

REPORT OF AUDIT
TOWNSHIP OF HARDYSTON
COUNTY OF SUSSEX
DECEMBER 31, 2011

TOWNSHIP OF HARDYSTON, N.J.

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TOWNSHIP OF HARDYSTON

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PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

September 26, 2012

The Honorable Mayor and
Members of the Township Council
Township of Hardyston
Hardyston, NJ 07419

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Township of Hardyston in the County of Sussex, as of and for the years ended December 31, 2011 and 2010, 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, 2011. These financial statements are the responsibility of the Township of Hardyston's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Length of Service Awards Program of the Township of Hardyston has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Township's financial statements.



Honorable Mayor and
Members of the Township Council
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As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Township of Hardyston's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Hardyston, New Jersey as of December 31, 2011 and 2010 or the results of its operations for the years then ended.

Management has not updated the disclosure for the annual cost contribution required for Other Post-Retirement Medical Benefits for its employees (see Note 8).

However, in our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program and Other Post-Retirement Medical Benefits disclosure present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Township of Hardyston, New Jersey at December 31, 2011 and 2010, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 26, 2012 on our consideration of the Township of Hardyston's, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Honorable Mayor and
Members of the Township Council
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Our audit was for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



Charles J. Ferraioli, Jr., C.P.A.
Registered Municipal Accountant
No. 388



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Current Fund:			
Cash	A-4	5,857,477.54	5,704,256.28
Change Fund	A-5	525.00	525.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions	A-7	5,998.32	7,998.32
		<u>5,864,000.86</u>	<u>5,712,779.60</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	498,268.06	670,709.00
Tax Title Liens Receivable	A-9	250,576.95	201,849.48
Property Acquired for Taxes - Assessed Valuation	A-10	14,700.00	14,700.00
		<u>763,545.01</u>	<u>887,258.48</u>
Deferred Charges:			
Special Emergency	A-13	240,000.00	320,000.00
		<u>6,867,545.87</u>	<u>6,920,038.08</u>
Federal and State Grant Fund:			
Grants Receivable	A-21	67,738.88	237,827.48
Due From Current Fund	A-24	3,475,374.79	3,447,368.32
		<u>3,543,113.67</u>	<u>3,685,195.80</u>
		<u>10,410,659.54</u>	<u>10,605,233.88</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3; A-14	420,082.01	457,756.02
Interfunds Payable			
State and Federal Grant Fund	A-12	3,475,374.79	3,447,368.32
Encumbrances Payable	A-15	97,895.18	110,406.37
Prepaid Taxes	A-16	267,658.94	148,514.82
County Taxes Payable	A-19	11,863.71	7,633.41
Tax Overpayments	A-20	69,615.46	47,175.22
Accounts Payable	A-20	41,918.35	41,918.35
Due to State of NJ:			
Marriage Surcharge	A-20	200.00	225.00
Reserve for:			
Sale of Assets	A-20	5,573.75	-
Preparation of Tax Map	A-20	-	8,510.00
Reserve for Revaluation	A-20	79,870.84	54,870.84
Garden State Trust	A-20	29,950.01	29,950.01
		<u>4,500,003.04</u>	<u>4,354,328.36</u>
Reserve for Receivables	Contra	763,545.01	887,258.48
Fund Balance	A-1	<u>1,603,997.82</u>	<u>1,678,451.24</u>
		<u>6,867,545.87</u>	<u>6,920,038.08</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-22	3,511,695.49	3,667,484.93
Unappropriated Reserve for Grants	A-23	30,599.10	16,446.53
Reserve for Encumbrances	A-25	819.08	1,264.34
		<u>3,543,113.67</u>	<u>3,685,195.80</u>
		<u>10,410,659.54</u>	<u>10,605,233.88</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston , N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	977,279.00	877,279.00
Miscellaneous Revenue Anticipated	A-2	2,244,127.33	2,241,231.72
Receipts from Delinquent Taxes	A-2	669,287.61	512,632.69
Receipts from Current Taxes	A-2	25,125,557.72	24,322,019.69
Non-Budget Revenue	A-2	367,980.48	284,751.95
Other Credits to Income:			
Cancellation of Capital Fund Balance		-	252,802.50
Unexpended Balance of Appropriation Reserves	A-14	4,696.85	14,540.28
Adjustment to Marriage Surcharge	A-20	25.00	-
Excess State Grants		-	9.00
Cancellation of Grants		-	0.94
Total Revenues and Other Income		<u>29,388,953.99</u>	<u>28,505,267.77</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	3,768,233.67	3,601,266.29
Other Expenses	A-3	3,316,032.86	3,218,341.13
Capital Improvement Fund	A-3	518,500.00	654,499.85
Municipal Debt Service	A-3	713,947.08	720,458.33
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	916,030.18	829,631.22
Refund of Prior Year Revenue	A-4	2,925.12	196.76
Adjustment to Tax Overpayments	A-20	68,623.72	-
Local District School Tax	A-17	9,384,563.49	9,093,908.01
Regional High School Tax	A-18	4,486,680.04	4,352,865.07
County Taxes including Added Taxes	A-19	5,310,592.25	5,278,733.82
Total Expenditures		<u>28,486,128.41</u>	<u>27,749,900.48</u>
Excess (Deficit) Revenue Over Expenditures		902,825.58	755,367.29
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year		-	-
Statutory Excess to Fund Balance		<u>902,825.58</u>	<u>755,367.29</u>
Fund Balance, January 1,	A	<u>1,678,451.24</u>	<u>1,800,362.95</u>
		2,581,276.82	2,555,730.24
Decreased by:			
Fund Balance Utilized as Budget Revenue	A-2	<u>977,279.00</u>	<u>877,279.00</u>
Fund Balance, December 31,	A	<u><u>1,603,997.82</u></u>	<u><u>1,678,451.24</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref	Budget	Special N.J.S.A. 40A: 4-87	Realized	(Deficit)
Fund Balance Anticipated	A-1	977,279.00		977,279.00	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	4,034.00		4,135.40	101.40
Fines and Costs:					
Municipal Court	A-11	80,900.00		92,348.60	11,448.60
Interest and Costs on Taxes	A-11	90,000.00		172,952.51	82,952.51
Interest on Investments	A-11	60,000.00		20,507.78	(39,492.22)
Garbage Collection Fees	A-11	3,750.00		4,403.50	653.50
Uniform Fire Safety Act (Local Fees)	A-11	7,100.00		8,287.00	1,187.00
Antenna Lease Fees	A-11	62,394.39		61,848.29	(546.10)
Consolidated Municipal Property Tax Relief Aid	A-4	31,075.00		31,075.00	-
Energy Receipts Taxes	A-4	469,328.00		469,328.00	-
Garden State Trust - PILOT Funds	A-4	29,950.00		29,950.00	-
Watershed Moratorium Offset	A-4	194,721.00		194,721.00	-
Uniform Construction Code Fees	A-11	112,000.00		129,291.00	17,291.00
Hardyston Township MUA Administrative Services	A-11	11,000.00		11,000.00	-
Hardyston Township MUA Secretarial/Billing Services	A-11	56,578.45		56,578.45	-
Franklin Borough - Recreation Program	A-11	35,212.50		31,841.50	(3,371.00)
Hardyston Elementary School - Recycling & SW Removal	A-4	10,800.00		10,650.00	(150.00)
Hardyston Elementary School - Park Maintenance	A-11	32,595.00		32,450.00	(145.00)
Hardyston Township MUA - Operating	A-11	166,250.00		166,250.00	-
Franklin Borough - Construction Code Official	A-11	106,384.00		105,410.40	(973.60)
Hamburg Borough - Construction Code Official	A-11	52,162.00		54,990.00	2,828.00
Sussex Borough - DPW	A-11	243,033.00		243,033.00	-
Hamburg Borough - Recycling	A-11	29,640.00		29,640.00	-
Hamburg Borough - Solid Waste	A-11	3,800.00		3,800.00	-
Hamburg Borough Uniform Fire Inspection	A-4	4,667.00		4,667.00	-
Town of Newton - Construction	A-11	79,130.00		108,787.80	29,657.80
Recycling Tonnage	A-4	4,085.99		4,085.99	-
Drunk Driving Enforcement Fund	A-4	5,466.29		5,466.29	-
Clean Communities Program	A-4	15,497.28		15,497.28	-
Municipal Alliance on Alcoholism and Drug Abuse	A-4	12,474.00		12,474.00	-
State Body Armor Grant	A-4	2,883.19		2,883.19	-
Storm Water Grant	A-4	10,000.00		10,000.00	-
Interest on Special Legislative Grant	A-4	4,011.06		4,011.06	-
Over The Limit Under Arrest	A-4	4,400.00		4,400.00	-
Uniform Fire Safety Act	A-4	7,100.00		11,793.59	4,693.59
Contract with Sussex County M.U.A.	A-11	5,400.00		1,236.00	(4,164.00)
Newton Fire Subcode	A-4	3,500.00		3,500.00	-
Sussex Borough - Construction	A-11	41,000.00		37,943.20	(3,056.80)
Andover Township Land Use	A-4	25,365.00		26,365.00	1,000.00
Sale of Solar Renewable Energy Credits	A-11	40,000.00		26,525.50	(13,474.50)
Total Miscellaneous Revenues	A-1	2,157,687.15	-	2,244,127.33	86,440.18
Receipts from Delinquent Taxes	A-1; A-2	370,000.00		669,287.61	299,287.61
Subtotal General Revenues		3,504,966.15	-	3,890,693.94	385,727.79
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	6,454,611.40		6,670,555.70	215,944.30
Budget Totals		9,959,577.55	-	10,561,249.64	601,672.09
Non-Budget Revenue	A-1; A-2			367,980.48	367,980.48
		9,959,577.55	-	10,929,230.12	969,652.57
		A-3	A-3		

