

BOROUGH OF HOPATCONG
SUSSEX COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2013

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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, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, 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 17 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, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 41 percent and 36 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible 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, 2013 and 2012, 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, 2013 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

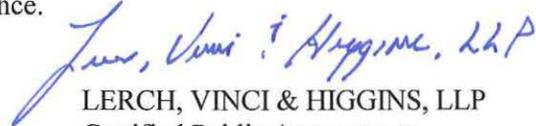
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Hopatcong as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance and the supplementary data and 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.

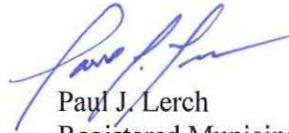
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2014 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
May 12, 2014

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash - Treasurer	A-4	\$ 6,642,388	\$ 5,324,939
Cash - Change Fund	A-5	<u>300</u>	<u>220</u>
		<u>6,642,688</u>	<u>5,325,159</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-7	978,233	1,116,546
Tax Title Liens Receivable	A-8	218,714	180,639
Property Acquired for Taxes - Assessed Valuation	A-9	5,104,300	5,104,300
Revenue Accounts Receivable	A-11	31,990	26,553
Due from Other Trust Fund	B-11	<u>728</u>	<u>448</u>
		<u>6,333,965</u>	<u>6,428,486</u>
Deferred Charges			
Special Emergency Appropriations	A-28	<u>240,000</u>	<u>300,000</u>
		<u>240,000</u>	<u>300,000</u>
Total Regular Fund		<u>13,216,653</u>	<u>12,053,645</u>
Federal and State Grant Fund			
Cash	A-4	58,849	3,272
Grants Receivable	A-10	<u>726,881</u>	<u>525,718</u>
Total Federal and State Grant Fund		<u>785,730</u>	<u>528,990</u>
Total Assets		<u>\$ 14,002,383</u>	<u>\$ 12,582,635</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,12	\$ 1,429,928	\$ 1,549,020
Encumbrances Payable	A-14	234,718	543,634
Prepaid Taxes	A-15	699,939	279,954
Tax Overpayments	A-16	7,198	4,162
Miscellaneous Reserves	A-17	1,113,576	625,542
Unappropriated Reserves	A-23	26,381	
Appropriated Reserves	A-25	81,744	2,965
Accounts Payable	A-24	47,200	
Due to State of New Jersey - Senior Citizens & Veterans	A-6	10,883	22,508
Due to State of New Jersey - Marriage License Fees	A-26	550	375
Due to State of New Jersey - State Training Fees	A-27	2,365	2,210
Due to County for Added Taxes	A-18	381	4,480
		<u>3,654,863</u>	<u>3,034,850</u>
Reserve for Receivables and Other Assets		6,333,965	6,428,486
Fund Balance	A-1	<u>3,227,825</u>	<u>2,590,309</u>
Total Regular Fund		<u>13,216,653</u>	<u>12,053,645</u>
Federal and State Grant Fund			
Due to Sewer Utility Operating Fund	E-8	150,000	210,000
Reserve for Encumbrances	A-13	47,207	185
Reserve for Grants and Donations - Unappropriated	A-21	24,348	14,653
Reserve for Grants and Donations - Appropriated	A-22	<u>564,175</u>	<u>304,152</u>
Total Federal and State Grant Fund		<u>785,730</u>	<u>528,990</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 14,002,383</u>	<u>\$ 12,582,635</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, 2013 AND 2012

	<u>Reference</u>	<u>Year 2013</u>	<u>Year 2012</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,300,000	\$ 1,050,000
Miscellaneous Revenue Anticipated	A-2	2,812,701	2,797,375
Receipts from Delinquent Taxes	A-2	1,119,507	1,011,497
Receipts from Current Taxes	A-2	42,294,273	41,710,793
Non-Budget Revenue	A-2	249,221	194,999
Other Credits to Income			
Prior Year Interfunds Returned	A	448	7,498
Unexpended Balance of Appropriation Reserves	A-12	<u>715,643</u>	<u>1,088,109</u>
 Total Revenues		 <u>48,491,793</u>	 <u>47,860,271</u>
 EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,115,612	5,888,358
Other Expenses	A-3	6,571,826	6,641,540
Capital Improvements	A-3	17,500	305,120
Municipal Debt Service	A-3	1,315,973	1,176,166
Deferred Charges and Statutory Expenditures	A-3	1,550,291	1,444,189
County Taxes	A-18	7,629,935	8,110,217
Municipal Open Space Taxes	A-20	7,007	9,993
Local School Taxes	A-19	23,299,272	22,854,560
Other Debits			
Interfund Advance	A	728	448
Refund of Prior Year Revenue	A-1	-	512
Prior Year Senior Citizens' Deductions Disallowed	A-6	5,064	5,044
Prior Year Veterans' Deductions Disallowed	A-1	-	14,000
Reserve for Pending Tax Appeals	A-17	<u>41,069</u>	<u>38,376</u>
 Total Expenditures		 <u>46,554,277</u>	 <u>46,488,523</u>
 Less: Expenditures Included Above Which by Statute are			
Deferred Charges to Succeeding Year's Budget	A-1	<u>-</u>	<u>300,000</u>
 Total Adjusted Expenditures		 <u>46,554,277</u>	 <u>46,188,523</u>
 Excess in Revenue		 1,937,516	 1,671,748
 Fund Balance, January 1	A	 <u>2,590,309</u>	 <u>1,968,561</u>
		4,527,825	3,640,309
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,300,000</u>	<u>1,050,000</u>
 Fund Balance, December 31	A	 <u>\$ 3,227,825</u>	 <u>\$ 2,590,309</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, 2013

	Reference	2013 Anticipated Budget	Added by N.J.S. 40A:4-87	2013 Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,300,000	-	\$ 1,300,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,400		23,126	\$ 5,726
Fees and Permits					
Construction Code Official	A-11	128,000		231,719	103,719
Other	A-2	50,000		80,145	30,145
Fines and Costs					
Municipal Court	A-11	140,000		155,683	15,683
Interest and Costs on Taxes	A-11	190,000		239,944	49,944
Energy Receipts Tax	A-11	793,078		793,078	-
Interest on Investments and Deposits	A-2	10,700		36,226	25,526
Consolidated Municipal Property Tax Relief Aid	A-11	160,192		160,192	-
Interlocal Agreement - Stanhope Court	A-11	95,000		96,400	1,400
Interlocal Agreement - Nutrition Site	A-11	20,300		22,700	2,400
State and Federal Grants Offset With Appro.					
Clean Communities Grant	A-10		\$ 31,736	31,736	
Municipal Alliance on Alcoholism and Drug Abuse	A-10		19,701	19,701	
Police Body Armor Fund	A-10		3,240	3,240	
Atlantic Health DWI Donation	A-11		500	500	
Alcohol Education & Rehab Grant	A-10		633	633	
NJ DOT Grants	A-10		468,000	468,000	
NJ Highlands Grant	A-10	127,400		127,400	
Recycling Tonnage Grant	A-21	14,653		14,653	
Bulletproof Partnership Program	A-10		423	423	
Click It or Ticket It	A-10		4,000	4,000	
Drunk Driving Enforcement Fund	A-10		3,100	3,100	
Safety Forestry Grant	A-10		4,636	4,636	
USDA Housing Grant (HUD)	A-10	50,000		50,000	
Hudson Farm Donation	A-11	15,000		15,000	
Safe and Secure Communities Program	A-10		60,000	60,000	
Drive Sober or Get Pulled Over Grant	A-10		8,800	8,800	
Special Items					
Cell Tower Rental	A-11	74,600		77,022	2,422
Cable TV Franchise Fee	A-11	58,764		58,764	
Life Hazard Use Fees	A-11	10,128		11,130	1,002
Fire Prevention Fees	A-11	11,000	-	14,750	3,750
Total Miscellaneous Revenues	A-1	1,966,215	604,769	2,812,701	241,717
Receipts from Delinquent Taxes	A-1,A-2	890,000	-	1,119,507	229,507
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2,A-7	12,400,345	-	12,906,990	506,645
Total	A-3	\$ 16,556,560	\$ 604,769	18,139,198	\$ 977,869
Non-Budget Revenue	A-1,A-2			249,221	
				\$ 18,388,419	

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, 2013
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 42,294,273
Less: Reserve for Tax Appeals Pending	A-1,17	41,069
Less: Allocated to School, County and Special Taxes	A-18,A-19,A-20	<u>30,936,214</u>
		11,316,990
 Add: Appropriation "Reserve for Uncollected Taxes"	 A-3	 <u>1,590,000</u>
 Amount for Support of Municipal Budget Appropriations	 A-2	 <u>\$ 12,906,990</u>
 Fees and Permits - Other		
Township Clerk	A-11	\$ 37,674
Tax Searches	A-11	60
Police Department	A-11	2,326
Zoning/Planning	A-11	6,825
DPW - Tires	A-11	339
Board of Health	A-11	16,811
DPW - Bulk Stickers	A-11	<u>16,110</u>
	A-2	<u>\$ 80,145</u>
 Receipts from Delinquent Taxes		
Taxes	A-7	\$ 1,105,269
Tax Title Liens	A-8	<u>14,238</u>
	A-2	<u>\$ 1,119,507</u>
 Interest on Investments		
Revenue Accounts Receivable	A-11	\$ 36,225
Due from General Capital Fund	C-8	<u>1</u>
	A-2	<u>\$ 36,226</u>

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

ANALYSIS OF NON-BUDGET REVENUES

Administrative Fee for Police Outside Employment	\$ 1,041
Bid Specifications	550
Duplicate Tax Bills	1,085
Hotel Fees	1,327
NJDMV Inspection Fees	4,050
NSF Fees	1,320
Post Year Tax Statement Administrative Fees	3,498
Prior Year Refunds	153,882
Recycling	5,893
Tires	339
Tax Collector Fees	10,646
Tax Collector Lien Penalty	281
Tax Sale Premium	4,000
Write-off Prior Year Stale Dated Items	3,831
Insurance Dividends	<u>57,478</u>
A-4	<u>\$ 249,221</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013 Appropriated</u>		<u>2013 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	\$ 234,087	\$ 234,087	\$ 220,153	\$ 13,934	
Other Expenses	101,000	101,000	76,264	24,736	
Mayor and Council					
Salaries and Wages	15,250	15,250	14,544	706	
Other Expenses	4,400	4,400	3,388	1,012	
Borough Clerk					
Salaries and Wages	84,468	84,468	79,485	4,983	
Election					
Other Expenses	28,260	28,260	20,703	7,557	
Financial Administration					
Salaries and Wages	130,868	130,868	121,108	9,760	
Other Expenses	59,570	59,570	38,199	21,371	
Audit Services	21,400	21,400	21,400	-	
Computerized Data Processing					
Other Expenses	47,500	47,500	31,181	16,319	
Collection of Taxes					
Salaries and Wages	166,620	166,620	152,880	13,740	
Other Expenses	13,735	13,735	13,341	394	
Assessment of Taxes					
Salaries and Wages	144,820	144,820	133,556	11,264	
Other Expenses	40,750	40,750	23,931	16,819	
Legal Services					
Other Expenses	125,000	125,000	98,883	26,117	
Engineering Services and Costs					
Other Expenses	45,000	55,000	43,394	11,606	
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Salaries and Wages	71,720	68,720	57,044	11,676	
Other Expenses	9,418	12,418	8,407	4,011	
PUBLIC SAFETY					
Police					
Salaries and Wages	3,004,348	3,004,348	2,733,227	271,121	
Other Expenses	77,300	80,700	74,094	6,606	
Emergency Dispatch Services					
Salaries and Wages	509,583	475,583	408,985	66,598	
Other Expenses	49,900	49,900	40,502	9,398	
Emergency Management					
Salaries and Wages	2,000	2,000	-	2,000	
Other Expenses	14,300	10,900	7,852	3,048	
First Aid Organization Contribution	40,000	40,000	40,000	-	
Municipal Prosecutor					
Other Expenses	44,000	44,000	39,070	4,930	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 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	\$ 109,000	\$ 118,000	\$ 116,074	\$ 1,926	
Fire Prevention Bureau					
Salaries and Wages	27,812	27,812	25,205	2,607	
Other Expenses	4,950	4,950	3,825	1,125	
STREETS AND ROADS					
Street and Road Maintenance					
Salaries and Wages	1,186,427	1,186,427	1,067,437	118,990	
Other Expenses	261,500	283,500	219,687	63,813	
Contractual - Garbage	1,230,500	1,230,500	1,228,300	2,200	
OTHER PUBLIC WORKS FUNCTIONS					
Recycling					
Other Expenses	26,250	26,250	23,588	2,662	
Buildings and Grounds					
Salaries and Wages	20,587	20,587	16,757	3,830	
Other Expenses	65,350	65,350	48,273	17,077	
Vehicle Maintenance					
Other Expenses	153,000	161,000	149,258	11,742	
MUNICIPAL COURT					
Salaries and Wages	146,394	144,394	118,597	25,797	
Other Expenses	6,915	8,915	7,152	1,763	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	11,013	11,013	10,675	338	
Other Expenses	6,500	6,500	6,459	41	
Environmental Commission					
Other Expenses	2,763	2,763	1,406	1,357	
Animal Control					
Salaries and Wages	77,449	77,449	52,007	25,442	
Senior Citizens and Handicapped Transportation					
Salaries and Wages	46,544	46,544	41,870	4,674	
Senior Citizens Programs					
Other Expenses	8,500	8,500	4,133	4,367	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 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	\$ 82,640	\$ 72,640	\$ 41,771	\$ 30,869	
Other Expenses	8,390	8,390	2,754	5,636	
Park Maintenance					
Salaries and Wages	20,588	20,588	19,053	1,535	
Other Expenses	80,500	80,500	70,602	9,898	
OTHER COMMON OPERATING FUNCTIONS					
CDBG Office					
Salaries and Wages	3,500	3,500	1,089	2,411	
Open Space Committee					
Salaries and Wages	1,013	1,013	169	844	
Celebration of Public Events					
Other Expenses	15,000	15,000	9,826	5,174	
Insurance					
General Liability Insurance	215,046	215,046	215,046	-	
Workers Compensation	236,607	236,607	232,583	4,024	
Employee Group Health	1,610,000	1,610,000	1,457,839	152,161	
State Unemployment Insurance	50,000	50,000	19,854	30,146	
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	176,881	176,881	166,762	10,119	
Other Expenses	6,400	6,400	1,957	4,443	
UTILITY EXPENSES & BULK PURCHASES					
Electricity	130,000	125,000	89,556	35,444	
Street Lighting	52,000	52,000	43,512	8,488	
Telephone	80,000	80,000	63,885	16,115	
Fuel Oil	90,000	90,000	82,776	7,224	
Gasoline	165,000	165,000	159,507	5,493	
State Mandated Landfill - Monitoring					
Other Expenses	10,000	10,000	2,230	7,770	
Solid Waste Disposal (flow control)					
Other Expenses	150,000	150,000	74,000	76,000	-
Total Operations Within "CAPS"	<u>11,660,316</u>	<u>11,660,316</u>	<u>10,397,065</u>	<u>1,263,251</u>	<u>-</u>
Detail					
Salaries and Wages	6,164,612	6,115,612	5,482,374	633,238	-
Other Expenses (Including Contingent)	<u>5,495,704</u>	<u>5,544,704</u>	<u>4,914,691</u>	<u>630,013</u>	<u>-</u>

