44% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 9,504,280		\$ 9,504,280
School Debt	135,000	\$ 135,000	
Utility Debt	<u>43,570,956</u>	<u>43,570,956</u>	<u>-</u>
Total	<u>\$ 53,210,236</u>	<u>\$ 43,705,956</u>	<u>\$ 9,504,280</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
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>

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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 62,179,023	\$ 64,558,638
Net Debt	<u>9,504,280</u>	<u>9,367,000</u>
Remaining Borrowing Power	<u>\$ 52,674,743</u>	<u>\$ 55,191,638</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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>2012</u>	<u>2011</u>
\$2,210,000, 2003 General Bonds, due in annual installments of \$227,000 through August 1, 2013, interest at 3.50%	\$ 227,000	\$ 457,000
\$3,865,000, 2006 Refunding Bonds, due in annual installments of \$385,000 to \$405,000 through August 1, 2019, interest at 4.00% to 5.00%	2,795,000	3,150,000
\$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>5,435,000</u>	<u>5,760,000</u>
	<u>\$ 8,457,000</u>	<u>\$ 9,367,000</u>

Utility Bonds

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

	<u>2012</u>	<u>2011</u>
Water Utility		
\$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%	<u>\$ 2,270,000</u>	<u>\$ 2,335,000</u>
	<u>\$ 2,270,000</u>	<u>\$ 2,335,000</u>

	<u>2012</u>	<u>2011</u>
Sewer Utility		
\$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, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

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>2012</u>	<u>2011</u>
\$1,316,000 FMHA Loans Payable due in semi-annual installments of \$22,576 to \$37,790 through August 16, 2023, interest at 5.00%	\$ 651,481	\$ 694,995
\$461,969 Water Supply Loans Payable due in semi-annual installments of \$20,140 to \$21,217 through December 26, 2014, interest at 3.50%	82,702	121,950
\$261,966 Water Supply Loans Payable due in semi-annual installments of \$10,433 to \$11,309 through July 30, 2015, interest at 3.25%	61,251	81,619
\$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%	180,000	200,000
\$335,000, 2000 Fund Loan, due in annual installments of \$395 to \$16,633 through August 1, 2020,	<u>135,054</u>	<u>153,298</u>
Total Water Utility Loans	<u>\$ 1,110,488</u>	<u>\$ 1,251,862</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Utility Intergovernmental Loans Payable (Continued)

Sewer Utility

	<u>2012</u>	<u>2011</u>
\$2,840,000, 2001 Trust Loan, due in annual installments of \$165,000 to \$240,000 through August 1, 2021, interest at 4.75% to 5.5%	\$ 1,805,000	\$ 1,960,000
\$2,650,000, 2001 Fund Loan, due in semi-annual installments of \$3,576 to \$154,126 through August 1, 2021	1,427,762	1,586,733
\$5,720,000, 2002 Trust Loan, due in annual installments of \$310,000 to \$485,000 through August 1, 2022, interest at 4.75% to 5.5%	3,915,000	4,210,000
\$5,250,000, 2002 Fund Loan, due in semi-annual installments of \$7,141 to \$307,812 through August 1, 2022	<u>3,137,687</u>	<u>3,451,299</u>
Total Environmental Infrastructure Loans	<u>\$ 10,285,449</u>	<u>\$ 11,208,032</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 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	
2013	\$ 957,000	\$ 238,568	\$ 215,028	\$ 114,291	\$ 711,832	\$ 1,025,896	\$ 3,262,615
2014	995,000	203,873	219,917	107,453	730,159	1,008,343	3,264,745
2015	1,025,000	175,873	194,337	100,702	781,540	991,751	3,269,203
2016	1,050,000	147,273	203,838	94,874	1,124,868	974,014	3,594,867
2017	1,050,000	118,273	213,915	88,865	1,330,985	1,128,092	3,930,130
2018-2022	3,380,000	196,870	1,088,670	341,194	6,641,065	5,034,708	16,682,507
2023-2027			724,783	162,193	6,185,000	3,023,513	10,095,489
2028-2032			520,000	44,200	7,515,000	1,567,575	9,646,775
2033	-	-	-	-	2,325,000	104,625	2,429,625
Total	<u>\$ 8,457,000</u>	<u>\$ 1,080,730</u>	<u>\$ 3,380,488</u>	<u>\$ 1,053,772</u>	<u>\$ 27,345,449</u>	<u>\$ 14,858,517</u>	<u>\$ 56,175,956</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund Bonds Payable	\$ 9,367,000	-	\$ 910,000	\$ 8,457,000	\$ 957,000
General Capital Fund Long-Term Liabilities	<u>\$ 9,367,000</u>	<u>\$ -</u>	<u>\$ 910,000</u>	<u>\$ 8,457,000</u>	<u>\$ 957,000</u>
Water Utility Capital Fund Bonds Payable	\$ 2,335,000		\$ 65,000	\$ 2,270,000	\$ 70,000
Loans Payable					
FMHA	694,995		43,514	651,481	\$ 45,716
Water Supply	203,569		59,616	143,953	61,670
Wastewater Loans	<u>353,298</u>	<u>-</u>	<u>38,244</u>	<u>315,054</u>	<u>37,642</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,586,862</u>	<u>\$ -</u>	<u>\$ 206,374</u>	<u>\$ 3,380,488</u>	<u>\$ 215,028</u>
Sewer Utility Capital Fund Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans Wastewater Loans	<u>11,208,032</u>	<u>-</u>	<u>\$ 922,583</u>	<u>10,285,449</u>	<u>\$ 711,832</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 28,268,032</u>	<u>\$ -</u>	<u>\$ 922,583</u>	<u>\$ 27,345,449</u>	<u>\$ 711,832</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
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	<u>383,982</u>	<u>-</u>	<u>30,684</u>	<u>353,298</u>	<u>38,243</u>
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	<u>12,103,725</u>	<u>-</u>	<u>\$ 895,693</u>	<u>11,208,032</u>	<u>\$ 686,292</u>
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>

Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2012 and 2011 was as follows:

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
<u>2012</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Various Improvements	1.50%	8/2/2013	-	\$ 1,047,000	-	\$ 1,047,000
			-	1,047,000	-	1,047,000
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Improvements to Water Supply and Distribution System	1.50%	8/2/2013		693,500		693,500
Various Water Utility Improvements	1.50%	8/2/2013	-	56,880	-	56,880
			-	750,380	-	750,380
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Acquisition of a New Truck for Use by the Sewer Utility	1.25%	8/3/2012	16,000		16,000	
	1.50%	8/2/2013		12,000		12,000
Improvement of the Sanitary Sewerage System - Phase I & II	1.25%	8/3/2012	8,544,000		8,544,000	
	1.50%	8/2/2013		8,416,405		8,416,405
Various Improvements	1.25%	8/3/2012	74,000		74,000	
	1.50%	8/2/2013		49,215		49,215
Improvement of the Sanitary Sewerage System - Phase I & II	1.25%	8/3/2012	3,570,000		3,570,000	
	1.50%	8/2/2013		3,522,000		3,522,000
Construction of Sewer Maintenance Storage Facility	1.25%	8/3/2012	20,000		20,000	
	1.50%	8/2/2013		19,000		19,000
Sewer Utility Truck Body Replacement	1.25%	8/3/2012	14,000		14,000	
	1.50%	8/2/2013		14,000		14,000
Various Improvements	1.50%	8/2/2013	-	60,000	-	60,000
			<u>12,238,000</u>	<u>12,092,620</u>	<u>12,238,000</u>	<u>12,092,620</u>
Total Bond Anticipation Notes Payable			<u>\$ 12,238,000</u>	<u>\$ 13,890,000</u>	<u>\$ 12,238,000</u>	<u>\$ 13,890,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2010	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2011
<u>2011</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Various Improvements	1.50%	9/16/2011	\$ 4,838,512	-	\$ 4,838,512	-
			<u>4,838,512</u>	<u>-</u>	<u>4,838,512</u>	<u>-</u>
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Improvements to Water Supply and Distribution System	1.50%	9/16/2011	1,943,680	-	1,943,680	-
			<u>1,943,680</u>	<u>-</u>	<u>1,943,680</u>	<u>-</u>
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Acquisition of a New Truck for Use by the Sewer Utility	1.50%	9/16/2011	20,000		20,000	
	1.25%	8/3/2012		16,000		16,000
Improvement of the Sanitary Sewerage System - Phase I & II	1.25%	8/5/2011	8,658,000		8,658,000	
	1.25%	8/3/2012		8,544,000		8,544,000
Various Improvements	1.50%	9/16/2011	78,000		78,000	
	1.25%	8/3/2012		74,000		74,000

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate	Maturity	Balance,	Renewed/	Retired/	Balance,
	(%)	Date	December 31,	Issued	Redeemed	December 31,
			<u>2010</u>			<u>2011</u>
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Improvement of the Sanitary Sewerage						
System - Phase I & II	1.25%	8/5/2011	\$ 3,618,000		\$ 3,618,000	
	1.25%	8/3/2012		\$ 3,570,000		\$ 3,570,000
Construction of Sewer Maintenance						
Storage Facility	1.50%	9/16/2011	20,000		20,000	
	1.25%	8/3/2012		20,000		20,000
Sewer Utility Truck Body Replacer	1.25%	8/3/2012	-	14,000	-	14,000
			<u>12,394,000</u>	<u>12,238,000</u>	<u>12,394,000</u>	<u>12,238,000</u>
Total Bond Anticipation Notes Payable			<u>\$ 19,176,192</u>	<u>\$ 12,238,000</u>	<u>\$ 19,176,192</u>	<u>\$ 12,238,000</u>

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund. The amounts issued for the water and sewer utility activities are accounted for in the Water and Sewer Utility Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land and Land Improvements	\$ 9,916,525	\$ 1,699,894	\$ 5,400	\$ 11,611,019
Buildings and Building Improvements	8,835,611	33,338		8,868,949
Machinery and Equipment	<u>7,359,234</u>	<u>357,376</u>	<u>20,047</u>	<u>7,696,563</u>
	<u>\$ 26,111,370</u>	<u>\$ 2,090,608</u>	<u>\$ 25,447</u>	<u>\$ 28,176,531</u>
	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
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>

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS (Continued)

Water Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2012 and 2011.