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2011

Analysis of Realized Revenues

	<u>Ref.</u>	
Revenue from Collections	A-1; A-8	25,125,557.72
Allocated to School and County Taxes	A-8	<u>19,181,835.78</u>
Balance for Support of Municipal Budget Appropriations		5,943,721.94
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>726,833.76</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>6,670,555.70</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-8	669,287.61
Tax Title Liens	A-9	<u>-</u>
	A-2	<u><u>669,287.61</u></u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Clerk - Fees and Miscellaneous	A-11	10,284.04
Board of Health - Fees and Permits	A-11	7,470.00
Planning and Zoning Board Fees	A-11	<u>24,057.90</u>
		41,811.94
Treasurer		
Soil Log / PERC Test		350.00
Collector Receipts		13,131.25
Cable TV Franchise Fee		32,252.67
Police Fees		1,454.94
Senior Citizen and Veterans Administration Fee		1,730.00
Payment in Lieu of Taxes		1,539.00
Zoning Permits		3,825.00
Void Checks		2,214.17
NJ Hotel Tax		258,839.13
Miscellaneous / Reimbursements		<u>10,832.38</u>
Collector:		
Miscellaneous	A-4	<u>326,168.54</u>
	A-2	<u><u>367,980.48</u></u>

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

General Appropriations	Ref.	Budget	For 2011		Paid or Charged	Reserved
			By Emergency Appropriation	After Modification		
Operations - within "CAPS"						
Administrative and Executive:						
Salaries and Wages		272,057.00		272,057.00	267,622.64	4,434.36
Use of Office Equipment and Supplies		13,000.00		8,500.00	8,219.53	280.47
Miscellaneous Other Expenses		60,000.00		72,000.00	55,141.62	16,858.38
Elections:						
Other Expenses		5,750.00		5,850.00	5,833.01	16.99
Financial Administration:						
Salaries and Wages		13,201.72		13,201.72	13,201.72	
Other Expenses		93,000.00		93,000.00	87,791.98	5,208.02
Assessment of Taxes:						
Salaries and Wages		76,150.00		78,450.00	78,445.27	4.73
Other Expenses		14,200.00		14,200.00	13,060.76	1,139.24
Collection of Taxes:						
Other Expenses		90,148.00		90,148.00	90,148.00	
Legal Services and Costs:						
Other Expenses		55,000.00		35,250.00	26,552.47	8,697.53
Economic Development Commission:						
Other Expenses		6,000.00		6,000.00	481.60	5,518.40
Engineering Services and Costs:						
Retainer		4,320.00		4,320.00	3,960.00	360.00
Other Expenses		28,000.00		28,000.00	23,689.68	4,310.32
Municipal Land Use Law : (N.J.S. 40:55D-11)						
Planning Board:						
Salaries and Wages		72,711.40		61,582.40	61,349.02	233.38
Other Expenses		32,500.00		27,294.00	22,619.15	4,674.85
Board of Adjustment:						
Other Expenses		8,200.00		8,200.00	6,327.09	1,872.91

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	For 2011		Paid or Charged	Reserved
			By Emergency Appropriation	After Modification		
<u>General Appropriations</u>						
Insurance:						
Group Insurance Plan for Employees		777,613.22		777,613.22	745,902.17	31,711.05
Workers' Compensation Insurance		55,268.63		65,018.63	63,327.00	1,691.63
Other Insurance Premiums		134,110.00		134,110.00	125,632.00	8,478.00
Health Benefit Waiver		39,612.00		39,612.00	31,406.45	8,205.55
Unemployment Compensation Insurance		12,307.20		12,307.20	11,859.40	447.80
Disability Insurance		37,500.00		37,500.00	35,017.40	2,482.60
Public Safety:						
Aid to Volunteer Fire Companies		65,840.00		65,840.00	62,930.08	2,909.92
Police:						
Salaries and Wages:		1,889,500.00		1,933,400.00	1,927,264.13	6,135.87
Other Expenses		43,775.00		20,775.00	19,693.36	1,081.64
Purchase of Police Cars		53,800.00		44,300.00	44,227.15	72.85
Purchase and Maintenance of Uniforms		3,800.00		1,554.00	1,553.60	0.40
Police Communications:						
Salaries and Wages		302,427.20		335,527.20	322,061.31	13,465.89
Other Expenses		40,500.00		34,925.00	33,840.66	1,084.34
First Aid Squad Contribution		57,000.00		52,440.60	52,440.53	0.07
Emergency Management Services:						
Salaries and Wages		8,118.00		8,118.00	7,779.75	338.25
Other Expenses		5,450.00		5,450.00	2,477.31	2,972.69
Fire Prevention Bureau:						
Salaries and Wages		20,821.00		22,021.00	21,988.76	32.24
Other Expenses		3,700.00		3,700.00	2,805.30	894.70
Municipal Prosecutor						
Other Expenses		17,800.00		17,800.00	17,783.76	16.24
Municipal Court						
Salaries and Wages		95,500.00		95,500.00	94,548.45	951.55
Other Expenses		5,525.00		5,525.00	2,408.93	3,116.07