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	2013 Appropriated		2013 Expended		
	<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.)	\$ 510,000	\$ 510,000	\$ 462,363	\$ 47,637	
Public Employee's Retirement System of NJ	354,353	354,353	354,353	-	
Police & Fireman's Retirement System of NJ	620,438	620,438	620,438	-	
Defined Contribution Retirement Program	5,500	5,500	1,481	4,019	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,490,291</u>	<u>1,490,291</u>	<u>1,438,635</u>	<u>51,656</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>13,150,607</u>	<u>13,150,607</u>	<u>11,835,700</u>	<u>1,314,907</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Contribution to LOSAP	100,000	100,000	-	100,000	-
Total Other Operations Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Interlocal Municipal Services Agreement					
Recreation					
Other Expenses	20,300	20,300	20,300		
Municipal Court					
Salaries and Wages	95,000	95,000	95,000	-	-
Total Interlocal Municipal Services Agreement	<u>115,300</u>	<u>115,300</u>	<u>115,300</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		31,736	31,736		
Municipal Alliance on Alcoholism and Drug Abuse					
County Share		19,701	19,701		
Drive Sober or Get Pulled Over Grant		8,800	8,800		
Safe and Secure Grant		60,000	60,000		
Police Body Armor Fund		3,240	3,240		
Bulletproof Vest Program		423	423		
Recycling Tonnage Grant	14,653	14,653	14,653		
Hudson Guild Farm Donation	15,000	15,000		15,000	
Atlantic Health Donation		500	479	21	
Alcohol Ed & Rehab - State Grant		633	633		
Highlands Council Grant	127,400	127,400	127,400		
USDA - Housing Grant (HUD)	50,000	50,000	50,000		
State Forestry Grant (Fire Radios/ Pagers)		4,636	4,636		
Crime Drug Enforcement Grant		3,100	3,100		
NJ Dept of Transportation Grant		200,000	200,000		
NJ DOT Enhancement Program		268,000	268,000		
Click It or Ticket	-	4,000	4,000	-	-
Total Public and Private Programs Offset by Revenues	<u>207,053</u>	<u>811,822</u>	<u>796,801</u>	<u>15,021</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>422,353</u>	<u>1,027,122</u>	<u>912,101</u>	<u>115,021</u>	<u>-</u>
Detail					
Salaries and Wages	-	-	-	-	-
Other Expenses	422,353	1,027,122	912,101	115,021	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>2013 Appropriated</u>		<u>2013 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	\$ 17,500	\$ 17,500	\$ 17,500	-	-
Total Capital Improvements Excluded from "CAPS"	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>	-	-
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	957,000	957,000	957,000		
Payment of Notes	104,700	104,700	104,700		
Interest on Bonds	238,600	238,600	238,568		\$ 32
Interest on Notes	15,800	15,800	15,705	-	95
Total Municipal Debt Service Excluded from "CAPS"	<u>1,316,100</u>	<u>1,316,100</u>	<u>1,315,973</u>	-	127
DEFERRED CHARGES					
Emergency Authorization	60,000	60,000	60,000	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,815,953</u>	<u>2,420,722</u>	<u>2,305,574</u>	<u>\$ 115,021</u>	<u>127</u>
Subtotal General Appropriations	14,966,560	15,571,329	14,141,274	1,429,928	127
Reserve for Uncollected Taxes	1,590,000	1,590,000	1,590,000	-	-
Total General Appropriations	<u>\$ 16,556,560</u>	<u>\$ 17,161,329</u>	<u>\$ 15,731,274</u>	<u>\$ 1,429,928</u>	<u>\$ 127</u>
Reference	A-2			A	

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Adopted Budget	A-2	\$ 16,556,560	
Added by N.J.S.A. 40A:4-87	A-2	<u>604,769</u>	
		<u>\$ 17,161,329</u>	
Cash Disbursed	A-4		\$ 13,050,234
Encumbrances Payable	A-14		234,718
Appropriated Reserves - Federal and State Grants Fund	A-22		796,322
Special Emergency Authorization	A-28		60,000
Reserve for Uncollected Taxes	A-2		<u>1,590,000</u>
			<u>\$ 15,731,274</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 8,508	\$ 24,947
		<u>8,508</u>	<u>24,947</u>
OTHER TRUST FUND			
Cash	B-3	1,003,702	1,021,955
Investments	B-3	260,233	278,292
Due from State of New Jersey	B-6	50,000	-
		<u>1,313,935</u>	<u>1,300,247</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-3	140,128	131,627
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	28,997	56,990
		<u>28,997</u>	<u>56,990</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Investments	B	962,394	775,788
Contribution Receivable	B	76,015	90,792
		<u>1,038,409</u>	<u>866,580</u>
Total Assets		<u>\$ 2,529,977</u>	<u>\$ 2,380,391</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-5	\$ 61	\$ 24
Reserve for Animal Control Expenditures	B-4	<u>8,447</u>	<u>24,923</u>
		<u>8,508</u>	<u>24,947</u>
OTHER TRUST FUND			
Due to Current Fund	B-11	728	448
Miscellaneous Reserves	B-7	1,226,481	1,211,916
Payroll Deductions Payable	B-9	<u>86,726</u>	<u>87,883</u>
		<u>1,313,935</u>	<u>1,300,247</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Claims	B-8	<u>140,128</u>	<u>131,627</u>
		<u>140,128</u>	<u>131,627</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-10	<u>28,997</u>	<u>56,990</u>
		<u>28,997</u>	<u>56,990</u>
LENGTH OF SERVICE AWARD PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP	B	<u>1,038,409</u>	<u>866,580</u>
		<u>1,038,409</u>	<u>866,580</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$ 2,529,977</u></u>	<u><u>\$ 2,380,391</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Reference</u>	<u>2013 Anticipated</u>	<u>2013 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-10	\$ 7,006	\$ 7,007	\$ 1
		<u>\$ 7,006</u>	<u>\$ 7,007</u>	<u>\$ 1</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 7,006	\$ 7,006	\$ -
		<u>\$ 7,006</u>	<u>\$ 7,006</u>	<u>\$ -</u>
	<u>Reference</u>		B-10	

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	C-2,C-3	\$ 1,446,252	\$ 1,484,782
Deferred Charges to Future Taxation			
Funded	C-4	7,500,000	8,457,000
Unfunded	C-5	<u>1,750,080</u>	<u>1,047,280</u>
 Total Assets		 <u>\$ 10,696,332</u>	 <u>\$ 10,989,062</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Improvement Authorizations			
Funded	C-6	\$ 426,118	\$ 595,788
Unfunded	C-6	706,650	305,920
Contracts Payable	C-11	200,070	381,958
General Serial Bonds	C-7	7,500,000	8,457,000
Bond Anticipation Notes	C-10	1,750,000	1,047,000
Capital Improvement Fund	C-9	390	25,390
Fund Balance	C-1	<u>113,104</u>	<u>176,006</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,696,332</u>	 <u>\$ 10,989,062</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$80 and \$280, respectively, (Exhibit C-12).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 176,006	\$ 164,457
Increased by:			
Premium on Sale of Bonds and Notes	C-2	<u>17,098</u>	<u>11,549</u>
		193,104	176,006
Decreased by:			
Appropriated to Fund Improvement Authorizations	C-6	<u>80,000</u>	<u>-</u>
Balance, December 31	C	<u>\$ 113,104</u>	<u>\$ 176,006</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - WATER UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 512,891	\$ 372,101
Change Fund	D-6	50	30
Due from Water Utility Capital Fund	D-9	<u>1,255</u>	<u>1,213</u>
		<u>514,196</u>	<u>373,344</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	D-8	<u>73,110</u>	<u>113,928</u>
		<u>73,110</u>	<u>113,928</u>
		<u>587,306</u>	<u>487,272</u>
CAPITAL FUND			
Cash	D-5	594,747	891,220
Grants Receivable	D-21	462,911	837,983
Fixed Capital	D-13	4,794,179	4,794,179
Fixed Capital Authorized and Uncompleted	D-16	<u>3,176,425</u>	<u>2,926,425</u>
		<u>9,028,262</u>	<u>9,449,807</u>
Total Assets		<u>\$ 9,615,568</u>	<u>\$ 9,937,079</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, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3,D-11	\$ 117,083	\$ 132,602
Encumbrances Payable	D-12	36,831	31,506
Accrued Interest on Bonds, Notes and Loans	D-10	<u>42,286</u>	<u>43,517</u>
		196,200	207,625
Reserve for Receivables		73,110	113,928
Fund Balance	D-1	<u>317,996</u>	<u>165,719</u>
		<u>587,306</u>	<u>487,272</u>
CAPITAL FUND			
FMHA Bonds Payable	D-19	605,765	651,481
Water Supply Loans Payable	D-22	82,283	143,953
NJ Environmental Infrastructure Trust Loans Payable	D-23	277,412	315,054
Bond Anticipation Notes	D-25	989,900	752,380
Serial Bonds Payable	D-26	2,200,000	2,270,000
Accrued Interest Payable	D-24	1,480	2,735
Reserve for Deferred Amortization	D-17	1,072,805	1,060,305
Reserve for Amortization	D-14	2,742,440	2,527,412
Improvement Authorizations			
Funded	D-18	210,064	425,025
Unfunded	D-18	602,326	560,899
Due to Water Utility Operating Fund	D-9	1,255	1,213
Contracts Payable	D-15	206,684	688,173
Capital Improvement Fund	D-20	308	308
Fund Balance	D-4	<u>35,540</u>	<u>50,869</u>
		<u>9,028,262</u>	<u>9,449,807</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 9,615,568</u>	<u>\$ 9,937,079</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$0 and \$20, respectively, (Exhibit D-27).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Surplus Utilized	D-2	\$ 85,120	\$ 81,446
Rents	D-2	845,437	841,187
Connection Fees	D-2	38,847	28,665
Water Capital Fund Balance	D-2	25,000	30,000
Miscellaneous - Non Budget Revenue	D-2	19,680	22,114
Other Credits to Income:			
Unexpended - Balance of Appropriation Reserves	D-11	<u>125,471</u>	<u>33,570</u>
 Total Income		 <u>1,139,555</u>	 <u>1,036,982</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operating	D-3	511,380	513,636
Capital	D-3	12,500	
Debt Service	D-3	337,178	326,214
Deferred Charges and Statutory Expenditures	D-3	<u>41,100</u>	<u>73,600</u>
 Total Expenditures		 <u>902,158</u>	 <u>913,450</u>
 Excess in Revenue		 237,397	 123,532
 Fund Balance, January 1	D	 <u>165,719</u>	 <u>123,633</u>
		403,116	247,165
Decreased by:			
Utilized as Revenue	D-1	<u>85,120</u>	<u>81,446</u>
 Fund Balance, December 31	D	 <u>\$ 317,996</u>	 <u>\$ 165,719</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, 2013**

	Reference	Anticipated	Realized	Excess or (Deficit)
Surplus Anticipated	D-1	\$ 85,120	\$ 85,120	
Rents	D-1,D-8	810,000	845,437	\$ 35,437
Connection Fees	D-1, D-5	-	38,847	38,847
Water Capital Fund Balance	D-1, D-5	25,000	25,000	
Miscellaneous	D-1	-	19,680	19,680
		<u>\$ 920,120</u>	<u>\$ 1,014,084</u>	<u>\$ 93,964</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	D-9	\$ 1		
Miscellaneous	D-5	<u>19,679</u>		
			<u>\$ 19,680</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 236,380	\$ 236,380	\$ 221,417	\$ 14,963	
Other Expenses	275,000	275,000	195,980	79,020	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	12,500	12,500	12,500		
DEBT SERVICE					
Payment on Loan Principal	145,030	145,030	145,028		\$ 2
Interest on Loans	46,810	46,810	42,876		3,934
Interest on Notes	25,310	25,310	11,286		14,024
Payment of Bond Principal	70,000	70,000	70,000		-
Interest on Bonds	67,990	67,990	67,988		2
STATUTORY EXPENDITURES					
Contribution to					
Public Employees Retirement System	18,000	18,000	18,000		
Social Security System (O.A.S.I.)	18,100	18,100		18,100	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 920,120</u>	<u>\$ 920,120</u>	<u>\$ 785,075</u>	<u>\$ 117,083</u>	<u>\$ 17,962</u>
	<u>Reference</u>	D-2	D-2	D	
Cash Disbursements	D-5		\$ 694,082		
Accrued Interest	D-10		54,162		
Encumbrances Payable	D-12		<u>36,831</u>		
			<u>\$ 785,075</u>		