<u>Water Utility Fund</u>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 4,794,179	\$ -	\$ -	\$ 4,794,179
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 2,759,856	\$ 2,034,323	\$ -	\$ 4,794,179

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS (Continued)

Sewer Utility Fund Fixed Assets (Continued)

<u>Sewer Utility Fund</u>	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 56,777,184	\$ -	\$ -	\$ 56,777,184
		<u> </u>	<u> </u>	
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment				
	\$ 2,492,456	\$ 54,284,728	\$ -	\$ 56,777,184
		<u> </u>	<u> </u>	

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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>2012</u>		<u>2011</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 448		\$ 7,498	
Grants Fund		\$ 210,000		\$ 7,106
Other Trust Fund		448		905
Open Space Trust Fund			513	
Water Operating Fund	1,213		1,172	
Water Capital Fund		1,213		1,172
Sewer Operating Fund	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 211,661</u>	 <u>\$ 211,661</u>	 <u>\$ 9,183</u>	 <u>\$ 9,183</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund(s) 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>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,290,309	\$ 1,300,000	\$ 1,968,561	\$ 1,050,000
Non-Cash Surplus	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,590,309</u>	<u>\$ 1,300,000</u>	<u>\$ 1,968,561</u>	<u>\$ 1,050,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 165,719	\$ 85,120	\$ 87,133	\$ 81,446
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>36,500</u>	<u>-</u>
	<u>\$ 165,719</u>	<u>\$ 85,120</u>	<u>\$ 123,633</u>	<u>\$ 81,446</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 1,826,752	\$ 409,659	\$ 1,601,657	\$ 409,531
	<u>\$ 1,826,752</u>	<u>\$ 409,659</u>	<u>\$ 1,601,657</u>	<u>\$ 409,531</u>

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance	Subsequent Year Budget	
	<u>December 31,</u>	<u>Appropriation</u>	<u>Balance</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorization	\$ 300,000	\$ 60,000	\$ 240,000
	<u> </u>	<u> </u>	<u> </u>
 <u>2011</u>			
Water Utility			
Emergency Authorization	\$ 36,500	\$ 36,500	\$ -
	<u> </u>	<u> </u>	<u> </u>

NOTE 9 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.

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 \$1,702,819 and \$1,604,862 at December 31, 2012 and 2011, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2012 and 2011, the Borough has reserved in the Other Trust Fund \$163,399 and \$138,399, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 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, but are currently suspended as a result of reform legislation.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS 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), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: 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 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 was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 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, 2011 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: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

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, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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.

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2012, 2011 and 2010, the Borough 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 respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 571,705	\$ 406,909	\$ 1,611
2011	674,452	431,191	939
2010	576,165	345,508	193

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 **deferred** liability including accrued interest (at 8.25%) at December 31, 2012 and 2011 is \$475,806 and \$491,558, respectively.

NOTE 11 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 2012, the Borough contributed \$10,000 for current premiums. The Borough has not had an actuarial valuation to date.

NOTE 12 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.

**BOROUGH OF HOPATCONG
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12 RISK MANAGEMENT (Continued)

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 December 31</u>	<u>Borough/ Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 8,628		\$ 131,627
2011	78,192	\$ 24,572	122,999
2010	27,442	57,762	69,287

NOTE 13 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 13 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. 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) or (immaterial). As of December 31, 2012 and 2011, the Borough reserved \$200,000 and \$214,000, 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, 2012 and 2011, 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 14 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, 2012 and 2011, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Hopatcong has contributed \$1,150 and \$1,100 for 2012 and 2011, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,100 for 2012 and 2011, 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.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 16 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>2012</u>		
Elba Point Electrical Improvements	\$33,226	2013
Softball Field Improvements	2,488	2013
Tree Removal/Pruning/Grinding	27,255	2013
Elba Point Infrastructure Improvements-Chlorine Contact Time Piping	115,153	2013
Two (2) Mason Dump Trucks	152,986	2013
Borough Hall Roof Replacement	159,390	2013
Elba Point Infrastructure Improvements -- Water Main Replacement	518,320	2013
<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

NOTE 17 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, 2012 and 2011, the Borough has set aside \$278,292 and \$300,821 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 18 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the Borough has not received any FEMA reimbursements relating to Hurricane Sandy.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

Through April 17, 2013, the Borough adopted various Bond Ordinances authorizing the issuance \$1,125,750 in Bonds or Bond Anticipation Notes to fund certain general, water utility and sewer utility capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

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CURRENT FUND



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

	Regular Fund	Federal and State Grants Fund
Balance, December 31, 2011	\$ 4,232,511	\$ 41,698
Increased by Receipts:		
Taxes Receivable	\$ 42,344,666	
Non-Budget Revenue	179,999	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	195,442	
Tax Title Liens	9,051	
Prepaid Taxes	279,954	
Grants Receivable		\$ 232,578
Revenue Accounts Receivable	2,403,328	
Tax Overpayments	7,916	
Unappropriated Grant Reserves		3,259
Miscellaneous Reserves	850,479	
Due to State - Marriage License Fees	2,075	
Due to State - Training Fees	7,415	
Receipts from Other Trust Fund	905	
Receipts from Sewer Operating Fund		210,000
Receipts from General Capital Fund	1	
Receipts from Grants Fund - MRNA	15,000	
Receipts from Grants Fund	6,593	
	46,302,824	-
	50,535,335	445,837
Decreased by Disbursements:		
2012 Budget Appropriations	12,968,673	
2011 Appropriation Reserves	575,518	
Refund of Prior Year Revenue	512	
County Taxes Payable	8,108,519	
Local School Taxes Payable	22,854,560	
Municipal Open Space Taxes Payable	9,993	
Appropriated Grant Reserves		412,139
Reserve for Encumbrances		50,018
Miscellaneous Reserves	675,091	
Tax Overpayments Refunded	3,754	
Appropriated Reserves - Hudson Guild Farms	4,641	
Due to State - Marriage License Fees	2,025	
Due to State - Training Fees	6,662	
Amount Due from Other Trust Funds	448	
Amount Paid to Current Fund - MRNA		15,000
Amount Paid to Current Fund		6,593
Amount Paid to Open Space Trust Fund	-	513
	45,210,396	484,263
Balance, December 31, 2012	\$ 5,324,939	\$ 3,272

**BOROUGH OF HOPATCONG
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</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, 2011		\$ 328
Increased by:		
Received in Cash from State	\$ 195,442	
Senior Citizens' Deductions Disallowed by Tax Collector - Prior Year	5,044	
Veterans' Deductions Disallowed by Tax Collector - Prior Year	14,000	
Veterans' Deductions Disallowed Per Tax Collector	3,000	
Senior Citizens' Deductions Disallowed by Tax Collector	<u>2,694</u>	
		<u>220,180</u>
		220,508
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	37,250	
Senior Citizens' Deductions Allowed Per Tax Collector	1,750	
Veterans' Deductions Per Tax Billings	158,000	
Veterans' Deductions Allowed Per Tax Collector	<u>1,000</u>	
		<u>198,000</u>
Balance, December 31, 2012		\$ <u>22,508</u>

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

Year	Balance, December 31, 2011	2012 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions		Collected In 2011	2012	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transfer to Tax Title Liens	Balance, December 31, 2012
				Disallowed	Allowed						
2007			\$ 4,250				\$ 3,312			\$ 938	
2008	\$ 3,582		3,500				5,432			1,650	
2009	7,906		3,000				9,956			950	
2010	7,184						5,682		\$ 2	1,500	
2011	985,080	-	14,082	-	-	-	978,064	-	\$ 2,067	2,041	
	1,003,752	-	24,832	-	-	-	1,002,446	-	2,067	7,079	
2012	-	\$ 43,040,764	-	\$ 5,694	\$ 176,267	41,342,220	\$ 198,000	171,575	48,929	1,109,467	
	\$ 1,003,752	\$ 43,040,764	\$ 24,832	\$ 5,694	\$ 176,267	\$ 42,344,666	\$ 198,000	\$ 173,642	\$ 65,921	\$ 1,116,546	