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	<u>For 2011 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>General Appropriations</u>						
Streets and Roads:						
Road Repairs and Maintenance		525,000.00		497,606.00	497,555.93	50.07
Salaries and Wages		254,900.00		274,900.00	188,732.52	86,167.48
Other Expenses:		97,500.00		110,500.00	92,312.64	18,187.36
Road Equipment Repair and Maintenance						
Sanitation:						
Recycling		7,200.00		5,700.00	4,538.95	1,161.05
Other Expenses						
Buildings & Grounds		37,000.00		37,000.00	32,910.34	4,089.66
Other Expenses						
Dog Regulation		11,000.00		11,000.00	11,000.00	
Other Expenses						
Recreation and Education:						
Recreation:						
Other Expenses:						
Community Center		27,000.00		27,000.00	22,847.99	4,152.01
Miscellaneous Other Expenses		14,000.00		14,000.00	10,406.06	3,593.94
Contribution to Senior Citizens Center:						
Other Expenses		3,000.00		3,000.00	3,000.00	
Senior Citizen Bus Service:						
Other Expenses		17,000.00		17,000.00	17,000.00	
PEOSHA						
Hepatitis - B Vaccination		500.00		500.00		500.00
Sub-Code Officials:						
Salaries and Wages- Const. Code Official		66,321.40		58,421.40	53,362.12	5,059.28
Building Inspector:						
Other Expenses		13,000.00		13,000.00	12,587.40	412.60
Zoning Enforcement Officer:						
Salaries and Wages		36,000.00		18,350.00	17,898.45	451.55
Other Expenses		2,140.00		2,140.00	680.99	1,459.01

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	For 2011 By Emergency Appropriation	After Modification	Paid or Charged	Reserved
<u>Unclassified:</u>						
<u>General Appropriations</u>						
Celebration of Public Events:						
Other Expenses		6,000.00		6,000.00	(113.00)	6,113.00
Accumulated Leave Compensation		43,000.00		43,000.00	1,238.67	41,761.33
Electricity		55,000.00		59,559.40	53,470.31	6,089.09
Street Lighting		25,000.00		25,000.00	7,403.62	17,596.38
Telephone		55,000.00		55,000.00	48,968.87	6,031.13
Fuel Oil		23,000.00		16,000.00	13,705.46	2,294.54
Gasoline		97,665.00		95,665.00	95,565.53	99.47
Computer/Network Maintenance		68,900.00		68,900.00	62,039.28	6,860.72
Diesel Fuel		55,000.00		78,000.00	73,226.40	4,773.60
Natural Gas		30,000.00		16,000.00	10,979.93	5,020.07
		<u>6,084,331.77</u>		<u>6,084,331.77</u>	<u>5,722,709.50</u>	<u>361,622.27</u>
Total Operations within "CAPS"						
<u>Detail:</u>						
Salaries and Wages	A-1	3,377,807.72		3,394,234.72	3,363,077.55	31,157.17
Other Expenses	A-1	2,706,524.05		2,690,097.05	2,359,631.95	330,465.10
Deferred Charges and Statutory Expenditures - Municipal						
within "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System		206,319.50		206,319.50	206,319.00	0.50
Social Security System (O.A.S.I.)		283,151.68		283,151.68	281,117.35	2,034.33
Police and Firemen's Retirement System of N.J.		326,559.00		326,559.00	326,559.00	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	816,030.18		816,030.18	813,995.35	2,034.83
Total General Appropriations for Municipal Purposes within "CAPS"						
		<u>6,900,361.95</u>		<u>6,900,361.95</u>	<u>6,536,704.85</u>	<u>363,657.10</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	For 2011		Paid or Charged	Reserved
			By Emergency Appropriation	After Modification		
<u>General Appropriations</u>						
Operations - Excluded from "CAPS"						
Reserve for Tax Appeals		25,000.00		25,000.00		25,000.00
Emergency Services Volunteer Length of Service Award Program - Other Expenses		15,000.00		15,000.00		15,000.00
Increase in Pension Costs:						
Public Employee's Retirement System						
Police and Firemen's Retirement System						
Interlocal Municipal Service Agreements						
Franklin Borough - Recreation Programs						
Salaries and Wages		35,212.50		35,212.50	32,661.53	2,550.97
Hardyston Twp. M.U.A. Administrative Services		11,000.00		11,000.00	11,000.00	
Hardyston Twp. M.U.A. Sec./Billing Clerk		56,578.45		56,578.45	56,578.45	
Salaries and Wages		166,250.00		166,250.00	166,250.00	
Hardyston Twp. M.U.A. Water / Sewer Operations						
Other Expenses		32,595.00		32,595.00	32,595.00	
Hardyston Elementary School- Park Maint.		106,384.00		106,384.00	106,384.00	
Other Expenses						
Franklin Borough - Construction Code Official						
Salaries and Wages		52,162.00		52,162.00	52,162.00	
Hamburg Borough - Construction Code Official						
Salaries and Wages		10,800.00		10,800.00	10,800.00	
Hardyston Elementary School- Park Maint.						
Other Expenses						
Hamburg Borough - Recycling						
Other Expenses		29,640.00		29,640.00	29,640.00	
Hamburg Borough - Solid Waste						
Other Expenses		3,800.00		3,800.00	3,800.00	

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	For 2011 By Emergency Appropriation	After Modification	Paid or Charged	Reserved
General Appropriations						
Sussex Borough - DPW		243,033.00		243,033.00	229,417.76	13,615.24
Other Expenses						
Newton - Construction Code Official		79,130.00		79,130.00	79,130.00	
Salaries and Wages						
Sussex Borough - Construction Code Official		41,000.00		41,000.00	41,000.00	
Other Expenses						
Andover Township - Land Use Administrator		25,365.00		25,365.00	25,365.00	
Salaries and Wages						
Newton - Fire Subcode Official		3,500.00		3,500.00	3,500.00	
Salaries and Wages						
Hamburg Borough - Uniform Fire Inspection		4,667.00		4,667.00	4,408.30	258.70
Salaries and Wages						
Public and Private Programs Offset by Revenues:		15,497.28		15,497.28	15,497.28	
Clean Communities Program						
Excess Clean Communities Program						
Municipal Alliance on Alcoholism and Drug Abuse						
State Share		12,474.00		12,474.00	12,474.00	
Local Share		5,466.29		5,466.29	5,466.29	
State of NJ Drunk Driving Enforcement Fund						
Body Armor Replacement Fund		2,883.19		2,883.19	2,883.19	
NJ Div of Criminal Justice - Body Armor Grant		4,085.99		4,085.99	4,085.99	
Recycling Tonnage Grant		4,400.00		4,400.00	4,400.00	
Over The Limit Under Arrest		10,000.00		10,000.00	10,000.00	
Stormwater Regulation Grant		4,011.06		4,011.06	4,011.06	
Interest on Special Legislative Grant						
Total Operations - Excluded from "CAPS"		999,934.76		999,934.76	943,509.85	56,424.91
Detail:						
Salaries & Wages	A-1	373,998.95		373,998.95	371,189.28	2,809.67
Other Expenses	A-1	625,935.81		625,935.81	572,320.57	53,615.24