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	D	\$ 50,869	\$ 72,570
Increased by:			
Premium on Sale of Bonds and Notes	D-5	<u>9,671</u>	<u>8,299</u>
		60,540	80,869
Decreased by:			
Revenue Anticipated in Water Operating Fund	D-2	<u>25,000</u>	<u>30,000</u>
Balance, December 31	D	<u>\$ 35,540</u>	<u>\$ 50,869</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, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
OPERATING FUND			
Cash	E-5	\$ 3,293,894	\$ 2,647,052
Change Fund	E-23	50	-
Due from Federal and State Grants Fund	E-8	<u>150,000</u>	<u>210,000</u>
		<u>3,443,944</u>	<u>2,857,052</u>
Receivables with Full Reserves			
Consumer Accounts Receivable	E-7	427,984	516,367
Sewer Liens Receivable	E-24	<u>5,033</u>	<u>-</u>
		<u>433,017</u>	<u>516,367</u>
		<u>3,876,961</u>	<u>3,373,419</u>
CAPITAL FUND			
Cash	E-5,E-6	597,567	467,959
Fixed Capital	E-12	60,677,184	56,777,184
Fixed Capital Authorized and Uncompleted	E-13	<u>159,000</u>	<u>3,974,000</u>
		<u>61,433,751</u>	<u>61,219,143</u>
Total Assets		<u>\$ 65,310,712</u>	<u>\$ 64,592,562</u>

BOROUGH OF HOPATCONG
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - SEWER UTILITY FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCES			
OPERATING FUND			
Liabilities			
Appropriation Reserves	E-3,E-9	\$ 358,037	\$ 200,439
Encumbrances Payable	E-11	48,531	37,816
Accrued Interest on Bonds, Notes and Loans	E-10	485,685	509,245
Prepaid Sewer Rents	E-18	<u>277,280</u>	<u>282,800</u>
		1,169,533	1,030,300
Reserve for Receivables		433,017	516,367
Fund Balance	E-1	<u>2,274,411</u>	<u>1,826,752</u>
		<u>3,876,961</u>	<u>3,373,419</u>
CAPITAL FUND			
Serial Bonds Payable	E-15	17,060,000	17,060,000
NJ Environmental Infrastructure Trust Loans Payable	E-16	9,336,785	10,285,449
Bond Anticipation Notes	E-22	11,931,100	12,092,620
Reserve for Amortization	E-14	22,503,980	20,935,101
Reserve for Deferred Amortization	E-19	4,250	378,000
Improvement Authorization			
Unfunded	E-21	42,207	60,599
Contracts Payable	E-20	33,587	2,100
Fund Balance	E-4	<u>521,842</u>	<u>405,274</u>
		<u>61,433,751</u>	<u>61,219,143</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 65,310,712</u>	<u>\$ 64,592,562</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 of \$55 and \$0, respectively, (Exhibit E-25).

BOROUGH OF HOPATCONG
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	E-2	\$ 409,659	\$ 409,531
Rents	E-2	4,331,265	4,169,191
Miscellaneous - Non Budget Revenue	E-2	172	1
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-9	<u>188,747</u>	<u>65,844</u>
 Total Income		 <u>4,929,843</u>	 <u>4,644,567</u>
EXPENDITURES			
Budget Appropriations			
Operating	E-3	1,651,680	1,651,991
Capital Improvements	E-3	4,250	
Debt Service	E-3	2,375,995	2,320,850
Deferred Charges and Statutory Expenditures	E-3	<u>40,600</u>	<u>37,100</u>
 Total Expenditures		 <u>4,072,525</u>	 <u>4,009,941</u>
 Excess in Revenue		 857,318	 634,626
 Fund Balance, January 1	E	 <u>1,826,752</u>	 <u>1,601,657</u>
		2,684,070	2,236,283
Decreased by:			
Utilized as Revenue	E-1	<u>409,659</u>	<u>409,531</u>
 Fund Balance, December 31	E	 <u>\$ 2,274,411</u>	 <u>\$ 1,826,752</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, 2013

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Surplus Utilized	E-1	\$ 409,659	\$ 409,659	
Rents	E-1, E-7	3,870,000	4,331,265	\$ 461,265
Miscellaneous	E-1, E-5	-	172	172
		<u>\$ 4,279,659</u>	<u>\$ 4,741,096</u>	<u>\$ 461,437</u>

Analysis of Miscellaneous Revenue

Interest Earned in Sewer Capital Fund	E-17	<u>\$ 172</u>		
	E-1		<u>\$ 172</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HOPATCONG
STATEMENT OF EXPENDITURES - REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Appropriated Budget	Budget After Modification	Expended		
			Paid or Charged	Reserved	Cancelled
OPERATING					
Salaries and Wages	\$ 230,380	\$ 230,380	\$ 218,244	\$ 12,136	
Other Expenses	1,421,300	1,421,300	1,097,999	323,301	
CAPITAL IMPROVEMENTS					
Capital Outlay	4,250	4,250	4,250		
DEBT SERVICE					
Payment of Loan Principal	948,670	948,670	948,664		\$ 6
Payment of Note Principal	242,215	242,215	242,215		
Interest on Bonds	749,830	749,830	749,822		8
Interest on Notes	330,690	330,690	168,456		162,234
Interest on Loans	311,710	311,710	266,838		44,872
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges to Future Taxation - Unfunded	14	14			14
Contribution to					
Public Employees Retirement System	18,000	18,000	18,000		
Social Security System (O.A.S.I.)	17,600	17,600	-	17,600	
Unemployment Compensation Insurance	5,000	5,000	-	5,000	-
	<u>\$ 4,279,659</u>	<u>\$ 4,279,659</u>	<u>\$ 3,714,488</u>	<u>\$ 358,037</u>	<u>\$ 207,134</u>
	<u>Reference</u>	<u>E-2</u>	<u>E-2</u>	<u>E</u>	
Cash Disbursements	E-5		\$ 2,480,841		
Accrued Interest	E-10		1,185,116		
Encumbrances Payable	E-11		<u>48,531</u>		
			<u>\$ 3,714,488</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, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	E	\$ 405,274	\$ 271,890
Increased by:			
Premium on Sale of Bonds and Notes	E-5	<u>116,568</u>	<u>133,384</u>
Balance, December 31	E	<u>\$ 521,842</u>	<u>\$ 405,274</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, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 13,063,319	\$ 11,611,019
Buildings and Building Improvements	8,880,599	8,868,949
Machinery and Equipment	<u>8,774,441</u>	<u>7,696,563</u>
	<u>\$ 30,718,359</u>	<u>\$ 28,176,531</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 30,718,359</u>	<u>\$ 28,176,531</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. 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.

C. Basis of Presentation – Financial Statements

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, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (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.

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

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

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

Length of Service 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.

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

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

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

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

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, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (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.

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.

D. Measurement Focus and Basis of Accounting

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:

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.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - 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/Receivables - 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).

Utility Revenues/Receivables - 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/Receivables - 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.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

Deferred Charges - Certain expenditures are required to be deferred to budgets of succeeding years. GAAP requires expenditures generally to be recognized when incurred, if measurable.

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.

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.

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.

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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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(s) represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility(s) 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, 2012 balances to conform to the December 31, 2013 presentation.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. 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 2013 and 2012 the Borough Council increased the original budget by \$604,769 and \$755,584. The increases were funded by additional aid allotted to the Borough and the increase for 2012 was also attributable to a special emergency resolution for \$300,000. In addition, the governing body approved (several) budget transfers during 2013 and 2012.

NOTE 3 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.

A. 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

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, 2013 and 2012, the book value of the Borough's deposits were \$14,328,323 and \$12,427,094 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,239,237 and \$12,715,406, 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>2013</u>	<u>2012</u>
Insured	\$ 16,235,755	\$ 12,711,925
Uninsured and uncollateralized	<u>3,482</u>	<u>3,481</u>
	<u>\$ 16,239,237</u>	<u>\$ 12,715,406</u>

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, 2013 and 2012, the Borough's bank balances of \$3,482 and \$3,481 were exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Uninsured and uncollateralized	<u>\$ 3,482</u>	<u>\$ 3,481</u>
	<u>\$ 3,482</u>	<u>\$ 3,481</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. 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, 2013 and 2012, the Borough had the following investments:

	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<u>2013</u>		
Investment:		
U.S. Government Securities		
Blackrock Liquidity Funds - Money Market		\$ 185,233
Blackrock Funds - Fixed Income		75,000
Length of Service Award Program (Unaudited)	\$ 962,394	-
	<u>\$ 962,394</u>	<u>\$ 260,233</u>
	<u>Fair Value</u> (LOSAP Only)	<u>Book Value</u>
<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, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2013 and 2012, \$1,222,627 and \$1,054,080 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2013</u>		
Uninsured and Uncollateralized	\$ 962,394	\$ 260,233
	<u> </u>	<u> </u>
	<u>Fair Value</u>	<u>Book Value</u>
<u>2012</u>		
Uninsured and Uncollateralized	\$ 775,788	\$ 278,292
	<u> </u>	<u> </u>

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, 2013 and 2012, 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.

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2013 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u> <u>Sewer</u>	<u>Total</u>
<u>2013</u>				
Property Taxes	\$ 978,233			\$ 978,233
Tax Title Liens	218,714			218,714
Utility Rents		\$ 73,110	\$ 427,984	501,094
Utility Liens	-	-	5,033	5,033
	<u>\$ 1,196,947</u>	<u>\$ 73,110</u>	<u>\$ 433,017</u>	<u>\$ 1,703,074</u>

In 2013, the Borough collected \$1,119,507 and \$630,295 from delinquent taxes and utility rents, which represented 86% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2012.

Receivables at December 31, 2012 consisted of the following:

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2013</u>		<u>2012</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 728		\$ 448	
Grants Fund		\$ 150,000		\$ 210,000
Other Trust Fund		728		448
Water Operating Fund	1,255		1,213	
Water Capital Fund		1,255		1,213
Sewer Operating Fund	<u>150,000</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Total	<u>\$ 151,983</u>	<u>\$ 151,983</u>	<u>\$ 211,661</u>	<u>\$ 211,661</u>

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

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

NOTE 6 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 <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	<u>Balance</u>
<u>2013</u>			
Current Fund			
Special Emergency Authorization	<u>\$ 240,000</u>	<u>\$ 60,000</u>	<u>\$ 180,000</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorization	<u>\$ 300,000</u>	<u>\$ 60,000</u>	<u>\$ 240,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,987,825	\$ 1,425,000	\$ 2,290,309	\$ 1,300,000
Non-Cash Surplus	<u>240,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
	<u>\$ 3,227,825</u>	<u>\$ 1,425,000</u>	<u>\$ 2,590,309</u>	<u>\$ 1,300,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 316,741	\$ 116,814	\$ 164,506	\$ 85,120
Non-Cash Surplus	<u>1,255</u>	<u>-</u>	<u>1,213</u>	<u>-</u>
	<u>\$ 317,996</u>	<u>\$ 116,814</u>	<u>\$ 165,719</u>	<u>\$ 85,120</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 2,124,411	\$ 439,404	\$ 1,616,752	\$ 409,659
Non-Cash Surplus	<u>150,000</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
	<u>\$ 2,274,411</u>	<u>\$ 439,404</u>	<u>\$ 1,826,752</u>	<u>\$ 409,659</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Land and Land Improvements	\$ 11,611,019	\$ 1,493,300	\$ 41,000	\$ 13,063,319
Buildings and Building Improvements	8,868,949	11,650	-	8,880,599
Machinery and Equipment	<u>7,696,563</u>	<u>1,318,653</u>	<u>240,775</u>	<u>8,774,441</u>
	<u>\$ 28,176,531</u>	<u>\$ 2,823,603</u>	<u>\$ 281,775</u>	<u>\$ 30,718,359</u>
	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>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2013 and 2012.

<u>Water Utility Fund</u>	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 4,794,179	\$ -	\$ -	\$ 4,794,179
	<u> </u>	<u> </u>	<u> </u>	<u> </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	\$ 2,759,856	\$ 2,034,323	\$ -	\$ 4,794,179
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Fixed Capital				
System and System Improvements/ Buildings/Equipment	\$ 56,777,184	\$ 3,900,000	\$ -	\$ 60,677,184
	<u> </u>	<u> </u>	<u> </u>	<u> </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>	<u> </u>	<u> </u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 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>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,250,000	\$ 9,504,000
Water Utility		
Bonds and Notes	4,155,360	4,132,868
Sewer Utility		
Bond, Notes and Loans	<u>38,327,885</u>	<u>39,438,069</u>
Net Debt Issued	51,733,245	53,074,937
Authorized But Not Issued		
General		
Bonds and Notes	80	280
Water Utility		
Bonds and Notes		20
Sewer Utility		
Bonds and Notes	<u>55</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 51,733,380</u>	<u>\$ 53,075,237</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 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 .54% and .53% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 9,250,080		\$ 9,250,080
School Debt			
Utility Debt	<u>42,483,300</u>	<u>\$ 42,483,300</u>	<u>-</u>
Total	<u>\$ 51,733,380</u>	<u>\$ 42,483,300</u>	<u>\$ 9,250,080</u>

	<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>

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>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 59,820,179	\$ 62,179,023
Net Debt	<u>9,250,800</u>	<u>9,504,280</u>
Remaining Borrowing Power	<u>\$ 50,569,379</u>	<u>\$ 52,674,743</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. 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>2013</u>	<u>2012</u>
\$2,210,000, 2003 General Bonds, due August 1, 2013		\$ 227,000
\$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 4.10%	\$ 2,390,000	2,795,000
\$5,760,000, 2011 General Bonds, due in annual installments of \$590,000 to \$650,000 through September 1, 2021, interest at 2.00% to 2.50%	<u>5,110,000</u>	<u>5,435,000</u>
	<u>\$ 7,500,000</u>	<u>\$ 8,457,000</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>2013</u>	<u>2012</u>
Water Utility		
\$2,335,000, 2011 Water Improvement Bonds, due in annual installments of \$75,000 to \$130,000 through September 1, 2031, interest at 2.00% to 4.00%	\$ 2,200,000	\$ 2,270,000
	<u>\$ 2,200,000</u>	<u>\$ 2,270,000</u>
	<u>2013</u>	<u>2012</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%	\$ 17,060,000	\$ 17,060,000
	<u>\$ 17,060,000</u>	<u>\$ 17,060,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. 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>2013</u>	<u>2012</u>
\$1,316,000 FMHA Loans Payable due in semi-annual installments of \$23,719 to \$37,790 through August 16, 2023, interest at 5.00%	\$ 605,765	\$ 651,481
\$461,969 Water Supply Loans Payable due in semi-annual installments of \$20,851 to \$21,217 through December 26, 2014, interest at 3.50%	42,068	82,702
\$261,966 Water Supply Loans Payable due in semi-annual installments of \$10,775 to \$11,309 through July 30, 2015, interest at 3.25%	40,215	61,251
\$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%	160,000	180,000
\$335,000, 2000 Fund Loan, due in annual installments of \$395 to \$16,633 through August 1, 2020,	117,412	135,054
Total Water Utility Loans	\$ 965,460	\$ 1,110,488