Analysis of 2012 Property Tax Levy

TAX YIELD	
General Purpose Tax	\$ 43,022,913
Added Taxes (54:4-63.1 et seq.)	<u>17,851</u>
	\$ 43,040,764
TAX LEVY	
Local School Tax	\$ 22,854,560
County Taxes	
County Tax	\$ 7,329,012
County Library	533,297
County Health	206,699
County Open Space Preservation	36,729
Due County for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>4,480</u>
	8,110,217
Local Tax for Municipal Purposes	12,039,217
Municipal Open Space Preservation	9,993
Add Additional Tax Levied	<u>26,777</u>
	12,075,987
	<u>\$ 43,040,764</u>

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

Balance, December 31, 2011		\$ 294,557
Increased by:		
Transferred from Taxes Receivable	\$ 65,921	
Interest and Costs at Tax Sale	<u>2,884</u>	
		<u>68,805</u>
		363,362
Decreased by:		
Receipts	9,051	
Cancelled	8	
Transferred to Foreclosed Property	<u>173,664</u>	
		<u>182,723</u>
Balance, December 31, 2012		<u>\$ 180,639</u>

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

Balance, December 31, 2011		\$ 3,662,400
Increased by:		
Transferred from Tax Title Liens	\$ 173,664	
Adjustment to Assessed Valuation	<u>1,268,236</u>	
		<u>1,441,900</u>
Balance, December 31, 2012		<u>\$ 5,104,300</u>

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

	Balance December <u>31, 2011</u>	Prior Year Adjustment- Transferred to <u>MRNA</u>	Revenue <u>Realized</u>	Decreased	Balance December <u>31, 2012</u>
Municipal Alliance on Alcoholism & Drug Abuse - 2011	\$ 7,340			7,221	\$ 119
Municipal Alliance on Alcoholism & Drug Abuse - 2012			13,134	1,200	11,934
Clean Communities			27,581	27,581	
Recycling Tonnage Grant			16,633	16,633	
Body Armor Fund			2,689	2,689	
Bulletproof Partnership			675	675	
Click it or Ticket			4,000	4,000	
Drunk Driving Enforcement Fund			7,328	7,328	
Safe and Secure Communities Program	12,770		60,000	57,770	15,000
NJ Highlands Council:					
Plan Conformance	20,593	\$ 15,000			35,593
TDR Feasibility	12,500				12,500
NJ Department of Transportation Trust Fund Authority Act - Road Paving			250,000		250,000
NJ Department of Transportation Trust Fund Authority Act - Enhancement	145,298			95,426	49,872
DCA Small Cities Grant (Senior Ctr.)	146,300				146,300
Drive Sober or Get Pulled Over Grant	5,000		8,800	9,400	4,400
NJ HAVA Polling Place Grant	-	-	3,206	3,206	-
	<u>\$ 349,801</u>	<u>\$ 15,000</u>	<u>\$ 394,046</u>	<u>\$ 233,129</u>	<u>\$ 525,718</u>
			Cash Receipts	\$ 232,578	
			Cancelled	<u>551</u>	
				<u>\$ 233,129</u>	

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2011</u>	Accrued in <u>2012</u>	Collected by <u>Treasurer</u>	Balance, December 31, <u>2012</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 24,007	\$ 24,007	
Fees and Permits		8,715	8,715	
Tax Searches				
Fees and Permits		60	60	
Police Department				
Fees and Permits		2,340	2,340	
Planning/Zoning				
Fees and Permits		7,025	7,025	
DPW - Bulk Stickers				
Fees and Permits		15,590	15,590	
Construction Code Official				
Fees and Permits		140,607	140,607	
Board of Health				
Fees and Permits		17,096	17,096	
Municipal Court				
Fines and Costs	\$ 16,813	169,002	174,601	\$ 11,214
Interest and Cost on Taxes	9,850	225,999	220,510	15,339
Energy Receipts Tax		772,896	772,896	
Interest on Investments and Deposits		18,517	18,517	
Consolidated Municipal Property Tax Relief Act		180,374	180,374	
Restricted Donation - PSE&G Settlement		594,308	594,308	
Interlocal Agreement - Municipal Court		70,000	70,000	
Cell Tower Rental		74,622	74,622	
Cable TV Franchise Fees		60,772	60,772	
Life Hazard Use Fees		9,203	9,203	
Fire Prevention Fees	-	12,085	12,085	-
	<u>\$ 26,663</u>	<u>\$ 2,403,218</u>	<u>\$ 2,403,328</u>	<u>\$ 26,553</u>

BOROUGH OF HOPATCONG
STATEMENT OF 2011 APPROPRIATION RESERVES

	Balance December <u>2011</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Mayor and Council	\$ 642	\$ 642	\$ 584	\$ 58
Administrative and Executive	30,787	30,787	8,355	22,432
Borough Clerk	6,748	6,748	3,069	3,679
Financial Administration	8,971	8,971	4,732	4,239
Assessment of Taxes	8,026	8,026	2,942	5,084
Collection of Taxes	28,352	28,352	6,021	22,331
Planning Board	836	836	597	239
Zoning Costs	2,495	2,495	2,461	34
Environmental Commission	398	398	159	239
Police	409,228	409,228	124,125	285,103
Emergency Dispatch	44,681	38,681	15,688	22,993
Emergency Management	2,060	2,060	-	2,060
Fire Prevention	4,612	4,612	706	3,906
Streets and Roads Maintenance	45,977	45,977	40,451	5,526
Municipal Court	8,633	8,633	7,575	1,058
Animal Control	9,933	9,933	3,271	6,662
Board of Health	6,549	6,549	1,683	4,866
Senior Citizens and Handicapped Transportation	2,965	2,965	1,611	1,354
Open Space Committee	557	557	-	557
Recreation Commission	31,104	29,604	1,345	28,259
Park Maintenance	6,982	6,982	-	6,982
Building Inspector	6,959	6,959	6,365	594
CDBG Office	648	648	-	648
Other Expenses				
Mayor and Council	1,451	1,530	374	1,156
Administrative and Executive	24,633	27,683	3,557	24,126
Elections	2,638	2,844	229	2,615
Data Processing	19,698	21,541	2,687	18,854
Financial Administration				
Miscellaneous	17,755	19,763	6,065	13,698
Audit Services	2,300	23,100	17,800	5,300
Assessment of Taxes	5,275	5,522	4,485	1,037
Collection of Taxes	133	3,663	3,530	133
Liquidation of Tax Title Liens	3,000	3,500	3,242	258
Legal Services	19,703	45,285	44,244	1,041
Engineering Services and Costs	12,116	14,641	9,181	5,460
Economic Development	1,000	1,000		1,000
Planning Board	1,273	3,092	1,819	1,273
Zoning Costs	4,723	5,173	744	4,429
Environmental Commission	979	979		979
Aid to Volunteer Fire Companies	169	16,230	15,920	310
Police	14,272	35,363	25,861	9,502
Emergency Dispatch	15,628	19,550	8,104	11,446
Fire Prevention	1,733	1,733		1,733
Municipal Prosecutor	3,638	10,786	9,606	1,180
Street and Road Maintenance	8,582	24,093	14,198	9,895
Contractual - Garbage	2,648	3,544	896	2,648
Recycling	14,636	19,859	12,173	7,686
Buildings and Grounds	34,039	43,014	7,837	35,177
Vehicle Maintenance	11,886	41,874	16,189	25,685
Municipal Court	1,417	1,723	1,027	696
Board of Health	5,026	6,485	1,335	5,150
Park Maintenance	10,218	18,083	5,902	12,181
Senior Citizens Programs	5,035	6,285	2,400	3,885
Celebration of Public Events	862	1,235	459	776

**BOROUGH OF HOPATCONG
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance December 31, 2011	Budget After Transfer on Modification	Paid or Charged	Balance Lapsed
Other Expenses (Cont.)				
Recreation Commission	\$ 8,577	\$ 8,877	\$ 250	\$ 8,627
Building Inspector	1,924	1,924		1,924
Utilities:				
Electricity	43,204	43,204	3,745	39,459
Street Lighting	7,722	7,722	1,139	6,583
Telephone	1,578	1,578	116	1,462
Fuel Oil		7,531		7,531
Gasoline	4,802	10,732	4,617	6,115
Social Security System (O.A.S.I.)	51,519	51,519	16,356	35,163
Atlantic Health DWI Donation	500	500		500
State Unemployment Insurance	4,044	4,044	3,378	666
Public Employee's Retirement System of NJ	19	19		19
Defined Contribution Retirement Program	1,061	1,061	215	846
Insurance				
General Liability	2,074	2,074		2,074
Workers Compensation	732	732		732
Employee Group Health	229,430	229,430		229,430
State Mandated Landfill - Monitoring	7,740	7,740		7,740
County Mandated Flow Control Fees	88,886	95,124	6,238	88,886
LOSAP	20,000	100,000	87,860	12,140
	<u>\$ 1,388,421</u>	<u>\$ 1,663,627</u>	<u>\$ 575,518</u>	<u>\$ 1,088,109</u>
		Appropriation Reserves \$ 1,388,421		
		Transferred from Reserve for Encumbrances <u>275,206</u>		
		<u>\$ 1,663,627</u>		
		Cash Disbursement \$ 575,518		
		<u>\$ 575,518</u>		