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	Ref.	Budget	For 2011 By Emergency Appropriation	After Modification	Paid or Charged	Reserved
General Appropriations						
Capital Improvements:						
Capital Improvement Fund		518,500.00		518,500.00	518,500.00	
N.J. Transportation Trust						
Total Capital Improvements Excluded from "CAPS"	A-1	518,500.00		518,500.00	518,500.00	
Municipal Debt Service:						
Payment of Bond Principal		360,000.00		360,000.00	360,000.00	
Interest on Bonds		334,052.50		334,052.50	334,052.50	
Interest on Notes		19,894.58		19,894.58	19,894.58	
Total Municipal Debt Service-Excluded from "CAI"	A-1	713,947.08		713,947.08	713,947.08	
Deferred Charges:						
Emergency Authorizations						
Special Emergency Authorizations - 5 Years		80,000.00		80,000.00	80,000.00	
Ordinance 04-02 Purchase of Sharpe Property		20,000.00		20,000.00	20,000.00	
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	100,000.00		100,000.00	100,000.00	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		2,332,381.84		2,332,381.84	2,275,956.93	56,424.91
Subtotal General Appropriations		9,232,743.79		9,232,743.79	8,812,661.78	420,082.01
Reserve for Uncollected Taxes		726,833.76		726,833.76	726,833.76	
Total General Appropriations		9,959,577.55		9,959,577.55	9,539,495.54	420,082.01

A

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Budget</u>	For 2011 By Emergency Appropriation	After Modification	Paid or Charged	Reserved
<u>General Appropriations</u>	A-2					
Adopted Budget	A-2			9,959,577.55		
Appropriated by N.J.S.A. 40A:4-87				<u>9,959,577.55</u>		
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2				726,833.76	
Cash Disbursed	A-4				8,634,766.60	
Special Emergency	A-13				80,000.00	
Encumbrances Payable	A-15				97,895.18	
					<u>9,539,495.54</u>	

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston , N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

<u>Assets</u>	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Animal Control Trust Fund			
Cash	B-1	2,610.05	755.42
Other Trust Funds:			
Cash	B-1	2,795,438.27	3,107,552.04
Letters of Credit	B-5	15,287,468.09	15,287,468.09
		18,082,906.36	18,395,020.13
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash	B-1	117,461.40	114,878.03
Contributions Receivable	B-9	19,000.00	16,000.00
		136,461.40	130,878.03
		18,221,977.81	18,526,653.58

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston , N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Trust Fund			
Due to State of NJ	B-2	2.40	
Reserve for Dog Fund Expenditures	B-3	<u>2,607.65</u>	<u>755.42</u>
		<u>2,610.05</u>	<u>755.42</u>
Other Trust Fund:			
Reserve for Encumbrances	B-4	1,304.10	102,902.00
Various Reserves	B-7	18,075,023.34	18,287,776.41
Net Payroll and Payroll Deductions	B-8	<u>6,578.92</u>	<u>4,341.72</u>
		<u>18,082,906.36</u>	<u>18,395,020.13</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-10	<u>136,461.40</u>	<u>130,878.03</u>
		<u>18,221,977.81</u>	<u>18,526,653.58</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston , N.J.

Comparative Balance Sheet- Regulatory Basis

General Capital Fund

December 31, 2011 and 2010

	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>			
Cash	C-2; C-3	855,002.37	659,055.82
Deferred Charges to Future Taxation:			
Funded	C-4	9,489,000.00	8,424,000.00
Unfunded	C-5	<u>230,500.00</u>	<u>1,457,000.00</u>
		<u>10,574,502.37</u>	<u>10,540,055.82</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-6	9,489,000.00	8,424,000.00
Bond Anticipation Notes	C-8		1,425,000.00
Improvement Authorizations:			
Funded	C-7	564,865.97	104,473.89
Unfunded	C-7	218,500.00	308,188.26
Capital Improvement Fund	C-9	182,237.82	118,097.82
Various Reserves	C-11	27,425.06	28,580.88
Reserve for Encumbrances	C-12	34,755.10	123,051.19
Fund Balance	C-1	<u>57,718.42</u>	<u>8,663.78</u>
		<u>10,574,502.37</u>	<u>10,540,055.82</u>

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2011 and 2010 in the amount of \$230,500.00 and \$32,000.00, respectively, as show on Exhibit C-13.

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Township of Hardyston , N.J.
Comparative Statement of Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	<u><u>8,663.78</u></u>
Increased by:		
Premium on Sale of Bonds	C-2	<u><u>49,054.64</u></u>
Balance - December 31, 2011	C	<u><u>57,718.42</u></u>

Township of Hardyston

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2011 and 2010

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>General Fixed Assets:</u>		
Land / Land Improvements and Buildings	6,910,700.00	6,910,700.00
Machinery and Equipment	<u>6,981,621.00</u>	<u>6,658,383.00</u>
	<u>13,892,321.00</u>	<u>13,569,083.00</u>
 Investment in Fixed Assets	 <u>13,892,321.00</u>	 <u>13,569,083.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

TOWNSHIP OF HARDYSTON, N.J.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Township of Hardyston have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Township of Hardyston (the "Township") operates under a Mayor/Council form of government. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, 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. 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 Township do not include the Volunteer Fire Department, First Aid Squad and the Free Public Library which is considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Township 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 Township functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Township has the following funds:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individual, 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 also held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

Emergency Services Volunteer Length of Service Award Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

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

General Fixed Asset Account Group - To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Township of Hardyston. 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 for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. 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 Township. 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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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 for the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

General Capital Fund

Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011, the Township did not increase the original budget. In addition, several budget transfers were approved by the governing body.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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

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

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

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.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at costs which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

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

Fixed Assets - The Township of Hardyston has developed a fixed assets accounting and reporting system as promulgated by the Division of Local Government Services which differs in certain respects from generally accepted accounting principles.

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

All fixed assets are valued at historical cost or estimated historical cost if actual cost is not available.

No depreciation has been provided for in the financial statements.