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Intergovernmental Loans Payable (Continued)

Sewer Utility

	<u>2013</u>	<u>2012</u>
\$2,840,000, 2001 Trust Loan, due in annual installments of \$170,000 to \$240,000 through August 1, 2021, interest at 4.75% to 5.5%	\$ 1,640,000	\$ 1,805,000
\$2,650,000, 2001 Fund Loan, due in semi-annual installments of \$3,576 to \$154,126 through August 1, 2021	1,267,865	1,427,762
\$5,720,000, 2002 Trust Loan, due in annual installments of \$325,000 to \$485,000 through August 1, 2022, interest at 4.75% to 5.5%	3,605,000	3,915,000
\$5,250,000, 2002 Fund Loan, due in semi-annual installments of \$7,141 to \$307,812 through August 1, 2022	<u>2,823,920</u>	<u>3,137,687</u>
Total Environmental Infrastructure Loans	<u>\$ 9,336,785</u>	<u>\$ 10,285,449</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 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	
2014	\$ 995,000	\$ 203,873	\$ 219,916	\$ 107,453	\$ 730,159	\$ 1,008,343	\$ 3,264,744
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	1,045,000	89,273	220,945	82,433	1,358,506	1,106,292	3,902,449
2019-2023	2,335,000	107,598	1,072,509	303,954	6,230,727	4,635,373	14,685,161
2024-2028	-	-	650,000	134,420	6,360,000	2,759,355	9,903,775
2029-2033	-	-	390,000	26,780	8,480,000	1,229,400	10,126,180
Total	<u>\$ 7,500,000</u>	<u>\$ 842,163</u>	<u>\$ 3,165,460</u>	<u>\$ 939,481</u>	<u>\$ 26,396,785</u>	<u>\$ 13,832,620</u>	<u>\$ 52,676,509</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, 2012	Additions	Reductions	Balance, December 31, 2013	Due Within One Year
<u>2013</u>					
General Capital Fund					
Bonds Payable	\$ 8,457,000	-	\$ 957,000	\$ 7,500,000	\$ 995,000
General Capital Fund Long-Term Liabilities	<u>\$ 8,457,000</u>	<u>\$ -</u>	<u>\$ 957,000</u>	<u>\$ 7,500,000</u>	<u>\$ 995,000</u>
Water Utility Capital Fund					
Bonds Payable	\$ 2,270,000		\$ 70,000	\$ 2,200,000	\$ 75,000
Loans Payable					
FMHA	651,481		45,716	605,765	48,031
Water Supply	143,953		61,670	82,283	63,794
Wastewater Loans	<u>315,054</u>	<u>-</u>	<u>37,642</u>	<u>277,412</u>	<u>37,040</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,380,488</u>	<u>\$ -</u>	<u>\$ 215,028</u>	<u>\$ 3,165,460</u>	<u>\$ 223,865</u>
Sewer Utility Capital Fund					
Bonds Payable	\$ 17,060,000			\$ 17,060,000	
Intergovernmental Loans					
Wastewater Loans	<u>10,285,449</u>	<u>-</u>	<u>\$ 948,664</u>	<u>9,336,785</u>	<u>\$ 965,317</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 27,345,449</u>	<u>\$ -</u>	<u>\$ 948,664</u>	<u>\$ 26,396,785</u>	<u>\$ 965,317</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	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>\$ 948,664</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>\$ 948,664</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, <u>2012</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2013</u>
<u>2013</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Various Improvements	1.50%	8/2/2013	\$ 1,047,000		\$ 1,047,000	
Various Improvements	1.25%	8/1/2014	<u>-</u>	<u>\$ 1,750,000</u>	<u>-</u>	<u>\$ 1,750,000</u>
			<u>1,047,000</u>	<u>1,750,000</u>	<u>1,047,000</u>	<u>1,750,000</u>
<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	-
Improvements to Water Supply and Distribution System	1.25%	8/1/2014		693,500		693,500
Various Water Utility Improvements	1.50%	8/2/2013	58,880	-	58,880	-
Various Water Utility Improvements	1.25%	8/1/2014	<u>-</u>	<u>296,400</u>	<u>-</u>	<u>296,400</u>
			<u>752,380</u>	<u>989,900</u>	<u>752,380</u>	<u>989,900</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2012	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2013
<u>2013</u>						
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Acquisition of a New Truck for Use by the Sewer Utility	1.50%	8/2/2013	\$ 12,000		\$ 12,000	
Improvement of the Sanitary Sewerage System - Phase I & II	1.50%	8/2/2013	8,416,405		8,416,405	
	1.25%	8/1/2014		\$ 8,302,405		\$ 8,302,405
Various Improvements	1.50%	8/2/2013	49,215		49,215	
Improvement of the Sanitary Sewerage System - Phase I & II	1.50%	8/2/2013	3,522,000		3,522,000	
	1.25%	8/1/2014		3,474,000		3,474,000
Construction of Sewer Maintenance Storage Facility	1.50%	8/2/2013	19,000		19,000	
Sewer Utility Truck Body Replacemen	1.50%	8/2/2013	14,000		14,000	
	1.25%	8/1/2014		14,000		14,000
Various Improvements	1.50%	8/2/2013	60,000		60,000	
Various Improvements	1.25%	8/1/2014		60,000		60,000
Various Improvements	1.25%	8/1/2014	-	80,695	-	80,695
			<u>12,092,620</u>	<u>11,931,100</u>	<u>12,092,620</u>	<u>11,931,100</u>
Total Bond Anticipation Notes Payable			<u>\$ 13,892,000</u>	<u>\$ 14,671,000</u>	<u>\$ 13,892,000</u>	<u>\$ 14,671,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	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
			<u>1,047,000</u>	<u>-</u>	<u>-</u>	<u>1,047,000</u>
<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	<u>58,880</u>	<u>-</u>	<u>-</u>	<u>58,880</u>
			<u>750,380</u>	<u>-</u>	<u>-</u>	<u>752,380</u>
<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	
	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	
	1.50%	8/2/2013	8,416,405	-	-	8,416,405
Various Improvements	1.25%	8/3/2012			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	
	1.50%	8/2/2013	3,522,000	-	-	3,522,000
Construction of Sewer Maintenance Storage Facility	1.25%	8/3/2012			20,000	
	1.50%	8/2/2013	19,000	-	-	19,000
Sewer Utility Truck Body Replacement	1.25%	8/3/2012			14,000	
	1.50%	8/2/2013	14,000	-	-	14,000
Various Improvements	1.50%	8/2/2013	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
			<u>12,092,620</u>	<u>-</u>	<u>12,238,000</u>	<u>12,092,620</u>
Total Bond Anticipation Notes Payable			\$ <u>13,890,000</u>	\$ <u>-</u>	\$ <u>12,238,000</u>	\$ <u>13,892,000</u>

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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.

NOTE 10 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>2013</u>		
Tree Removal/Pruning/Grinding	\$12,600	2014
Elba Point Infrastructure Improvements – Water Main Replacement	163,891	2014
Dupont Ave. Improvements	40,770	2014
Dupont Ave. Drainage Improvements	94,219	2014
<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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. 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 \$1,837,165 and \$1,702,819 at December 31, 2013 and 2012, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2013 and 2012, the Borough has reserved in the Other Trust Fund \$193,399 and \$163,399 respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

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 pay off 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, 2013 and 2012 is \$454,844 and \$475,806, respectively.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

The Borough's other long-term liabilities for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Deferred Pension Obligation	\$ 475,806	\$ 35,865	\$ 56,827	\$ 454,844	\$ 58,403
Other Long-Term Liabilities	<u>\$ 475,806</u>	<u>\$ 35,865</u>	<u>\$ 56,827</u>	<u>\$ 454,844</u>	<u>\$ 58,403</u>
	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>					
Deferred Pension Obligation	\$ 491,558	\$ 38,976	\$ 54,728	\$ 475,806	56,827
Other Long-Term Liabilities	<u>\$ 491,558</u>	<u>\$ 38,976</u>	<u>\$ 54,728</u>	<u>\$ 475,806</u>	<u>\$ 56,827</u>

NOTE 12 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.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

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.

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 and or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2013, the PERS member contribution rate was 6.64%. 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. The financial report 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, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

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% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

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

**BOROUGH OF HOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation 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>
2013	\$ 620,438	\$ 390,353	\$ 1,481
2012	571,705	406,909	1,611
2011	674,452	431,191	939

NOTE 13 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 2013, the Borough contributed \$10,000 for current premiums. The Borough has not had an actuarial valuation to date.

NOTE 14 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, 2013 AND 2012**

NOTE 14 RISK MANAGEMENT (Continued)

The Borough of Hopatcong is a member of the Morris County Municipal Joint Insurance Fund. The joint insurance fund is both 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 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>
2013	\$ 8,501		\$ 140,128
2012	8,628		131,627
2011	78,192	\$ 24,572	122,999

NOTE 15 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, 2013 AND 2012**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. 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, 2013 and 2012, the Borough reserved \$200,000 and \$200,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2013 and 2012, 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 16 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, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 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, 2013 AND 2012**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Hopatcong has contributed \$1,150 and \$1,150 for 2013 and 2012, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,150 for 2013 and 2012, 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.

NOTE 18 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, 2013 and 2012, the Borough has set aside \$260,233 and \$278,292 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, 2013 AND 2012**

NOTE 19 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 cleanup 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, 2013. As of December 31, 2013, the Borough has received \$113,962 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

NOTE 20 SUBSEQUENT EVENTS

Debt Authorized

Through April, 2014, the Borough adopted a Serial Bond Ordinance authorizing the issuance of \$571,850 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

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

	Regular Fund	Federal and State Grants Fund
Balance, December 31, 2012	\$ 5,324,939	\$ 3,272
Increased by Receipts:		
Taxes Receivable	\$ 42,941,989	
Non-Budget Revenue	249,221	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	160,910	
Tax Title Liens	14,238	
Prepaid Taxes	699,939	
Grants Receivable		\$ 580,506
Revenue Accounts Receivable	2,016,378	
Tax Overpayments	7,198	
Unappropriated Grant Reserves		24,348
Miscellaneous Reserves	1,716,038	
Unappropriated Reserves	26,381	
Due to State - Marriage License Fees	1,725	
Due to State - Training Fees	14,138	
Receipts from General Capital Fund	<u>1</u>	<u>-</u>
	<u>47,848,156</u>	<u>604,854</u>
	53,173,095	608,126
Decreased by Disbursements:		
2013 Budget Appropriations	13,050,234	
2012 Appropriation Reserves	1,251,032	
Change Fund Advance	80	
County Taxes Payable	7,634,034	
Local School Taxes Payable	23,299,272	
Municipal Open Space Taxes Payable	7,007	
Appropriated Grant Reserves		489,277
Miscellaneous Reserves	1,269,073	
Tax Overpayments Refunded	4,162	
Appropriated Reserves - Hudson Guild Farms	-	
Due to State - Marriage License Fees	1,550	
Due to State - Training Fees	13,983	
Amount Due from Other Trust Funds	280	
Amount Paid to Sewer Operating Fund	<u>-</u>	<u>-</u>
	<u>46,530,707</u>	<u>60,000</u>
	46,530,707	549,277
Balance, December 31, 2013	<u>\$ 6,642,388</u>	<u>\$ 58,849</u>

**BOROUGH OF HOPATCONG
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, December 31, <u>2012</u>	Advanced in <u>2013</u>	Balance, December 31, <u>2013</u>
Tax Collector	\$ <u>220</u>	\$ <u>80</u>	\$ <u>300</u>

EXHIBIT A-6

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

Balance, December 31, 2012		\$ 22,508
Increased by:		
Received in Cash from State	\$ 160,910	
Senior Citizens' Deductions Disallowed by Tax Collector - Prior Year	5,064	
Veterans' Deductions Disallowed Per Tax Collector	1,250	
Senior Citizens' Deductions Disallowed by Tax Collector	<u>2,151</u>	
		<u>169,375</u>
		191,883
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	33,000	
Senior Citizens' Deductions Allowed Per Tax Collector	500	
Veterans' Deductions Per Tax Billings	146,750	
Veterans' Deductions Allowed Per Tax Collector	<u>750</u>	
		<u>181,000</u>
Balance, December 31, 2013		<u>\$ 10,883</u>

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

Year	Balance,	2013	Added	Senior	Collected In		Senior	Cancelled	Transfer to	Balance,
	December 31, 2012			Levy	Taxes	Citizens' and Veterans' Deductions Disallowed	2012			
2007	\$ 938		-			\$ 938				
2008	1,650		-			1,650				
2009	950					700				\$ 250
2010	1,500					1,250				250
2011	2,041					2,041				-
2012	1,109,467	-	\$ 5,064	-	-	1,098,690	-	\$ 151	\$ 6,724	8,966
	1,116,546	-	5,064	-	-	1,105,269	-	151	6,724	9,466
2013	-	\$ 43,340,217	-	\$ 3,401	\$ 279,954	41,836,720	\$ 181,000	36,771	40,406	968,767
	\$ 1,116,546	\$ 43,340,217	\$ 5,064	\$ 3,401	\$ 279,954	\$ 42,941,989	\$ 181,000	\$ 36,922	\$ 47,130	\$ 978,233

Analysis of 2013 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 43,338,059
Added Taxes (54:4-63.1 et seq.)	2,158
	<u>\$ 43,340,217</u>