EXHIBIT A-13

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

Balance December 31, 2011	\$ 84,522
Increased by:	
Charges to Grant Appropriated Reserves	<u>185</u>
	84,707
Decreased by:	
Cash Disbursements	\$ 50,018
Cancelled	<u>34,504</u>
	<u>84,522</u>
Balance December 31, 2012	<u>\$ 185</u>

**BOROUGH OF HOPATCONG
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011	\$ 275,206
Increased by:	
Charges to 2012 Appropriations	<u>543,634</u>
	818,840
Decreased by:	
Cancelled and Restored to Appropriation Reserves	<u>275,206</u>
Balance, December 31, 2012	<u><u>\$ 543,634</u></u>

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

Balance, December 31, 2011	\$ 176,267
Increased by:	
2013 Prepaid Taxes	<u>279,954</u>
	456,221
Decreased by:	
Application to 2012 Taxes	<u>176,267</u>
Balance, December 31, 2012	<u><u>\$ 279,954</u></u>

EXHIBIT A-16

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2011	\$ -
Increased by:	
Overpayments	<u>7,916</u>
	7,916
Decreased by:	
Refunds	<u>3,754</u>
Balance, December 31, 2012	<u><u>\$ 4,162</u></u>

**BOROUGH OF HOPATCONG
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2011</u>	Transferred from 2012 Tax <u>Collections</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	Balance, December 31, <u>2012</u>
Tax Sale Premiums	\$ 173,100		\$ 243,200	\$ 79,200	\$ 337,100
Sale of Municipal Assets	19,100				19,100
Pending Tax Appeals	214,000	\$ 38,376		52,376	200,000
Third Party Tax Title Liens	2,171		587,083	537,249	52,005
Third Party Tax Title Lien Attorney Fees	2,390		5,133	6,266	1,257
PSE&G Settlement			15,058		15,058
Unidentified Receipts	<u>1,017</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>1,022</u>
	<u>\$ 411,778</u>	<u>\$ 38,376</u>	<u>\$ 850,479</u>	<u>\$ 675,091</u>	<u>\$ 625,542</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2011	\$ 2,782
Increased by:	
2012 Levy	
County Tax	\$ 7,329,012
County Library	533,297
County Health	206,699
County Open Space Preservation	36,729
County Tax for Added Taxes (54:4-63.1)	<u>4,480</u>
	<u>8,110,217</u>
	8,112,999
Decreased by:	
Payments	<u>8,108,519</u>
Balance, December 31, 2012	<u>\$ 4,480</u>

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

Increased by:		
2012 Levy		<u>\$ 22,854,560</u>
Decreased by:		
Payments		<u>\$ 22,854,560</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE

Balance, December 31, 2011		\$ -
Increased by:		
2012 Levy		
Municipal Open Space Preservation	\$ 9,982	
Municipal Open Space Preservation - Added Taxes	<u>11</u>	
		<u>9,993</u>
		9,993
Decreased by:		
Payments to Open Space Trust Fund		<u>9,993</u>
Balance, December 31, 2012		<u>\$ -</u>

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

	Balance December 31, <u>2011</u>	<u>Received</u>	Balance December 31, <u>2012</u>
Recycling Tonnage Grant	\$ 11,394	\$ 3,259	\$ 14,653
	<u>\$ 11,394</u>	<u>\$ 3,259</u>	<u>\$ 14,653</u>

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

	Balance December 31, <u>2011</u>	Transfer from 2012 <u>Budget</u>	Prior Year Encumbrances <u>Cancelled</u>	<u>Cancelled</u>	Paid or <u>Charged</u>	Balance December 31, <u>2012</u>
Clean Communities Program - 2011	\$ 17,964				17,964	
Clean Communities Program - 2011		\$ 27,581		\$ 551	18,427	\$ 8,603
Recycling Tonnage Grant	36,762	16,633			\$ 22,938	30,457
Alcohol Education and Rehabilitation	1,194					1,194
Municipal Alliance -2011	88		\$ 31			119
Municipal Alliance -2012	-	13,134			7,650	5,484
Safe and Secure Communities		60,000			60,000	
DCA Small Cities Grant (Senior Ctr)	146,300					146,300
NJ Highlands Council:						
Plan Conformance	38,209				10,094	28,115
TDR Feasibility	8,067					8,067
Drunk Driving Enforcement Fund	14,647	7,328			7,384	14,591
Body Armor Replacement Fund	8,717	2,689			1,586	9,820
Drive Sober or Get Pulled Over Grant	2,000	8,800			8,400	2,400
NJ-DOT Trust Fund Authority Act - Road Paving		250,000			250,000	
NJ-DOT Trust Fund Authority Act - Enhancement	14,529		34,473			49,002
NJ HAVA Polling Place Grant		3,206			3,206	
Bulletproof Partnership		675			675	
Click it or Ticket	-	4,000	-	-	4,000	-
	<u>\$ 288,477</u>	<u>\$ 394,046</u>	<u>\$ 34,504</u>	<u>\$ 551</u>	<u>\$ 412,324</u>	<u>\$ 304,152</u>
				<u>\$ 551</u>		
					\$ 412,139	
					185	
					<u>\$ 412,324</u>	
Transferred - 2012 Current Fund Budget	<u>\$ 394,046</u>					

EXHIBIT A-23

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

Balance, December 31, 2011	\$ 513
Decreased by	
Disbursements	<u>513</u>
Balance, December 31, 2012	<u><u>\$ -</u></u>

EXHIBIT A-24

**STATEMENT OF AMOUNT DUE TO CURRENT FUND-
FEDERAL AND STATE GRANTS FUND**

Balance, December 31, 2011 (Due From)	\$ 6,593
Decreased by:	
Disbursements	<u>6,593</u>
Balance, December 31, 2012 (Due To)	<u><u>\$ -</u></u>

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

Balance, December 31, 2011	\$	7,606
Increased by:		
Transferred from Appropriation Reserves		-
		7,606
Decreased by:		
Disbursements		4,641
Balance, December 31, 2012	\$	2,965

Analysis:

	\$	2,965
Recreation		-
Court Improvements		-
	\$	2,965

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

Balance, December 31, 2011	\$	325
Increased by:		
Cash Receipts		2,075
		2,400
Decreased by:		
Cash Disbursements		2,025
Balance, December 31, 2012	\$	375

STATEMENT OF AMOUNT DUE TO STATE - STATE TRAINING FEES

Balance, December 31, 2011	\$	1,457
Increased by:		
Cash Receipts		7,415
		8,872
Decreased by:		
Cash Disbursements		6,662
Balance, December 31, 2012	\$	2,210

**BOROUGH OF HOPATCONG
STATEMENT OF SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	Net Amount <u>Authorized</u>	1/5 of Net Amount <u>Authorized</u>	Balance, December 31, <u>2011</u>	Authorized in <u>2012</u>	Reduced by 2012 Budget	Balance, December 31, <u>2012</u>
8/15/2012	Reassessment of Real Property	\$ 300,000	\$ 60,000	\$ -	\$ 300,000	\$ -	\$ 300,000

TRUST FUND

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

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>	<u>Open Space Preservation Trust</u>
Balance, December 31, 2011	\$ 44,653	\$ 1,282,133	\$ 122,999	\$ 86,484
Increased by Receipts:				
Dog/Cat Licenses Issued	\$ 26,605			
Interlocal Agreements/Animal Shelters	7,261			
Donations	2,744			
Miscellaneous Reserves		\$ 211,694		
Open Space Levy and Added Assessments				\$ 9,993
Receipts from Grants Fund				513
Payroll Deductions Payable		7,726,507		
Receipts Due to Current Fund		448		
Unemployment Deposits			\$ 8,628	
State Registration Fees	<u>3,178</u>	<u>-</u>	<u>-</u>	<u>10,506</u>
	39,788	7,938,649	8,628	10,506
Decreased by:				
Expenditures Under R.S. 4:19-15.1	56,127			
Due to State of New Jersey				
Animal License Fees	3,367			
Payroll Deductions Payable		7,704,187		
Payments to General Capital - Current Year Improvement Authorizations				40,000
Payments to Current Fund		905		
Miscellaneous Reserves	<u>-</u>	<u>215,443</u>	<u>-</u>	<u>40,000</u>
	59,494	7,920,535	-	40,000
Balance, December 31, 2012	<u>\$ 24,947</u>	<u>\$ 1,300,247</u>	<u>\$ 131,627</u>	<u>\$ 56,990</u>