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Use of Estimates - The preparation of financial statements requires management of the Township 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

C. Basic Financial Statements

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

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 Township's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2011, \$117,461.40 of the Township's bank balance of \$9,355,540.05 was exposed to custodial credit risk.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Investments

Investment Rate Risk

The Township 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. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

New Jersey Cash Management Fund - all investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of December 31, 2011, the Township had \$396,256.58 on deposit with the New Jersey Cash Management Fund.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Unaudited Investments

As more fully described in Note 14, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2011 and 2010 amounted to \$117,461.40 and \$114,878.03, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
AB Glbl Tech	\$7,476.19	\$9,179.87
AFIS Growth	9,902.99	9,685.47
DWS EQ 500 IND	16,137.60	17,698.85
Fixed	20,344.98	17,497.26
REIT	8,052.54	8,036.66
All Others	<u>55,547.10</u>	<u>52,779.92</u>
Total	<u>\$117,461.40</u>	<u>\$114,878.03</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2011 consisted of the following:

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General Obligation Debt	\$8,424,000.00	\$1,425,000.00	\$360,000.00	\$9,489,000.00	\$470,000.00
Other Liabilities - Compensated Absences Payable	<u>211,908.00</u>	<u>32,059.00</u>	_____	<u>243,967.00</u>	_____
	<u>\$8,635,908.00</u>	<u>\$1,457,059.00</u>	<u>\$360,000.00</u>	<u>\$9,732,967.00</u>	<u>\$470,000.00</u>

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Municipal Debt

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

Summary of Municipal Debt, (continued)

The Township's debt is summarized as follows:

	<u>Year 2011</u>	<u>Year 2010</u>	<u>Year 2009</u>
<u>Issued:</u>			
General:			
Bonds and Notes	<u>\$9,489,000.00</u>	<u>\$9,849,000.00</u>	<u>\$10,209,000.00</u>
Total Issued	<u>9,489,000.00</u>	<u>9,849,000.00</u>	<u>10,209,000.00</u>
General:			
Bonds and Notes	<u>230,500.00</u>	<u>32,000.00</u>	<u>90,000.00</u>
Total Authorized But Not Issued	<u>230,500.00</u>	<u>32,000.00</u>	<u>90,000.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$9,719,500.00</u>	<u>\$9,881,000.00</u>	<u>\$10,299,000.00</u>

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 3. MUNICIPAL DEBT, (continued)

General Capital Serial Bonds are direct obligations of the Township for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Township.

In addition to the above, the Township had authorized but not issued debt as follows:

General Capital \$230,000.00

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued
and Outstanding

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$470,000.00	\$347,515.00	\$817,515.00
2013	539,000.00	332,448.75	871,448.75
2014	550,000.00	314,657.50	864,657.50
2015	575,000.00	294,882.50	869,882.50
2016	575,000.00	272,007.50	847,007.50
2017	600,000.00	250,982.50	850,982.50
2018	625,000.00	228,982.50	853,982.50
2019	650,000.00	206,913.75	856,913.75
2020	675,000.00	184,401.25	859,401.25
2021-2025	2,875,000.00	583,162.50	3,458,162.50
2026-2030	<u>1,355,000.00</u>	<u>128,246.25</u>	<u>1,483,246.25</u>
	<u>\$9,489,000.00</u>	<u>\$3,144,200.00</u>	<u>\$12,633,200.00</u>

NOTE 4. BOND ANTICIPATION NOTES

The Township issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 4. BOND ANTICIPATION NOTES, (continued)

On December 31, 2011, the Township had no outstanding general capital bond anticipation notes.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2011.

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:			
Sussex Bank	<u>\$1,425,000.00</u>	<u>\$1,425,000.00</u>	<u>\$0.00</u>

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance December 31, 2011</u>	<u>2012 Budget Appropriation</u>	<u>Balance to Succeeding Years</u>
Current Fund:			
Special Emergency Authorization	<u>\$240,000.00</u>	<u>\$80,000.00</u>	<u>\$160,000.00</u>

NOTE 6. SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Township of Hardyston has not elected to defer local school district taxes.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 7. PENSION PLANS

Description of Systems:

Substantially all of the Township's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

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 for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Township of Hardyston did not opt for this deferral.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Township's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$206,319.00	\$326,559.00
2010	140,574.47	251,556.75
2009	142,116.00	243,050.00

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

NOTE 8. OTHER POST-RETIREMENT BENEFITS

In addition to the pension benefits described in Note 7, the Township provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 8. OTHER POST-RETIREMENT BENEFITS, (continued)

Plan Overview

Township of Hardyston (“Hardyston”) provides post-employment benefits other than pensions (“OPEB”) to employees who meet certain criteria. As a result of offering such benefits, Hardyston will be required to report the value of such benefits and the associated costs according to the accounting requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting “by Employers for Postemployment Benefits Other Than Pensions (“GASB 45”).

Hardyston provides medical benefits to retirees who retire with at least 25 years of service with Hardyston Township.

The summary below identifies the value of benefits at January 1, 2008 and costs for the 2008 Fiscal Year according to the accounting requirements of GASB 45 and summarizes the actuarial valuation results by Township of Hardyston’s active and retired employee groups. Results of the 2011 Fiscal Year actuarial valuation were not available at the date of this report.

Note that implicit subsidies as required by GASB 45 are factored into all relevant values in this report.

	<u>January 1, 2008</u>
Present Value of Future Benefits	
Actives	\$2,583,800.00
Retirees	<u>507,500.00</u>
Total	\$3,091,300.00
Actuarial Accrued Liability	
Actives	\$1,048,100.00
Retirees	<u>507,500.00</u>
Total	\$1,555,600.00
GASB 45 Measures	<u>2008 FY</u>
Annual Required Contributions (ARC)	\$207,800.00
Annual OPEB Cost	207,800.00
Employer Contributions, reflecting implicit rate subsidies	\$ 22,400.00
Net OPEB Obligation	\$185,400.00

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 8. OTHER POST-RETIREMENT BENEFITS, (continued)

Liabilities and Normal Cost

The Actuarial Accrued Liability is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Present Value of Projected Benefits (at January 1, 2008) was \$3,091,300.00. The Unfunded Actuarial Accrued Liability was \$1,555,600.00.

Liabilities and Normal Cost	<u>January 1, 2008</u>
Actuarial Accrued Liability	\$1,555,600.00
Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability	\$1,555,600.00

Census Information

Data was provided by Township of Hardyston as of January 1, 2008.

Participant Information	<u>January 1, 2008</u>
Active Participants	51
Retired Participants	<u>2</u>
Total	53

Funding Policy

Township of Hardyston currently accounts for these post-retirement benefits in a pay-as-you-go basis.