TAX LEVY

Local School Tax	\$ 23,299,272
County Taxes	
County Tax	\$ 6,936,411
County Library	463,900
County Health	194,555
County Open Space Preservation	34,688
Due County for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>381</u>
	7,629,935
Local Tax for Municipal Purposes	12,400,345
Municipal Open Space Preservation	7,007
Add Additional Tax Levied	<u>3,658</u>
	<u>12,411,010</u>
	<u>\$ 43,340,217</u>

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

Balance, December 31, 2012		\$ 180,639
Increased by:		
Transferred from Taxes Receivable	\$ 47,130	
Added Tax Title Liens	3,190	
Interest and Costs at Tax Sale	<u>1,993</u>	
		<u>52,313</u>
		232,952
Decreased by:		
Receipts		<u>14,238</u>
Balance, December 31, 2013		<u><u>\$ 218,714</u></u>

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

Balance, December 31, 2012		\$ <u>5,104,300</u>
Balance, December 31, 2013		<u><u>\$ 5,104,300</u></u>

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

	Balance December <u>31, 2012</u>	Revenue <u>Realized</u>	<u>Decreased</u>	Balance December <u>31, 2013</u>
Municipal Alliance on Alcoholism & Drug Abuse - 2011	\$ 119			\$ 119
Municipal Alliance on Alcoholism & Drug Abuse - 2012	11,934		\$ 7,732	4,202
Municipal Alliance on Alcoholism & Drug Abuse - 2013		\$ 19,701	5,714	13,987
Clean Communities		31,736	31,736	-
Body Armor Fund		3,240	3,240	-
Bulletproof Partnership		423	423	-
Click it or Ticket		4,000	4,000	-
Organized Crime Drug Enforcement		3,100		3,100
Alcohol Education and Rehabilitation Grant		633	633	-
Safe and Secure Communities Program	15,000	60,000	60,000	15,000
Safety Forestry Grant		4,636	4,636	-
NJ Highlands Council:				
Plan Conformance	35,593	127,400	9,769	153,224
TDR Feasibility	12,500			12,500
NJ Department of Transportation Trust Fund Authority Act - Road Paving	250,000	200,000	250,000	200,000
NJ Department of Transportation Trust Fund Authority Act - Enhancement	49,872	268,000		317,872
DCA Small Cities Grant (Senior Ctr.)	146,300		143,823	2,477
Drive Sober or Get Pulled Over Grant	4,400	8,800	8,800	4,400
USDA Housing Grant	-	50,000	50,000	-
	<u>\$ 525,718</u>	<u>\$ 781,669</u>	<u>\$ 580,506</u>	<u>\$ 726,881</u>
		Cash Receipts	<u>\$ 580,506</u>	

BOROUGH OF HOPATCONG
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2012</u>	Accrued in <u>2013</u>	Collected by <u>Treasurer</u>	Balance, December 31, <u>2013</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 23,126	\$ 23,126	
Fees and Permits		37,674	37,674	
Tax Searches				
Fees and Permits		60	60	
Police Department				
Fees and Permits		2,326	2,326	
Planning/Zoning				
Fees and Permits		6,825	6,825	
DPW - Bulk Stickers				
Fees and Permits		16,110	16,110	
DPW - Tires				
Fees and Permits		339	339	
Construction Code Official				
Fees and Permits		231,719	231,719	
Board of Health				
Fees and Permits		16,811	16,811	
Municipal Court				
Fines and Costs	\$ 11,214	157,588	155,683	\$ 13,119
Interest and Cost on Taxes	15,339	243,476	239,944	18,871
Energy Receipts Tax		793,078	793,078	
Interest on Investments and Deposits		36,225	36,225	
Consolidated Municipal Property Tax Relief Act		160,192	160,192	
Interlocal Agreement - Municipal Court		96,400	96,400	
Interlocal Agreement - Nutrition Site		22,700	22,700	
Cell Tower Rental		77,022	77,022	
Hudson Farm Donation		15,000	15,000	
Atlantic Health DWI Donation		500	500	
Cable TV Franchise Fees		58,764	58,764	
Life Hazard Use Fees		11,130	11,130	
Fire Prevention Fees	-	14,750	14,750	-
	<u>\$ 26,553</u>	<u>\$ 2,021,815</u>	<u>\$ 2,016,378</u>	<u>\$ 31,990</u>

BOROUGH OF HOPATCONG
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance December 31, 2012	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Salaries and Wages				
Mayor and Council	\$ 648	\$ 648	\$ 643	\$ 5
Administrative and Executive	10,699	10,699	9,630	1,069
Borough Clerk	4,950	4,950	3,879	1,071
Financial Administration	6,922	6,922	4,702	2,220
Assessment of Taxes	5,975	5,975	5,834	141
Collection of Taxes	7,555	7,555	6,518	1,037
Land Use Board	10,260	10,260	2,723	7,537
Construction	7,938	7,938	7,187	751
Police	177,831	177,831	155,136	22,695
Emergency Dispatch	53,158	35,158	18,924	16,234
Emergency Management	2,000	2,000	-	2,000
Fire Prevention	1,758	1,758	964	794
Streets and Roads Maintenance	101,723	101,723	92,448	9,275
Municipal Court	18,041	18,041	8,501	9,540
Animal Control	19,185	19,185	3,620	15,565
Board of Health	328	328	82	246
Environmental Health Services	902	902	-	902
Senior Citizens and Handicapped Transportation	3,455	3,455	1,835	1,620
Open Space Committee	820	820	-	820
Recreation Commission	18,181	18,181	1,518	16,663
Park Maintenance	11,134	11,134	595	10,539
Other Expenses				
Mayor and Council	2,640	2,640	494	2,146
Administrative and Executive	32,446	32,446	3,715	28,731
Borough Clerk	6,988	6,988	1,379	5,609
Data Processing	14,794	14,794	2,553	12,241
Financial Administration				
Miscellaneous	24,735	24,735	4046	20,689
Audit Services	20,800	20,800	20,800	-
Assessment of Taxes	241,541	241,541	210,413	31,128
Collection of Taxes	4,380	4,380	2,573	1,807
Land Use Board	12,804	12,804	12,601	203
Legal Services	26,421	26,421	20,210	6,211
Engineering Services and Costs	10,818	10,818	10,270	548
Economic Development	10,000	10,000	-	10,000
Construction	4,460	4,460	2,006	2,454
Environmental Commission				
Aid to Volunteer Fire Companies	3,064	11,064	9,199	1,865
Police	16,241	16,241	11,617	4,624
Emergency Dispatch	8,036	8,036	1,422	6,614
Emergency Management	257	257	198	59
Fire Prevention	935	935	-	935
Municipal Prosecutor	24,788	24,788	19,212	5,576
Street and Road Maintenance	147,975	147,975	98,147	49,828
Contractual - Garbage	103,556	103,556	101,711	1,845
Recycling	20,170	20,170	13,635	6,535
Buildings and Grounds	22,778	22,778	3,098	19,680
Vehicle Maintenance	36,209	36,209	11,114	25,095
Municipal Court	1,368	1,368	906	462
Board of Health	929	929	725	204
Environmental Health Services	767	767	-	767
Park Maintenance	22,773	22,773	3,876	18,897
Senior Citizens Programs	5,130	5,130	2,798	2,332
Celebration of Public Events	2,030	2,030	1,408	622

**BOROUGH OF HOPATCONG
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance December 31, 2012	Budget After Transfer on Modification	Paid or Charged	Balance Lapsed
Other Expenses (Cont.)				
Recreation Commission	\$ 6,737	\$ 6,737	\$ 452	\$ 6,285
Utilities:				
Electricity	38,736	38,736	1,549	37,187
Street Lighting	7,526	7,526	-	7,526
Telephone	405	405	-	405
Fuel Oil	12,809	17,809	17,241	568
Gasoline	15,779	20,779	12,376	8,403
Social Security System (O.A.S.I.)	40,534	40,534	18,750	21,784
Atlantic Health DWI Donation				-
State Unemployment Insurance	26,751	26,751	6,433	20,318
Public Employee's Retirement System of NJ	215	215	-	215
Defined Contribution Retirement Program	1,949	1,949	77	1,872
Insurance				
General Liability	63	63	-	63
Workers Compensation	140	140	-	140
Employee Group Health	122,267	122,267	-	122,267
Solid Waste Disposal - Contract Services	81,812	81,812	14,805	67,007
State Mandated Landfill - Monitoring	7,525	7,525	-	7,525
County Mandated Flow Control Fees	10,000	10,000	-	10,000
PSE&G Donation	326,110	326,110	326,110	-
LOSAP	100,000	100,000	84,353	15,647
	<u>\$ 2,092,654</u>	<u>\$ 2,092,654</u>	<u>\$ 1,377,011</u>	<u>\$ 715,643</u>

Appropriation Reserves \$ 1,549,020
Prior Year Reserve for Encumbrances 543,634

\$ 2,092,654

Cash Disbursement \$ 1,251,032
Transferred to Appropriated Reserves 78,779
Accounts Payable 47,200

\$ 1,377,011

EXHIBIT A-13

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

Balance December 31, 2012	\$ 185
Increased by:	
Charges to Grant Appropriated Reserves	<u>47,207</u>
	47,392
Decreased by:	
Restored to Grant Appropriated Reserves	<u>185</u>
Balance December 31, 2013	<u>\$ 47,207</u>

**BOROUGH OF HOPATCONG
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012	\$ 543,634
Increased by:	
Charges to 2013 Appropriations	<u>234,718</u>
	778,352
Decreased by:	
Cancelled and Restored to Appropriation Reserves	<u>543,634</u>
Balance, December 31, 2013	<u>\$ 234,718</u>

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

Balance, December 31, 2012	\$ 279,954
Increased by:	
2014 Prepaid Taxes	<u>699,939</u>
	979,893
Decreased by:	
Application to 2013 Taxes	<u>279,954</u>
Balance, December 31, 2013	<u>\$ 699,939</u>

EXHIBIT A-16

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2012	\$ 4,162
Increased by:	
Overpayments	<u>7,198</u>
	11,360
Decreased by:	
Refunds	<u>4,162</u>
Balance, December 31, 2013	<u>\$ 7,198</u>

**BOROUGH OF HOPATCONG
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2012</u>	Transferred from 2013 Tax <u>Collections</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	Balance, December 31, <u>2013</u>
Tax Sale Premiums	\$ 337,100		\$ 857,600	\$ 354,300	\$ 840,400
Sale of Municipal Assets	19,100		7,600		26,700
Pending Tax Appeals	200,000	\$ 41,069		41,069	200,000
Third Party Tax Title Liens	52,005		845,725	867,374	30,356
Third Party Tax Title Lien Attorney Fees	1,257		5,113	6,330	40
PSE&G Settlement	15,058				15,058
Unidentified Receipts	<u>1,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022</u>
	<u>\$ 625,542</u>	<u>\$ 41,069</u>	<u>\$ 1,716,038</u>	<u>\$ 1,269,073</u>	<u>\$ 1,113,576</u>

EXHIBIT A-18

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2012	\$ 4,480
Increased by:	
2013 Levy	
County Tax	\$ 6,936,411
County Library	463,900
County Health	194,555
County Open Space Preservation	34,688
County Tax for Added Taxes (54:4-63.1)	<u>381</u>
	<u>7,629,935</u>
	7,634,415
Decreased by:	
Payments	<u>7,634,034</u>
Balance, December 31, 2013	<u>\$ 381</u>

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

Increased by:		
2013 Levy	\$	<u>23,299,272</u>
Decreased by:		
Payments	\$	<u>23,299,272</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE

Increased by:			
2013 Levy			
Municipal Open Space Preservation	\$	7,006	
Municipal Open Space Preservation - Added Taxes		<u>1</u>	
			<u>7,007</u>
			7,007
Decreased by:			
Payments to Open Space Trust Fund			<u>7,007</u>
Balance, December 31, 2013	\$		<u><u>-</u></u>

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

	Balance December 31, 2012	Received	Realized in 2013	Balance December 31, 2013
Recycling Tonnage Grant	\$ 14,653	\$ 16,190	\$ 14,653	\$ 16,190
Drunk Driving Enforcement Fund	-	8,158	-	8,158
	<u>\$ 14,653</u>	<u>\$ 24,348</u>	<u>\$ 14,653</u>	<u>\$ 24,348</u>

EXHIBIT A-22

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

	Balance December 31, 2012	Transfer from 2013 Budget	Prior Year Encumbrances Cancelled	Cancelled	Paid or Charged	Balance December 31, 2013
Clean Communities Program - 2011			\$ 30			\$ 30
Clean Communities Program - 2012	\$ 8,603				\$ 8,603	-
Clean Communities Grant - 2013		\$ 31,736			3,962	27,774
Recycling Tonnage Grant	30,457	14,653			3,779	41,331
Alcohol Education and Rehabilitation	1,194	633				1,827
Municipal Alliance -2011	119					119
Municipal Alliance -2012	5,484				1,282	4,202
Municipal Alliance - Year 2013		19,701			6,419	13,282
Safe and Secure Communities		60,000			60,000	-
DCA Small Cities Grant (Senior Ctr)	146,300				143,823	2,477
NJ Highlands Council:						
Plan Conformance	28,115	127,400			43,304	112,211
TDR Feasibility	8,067					8,067
Drunk Driving Enforcement Fund	14,591		155		6,593	8,153
Body Armor Replacement Fund	9,820	3,240			2,506	10,554
Drive Sober or Get Pulled Over Grant	2,400	8,800			7,060	4,140
NJ-DOT Trust Fund Authority Act - Enhancement	49,002	268,000				317,002
NJ DOT Grants		200,000			189,248	10,752
Safety Forestry Grant		4,636			4,636	-
USDA Housing Grant (HUD)		50,000			50,000	-
Bulletproof Partnership		423			423	-
Crime Drug Enforcement Grant	-	3,100			846	2,254
Click it or Ticket	-	4,000			4,000	-
	<u>\$ 304,152</u>	<u>\$ 796,322</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 536,484</u>	<u>\$ 564,175</u>