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

Balance, December 31, 2011		\$ 44,440
Increased by:		
Dog/Cat Licenses Issued	\$ 26,605	
Interlocal Agreements/Animal Shelters	7,261	
Donations	<u>2,744</u>	
		<u>36,610</u>
		81,050
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>56,127</u>
Balance, December 31, 2012		<u>\$ 24,923</u>

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

Balance, December 31, 2011		\$ 213
Increased by:		
2012 State Registration Fees		<u>3,178</u>
		3,391
Decreased by:		
Payments		<u>3,367</u>
Balance, December 31, 2012		<u>\$ 24</u>

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

Balance, December 31, 2011		\$ 513
Decreased by:		
Received in 2012		<u>513</u>
Balance, December 31, 2012		<u>\$ -</u>

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

	Balance December <u>31, 2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December <u>31, 2012</u>
Developer's Escrow	\$ 302,945	\$ 63,196	\$ 63,314	\$ 302,827
Public Defender	7,724	24,063	26,500	5,287
Housing Trust	120,579	4,441		125,020
Fire Safety	6,695		1,319	5,376
Parking Offenses Adjudication Act	925	20		945
Police Outside Employment	11,571	4,627	4,852	11,346
Celebration of Public Events	1,375	35,208	30,967	5,616
Snow Removal	128,356	5,000		133,356
HUD Programs	174,115	16,672	34,123	156,664
Accumulated Leave	138,399	25,000		163,399
Recreation	22,160	32,127	30,499	23,788
Landfill	300,821	1,340	23,869	278,292
	<u>\$ 1,215,665</u>	<u>\$ 211,694</u>	<u>\$ 215,443</u>	<u>\$ 1,211,916</u>

EXHIBIT B-8

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

Balance, December 31, 2011	\$ 122,999
Increased by:	
Deposit - Prior Year Refund	<u>8,628</u>
Balance, December 31, 2012	<u>\$ 131,627</u>

EXHIBIT B-9

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

Balance, December 31, 2011	\$ 65,563
Increased by:	
Cash Receipts	<u>7,726,507</u>
	7,792,070
Decreased by:	
Cash Disbursements	<u>7,704,187</u>
Balance, December 31, 2012	<u>\$ 87,883</u>

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

Balance, December 31, 2011		\$ 86,997
Increased by:		
2012 Tax Levy	\$ 9,982	
2012 Added Tax Levy	<u>11</u>	
		<u>9,993</u>
		96,990
Decreased by:		
Appropriated to Finance Improvement Authorizations - General Capital Fund		<u>40,000</u>
Balance, December 31, 2012		<u><u>\$ 56,990</u></u>

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

Balance, December 31, 2011		\$ 905
Increased by:		
Interest on Investments		<u>448</u>
		1,353
Decreased by:		
Payments to Current Fund		<u>905</u>
Balance, December 31, 2012		<u><u>\$ 448</u></u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2011		\$ 1,423,033
Increased by:		
Interest Earned	\$ 1	
Capital Improvement Fund- Budget Appropriation	55,120	
Receipts from Open Space Trust	40,000	
Bond Anticipation Notes	1,047,000	
Premium on Sale of Bonds	<u>11,549</u>	
		<u>1,153,670</u>
		2,576,703
Decreased by Disbursements:		
Improvement Authorizations	1,091,920	
Payments to Current Fund - Interest	<u>1</u>	
		<u>1,091,921</u>
Balance, December 31, 2012		<u>\$ 1,484,782</u>

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

	Balance, December 31, <u>2012</u>
Fund Balance	\$ 176,006
Capital Improvement Fund	25,390
Contracts Payable	381,958

<u>Ordinance Number</u>	<u>Improvement Description</u>	
13-06	Various Improvements	20,194
03-07	Various Improvements	32,207
10-08	Various Improvements	20,767
11-08	Various Improvements	5,000
23-09	Various Improvements	20,677
11-10	Various Improvements	176,935
17-10	Recreational Improvements (Open Space)	13,167
18-10	Oil Tank Removal & Replacement	3,135
9-11	Various Improvements	184,332
13-11	Recreational Improvements (Open Space)	411
21-11	Various Roadway Improvements	110,095
7-12	Various Improvements	305,640
20-12	Recreational Improvements (Open Space)	<u>8,868</u>
		<u>\$ 1,484,782</u>

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

Balance, December 31, 2011	\$ 9,367,000
Decreased by:	
2012 Budget Appropriations	
Serial Bonds	<u>910,000</u>
Balance, December 31, 2012	<u>\$ 8,457,000</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2011	2012 Authorizations	Balance December 31, 2012	Bond Anticipation Note	Unexpended Improvement Authorizations
7-12	Various Improvements	-	\$ 1,047,280	\$ 1,047,280	\$ 1,047,000	\$ 280
		<u>\$ -</u>	<u>\$ 1,047,280</u>	<u>\$ 1,047,280</u>	<u>\$ 1,047,000</u>	<u>\$ 280</u>
					Improvement Authorizations- Unfunded	\$ 305,920
					Less: Unexpended proceeds of BAN's Ord. 7-2012	<u>305,640</u>
						<u>\$ 280</u>

**BOROUGH OF HOPATCONG
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		Funded by Open Space	2012 Authorizations		Capital Improvement Fund	Prior Year Contracts Payable Reinstated	Cash Disbursements	Contracts Payable	Balance, December 31, 2012	
			Funded	Unfunded		Deferred Charges to Future Taxation Unfunded	Funded					Unfunded	
13-06	Various Improvements	626,000	\$ 25,240								\$ 5,046	\$ 20,194	
03-07	Various Improvements	696,500	68,457						\$ 11,461	\$ 25,343	22,368	32,207	
10-08	Various Improvements	913,000	20,967								200	20,767	
11-08	Various Improvements	420,000	6,675							1,675		5,000	
23-09	Various Improvements	762,000	29,169							8,492		20,677	
11-10	Various Improvements	1,416,208	301,642							141,452	6,055	176,935	
17-10	Recreational Improvements (Open Space)	207,500	164,674					22,800		149,989	2,488	13,167	
18-10	Oil Tank Removal & Replacement	40,000	20,667					58		17,590		3,135	
9-11	Various Improvements	821,000	210,273					134,994		160,449	486	184,332	
13-11	Recreational Improvements (Open Space)	60,000	44,148					14,730		58,467		411	
21-11	Various Roadway Improvements	300,000	149,944					6,317		34,663	11,503	110,095	
7-12	Various Improvements	1,102,400								462,668	333,812		\$ 305,920
20-12	Recreational Improvements (Open Space)	40,000			\$ 40,000					31,132		8,868	
			\$ 1,041,856	\$ -	\$ 40,000	\$ 1,047,280	\$ 55,120	\$ 191,330	\$ 1,091,920	\$ 381,958	\$ 595,788	\$ 305,920	

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Date</u>	Maturities of Bonds Outstanding		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
				<u>December 31, 2012</u>	<u>Amount</u>				
General Improvement Bonds	8/1/2003	\$ 2,210,000	8/1/2013	\$ 227,000	\$ 457,000	3.500%	\$ 230,000	\$ 227,000	
General Refunding Bonds	9/1/2006	3,865,000	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%		3,150,000	2,795,000	
General Improvement Bonds	9/15/2011	5,760,000	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%		325,000	5,435,000	
							<u>\$ 9,367,000</u>	<u>\$ 8,457,000</u>	
								<u>Paid by Budget Appropriation \$ 910,000</u>	

EXHIBIT C-8

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

Balance, December 31, 2011	\$ -
Increased by:	
Interest Earned	<u>1</u>
	1
Decreased by:	
Payments to Current Fund	<u>1</u>
	1
Balance, December 31, 2012	<u>\$ -</u>

EXHIBIT C-9

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2011	\$ 25,390
Increased by:	
2012 Budget Appropriation	<u>55,120</u>
	80,510
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>55,120</u>
	55,120
Balance, December 31, 2012	<u>\$ 25,390</u>

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

Ord. No.	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Original Amount Issued</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Increased</u>	<u>Balance, December 31, 2012</u>
07-12	Various Improvements	8/2/2012	\$ 1,047,000	8/2/2012	8/2/2013	1.50%	-	\$ 1,047,000	\$ 1,047,000
							-	-	-
							\$ -	\$ 1,047,000	\$ 1,047,000

**BOROUGH OF HOPATCONG
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2011	\$ 191,330
Increased by:	
Charges to Improvement Authorizations	<u>381,958</u>
	573,288
Decreased by:	
Reinstated to Improvement Authorizations in 2012	<u>191,330</u>
Balance, December 31, 2012	<u>\$ 381,958</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, 2011	2012 <u>Authorizations</u>	Notes Issued	Balance December 31, 2012
07-12	Various Improvements	-	\$ 1,047,280	\$ 1,047,000	\$ 280
		\$ -	\$ 1,047,280	\$ 1,047,000	\$ 280