Accounting and Actuarial Information

The effective date of the GASB OPEB Accounting Standard for Phase 1 employers is the Fiscal Year beginning after December 15, 2006. For the Township of Hardyston, this is the period from January 1, 2009 through December 31, 2009. The Township of Hardyston had the report completed in 2008. The following exhibits show the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected December 31, 2008 Net OPEB Obligation (NOO), assuming the accounting standards is first adopted for the 2008 Fiscal Year.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 8. OTHER POST-RETIREMENT BENEFITS, (continued)

Accounting and Actuarial Information, (continued)

Development of Annual Required Contribution

The Standard sets the method for determining Township of Hardyston's post employment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and a supplemental cost based on an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows Township of Hardyston's 2008 FY ARC based on a 30-year amortization of the Unfunded Actuarial Accrued Liability as a level dollar amount:

Fiscal Year Ending December 31, 2008

Annual OPEB cost and net OPEB obligation:

Annual Required Contribution (ARC)	\$207,800.00
Interest on OPEB Obligation	-
Adjusted to ARC	-
Annual OPEB Cost Expense	<u>207,800.00</u>
Contributions Made	22,400.00
Increase in Net OPEB Obligation	185,400.00
Net OPEB Obligation - beginning of year	-
Net OPEB Obligation - end of year	<u>\$185,400.00</u>

GASB 45 paragraph 26(a) requires the following elements to be listed in the report. Below is the projected schedule of funding progress:

Valuation Date	Actuarial Value of Assets - United Credit	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	[(b) - (a)] / (c)
January 1, 2008	-	\$1,555,600	\$1,555,600	0.00%	N/A	N/A

* Required disclosure at adoption of Standard. Payroll is not provided.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)

NOTE 8. OTHER POST-RETIREMENT BENEFITS, (continued)

Plan Provisions

The following summary of plan provisions represents our understanding of Hardyston's substantive plan.

An employee is eligible to receive pre-65 post-retirement health benefits through the Hardyston Township health plan by meeting the following criteria:

- Retire from active employment with Hardyston Township with at least 25 years of service with Hardyston Township.

Disability Retirement

ELIGIBILITY:	An employee is eligible if the employee retires with a disability pension from a state administered retirement system.
SURVIVING SPOUSE:	Eligible for subsidized coverage.
SPOUSE COVERAGE:	Spouses may enroll as dependents of retirees.
RETIREMENT CONTRIBUTIONS:	Commencing January 1, 2007, and going forward, Hardyston Township pays \$7,000 plus half of premium increases. An additional \$1,000 is contributed by the Township upon attainment of age 60. Eligible retirees contribute remainder of the premium.

Information for this note was obtained from the AON Consulting Group's report dated June, 2009.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 9. FUND BALANCES

Fund balances as of December 31, 2011 that have been anticipated as revenue in the 2012 budget is as follows:

Current Fund	<u>\$980,000.00</u>
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NOTE 10. FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2011.

	<u>Balance Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance Dec. 31, 2011</u>
Land, Buildings and Improvements	\$6,910,700.00	\$	\$	\$6,910,700.00
Machinery and Equipment	<u>6,658,383.00</u>	<u>456,647.00</u>	<u>133,409.00</u>	<u>6,981,621.00</u>
	<u>\$13,569,083.00</u>	<u>\$456,647.00</u>	<u>\$133,409.00</u>	<u>\$13,892,321.00</u>

NOTE 11. ACCRUED SICK AND VACATION BENEFITS

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick pay over the life of their working careers up to a maximum of 150 days. Of the days accumulated one-third will be paid as terminal leave upon retirement.

The estimated current cost of such unpaid compensation is \$243,967.00. This amount which could be material to the financial statements, is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Township's operating budget in the year it is used.

NOTE 12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2011 consists of the following:

<u>\$3,475,374.79</u>	Due to Federal and State Grant Fund from Current Fund various receipts and disbursements.
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It is anticipated that all interfunds will be liquidated during the fiscal year.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 13. OPERATING LEASES

The Township has commitments to lease copiers under an operating lease that expires in 2013. Total operating lease payments made during the year ended December 31, 2011 were \$758.64. Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending December 31,	
2012	\$758.64
2013	<u>632.20</u>
Total future minimum lease payments	<u>\$1,390.84</u>

NOTE 14. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On January 17, 2001, the Division of Local Government Services approved the Township's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Township's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$1,150.00 to each eligible volunteer who accumulates a minimum of 350 service points based on criteria established by Township Ordinance No. 2000-17. The Township's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2011 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 15. RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. During the 2011 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Township of Hardyston is currently a member of the Garden State Municipal Joint Insurance Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of municipalities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial statements for the Fund are available at the office of the Fund's Executive Director, NIP Group, Inc., Woodbridge, New Jersey.

NOTE 16. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec 31, 2011</u>	<u>Balance Dec 31, 2010</u>
Prepaid Taxes	<u>\$267,658.94</u>	<u>\$148,514.82</u>
Cash Liability for Taxes Collected in Advance	<u>\$267,658.94</u>	<u>\$148,514.82</u>

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011 AND 2010
(continued)**

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by the Township Counsel that there are several tax appeals pending whose impact on the financial statements is not known at this time.

SUPPLEMENTARY DATA AND SCHEDULES

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010*</u>	<u>2009</u>
<u>Tax Rate:</u>	<u>2.226</u>	<u>2.15</u>	<u>3.327</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	.560	.539	.805
County	.463	.455	.740
District School	.814	.782	1.203
Regional School	.389	.374	.579

Assessed Valuation:

2011	\$1,149,388,300		
2010*		\$1,162,319,598	
2009			\$724,911,827

*Revaluation in 2010

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

		<u>Currently</u>	
<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$25,679,952.83	\$25,125,557.72	97.84%
2010	25,027,030.99	24,322,019.69	97.18
2009	24,257,113.38	23,678,797.17	97.61

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>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$250,576.95	\$498,268.06	\$748,845.01	2.92%
2010	201,849.48	670,709.00	872,558.48	3.49
2009	208,795.90	535,417.28	744,213.18	3.07

PROPERTY ACQUIRED BY TAX TITLE LIENS LIQUIDATION

No properties have been acquired in 2011 by foreclosure or deed as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2011	\$14,700.00
2010	14,700.00
2009	14,700.00

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2011	\$1,603,997.82	\$980,000.00
2010	1,678,451.24	977,279.00
2009	1,800,362.95	877,279.00
2008	2,109,720.20	1,117,000.00
2007	2,657,649.14	1,115,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount Of Bond</u>
Stanley Kula	Mayor	
Carl Miller	Deputy Mayor	
Kenneth Kievit	Councilperson	
Leslie Hamilton	Councilperson	
Wayne Ross	Councilperson	
Marianne Smith	Manager	
Scott Holzhauer	Assessor	
Jane Bakalarczyk	Clerk, Assessment Search Officer & Registrar of Vital Statistics	
Anne-Marie Wilhelm	Land Use Administrator	
Borough of Franklin	C. F. O.	
Borough of Franklin	Tax Collection Services	
John Mulhern	Magistrate	
Theresa Lynn	Court Administrator	
Lorraine Spirito	Deputy Court Clerk	
Fred Semrau	Attorney	
Anthony Den Uyl	Prosecutor	
Arden Svedman	Zoning Officer	
Robert Guerin	Engineer	
Charles J. Ferraioli, Jr., C.P.A., R.M.A.	Township Auditor	
Bret Alemy	Chief of Police	

All employees are covered under a blanket bond in the amount of \$6,000,000.00 issued by National Casualty Company, issued January 1, 2010.