Transferred - 2013 Current Fund Budget \$ 796,322

Cash Disbursements	\$ 489,277
Reserve for Encumbrances	<u>47,207</u>
	<u>\$ 536,484</u>

**BOROUGH OF HOPATCONG
STATEMENT OF UNAPPROPRIATED RESERVES**

Increased by:	
Receipts	\$ <u>26,381</u>
Balance, December 31, 2013	\$ <u>26,381</u>

Analysis:

Sale of Fire Boat	\$ 25,000
Ballfield Netting	<u>1,381</u>
	\$ <u>26,381</u>

STATEMENT OF ACCOUNTS PAYABLE

Increased by:	
Transferred from Appropriation Reserves	\$ <u>47,200</u>
Balance, December 31, 2013	\$ <u>47,200</u>

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

Balance, December 31, 2012	\$	2,965
Increased by:		
Transferred from Appropriation Reserves		78,779
		81,744
Decreased by:		
Disbursements		-
Balance, December 31, 2013	\$	81,744

Analysis:

Hudson Guild Farm Recreation Donation	\$	2,965
PSE&G Donation/Settlement		78,779
	\$	81,744

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

Balance, December 31, 2012	\$ 375
Increased by:	
Cash Receipts	<u>1,725</u>
	2,100
Decreased by:	
Cash Disbursements	<u>1,550</u>
Balance, December 31, 2013	<u>\$ 550</u>

STATEMENT OF AMOUNT DUE TO STATE - STATE TRAINING FEES

Balance, December 31, 2012	\$ 2,210
Increased by:	
Cash Receipts	<u>14,138</u>
	16,348
Decreased by:	
Cash Disbursements	<u>13,983</u>
Balance, December 31, 2013	<u>\$ 2,365</u>

BOROUGH OF HOPATCONG
STATEMENT OF SPECIAL EMERGENCY AUTHORIZATIONS

Date <u>Authorized</u>	<u>Purpose</u>	Net Amount <u>Authorized</u>	1/5 of Net Amount <u>Authorized</u>	Balance, December 31, <u>2012</u>	Reduced by 2013 <u>Budget</u>	Balance, December 31, <u>2013</u>
8/15/2012	Reassessment of Real Property	\$ 300,000	\$ 60,000	<u>\$ 300,000</u>	<u>\$ 60,000</u>	<u>\$ 240,000</u>

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, 2012	\$ 24,947	\$ 1,300,247	\$ 131,627	\$ 56,990
Increased by Receipts:				
Dog/Cat Licenses Issued	\$ 21,757			
Interlocal Agreements/Animal Shelters	7,163			
Donations	584			
Miscellaneous Reserves		\$ 288,413		
Open Space Levy and Added Assessments				\$ 7,007
Receipts from Grants Fund				-
Payroll Deductions Payable		7,969,642		
Receipts Due to Current Fund		728		
Unemployment Deposits			\$ 8,501	
State Registration Fees	<u>2,367</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>31,871</u>	<u>8,258,783</u>	<u>8,501</u>	<u>7,007</u>
	56,818	9,559,030	140,128	63,997
Decreased by:				
Expenditures Under R.S. 4:19-15.1	45,980			
Due to State of New Jersey				
Animal License Fees	2,330			
Payroll Deductions Payable		7,970,799		
Payments to General Capital - Current Year Improvement Authorizations				35,000
Payments to Current Fund		448		
Miscellaneous Reserves	<u>-</u>	<u>323,848</u>	<u>-</u>	<u>-</u>
	<u>48,310</u>	<u>8,295,095</u>	<u>-</u>	<u>35,000</u>
Balance, December 31, 2013	<u>\$ 8,508</u>	<u>\$ 1,263,935</u>	<u>\$ 140,128</u>	<u>\$ 28,997</u>

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

Balance, December 31, 2012		\$ 24,923
Increased by:		
Dog/Cat Licenses Issued	\$ 21,757	
Interlocal Agreements/Animal Shelters	7,163	
Donations	584	
		29,504
Decreased by:		
Expenditures Under R.S. 4:19-15.11		54,427
		45,980
Balance, December 31, 2013		\$ 8,447

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

Balance, December 31, 2012		\$ 24
Increased by:		
2013 State Registration Fees		2,367
		2,391
Decreased by:		
Payments		2,330
Balance, December 31, 2013		\$ 61

**STATEMENT OF AMOUNT DUE FROM STATE OF NEW JERSEY
OTHER TRUST FUND**

Balance, December 31, 2012		\$ -
Increased by:		
Accrued in 2013		50,000
		50,000
Decreased by:		
Received in 2013		-
Balance, December 31, 2013		\$ 50,000

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

	Balance December <u>31, 2012</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance December <u>31, 2013</u>
Developer's Escrow	\$ 302,827	\$ 92,267	\$ 102,368	\$ 292,726
Public Defender	5,287	23,415	21,400	7,302
Housing Trust	125,020	-	-	125,020
Fire Safety	5,376	1,000	-	6,376
Parking Offenses Adjudication Act	945	16	-	961
Police Outside Employment	11,346	3,260	6,355	8,251
Celebration of Public Events	5,616	7,026	11,093	1,549
Snow Removal	133,356	70,000	-	203,356
HUD Programs	156,664	50,000	105,769	100,895
Accumulated Leave	163,399	30,000	-	193,399
Recreation	23,788	59,427	56,802	26,413
Landfill	<u>278,292</u>	<u>2,002</u>	<u>20,061</u>	<u>260,233</u>
	<u>\$ 1,211,916</u>	<u>\$ 338,413</u>	<u>\$ 323,848</u>	<u>\$ 1,226,481</u>
		Cash Receipts \$ 288,413		
		Due from State of New Jersey 50,000		
		Cash Disbursements -	\$ 323,848	
		<u>\$ 338,413</u>	<u>\$ 323,848</u>	

EXHIBIT B-8

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

Balance, December 31, 2012	\$ 131,627
Increased by:	
Deposits	<u>8,501</u>
	140,128
Decreased by:	
Unemployment Insurance Claims	<u>-</u>
Balance, December 31, 2013	<u>\$ 140,128</u>

EXHIBIT B-9

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

Balance, December 31, 2012	\$ 87,883
Increased by:	
Cash Receipts	<u>7,969,642</u>
	8,057,525
Decreased by:	
Cash Disbursements	<u>7,970,799</u>
Balance, December 31, 2013	<u>\$ 86,726</u>

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

Balance, December 31, 2012		\$	56,990
Increased by:			
2013 Tax Levy	\$	7,006	
2013 Added Tax Levy		<u>1</u>	
			<u>7,007</u>
			63,997
Decreased by:			
Appropriated to Finance Improvement Authorizations - General Capital Fund			<u>35,000</u>
Balance, December 31, 2013		\$	<u>28,997</u>

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

Balance, December 31, 2012		\$	448
Increased by:			
Interest on Investments			<u>728</u>
			1,176
Decreased by:			
Payments to Current Fund			<u>448</u>
Balance, December 31, 2013		\$	<u>728</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2012		\$ 1,484,782
Increased by:		
Interest Earned	\$ 1	
Capital Improvement Fund- Budget Appropriation	17,500	
Receipts from Open Space Trust	35,000	
Bond Anticipation Notes	807,700	
Premium on Sale of Notes	<u>17,098</u>	
		<u>877,299</u>
		2,362,081
Decreased by Disbursements:		
Improvement Authorizations	915,828	
Payments to Current Fund - Interest	<u>1</u>	
		<u>915,829</u>
Balance, December 31, 2013		<u>\$ 1,446,252</u>

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

		Balance, December 31, <u>2013</u>
Fund Balance		\$ 113,104
Capital Improvement Fund		390
Contracts Payable		200,070
<u>Ordinance</u>	<u>Improvement Description</u>	
<u>Number</u>		
03-07	Various Improvements	5
10-08	Various Improvements	20,767
11-08	Various Improvements	5,000
23-09	Various Improvements	20,677
11-10	Various Improvements	141,195
17-10	Recreational Improvements (Open Space)	12,395
18-10	Oil Tank Removal & Replacement	3,135
9-11	Various Improvements	111,268
21-11	Various Roadway Improvements	75,345
7-12	Various Improvements	184,910
20-12	Recreational Improvements (Open Space)	1,361
4-13	Recreational Improvements (Open Space)	32,400
5-13	Purchase and Installation of Police Equipment	2,570
7-13	Various Improvements	<u>521,660</u>
		<u>\$ 1,446,252</u>

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

Balance, December 31, 2012	\$ 8,457,000
Decreased by:	
2013 Budget Appropriations	
Serial Bonds	<u>957,000</u>
Balance, December 31, 2013	<u>\$ 7,500,000</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance December 31, 2012</u>	<u>2013 Authorizations</u>	<u>Notes Paid by Budget Appropriation</u>	<u>Balance December 31, 2013</u>	<u>Bond Anticipation Note</u>	<u>Unexpended Improvement Authorizations</u>
7-12	Various Improvements	\$ 1,047,280		\$ 104,700	\$ 942,580	\$ 942,500	\$ 80
7-13	Vvarious Improvements	-	\$ 807,500	-	807,500	807,500	-
		<u>\$ 1,047,280</u>	<u>\$ 807,500</u>	<u>\$ 104,700</u>	<u>\$ 1,750,080</u>	<u>\$ 1,750,000</u>	<u>\$ 80</u>
						Improvement Authorizations- Unfunded	\$ 706,650
						Less: Unexpended proceeds of BAN's	
						Ord. 7-2012	184,910
						Ord. 7-2012	<u>521,660</u>
							<u>\$ 80</u>

**BOROUGH OF HOPATCONG
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	2013 Authorizations										
			Balance, December 31, 2012		Funded by Open Space	Capital Surplus	Deferred Charges to Future Taxation Unfunded	Capital Improvement Fund	Prior Year Contracts Payable Reinstated	Cash Disbursements	Contracts Payable	Balance, December 31, 2013	
			Funded	Unfunded								Funded	Unfunded
13-06	Various Improvements	\$ 626,000	\$ 20,194						\$ 5,046	\$ 20,194	\$ 5,046		
03-07	Various Improvements	696,500	32,207						22,367	42,060	12,509	\$ 5	
10-08	Various Improvements	913,000	20,767						200	200		20,767	
11-08	Various Improvements	420,000	5,000						-			5,000	
23-09	Various Improvements	762,000	20,677						-			20,677	
11-10	Various Improvements	1,416,208	176,935						6,055	41,187	608	141,195	
17-10	Recreational Improvements (Open Space)	207,500	13,167						2,488	3,260		12,395	
18-10	Oil Tank Removal & Replacement	40,000	3,135						-	-		3,135	
9-11	Various Improvements	821,000	184,332						487	10,591	62,960	111,268	
13-11	Recreational Improvements (Open Space)	60,000	411						-	411		-	
21-11	Various Roadway Improvements	300,000	110,095						11,503	13,471	32,782	75,345	
7-12	Various Improvements	1,102,400		\$ 305,920					333,812	454,742			\$ 184,990
20-12	Recreational Improvements (Open Space)	40,000	8,868						-	7,507		1,361	
4-13	Recreational Improvements (Open Space)	35,000			\$ 35,000						2,600	32,400	
5-13	Purchase and Installation of Police Equipment	80,000				\$ 80,000				77,430		2,570	
7-13	Various Improvements	850,000						\$ 807,500	\$ 42,500				521,660
			<u>\$ 595,788</u>	<u>\$ 305,920</u>	<u>\$ 35,000</u>	<u>\$ 80,000</u>	<u>\$ 807,500</u>	<u>\$ 42,500</u>	<u>\$ 381,958</u>	<u>\$ 915,828</u>	<u>\$ 200,070</u>	<u>\$ 426,118</u>	<u>\$ 706,650</u>

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

Balance, December 31, 2012	\$ -
Increased by:	
Interest Earned	<u>1</u>
	1
Decreased by:	
Payments to Current Fund	<u>1</u>
Balance, December 31, 2013	<u>\$ -</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2012	\$ 25,390
Increased by:	
2013 Budget Appropriation	<u>17,500</u>
	42,890
Decreased by:	
Appropriations to Finance Improvement Authorizations	<u>42,500</u>
Balance, December 31, 2013	<u>\$ 390</u>

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

<u>Ord. No.</u>	<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, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
07-12	Various Improvements	8/2/2012	\$ 1,047,000	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	\$ 1,047,000	\$ 942,500	\$ 1,047,000	\$ 942,500
07-12	Various Improvements	8/1/2013	807,500	8/1/2013	8/1/2014	1.25%	-	807,500	-	807,500
							<u>\$ 1,047,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,047,000</u>	<u>\$ 1,750,000</u>
								\$ 807,700		
								942,300	\$ 942,300	
										200
								-	104,500	
								<u>\$ 1,750,000</u>	<u>\$ 1,047,000</u>	

New Note Issued \$ 807,700
 Note Rollover 942,300 \$ 942,300
 Paid by Budget Appropriation
 Deferred Charge - Unfunded 200
 Authorized but Not Issued - 104,500

**BOROUGH OF HOPATCONG
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2012	\$ 381,958
Increased by:	
Charges to Improvement Authorizations	<u>200,070</u>
	582,028
Decreased by:	
Reinstated to Improvement Authorizations in 2013	<u>381,958</u>
Balance, December 31, 2013	<u>\$ 200,070</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	Paid - Budget <u>Appropriation</u>	Notes <u>Issued</u>	Balance December 31, <u>2013</u>
07-12	Various Improvements	\$ 280		\$ 200		\$ 80
07-13	Various Improvements	<u>-</u>	<u>\$ 807,500</u>	<u>-</u>	<u>\$ 807,500</u>	<u>-</u>
		<u>\$ 280</u>	<u>\$ 807,500</u>	<u>\$ 200</u>	<u>\$ 807,500</u>	<u>\$ 80</u>