WATER UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2011	\$ 212,670	\$ 896,942
Increased by Receipts:		
Consumer Accounts Receivable	\$ 837,761	
Connection Fees	28,665	
Water Capital Fund Balance	30,000	
Receipts from Water Capital Fund	1,173	
Miscellaneous Revenue	22,113	
Interest on Investments		\$ 1
Grants Receivable		132,017
Bond Anticipation Notes		752,380
Premium on Sale of Bonds	-	8,299
	<u>919,712</u>	<u>892,697</u>
	1,132,382	1,789,639
Decreased by Disbursements:		
2012 Budget Appropriations	659,596	
2011 Appropriation Reserves	50,093	
Improvement Authorizations		867,246
Due from Water Capital Fund	1,213	
Payments to Water Operating Fund -		
Budget Revenue		30,000
Other		1,173
Accrued Interest	49,379	-
	<u>760,281</u>	<u>898,419</u>
Balance, December 31, 2012	<u>\$ 372,101</u>	<u>\$ 891,220</u>

**STATEMENT OF CHANGE FUND
WATER OPERATING FUND**

	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</u>
<u>Office</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>2012</u>
Capital Improvement Fund	\$ 308
Contracts Payable	688,173
Amount Due to Water Operating Fund	1,213
Fund Balance	50,869
Grants Receivable	(837,983)
Accrued Interest on Bonds	2,735

<u>Ord. #</u>	<u>Improvement Authorizations</u>	
12-08	Improvements to Water Supply and Distribution System	6,752
24-09	Improvements to Water Supply and Distribution System	178,009
12-10	Improvements to Water Supply and Distribution System	60,018
10-11	Improvements to Water Supply and Distribution System	180,246
28-11	Improvements to Water Supply and Distribution System	526,544
08-12	Improvements to Water Supply and Distribution System	<u>34,336</u>
		<u>\$ 891,220</u>

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

Balance, December 31, 2011		\$ 66,607
Increased by:		
Water Rents Levied		<u>888,508</u>
		955,115
Decreased by:		
Collections	\$ 837,761	
Prepaid Rents Applied	<u>3,426</u>	
		<u>841,187</u>
Balance, December 31, 2012		<u>\$ 113,928</u>

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

Balance, December 31, 2011		\$ 1,172
Increased by:		
Cash Disbursements	\$ 1,213	
Interest Earned	<u>1</u>	
		<u>1,214</u>
		2,386
Decreased by:		
Receipts		<u>1,173</u>
Balance, December 31, 2012		<u>\$ 1,213</u>

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

Balance, December 31, 2011	\$ 39,650
Increased by:	
Charged to 2012 Budget	<u>53,246</u>
	92,896
Decreased by:	
Cash Disbursements	<u>49,379</u>
Balance, December 31, 2012	<u>\$ 43,517</u>

STATEMENT OF 2011 APPROPRIATION RESERVES

	Balance, December 31, <u>2011</u>	Transferred from Reserve for <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 14,046		\$ 7,676	\$ 6,370
Other Expenses	34,167	\$ 29,688	42,417	21,438
Statutory Expenditures				
Social Security System	762	-		762
Unemployment Compensation	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 53,975</u>	<u>\$ 29,688</u>	<u>\$ 50,093</u>	<u>\$ 33,570</u>
			Cash Disbursements <u>\$ 50,093</u>	

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

Balance, December 31, 2011	\$ 29,688
Increased by:	
Charged to 2012 Appropriations	31,506
	61,194
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	29,688
Balance, December 31, 2012	\$ 31,506

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

Balance, December 31, 2011	\$ 3,426
Increased by:	
Prepaid Rents Received	-
	3,426
Decreased by:	
Applied to Consumer Accounts Receivable	3,426
Balance, December 31, 2012	\$ -

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

Balance, December 31, 2011	\$ <u>4,794,179</u>
Balance, December 31, 2012	\$ <u>4,794,179</u>

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

Balance, December 31, 2011	\$ 2,321,038
Increased by:	
Serial Bonds Paid by Operating Budget	\$ 65,000
Loans Paid by Operating Budget	
FMHA Bonds	43,514
Water Supply Loans	60,829
NJ Environmental Infrastructure Trust	<u>38,244</u>
	207,587
Less: Accrued Interest Applied	<u>(1,213)</u>
	<u>206,374</u>
Balance, December 31, 2012	\$ <u>2,527,412</u>

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

Balance, December 31, 2011	\$ 292,825
Increased by:	
Charges to Improvement Authorizations	<u>688,173</u>
	980,998
Decreased by:	
Restored to Improvement Authorizations	<u>292,825</u>
Balance, December 31, 2012	\$ <u>688,173</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2011</u>	<u>2012 Authorization</u>	<u>Balance, December 31, 2012</u>
12-08	Improvements to Water Supply and Distribution System	\$ 322,325		\$ 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
08-12	Improvements to Water Supply and Distribution System	-	\$ 62,000	62,000
		<u>\$ 2,864,425</u>	<u>\$ 62,000</u>	<u>\$ 2,926,425</u>

EXHIBIT D-18

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

Balance, December 31, 2011	\$ 1,057,205
Increased by:	
2012 Authorizations	<u>3,100</u>
Balance, December 31, 2012	<u>\$ 1,060,305</u>

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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		2012 Authorizations		Contracts Payable Restored	Paid or Charged	Balance, December 31, 2012	
			Funded	Unfunded	Deferred Charges to Future Revenue	Down Payment on Improvements			Funded	Unfunded
12-08	Improvements to Water Supply and Distribution System	\$ 325,000	\$ 45,970				\$ 39,218	\$ 6,752		
24-09	Improvements to Water Supply and Distribution System	300,000	230,059			\$ 7,516	59,566	178,009		
12-10	Improvements to Water Supply and Distribution System	100,000	60,018			29,950	29,950	60,018		
10-11	Improvements to Water Supply and Distribution System	442,100	289,814			117,326	226,894	180,246		
28-11	Improvements to Water Supply and Distribution System	1,700,000	867,157	693,500		138,033	1,172,147	-	\$ 526,543	
8-12	Various Water Utility Improvements	62,000			\$ 3,100		27,644			34,356
			<u>\$ 1,493,018</u>	<u>\$ 693,500</u>	<u>\$ 58,900</u>	<u>\$ 3,100</u>	<u>\$ 1,555,419</u>	<u>\$ 425,025</u>	<u>\$ 560,899</u>	
					Cash Disbursement		\$ 867,246			
					Contracts Payable		688,173			
							<u>\$ 1,555,419</u>			

**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, 2011</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Outstanding December 31, 2012 Amount</u>			
Farmer's Home Administration	8/16/1985	\$ 1,316,000	2/16/2013	\$ 22,576	5.000 %		
			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			
						\$ 694,995	\$ 651,481
						<u> </u>	<u> </u>
						\$ 694,995	\$ 651,481
						<u> </u>	<u> </u>
						Paid by Budget Appropriation	\$ 43,514
							<u> </u>

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

Balance, December 31, 2011	\$ 3,408
Decreased by:	
Appropriated to Finance Improvement Authorization	3,100
Balance, December 31, 2012	\$ 308

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

Balance, December 31, 2011	\$ 36,500
Decreased by:	
Raised in 2012 Budget	36,500
Balance, December 31, 2012	\$ -

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

Balance, December 31, 2011	\$ 970,000
Decreased by;	
Received in 2012	132,017
Balance, December 31, 2012	\$ 837,983

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

<u>Loan Issue</u>	Balance, December 31, <u>2011</u>	Accrued Interest <u>Applied</u>	Paid by Budget <u>Appropriation</u>	Balance, December 31, <u>2012</u>
Water Supply Loans	\$ 203,569	\$ 1,213	\$ 60,829	\$ 143,953

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

<u>Loan Issue</u>	Balance, December 31, <u>2011</u>	Paid by Budget <u>Appropriation</u>	Balance, December 31, <u>2012</u>
2000 Trust Loan	\$ 200,000	\$ 20,000	\$ 180,000
2000 Fund Loan	153,298	18,244	135,054
	<u>\$ 353,298</u>	<u>\$ 38,244</u>	<u>\$ 315,054</u>

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

	Balance, December 31, <u>2011</u>	Applied to Water Supply Loans Payable	Balance, December 31, <u>2012</u>
Water Supply Loans Payable	\$ 3,948	\$ 1,213	\$ 2,735

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

Ord. No.	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Original Amount Issued</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>	
28-11	Improvements to Water Supply and Distribution System	8/2/2012	\$ 693,500	8/2/2012	8/2/2013	1.50%	-	693,500	-	\$ 693,500	
8-12	Various Water Utility Improvements	8/2/2012	58,880	8/2/2012	8/2/2013	1.50%	-	58,880	-	58,880	
							\$ -	\$ 752,380	\$ -	\$ 752,380	
							Notes Issued		\$ 752,380		

**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, 2011</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>	<u>Outstanding December 31, 2012</u>			
Water Improvement Bonds	9/15/2011	\$2,335,000	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%			
						\$ 2,335,000	\$ 2,270,000	
						\$ 2,335,000	\$ 2,270,000	