Township of Hardyston
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal C.F.D.A Number	Program or Award Amount	Grant Period From/To	12/31/2010		Receipts	Expended	Adjustments	12/31/2011		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance				(Receivable)	Reserve Balance	
US Department of Justice: Cops in School	N/A	26,782.00	1/1/04-12/31/04	(24,640.28)					(24,640.28)		26,782.00
Total US Department of Justice:				(24,640.28)					(24,640.28)		26,782.00
US Department of Transportation: Transportation Grant	N/A	200,000.00	1/1/04-12/31/04	(200,000.00)	200,000.00	174,962.50	175,377.25		(25,037.50)	24,622.75	173,377.25
Total US Department of Justice:				(200,000.00)	200,000.00	174,962.50	175,377.25		(25,037.50)	24,622.75	173,377.25
US Department of Environmental Protection: Stormwater Management	66.605	3,750.00	1/1/05-12/31/05		605.00		577.50			27.50	3,145.00
Stormwater Management	66.605	1,250.00	1/1/06-12/31/06		1,250.00					1,250.00	
Total US Department of Environmental Protection:					1,855.00		577.50			1,277.50	3,145.00
TOTAL FEDERAL AID				(24,640.28)	201,855.00	174,962.50	175,954.75		(49,677.78)	25,900.25	203,304.25

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

Towaship of Hardyston

Schedule of Expenditures of State Awards

For the Year Ended December 31, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2010		12/31/2011		MEMO Cumulative Total Expenditures
				Receipts	Reserve Balance	Expended	Receivable	
FEDERAL AND STATE GRANT FUND								
NJ Department of Solid Waste Administration:								
Clean Communities	4900-765-042-4900-004-V42Y-6020	18,921.28	1/1/10-12/31/10		7,523.99			2,188.22
Clean Communities	4900-765-042-4900-004-V42Y-6020	15,497.28	1/1/11-12/31/11			15,497.28		15,497.28
Clean Communities	4900-765-042-4900-004-V42Y-6020	1,941.39	1/1/11-12/31/11		1,941.39			1,941.39
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	2,378.05	1/1/08-12/31/08					2,378.05
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	5,275.92	1/1/09-12/31/09		186.13			5,089.79
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	4,085.99	1/1/10-12/31/10		4,085.99			4,085.99
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	4,814.05	1/1/11-12/31/11			4,814.05		4,814.05
Total NJ Department of Solid Waste Administration:					11,796.11	5,335.77		24,200.90
NJ Department of Community Affairs:								
Special Legislative Grant - Walkkill River Cleanup	N/A	3,500,000	1/1/00-12/31/00		3,389,521.92			3,372,939.45
Special Legislative Grant	N/A	49,761	1/1/00-12/31/00		49,761.20			49,761.20
Special Legislative Grant	N/A	4,011	1/1/10-12/31/10		4,011.06			4,011.06
Special Legislative Grant	N/A	1,641	1/1/11-12/31/11			1,640.76		1,640.76
Special Legislative Grant	N/A	19,900	1/1/11-12/31/11		19,899.50			19,899.50
Special Legislative Grant	N/A	1,522.48	1/1/03-12/31/03		360.39			360.39
Domestic Violence	N/A	720.00	1/1/04-12/31/04		720.00			720.00
NJ Small Grant Fund	N/A	10,000.00	1/1/04-12/31/04		5,000.00			5,000.00
Total NJ Department of Community Affairs:					3,444,374.57	16,582.47	(5,000.00)	3,459,332.36
NJ Division of Highway Traffic Safety:								
Over the Limit and Under Arrest	1160-100-066-1160-132-YHTS-6120	4,400.00	1/1/11-12/31/11			4,400.00		4,400.00
Total NJ Division of Highway Traffic Safety:						4,400.00		4,400.00
NJ Division of Motor Vehicles:								
Drunk Driving Enforcement Fund	6400-100-078-6400-XXXX	2,360.59	1/1/07-12/31/07		1,800.29			1,192.50
Drunk Driving Enforcement Fund	6400-100-078-6400-XXXX	5,466.29	1/1/11-12/31/11		5,466.29			5,466.29
Total NJ Division of Motor Vehicles:					7,266.58	607.79		6,658.79
NJ Division of Public Law and Safety:								
Body Armor	1020-718-066-1020-001-YCJS-6120	4,943.71	1/1/08-12/31/08		4,575.80			2,199.80
Body Armor	1020-718-066-1020-001-YCJS-6120	2,883.19	1/1/10-12/31/10		2,883.19			2,883.19
Body Armor	1020-718-066-1020-001-YCJS-6120	2,033.73	1/1/11-12/31/11			2,033.73		2,033.73
Alcohol Education & Rehabilitation Fund	9735-760-098-Y900-001-XI100-6020	5,539.01	1/1/06-12/31/06		3,394.28			3,394.28
Alcohol Education & Rehabilitation Fund	9735-760-098-Y900-001-XI100-6020	507.42	1/1/07-12/31/07		507.42			507.42
Alcohol Education & Rehabilitation Fund	9735-760-098-Y900-001-XI100-6020	267.73	1/1/08-12/31/08		267.73			267.73
Alcohol Education & Rehabilitation Fund	9735-760-098-Y900-001-XI100-6020	269.67	1/1/08-12/31/08			269.67		269.67
Total NJ Division of Public Law and Safety:					11,628.42	2,376.00		11,555.82
NJ Department of Treasury:								
Passed thru Sussex County:								
Municipal Drug Alliance	N/A	11,705.00	1/1/09-12/31/09					11,705.00
Municipal Drug Alliance	N/A	12,474.00	1/1/10-12/31/10	(713.20)	713.20			12,474.00
Municipal Drug Alliance	N/A	12,474.00	1/1/11-12/31/11	(12,474.00)	11,886.90		(587.10)	6,739.69
Total NJ Department of Treasury:					(13,187.20)	12,600.10	(13,061.10)	5,734.31
TOTAL STATE AID					3,482,076.46	38,652.50	(18,061.10)	3,516,394.34

Note: This schedule was not subject to an audit in accordance with N.J. OMB Circular 04-04.