WATER UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2012	\$ 372,101	\$ 891,220
Increased by Receipts:		
Consumer Accounts Receivable	\$ 845,437	
Connection Fees	38,847	
Water Capital Fund Balance	25,000	
Receipts from Water Capital Fund	1,214	
Miscellaneous Revenue	19,679	
Interest on Investments		\$ 1
Grants Receivable		375,072
Budget Appropriation - Capital Improvement Fund		12,500
Bond Anticipation Notes		237,520
Premium on Sale of Notes	-	9,671
	<u>930,177</u>	<u>634,764</u>
	1,302,278	1,525,984
Decreased by Disbursements:		
2013 Budget Appropriations	694,082	
2012 Appropriation Reserves	38,637	
Improvement Authorizations		905,023
Due from Water Capital Fund	1,255	
Change Fund Advance	20	
Payments to Water Operating Fund -		
Budget Revenue		25,000
Other		1,214
Accrued Interest	55,393	-
	<u>789,387</u>	<u>931,237</u>
Balance, December 31, 2013	<u>\$ 512,891</u>	<u>\$ 594,747</u>

EXHIBIT D-6

**STATEMENT OF CHANGE FUND
WATER OPERATING FUND**

<u>Office</u>	Balance, December 31, 2012	Advanced in 2013	Balance, December 31, 2013
Water Utility Collector	<u>\$ 30</u>	<u>\$ 20</u>	<u>\$ 50</u>

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

	Balance, December 31, <u>2013</u>
Capital Improvement Fund	\$ 308
Contracts Payable	206,684
Amount Due to Water Operating Fund	1,255
Fund Balance	35,540
Grants Receivable	(462,911)
Accrued Interest on Bonds	1,480

<u>Ord. #</u>	<u>Improvement Authorizations</u>	
12-08	Improvements to Water Supply and Distribution System	3,113
24-09	Improvements to Water Supply and Distribution System	150,544
12-10	Improvements to Water Supply and Distribution System	4,744
10-11	Improvements to Water Supply and Distribution System	39,164
28-11	Improvements to Water Supply and Distribution System	349,313
08-12	Improvements to Water Supply and Distribution System	15,513
08-13	Improvements to Water Supply and Distribution System	<u>250,000</u>
		<u>\$ 594,747</u>

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

Balance, December 31, 2012		\$ 113,928
Increased by:		
Water Rents Levied		<u>804,618</u>
		918,546
Decreased by:		
Collections	\$ 845,437	
Prepaid Rents Applied	<u>-</u>	<u>845,437</u>
Balance, December 31, 2013		<u>\$ 73,109</u>

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

Balance, December 31, 2012		\$ 1,213
Increased by:		
Cash Disbursements	\$ 1,255	
Interest Earned	<u>1</u>	<u>1,256</u>
		2,469
Decreased by:		
Receipts		<u>1,214</u>
Balance, December 31, 2013		<u>\$ 1,255</u>

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

Balance, December 31, 2012	\$ 43,517
Increased by:	
Charged to 2013 Budget	54,162
	97,679
Decreased by:	
Cash Disbursements	55,393
Balance, December 31, 2013	\$ 42,286

EXHIBIT D-11

STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, December 31, <u>2012</u>	Transferred from Reserve for <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 14,266			\$ 14,266
Other Expenses	96,336	\$ 31,506	\$ 38,637	89,205
Statutory Expenditures				
Social Security System	17,000			17,000
Unemployment Compensation	5,000	-	-	5,000
	\$ 132,602	\$ 31,506	\$ 38,637	\$ 125,471
		Cash Disbursements	\$ 38,637	

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

Balance, December 31, 2012	\$ 31,506
Increased by:	
Charged to 2013 Appropriations	<u>36,831</u>
	68,337
Decreased by:	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>31,506</u>
Balance, December 31, 2013	<u>\$ 36,831</u>

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

Balance, December 31, 2012	\$ <u>4,794,179</u>
Balance, December 31, 2013	\$ <u>4,794,179</u>

EXHIBIT D-14

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

Balance, December 31, 2012	\$ 2,527,412
Increased by:	
Serial Bonds Paid by Operating Budget	\$ 70,000
Loans Paid by Operating Budget	
FMHA Bonds	45,716
Water Supply Loans	62,925
NJ Environmental Infrastructure Trust	<u>37,642</u>
	216,283
Less: Accrued Interest Applied	<u>(1,255)</u>
	<u>215,028</u>
Balance, December 31, 2013	\$ <u>2,742,440</u>

EXHIBIT D-15

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

Balance, December 31, 2012	\$ 688,173
Increased by:	
Charges to Improvement Authorizations	<u>206,684</u>
	894,857
Decreased by:	
Restored to Improvement Authorizations	<u>688,173</u>
Balance, December 31, 2013	\$ <u>206,684</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	2013 <u>Authorization</u>	Balance, December 31, <u>2013</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
08-13	Improvements to Water Supply and Distribution System	-	\$ 250,000	<u>250,000</u>
		<u>\$ 2,926,425</u>	<u>\$ 250,000</u>	<u>\$ 3,176,425</u>

EXHIBIT D-17

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

Balance, December 31, 2012	\$ 1,060,305
Increased by:	
2013 Authorizations	<u>12,500</u>
Balance, December 31, 2013	<u>\$ 1,072,805</u>

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

Balance, December 31, 2012	\$ 308
Increased by:	
Budget Appropriation	<u>12,500</u>
	12,808
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>12,500</u>
Balance, December 31, 2013	<u>\$ 308</u>

EXHIBIT D-21

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

Balance, December 31, 2012	\$ 837,983
Decreased by;	
Received in 2013	<u>375,072</u>
Balance, December 31, 2013	<u>\$ 462,911</u>

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

<u>Loan Issue</u>	Balance, December 31, 2012	Accrued Interest Applied	Paid by Budget Appropriation	Balance, December 31, 2013
Water Supply Loans	\$ 143,953	\$ 1,255	\$ 62,925	\$ 82,283

EXHIBIT D-23

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

<u>Loan Issue</u>	Balance, December 31, 2012	Paid by Budget Appropriation	Balance, December 31, 2013
2000 Trust Loan	\$ 180,000	\$ 20,000	\$ 160,000
2000 Fund Loan	135,054	17,642	117,412
	<u>\$ 315,054</u>	<u>\$ 37,642</u>	<u>\$ 277,412</u>

EXHIBIT D-24

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

	Balance, December 31, 2012	Applied to Water Supply Loans Payable	Balance, December 31, 2013
Water Supply Loans Payable	\$ 2,735	\$ 1,255	\$ 1,480

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

Ord. No.	<u>Improvement Description</u>	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2012	Increased	Decreased	Balance, December 31, 2013
28-11	Improvements to Water Supply and Distribution System	8/2/2012	\$ 693,500	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	\$ 693,500	\$ 693,500	\$ 693,500	\$ 693,500
8-12	Various Water Utility Improvements	8/2/2012	58,880	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	58,880	58,900	58,880	58,900
8-13	Various Water Utility Improvements	8/1/2013	237,500	8/1/2013	8/1/2014	1.25%	-	237,500	-	237,500
							<u>\$ 752,380</u>	<u>\$ 989,900</u>	<u>\$ 752,380</u>	<u>\$ 989,900</u>
						New Note Issued		\$ 237,520		
						Notes Renewed		<u>752,380</u>	<u>\$ 752,380</u>	
							<u>\$ 989,900</u>	<u>\$ 752,380</u>		

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Water Improvement Bonds	9/15/2011	\$ 2,335,000	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%						
						\$ 2,270,000	\$ 70,000	\$ 2,200,000
						\$ 2,270,000	\$ 70,000	\$ 2,200,000

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	Decreased by <u>Notes Issued</u>	Balance December 31, <u>2013</u>
8-12	Various Water Utility Improvements	\$ 20		\$ 20	
8-13	Various Water Utility Improvements	<u>-</u>	<u>\$ 237,500</u>	<u>237,500</u>	<u>-</u>
		<u>\$ 20</u>	<u>\$ 237,500</u>	<u>\$ 237,520</u>	<u>\$ -</u>

SEWER UTILITY FUND

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

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2012	\$ 2,647,052	\$ 467,959
Increased by Receipts:		
Consumer Accounts Receivable	\$ 4,048,465	
Prepaid Sewer Rents	277,280	
Receipts from Grants Fund	60,000	
Receipts from Sewer Capital Fund	172	
Bond Anticipation Notes		\$ 80,695
Interest on Investments		172
Budgeted Capital Outlay Received		4,250
Premium on Sale of Bonds and Notes	-	<u>116,568</u>
	<u>4,385,917</u>	<u>201,685</u>
	7,032,969	669,644
Decreased by Disbursements:		
2013 Budget Appropriations	2,480,841	
2012 Appropriation Reserves	49,508	
Change Fund	50	
Improvement Authorizations		71,905
Payments to Sewer Operating Fund		172
Accrued Interest on Bonds and Loans	<u>1,208,676</u>	<u>-</u>
	<u>3,739,075</u>	<u>72,077</u>
Balance, December 31, 2013	<u>\$ 3,293,894</u>	<u>\$ 597,567</u>

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

	Balance, December 31, <u>2013</u>
Fund Balance	\$ 521,842
Contracts Payable	33,587
 <u>Improvement Authorization</u>	
Ord. No.	<u>Improvement Description</u>
11-11	Sewer Utility Truck Body Replacement
9-12	Various Improvements
9-13	Various Improvements
	378 5,313 <u>36,447</u>
	<u>\$ 597,567</u>

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

Balance, December 31, 2012		\$ 516,367
Increased by:		
Sewer Rents Levied		<u>4,245,300</u>
		4,761,667
Decreased by:		
Collections:		
Cash Receipts	\$ 4,048,465	
Transferred to Liens	2,418	
Prepaid Rents Applied	<u>282,800</u>	
		<u>4,333,683</u>
 Balance, December 31, 2013		 <u>\$ 427,984</u>

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

Balance, December 31, 2012		\$ 210,000
Increased by:		
Disbursed in 2013		<u>-</u>
		210,000
Decreased by:		
Received in 2013		<u>60,000</u>
 Balance, December 31, 2013		 <u>\$ 150,000</u>

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

	Balance, December 31, <u>2012</u>	Transferred from Reserve for Encumbrances	Modified Balance	Paid or Charged	Balance Lapsed
Operating					
Salaries and Wages	\$ 14,681		\$ 14,681		\$ 14,681
Other Expenses	163,758	\$ 37,816	201,574	\$ 49,508	152,066
Statutory Expenditures					
Contribution to					
Social Security System	17,000		17,000		17,000
Unemployment Compensation	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 200,439</u>	<u>\$ 37,816</u>	<u>\$ 238,255</u>	<u>\$ 49,508</u>	<u>\$ 188,747</u>
			Cash Disbursed	<u>\$ 49,508</u>	

EXHIBIT E-10

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

Balance, December 31, 2012	\$ 509,245
Increased by:	
Charged to 2013 Budget	<u>1,185,116</u>
	1,694,361
Decreased by:	
Cash Disbursements	<u>1,208,676</u>
Balance, December 31, 2013	<u>\$ 485,685</u>
	Accrued Interest on Bonds \$ 314,309
	Accrued Interest on Notes 62,107
	Accrued Interest on Loans <u>109,269</u>
	<u>\$ 485,685</u>

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

Balance, December 31, 2012	\$	37,816
Increased by:		
Charged to 2013 Budget		48,531
		86,347
Decreased by:		
Cancelled Encumbrances Restored to Appropriation Reserves		37,816
Balance, December 31, 2013	\$	48,531

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

Balance, December 31, 2012	\$	56,777,184
Increased by:		
Transferred from Fixed Capital Authorized and Uncompleted		3,900,000
Balance, December 31, 2013	\$	60,677,184

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

Ord. No.	Improvement Description	Balance, December 31, <u>2012</u>	2013 <u>Authorizations</u>	Transfer Costs to Fixed Capital	Balance, December 31, <u>2013</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	60,000			60,000
9-13	Various Improvements	-	\$ 85,000	-	85,000
		<u>\$ 3,974,000</u>	<u>\$ 85,000</u>	<u>\$ 3,900,000</u>	<u>\$ 159,000</u>

EXHIBIT E-14

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

Balance, December 31, 2012	\$ 20,935,101
Increased by:	
NJ Environmental Infrastructure Loans Paid by Operating Budget	\$ 948,664
Notes Paid by Budget Appropriation	242,215
Transfer from Reserve for Deferred Amortization	<u>378,000</u>
	<u>1,568,879</u>
Balance, December 31, 2013	<u>\$ 22,503,980</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 Outstanding December 31, 2013</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Balance, December 31, 2013</u>
			<u>Date</u>	<u>Amount</u>			
Sewer Utility Refunding Bonds	9/1/2006	\$ 17,060,000	8/1/2015	\$ 20,000	4.000%		
			8/1/2016	70,000	4.000%		
			8/1/2017	70,000	4.000%		
			8/1/2018	75,000	4.000%		
			8/1/2019	75,000	4.100%		
			8/1/2020	80,000	4.125%		
			8/1/2021	85,000	4.200%		
			8/1/2022	560,000	4.200%		
			8/1/2023	1,185,000	4.250%		
			8/1/2024	1,180,000	4.250%		
			8/1/2025	1,230,000	4.250%		
			8/1/2026	1,275,000	4.300%		
			8/1/2027	1,315,000	4.300%		
8/1/2033	9,840,000	4.500%	\$ 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>2012</u>	<u>Decreased by:</u>	Balance, December 31, <u>2013</u>
2001 Wastewater Loan	\$ 1,805,000	\$ 165,000	\$ 1,640,000
2001 Fund Loan	1,427,762	159,897	1,267,865
2002 Wastewater Loan	3,915,000	310,000	3,605,000
2002 Fund Loan	<u>3,137,687</u>	<u>313,767</u>	<u>2,823,920</u>
	<u>\$ 10,285,449</u>	<u>\$ 948,664</u>	<u>\$ 9,336,785</u>
Paid by Budget Appropriation		<u>\$ 948,664</u>	

EXHIBIT E-17

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

Balance, December 31, 2012	\$ -
Increased by:	
Interest Earned	<u>172</u>
	172
Decreased by:	
Amount Paid to Sewer Operating Fund	<u>172</u>
Balance, December 31, 2013	<u>\$ -</u>