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2011</u>	2012 <u>Authorizations</u>	Increased by <u>Notes Issued</u>	Balance December 31, <u>2012</u>
28-11	Improvements to Water Supply and Distribution System	\$ 693,500		\$ 693,500	
8-12	Various Water Utility Improvements	-	\$ 58,900	58,880	\$ 20
		<u>\$ 693,500</u>	<u>\$ 58,900</u>	<u>\$ 752,380</u>	<u>\$ 20</u>

SEWER UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2011	\$ 2,474,594	\$ 383,239
Increased by Receipts:		
Consumer Accounts Receivable	\$ 3,899,827	
Prepaid Sewer Rents	282,800	
Receipts from Sewer Capital Fund	1	
Bond Anticipation Notes		\$ 60,000
Interest on Investments		1
Premium on Sale of Bonds and Notes	<u>-</u>	<u>133,384</u>
	<u>4,182,628</u>	<u>193,385</u>
	6,657,222	576,624
Decreased by Disbursements:		
2012 Budget Appropriations	2,544,419	
2011 Appropriation Reserves	31,321	
Payments Due from Grants Fund	210,000	
Improvement Authorizations		74,284
Payments to Sewer Operating Fund		1
Bond Anticipation Notes		34,380
Accrued Interest on Bonds and Loans	<u>1,224,430</u>	<u>-</u>
	<u>4,010,170</u>	<u>108,665</u>
Balance, December 31, 2012	<u>\$ 2,647,052</u>	<u>\$ 467,959</u>

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

	Balance, December 31, <u>2012</u>
Fund Balance	\$ 405,274
Contracts Payable	2,100

Improvement Authorization

<u>Ord. No.</u>	<u>Improvement Description</u>		(14)
	Excess Note Proceeds - 12/31/11	\$ 34,366	
	Capital Cash Paid - BAN's	<u>(34,380)</u>	
	Excess Note Proceeds - 12/31/12		(14)
30-05	Improvement of the Sanitary Sewerage System - Phase I & II		13,921
11-11	Sewer Utility Truck Body Replacement		378
9-12	Various Improvements		<u>46,300</u>
		<u>\$ 467,959</u>	

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

Balance, December 31, 2011		\$ 468,412
Increased by:		
Sewer Rents Levied		<u>4,217,146</u>
		4,685,558
Decreased by:		
Collections:		
Cash Receipts	\$ 3,899,827	
Prepaid Rents Applied	<u>269,364</u>	
		<u>4,169,191</u>
Balance, December 31, 2012		<u>\$ 516,367</u>

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

Increased by:		
Disbursed in 2012		<u>\$ 210,000</u>
Balance, December 31, 2012		<u>\$ 210,000</u>

**BOROUGH OF HOPATCONG
STATEMENT OF 2012 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, December 31, <u>2011</u>	Transferred from Reserve for <u>Encumbrances</u>	Modified Balance	Paid or Charged	Balance Lapsed
Operating					
Salaries and Wages	\$ 10,207		\$ 10,207	\$ 7,445	\$ 2,762
Other Expenses	60,896	\$ 20,099	80,995	23,876	57,119
Statutory Expenditures					
Contribution to					
Social Security System	963		963		963
Unemployment Compensation	5,000	-	5,000	-	5,000
	<u>\$ 77,066</u>	<u>\$ 20,099</u>	<u>\$ 97,165</u>	<u>\$ 31,321</u>	<u>\$ 65,844</u>
			Cash Disbursed	<u>\$ 31,321</u>	

EXHIBIT E-10

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

Balance, December 31, 2011	\$ 506,408
Increased by:	
Charged to 2012 Budget	<u>1,227,267</u>
	1,733,675
Decreased by:	
Cash Disbursements	<u>1,224,430</u>
Balance, December 31, 2012	<u>\$ 509,245</u>
	Accrued Interest on Bonds \$ 314,309
	Accrued Interest on Notes 75,041
	Accrued Interest on Loans <u>119,895</u>
	<u>\$ 509,245</u>

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

Balance, December 31, 2011	\$ 20,099
Increased by:	
Charged to 2012 Budget	<u>37,816</u>
	57,915
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>20,099</u>
Balance, December 31, 2012	<u>\$ 37,816</u>

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

Balance, December 31, 2011	<u>\$ 56,777,184</u>
Balance, December 31, 2012	<u>\$ 56,777,184</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2011</u>	2012 <u>Authorizations</u>	Balance, December 31, <u>2012</u>
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
9-12	Various Improvements	<u>-</u>	<u>\$ 60,000</u>	<u>60,000</u>
		<u>\$ 3,914,000</u>	<u>\$ 60,000</u>	<u>\$ 3,974,000</u>

EXHIBIT E-14

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

Balance, December 31, 2011	\$ 19,889,518
Increased by:	
NJ Environmental Infrastructure Loans Paid by Operating Budget	\$ 922,583
Notes Paid by Budget Appropriation	<u>123,000</u>
	<u>1,045,583</u>
Balance, December 31, 2012	<u>\$ 20,935,101</u>

**BOROUGH OF HOPATCONG
STATEMENT OF SERIAL BONDS
SEWER 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, 2011</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Outstanding December 31, 2012 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%		
						\$ 17,060,000	\$ 17,060,000
						\$ 17,060,000	\$ 17,060,000

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

	Balance December 31, <u>2011</u>	<u>Decreased by:</u>	Balance, December 31, <u>2012</u>
2001 Wastewater Loan	\$ 1,960,000	\$ 155,000	\$ 1,805,000
2001 Fund Loan	1,586,733	158,971	1,427,762
2002 Wastewater Loan	4,210,000	295,000	3,915,000
2002 Fund Loan	<u>3,451,299</u>	<u>313,612</u>	<u>3,137,687</u>
	<u>\$ 11,208,032</u>	<u>\$ 922,583</u>	<u>\$ 10,285,449</u>
 Paid by Budget Appropriation		<u>\$ 922,583</u>	

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

Balance, December 31, 2011	\$ -
Increased by:	
Interest Earned	<u>1</u>
	1
Decreased by:	
Amount Paid to Sewer Operating Fund	<u>1</u>
Balance, December 31, 2012	<u>\$ -</u>

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

Balance, December 31, 2011	\$ 269,364
Increased by:	
Prepaid Rents Received in 2012	<u>282,800</u>
	552,164
Increased by:	
Applied to Consumer Accounts Receivable	<u>269,364</u>
Balance, December 31, 2012	<u>\$ 282,800</u>

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

Balance, December 31, 2011	\$ 330,000
Increased by:	
Notes Paid by Budget Appropriation	<u>48,000</u>
Balance, December 31, 2012	<u>\$ 378,000</u>

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

Increases by:	
Charges to Improvement Authorizations	<u>\$ 2,100</u>
Balance, December 31, 2012	<u>\$ 2,100</u>

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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		2012 Authorization Deferred Charges to Future Revenue	Paid or Charged	Balance, December 31, 2012	
			Funded	Unfunded			Funded	Unfunded
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	\$ 3,900,000	\$	62,983	\$	49,062	\$	13,921
11-11	Sewer Utility Truck Body Replacement	14,000		14,000		13,622		378
9-12	Various Improvements	60,000			\$	60,000		46,300
			\$	-	\$	-	\$	-
			\$	76,983	\$	60,000	\$	60,599
	Contracts Payable					\$	2,100	
	Cash Disbursements						74,284	
						\$	76,384	\$
								60,599

**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, 2011	Increased	Decreased	Balance, December 31, 2012
	Acquisition of a New Truck for Use by the Sewer Utility	9/23/2004	\$ 36,000	9/16/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	\$ 16,000	\$ 12,000	\$ 16,000	\$ 12,000
38-04	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2005	9,000,000	9/16/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	8,544,000	8,416,405	8,544,000	8,416,405
19-05	Various Improvements	9/21/2006	86,000	9/16/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	74,000	49,215	74,000	49,215
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2006	3,714,000	9/16/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	3,570,000	3,522,000	3,570,000	3,522,000
13-08	Construction of Sewer Maintenance Storage Facility	9/17/2009	20,000	9/16/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	20,000	19,000	20,000	19,000
11-11	Sewer Utility Truck Body Replacement	8/3/2011	14,000	8/3/2011 8/2/2012	8/3/2012 8/2/2013	1.25% 1.50%	14,000	14,000	14,000	14,000
9-12	Various Improvements	8/2/2012	60,000	8/2/2012	8/2/2013	1.50%	-	60,000	-	60,000
							<u>\$ 12,238,000</u>	<u>\$ 12,092,620</u>	<u>\$ 12,238,000</u>	<u>\$ 12,092,620</u>
							Paid by Budget Appropriation			
							Issued for Cash		\$ 171,000	
							Paid by Capital Cash		-	
							Renewals		34,380	
							<u>12,032,620</u>		<u>12,032,620</u>	
							<u>\$ 12,092,620</u>		<u>\$ 12,238,000</u>	

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BOROUGH OF HOPATCONG
PART II
GOVERNMENTAL AUDITING STANDARDS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in 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, the financial statements – regulatory basis of the Borough of Hopatcong as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

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 of the financial statements, we considered the Borough of Hopatcong's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 of Hopatcong's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hopatcong's internal control.

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

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

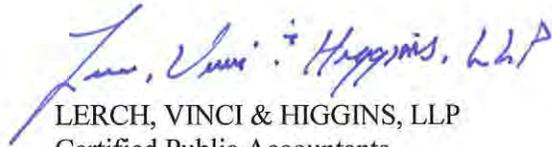
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Hopatcong's financial statements are free from 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.

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"

Purpose of this Report

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



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 18, 2013

**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, 2012**

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 prepared and presented using the regulatory basis of accounting as prescribed 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 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	\$ 262,800	\$ 131,246	\$ 394,046
Total Financial Awards	<u>\$ 262,800</u>	<u>\$ 131,246</u>	<u>\$ 394,046</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, 2012**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2012, 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		\$ 651,481
Water Supply Loan		82,702
Water Supply Loan		61,251
Wastewater Trust Loan	2000	180,000
Wastewater Trust Loan	2000	135,054
Environmental Infrastructure		
Trust Loan	2001	1,805,000
Fund Loan	2001	1,427,762
Trust Loan	2002	3,915,000
Fund Loan	2002	<u>3,137,687</u>
		<u>\$ 11,395,937</u>

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

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,050,000	2.19%	\$ 850,000	1.85%
Miscellaneous - From Other Than Local				
Property Tax Levies	2,992,374	6.25%	2,116,124	4.60%
Collection of Delinquent Taxes and Tax Title Liens	1,011,497	2.11%	1,075,923	2.34%
Collection of Current Tax Levy	41,710,793	87.15%	41,005,380	89.06%
Other Credits	<u>1,095,607</u>	<u>2.29%</u>	<u>993,948</u>	<u>2.16%</u>
Total Income	<u>47,860,271</u>	<u>100.00%</u>	<u>46,041,375</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,455,373	33.25%	14,127,083	31.72%
County Taxes	8,110,217	17.45%	7,976,120	17.91%
Local School Taxes	22,854,560	49.16%	22,388,907	50.26%
Municipal Open Space Taxes	9,993	0.02%	10,194	0.02%
Other Expenditures	<u>58,380</u>	<u>0.13%</u>	<u>39,830</u>	<u>0.09%</u>
Total Expenditures	<u>46,488,523</u>	<u>100.00%</u>	<u>44,542,134</u>	<u>100.00%</u>
Less Expenditures Included Above Which by Statute are Deferred Charges to Succeeding Year's Budget	<u>300,000</u>		<u>-</u>	
Total Adjusted Expenditures	<u>46,188,523</u>		<u>44,542,134</u>	
Excess in Revenue	1,671,748		1,499,241	
Fund Balance, January 1	<u>1,968,561</u>		<u>1,319,320</u>	
	3,640,309		2,818,561	
Less Utilization as Anticipated Revenue	<u>1,050,000</u>		<u>850,000</u>	
Fund Balance, December 31	<u>\$ 2,590,309</u>		<u>\$ 1,968,561</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Surplus Utilized	\$ 81,446	7.85%	\$ 95,398	10.69%
Collection of Water Rents	841,187	81.12%	701,102	78.54%
Connection Fees	28,665	2.76%	2,800	0.31%
Miscellaneous - From Other than Water Rents	52,114	5.03%	39,964	4.48%
Other Credits	<u>33,570</u>	<u>3.24%</u>	<u>53,372</u>	<u>5.98%</u>
 Total Income	 <u>1,036,982</u>	 <u>100.00%</u>	 <u>892,636</u>	 <u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Operating	513,636	56.23%	501,488	60.70%
Capital		0.00%	36,500	4.42%
Debt Service	326,214	35.71%	251,579	30.45%
Deferred Charges and Statutory Expenditures	<u>73,600</u>	<u>8.06%</u>	<u>36,600</u>	<u>4.43%</u>
 Total Expenditures	 <u>913,450</u>	 <u>100.00%</u>	 <u>826,167</u>	 <u>100.00%</u>
 Less: Expenditures Included Above which by Statute are Deferred Charges to Succeeding Year's Budget				
	<u>-</u>		<u>36,500</u>	
 Excess in Revenue	 123,532		 102,969	
 Fund Balance, January 1	 <u>123,633</u>		 <u>116,062</u>	
	247,165		219,031	
Decreased by:				
Utilization as Anticipated Revenue	<u>81,446</u>		<u>95,398</u>	
 Fund Balance, December 31	 <u>\$ 165,719</u>		 <u>\$ 123,633</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Surplus Utilized	\$ 409,531	8.82%	\$ 374,783	8.08%
Rents	4,169,191	89.76%	4,174,270	90.02%
Miscellaneous	1	0.00%	17,152	0.37%
Other Credits	<u>65,844</u>	<u>1.42%</u>	<u>70,807</u>	<u>1.53%</u>
Total Income	<u>4,644,567</u>	<u>100.00%</u>	<u>4,637,012</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,651,991	41.20%	1,621,183	41.03%
Debt Service	2,320,850	57.88%	2,293,102	58.04%
Deferred Charges and Statutory Expenditures	<u>37,100</u>	<u>0.93%</u>	<u>36,600</u>	<u>0.93%</u>
Total Expenditures	<u>4,009,941</u>	<u>100.00%</u>	<u>3,950,885</u>	<u>100.00%</u>
Excess in Revenue	634,626		686,127	
Fund Balance, January 1	<u>1,601,657</u>		<u>1,290,313</u>	
	2,236,283		1,976,440	
Decreased by:				
Utilized by Current Fund Budget	<u>409,531</u>		<u>374,783</u>	
Fund Balance, December 31	<u>\$ 1,826,752</u>		<u>\$ 1,601,657</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.155</u>	<u>\$2.072</u>	<u>\$1.981</u>

Apportionment of Tax Rate

Municipal	\$.603	\$.581	\$.556
County	.408	.394	.376
Local School	1.144	1.097	1.049

Assessed Valuation

2012	<u>\$1,996,422,100</u>	
2011		<u>\$2,037,443,000</u>
2010		<u>\$2,047,303,100</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>
2012	\$ 43,040,764	\$ 41,710,793	96.91%
2011	42,230,546	41,005,380	97.10%
2010	40,562,914	39,343,695	96.99%

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>
2012	\$ 180,639	\$ 1,116,546	\$ 1,297,185	3.01%
2011	294,557	1,003,752	1,298,309	3.07%
2010	229,227	1,092,534	1,321,761	3.26%

**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>
2012	\$5,104,300
2011	3,662,400
2010	3,662,400

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2012	\$888,508	\$841,187	94.67%
2011	709,452	701,102	98.82
2010	699,168	640,911	91.67

Comparison of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2012	\$4,217,146	\$4,169,191	98.86%
2011	4,157,149	4,174,270	100.41
2010	4,139,053	3,653,520	88.27

* 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>	2012	\$2,590,309	\$1,300,000
	2011	1,968,561	1,050,000
	2010	1,319,320	\$850,000
<u>Water Utility Operating Fund</u>	2012	\$165,719	\$85,120
	2011	123,633	81,446
	2010	116,062	95,398
<u>Sewer Utility Operating Fund</u>	2012	\$1,826,752	\$409,659
	2011	1,601,657	409,531
	2010	1,290,313	374,783

**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		
Estelle Klein	Councilwoman		
Marie Ryder-Galate	Councilwoman		
John Young	Councilman		
Robert Elia	Borough Administrator	(A)	
Catherine Gleason	Borough Clerk	(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

Current Year

It was noted that the Borough did not publish the synopsis of the prior year audit report as required by N.J.S. 40A:5-7. It is recommended that the Borough publish the synopsis of the prior year audit report as required by N.J.S. 40A:5-7.

Our audit noted the following with respect to the local public contracts law:

- There were certain instances where evidence of quotations received was not available for audit.
- Purchases in the aggregate to one vendor exceeded the bid threshold for the purchase of asphalt materials but bids were not obtained.
- Contract award for the reassessment of property was not advertised.

It is recommended that all expenditures be made in accordance with the Local Public Contracts Law.

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:

Veteran's Field Sports Lighting Project and Softball Field Improvements	Police SUVs and Accessories
Fire Fighting Equipment	Elba Point Infrastructure Improvements-
Tree Removal/Pruning/Grinding	Chlorine Contact Time Piping and Water Main Replacement
Purchase and Installation of Playground Equipment	Two 4 Wheel Drive Trucks and Accessories
Two Mason Dump Trucks with Plows	Borough Hall Roof Replacement

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

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 4, 2012 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 1st 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.

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 17, 2012 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2012	77
2011	74
2010	69

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

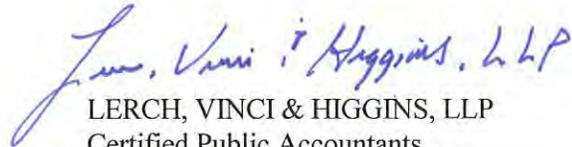
It is recommended that:

1. The Borough publish the synopsis of the prior year audit report as required by N.J.S. 40A:5-7.
2. All expenditures be made in accordance with the Local Public Contracts Law.

Status of Prior Year's Audit Findings/Recommendations

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