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

Balance, December 31, 2012	\$	282,800
Increased by:		
Prepaid Rents Received in 2013		<u>277,280</u>
		560,080
Increased by:		
Applied to Consumer Accounts Receivable		<u>282,800</u>
Balance, December 31, 2013	\$	<u><u>277,280</u></u>

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

Balance, December 31, 2012	\$	378,000
Increased by:		
Improvement Authorizations Funded through Capital Outlay		<u>4,250</u>
		382,250
Decreased by:		
Transfer to Reserve for Amortization		<u>378,000</u>
Balance, December 31, 2013	\$	<u><u>4,250</u></u>

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

Balance, December 31, 2012	\$	2,100
Increases by:		
Charges to Improvement Authorizations		<u>33,587</u>
		35,687
Decreased by:		
Cancelled to Improvement Authorizations		<u>2,100</u>
Balance, December 31, 2013	\$	<u><u>33,587</u></u>

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

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2012		Down Payment of Improvements	2013 Authorization Deferred Charges to Future Revenue	Cancellation Prior Year Contracts Payable	Paid or Charged	Balance, December 31, 2013	
			Funded	Unfunded					Funded	Unfunded
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	\$ 3,900,000		\$ 13,921				\$ 13,921		
11-11	Sewer Utility Truck Body Replacement	14,000		378				-		\$ 378
9-12	Various Improvements	60,000		46,300			\$ 2,100	43,087		5,313
9-13	Various Improvements	85,000	-	-	\$ 4,250	\$ 80,750	-	48,484	-	36,516
			<u>\$ -</u>	<u>\$ 60,599</u>	<u>\$ 4,250</u>	<u>\$ 80,750</u>	<u>\$ 2,100</u>	<u>\$ 105,492</u>	<u>\$ -</u>	<u>\$ 42,207</u>
	Contracts Payable							\$ 33,587		
	Cash Disbursements							71,905		
								<u>\$ 105,492</u>		

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

Ord. No.	Improvement Description	Original Date of Issue	Original Amount Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2012	Increased	Decreased	Balance, December 31, 2013	
	Acquisition of a New Truck for Use by the Sewer Utility	9/23/2004	\$ 36,000	8/2/2012	8/2/2013	1.50%	\$ 12,000		\$ 12,000		
38-04	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2005	9,000,000	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	8,416,405	\$ 8,302,405	8,416,405	\$ 8,302,405	
19-05	Various Improvements	9/21/2006	86,000	8/2/2012	8/2/2013	1.50%	49,215		49,215		
30-05	Improvement of the Sanitary Sewerage System - Phase I & II	8/11/2006	3,714,000	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	3,522,000	3,474,000	3,522,000	3,474,000	
13-08	Construction of Sewer Maintenance Storage Facility	9/17/2009	20,000	8/2/2012	8/2/2013	1.50%	19,000		19,000		
11-11	Sewer Utility Truck Body Replacement	8/3/2011	14,000	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	14,000	14,000	14,000	14,000	
9-12	Various Improvements	8/2/2012	60,000	8/2/2012 8/1/2013	8/2/2013 8/1/2014	1.50% 1.25%	60,000	60,000	60,000	60,000	
9-12	Various Improvements	8/1/2013	80,695	8/1/2013	8/1/2014	1.25%	-	80,695	-	80,695	
							<u>\$ 12,092,620</u>	<u>\$ 11,931,100</u>	<u>\$ 12,092,620</u>	<u>\$ 11,931,100</u>	
							Paid by Budget Appropriation		\$ 242,215		
							Issued for Cash		\$ 80,695	-	
							Renewals		11,850,405	11,850,405	
							<u>\$ 11,931,100</u>	<u>\$ 12,092,620</u>			

**BOROUGH OF HOPATCONG
STATEMENT OF CHANGE FUND
SEWER UTILITY OPERATING FUND**

Increased by:		
Received in 2013		\$ <u>50</u>
Balance, December 31, 2013		\$ <u><u>50</u></u>

**STATEMENT OF SEWER LIENS
SEWER UTILITY CAPITAL FUND**

Increased by:		
Prior Year Adjustment	\$ 2,615	
Transferred from Consumer Accounts Receivable	<u>2,418</u>	
		\$ <u>5,033</u>
Balance, December 31, 2013		\$ <u><u>5,033</u></u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2012</u>	2013 <u>Authorizations</u>	Decreased by <u>Notes Issued</u>	Balance December 31, <u>2013</u>
9-13	Various Improvements	<u>-</u>	<u>\$ 80,750</u>	<u>80,695</u>	<u>\$ 55</u>
		<u>\$ -</u>	<u>\$ 80,750</u>	<u>\$ 80,695</u>	<u>\$ 55</u>

BOROUGH OF HOPATCONG
PART II
GOVERNMENTAL AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2014. Our report on the financial statements – regulatory basis was modified to indicate 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 modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

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 (internal control) 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.

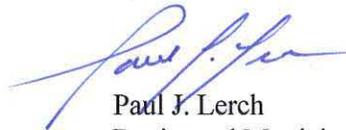
We also noted a certain matter that we reported to management of the Borough of Hopatcong in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

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
May 12, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Borough of Hopatcong's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Borough of Hopatcong's major federal programs for the year ended December 31, 2013. The Borough of Hopatcong's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Hopatcong's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Hopatcong's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Hopatcong's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Hopatcong complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of Hopatcong is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Hopatcong's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hopatcong's internal control over compliance.

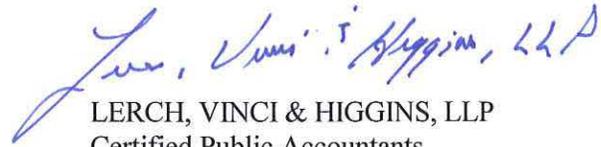
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance

We have audited the financial statements - regulatory basis of the Borough of Hopatcong as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated May 12, 2014, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
May 12, 2014

**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, 2013**

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	\$ 649,398	\$ 260,886	\$ 910,284
Total Financial Awards	<u>\$ 649,398</u>	<u>\$ 260,886</u>	<u>\$ 910,284</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, 2013**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2013, 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		\$ 605,765
Water Supply Loan		42,068
Water Supply Loan		40,215
Wastewater Trust Loan	2000	160,000
Wastewater Trust Loan	2000	117,412
Environmental Infrastructure Trust Loan	2001	1,640,000
Fund Loan	2001	1,267,865
Trust Loan	2002	3,605,000
Fund Loan	2002	<u>2,823,920</u>
		<u>\$ 10,302,245</u>

**BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified, Presentation of Unaudited LOSAP Fund</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified	_____ yes	<u> X </u> no	
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none	
Noncompliance material to the financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards Section

Dollar threshold used to distinguish type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness (es) identified?	_____ yes <u> X </u> no
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Any audit findings disclosed that are required to be reported in accordance with Section .510 of Circular A-133?	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program</u>
<u>66.202</u>	<u>U.S. Department of Environmental Protection</u>
_____	<u>Drinking Water Infrastructure Improvements (FY10)</u>
_____	<u>on Elba Point Water Infrastructure (FY 11)</u>
_____	_____

State Awards Section

NOT APPLICABLE

**BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

BOROUGH OF HOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB Circular 04-04.

CURRENT YEAR STATE AWARDS

Not Applicable.

CURRENT YEAR FEDERAL AWARDS

There are none.

**BOROUGH OF HOPATCONG
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

Not Applicable.

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,300,000	2.68%	\$ 1,050,000	2.19%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,061,922	6.31%	2,992,374	6.25%
Collection of Delinquent Taxes and Tax Title Liens	1,119,507	2.31%	1,011,497	2.11%
Collection of Current Tax Levy	42,294,273	87.22%	41,710,793	87.15%
Other Credits	<u>716,091</u>	<u>1.48%</u>	<u>1,095,607</u>	<u>2.29%</u>
 Total Income	 <u>48,491,793</u>	 <u>100.00%</u>	 <u>47,860,271</u>	 <u>100.00%</u>
 EXPENDITURES				
Budget Expenditures				
Municipal Purposes	15,571,202	33.45%	15,455,373	33.25%
County Taxes	7,629,935	16.39%	8,110,217	17.45%
Local School Taxes	23,299,272	50.05%	22,854,560	49.16%
Municipal Open Space Taxes	7,007	0.02%	9,993	0.02%
Other Expenditures	<u>46,861</u>	<u>0.10%</u>	<u>58,380</u>	<u>0.13%</u>
 Total Expenditures	 <u>46,554,277</u>	 <u>100.00%</u>	 <u>46,488,523</u>	 <u>100.00%</u>
 Less Expenditures Included Above Which by Statute are Deferred Charges to Succeeding Year's Budget	 <u>-</u>		 <u>300,000</u>	
 Total Adjusted Expenditures	 <u>46,554,277</u>		 <u>46,188,523</u>	
 Excess in Revenue	 1,937,516		 1,671,748	
 Fund Balance, January 1	 <u>2,590,309</u>		 <u>1,968,561</u>	
	4,527,825		3,640,309	
 Less Utilization as Anticipated Revenue	 <u>1,300,000</u>		 <u>1,050,000</u>	
 Fund Balance, December 31	 <u>\$ 3,227,825</u>		 <u>\$ 2,590,309</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Surplus Utilized	\$ 85,120	7.47%	\$ 81,446	7.85%
Collection of Water Rents	845,437	74.19%	841,187	81.12%
Connection Fees	38,847	3.41%	28,665	2.76%
Miscellaneous - From Other than Water Rents	44,680	3.92%	52,114	5.03%
Other Credits	<u>125,471</u>	<u>11.01%</u>	<u>33,570</u>	<u>3.24%</u>
Total Income	<u>1,139,555</u>	<u>100.00%</u>	<u>1,036,982</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	511,380	56.68%	513,636	56.23%
Capital	12,500	1.39%		0.00%
Debt Service	337,178	37.37%	326,214	35.71%
Deferred Charges and Statutory Expenditures	<u>41,100</u>	<u>4.56%</u>	<u>73,600</u>	<u>8.06%</u>
Total Expenditures	<u>902,158</u>	<u>100.00%</u>	<u>913,450</u>	<u>100.00%</u>
Excess in Revenue	237,397		123,532	
Fund Balance, January 1	<u>165,719</u>		<u>123,633</u>	
	403,116		247,165	
Decreased by:				
Utilization as Anticipated Revenue	<u>85,120</u>		<u>81,446</u>	
Fund Balance, December 31	<u>\$ 317,996</u>		<u>\$ 165,719</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Surplus Utilized	\$ 409,659	8.31%	\$ 409,531	8.82%
Rents	4,331,265	87.86%	4,169,191	89.76%
Miscellaneous	172	0.00%	1	0.00%
Other Credits	<u>188,747</u>	<u>3.83%</u>	<u>65,844</u>	<u>1.42%</u>
Total Income	<u>4,929,843</u>	<u>100.00%</u>	<u>4,644,567</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,651,680	40.56%	1,651,991	41.20%
Capital Improvements	4,250	0.10%		
Debt Service	2,375,995	58.34%	2,320,850	57.88%
Deferred Charges and Statutory Expenditures	<u>40,600</u>	<u>1.00%</u>	<u>37,100</u>	<u>0.93%</u>
Total Expenditures	<u>4,072,525</u>	<u>100.00%</u>	<u>4,009,941</u>	<u>100.00%</u>
Excess in Revenue	857,318		634,626	
Fund Balance, January 1	<u>1,826,752</u>		<u>1,601,657</u>	
	2,684,070		2,236,283	
Decreased by:				
Utilized by Current Fund Budget	<u>409,659</u>		<u>409,531</u>	
Fund Balance, December 31	<u>\$ 2,274,411</u>		<u>\$ 1,826,752</u>	

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2013 *</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$3.096</u>	<u>\$2.155</u>	<u>\$2.072</u>

Apportionment of Tax Rate

Municipal	\$.885	\$.603	\$.581
County	.547	.408	.394
Local School	1.664	1.144	1.097

Assessed Valuation

2013 *	<u>\$1,399,808,100</u>
2012	<u>\$1,996,422,100</u>
2011	<u>\$2,037,443,000</u>

*Note – The Borough underwent a revaluation of real property which became effective in 2013.

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>
2013	\$ 43,340,217	\$ 42,294,273	97.59%
2012	43,040,764	41,710,793	96.91%
2011	42,230,546	41,005,380	97.10%

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>
2013	\$ 218,714	\$ 978,233	\$ 1,196,947	2.76%
2012	180,639	1,116,546	1,297,185	3.01%
2011	294,557	1,003,752	1,298,309	3.07%

**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>
2013	\$5,104,300
2012	5,104,300
2011	3,662,400

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections *</u>	<u>Percentage of Collection</u>
2013	\$804,618	\$845,437	105.07%
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>
2013	\$4,245,300	\$4,331,265	102.02%
2012	4,217,146	4,169,191	98.86
2011	4,157,149	4,174,270	100.41

* 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>	2013	\$3,227,825	\$1,425,000
	2012	2,590,309	1,300,000
	2011	1,968,561	1,050,000
<u>Water Utility Operating Fund</u>	2013	\$317,996	\$116,814
	2012	165,719	85,120
	2011	123,633	81,446
<u>Sewer Utility Operating Fund</u>	2013	\$2,274,411	\$439,404
	2012	1,826,752	409,659
	2011	1,601,657	409,531

**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

Our audit noted that the Contractor Payment Request form did not contain all the required signatures and was not available for certain expenditures for the HUD/CDBG program. It is recommended that the Contractor Payment Request form contain all the required signatures for each disbursement for the HUD/CDBG program.

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:

Senior Center Alterations	Bayview Avenue Well Improvements
Purchase and Installation of	Front Loader for DPW
Emergency Generators	Dupont Avenue Drainage Improvements
Field and Lawn Maintenance	

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.

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.

**BOROUGH OF HOPATCONG
SUPPLEMENTARY DATA**

GENERAL COMMENTS

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 2, 2013 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 16, 2013 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>
2013	96
2012	77
2011	74

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 the Contractor Payment Request form contain all the requested signatures for each disbursement for the HUD/CDBG program.

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