Township of Hardyston , N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2010	A		5,704,256.28
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	326,168.54	
Consolidated Municipal Property Tax Relief Aid	A-2	31,075.00	
Energy Receipts Taxes	A-2	469,328.00	
Garden State PILOT Funds	A-2	29,950.00	
Watershed Moratorium Offset	A-2	194,721.00	
Hardyston Elementary School - Recycling	A-2	10,650.00	
Hamburg Borough Uniform Fire Inspection	A-2	4,667.00	
Recycling Tonnage	A-2	4,085.99	
Drunk Driving Enforcement Fund	A-2	5,466.29	
Clean Communities Program	A-2	15,497.28	
Municipal Alliance on Alcoholism and Drug Ab	A-2	12,474.00	
State Body Armor Grant	A-2	2,883.19	
Storm Water Grant	A-2	10,000.00	
Interest on Special Legislative Grant	A-2	4,011.06	
Over The Limit Under Arrest	A-2	4,400.00	
Uniform Fire Safety Act	A-2	11,793.59	
Newton Fire Subcode	A-2	3,500.00	
Andover Township Land Use	A-2	26,365.00	
Petty Cash	A-6	150.00	
Due From State - Senior Citizen and Veteran Deductions	A-7	86,500.00	
Taxes Receivable	A-8	25,561,830.51	
Revenue Accounts Receivable	A-11	1,445,071.87	
Due From Various Vendors	A-12	243,058.98	
Prepaid Taxes	A-16	267,658.94	
Various Cash Liabilities and Reserves	A-20	<u>35,156.76</u>	
			<u>28,806,463.00</u>
			34,510,719.28
Decreased by Disbursements:			
Refund Prior Year Revenue	A-1	2,925.12	
Current Year Budget Appropriations	A-3	8,634,766.60	
Petty Cash	A-6	150.00	
Interfunds	A-12	215,052.51	
Appropriation Reserves	A-14	563,465.54	
Local District School Taxes	A-17	9,384,563.49	
Regional High School Taxes	A-18	4,486,680.04	
County Taxes Payable	A-19	5,306,361.95	
Various Cash Liabilities and Reserves	A-20	<u>59,276.49</u>	
			<u>28,653,241.74</u>
Balance - December 31, 2011	A		<u>5,857,477.54</u>

Township of Hardyston , N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	<u>525.00</u>
Balance - December 31, 2011	A	<u>525.00</u>
 <u>Analysis of Balance:</u>		
Tax Collector		225.00
Clerk		100.00
Recreation		100.00
Building Department		<u>100.00</u>
		<u>525.00</u>

Schedule of Cash - Petty Cash

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Disbursements	A-4	<u>150.00</u>
Decreased by:		
Receipts	A-4	<u>150.00</u>

Township of Hardyston , N.J.

**Schedule of Amount Due From State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	7,998.32
Increased by:		
Senior Citizens Deductions Per Tax Billing		15,250.00
Veterans Deductions Per Tax Billing		<u>69,250.00</u>
	A-8	<u>84,500.00</u>
		92,498.32
Decreased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>86,500.00</u>
Balance - December 31, 2011	A	<u><u>5,998.32</u></u>

Township of Hardyston, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2011

Year	Balance, Dec. 31, 2010	Added Taxes	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2011
			2010	2011				
2003	873.60							873.60
2004	3,554.49							3,554.49
2005	898.17							898.17
2006	914.55							914.55
2007	3,573.81		2,659.26					914.55
2008	5,601.18		3,897.47					1,703.71
2009	5,665.89		3,148.96					2,516.93
2010	649,627.31	10,717.86	659,581.92					763.25
	670,709.00	10,717.86	669,287.61					12,139.25
		55,369.36	25,624,583.47	148,514.82	84,500.00	48,727.47	19,538.83	486,128.81
2011	670,709.00	66,087.22	25,624,583.47	148,514.82	84,500.00	48,727.47	19,538.83	498,268.06
	A		A-2; A-16	A-2; A-4	A-2; A-7	A-9		A

Analysis of Tax Levy

Tax yield:	Ref.
General Property Tax	25,624,583.47
Added Tax (R.S. 54:4-63.1 et seq.)	55,369.36
	<u>25,679,952.83</u>
Tax Levy:	
Local District School Tax	
Regional High School Tax	A-17
County Library	A-18
County Tax	347,702.73
County Health	4,780,895.63
County Open Space Preservation	128,037.81
Added County Taxes	42,092.37
	<u>11,863.71</u>
	A-19
	5,310,592.25
	<u>19,181,835.78</u>
Local Tax for Municipal Purposes	
Additional Taxes	A-2
	6,454,611.40
	<u>43,505.65</u>
	<u>6,498,117.05</u>
	<u>25,679,952.83</u>

Township of Hardyston , N.J.

Schedule of Tax Title Liens

Current Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A	201,849.48
Increased by:		
Transfer from 2011 Taxes Receivable	A-8	<u>48,727.47</u>
Balance - December 31, 2011	A	<u><u>250,576.95</u></u>

Schedule of Property Acquired for

Taxes Assessed Valuation

Current Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A	<u>14,700.00</u>
Balance - December 31, 2011	A	<u><u>14,700.00</u></u>

Township of Hardyston , N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk:			
Alcoholic beverages	A-2	4,135.40	4,135.40
Fees and Miscellaneous	A-2	10,284.04	10,284.04
Uniform Construction Code:			
Fees and Permits	A-2	129,291.00	129,291.00
Board of Health:			
Fees and Permits	A-2	7,470.00	7,470.00
Municipal Court :			
Fines and Costs	A-2	92,348.60	92,348.60
Planning and Zoning Board Fees	A-2	24,057.90	24,057.90
Interest on Investments and Deposits	A-2	20,507.78	20,507.78
Garbage Collection Fees	A-2	4,403.50	4,403.50
Uniform Fire Safety Act (Local Fees)	A-2	8,287.00	8,287.00
Antenna Lease Fees	A-2	61,848.29	61,848.29
Interest and Costs on Taxes	A-2	172,952.51	172,952.51
Franklin Borough - Recreation Program	A-2	31,841.50	31,841.50
Franklin Borough - Construction Official	A-2	105,410.40	105,410.40
Hamburg Borough - Construction Official	A-2	54,990.00	54,990.00
Hardyston Township MUA - Admin. Services	A-2	11,000.00	11,000.00
Interlocal Hardyston Township MUA - Operating	A-2	166,250.00	166,250.00
Hardyston Elementary School - Park Maint.	A-2	32,450.00	32,450.00
Sussex Borough - DPW	A-2	243,033.00	243,033.00
Hamburg Borough - Recycling	A-2	29,640.00	29,640.00
Hamburg Borough - Solid Waste	A-2	3,800.00	3,800.00
Town of Newton - Construction	A-2	108,787.80	108,787.80
Sussex Borough - Construction	A-2	37,943.20	37,943.20
Sale of Solar Renewable Energy Credits	A-2	26,525.50	26,525.50
Hardyston Township MUA Secretarial/Billing Services	A-2	56,578.45	56,578.45
Contract with Sussex County M.U.A.	A-2	1,236.00	1,236.00
		<u>1,445,071.87</u>	<u>1,445,071.87</u>
			A-4

Township of Hardyston, N.J.

Schedules of Interfunds

Current Fund

Year Ended December 31, 2011

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2011</u>
State and Federal Grant Fund	A	<u>(3,447,368.32)</u>	<u>243,058.98</u>	<u>215,052.51</u>	<u>(3,475,374.79)</u>
		<u>(3,447,368.32)</u>	<u>243,058.98</u>	<u>215,052.51</u>	<u>(3,475,374.79)</u>
			<u>A-4</u>	<u>A-4</u>	

Township of Hardyston , N.J.

Schedule of Deferred Charges

N.J.S. 40A:4-53 Special Emergency

Year Ended December 31, 2011

<u>Date</u>	<u>Purpose</u>	<u>Net Amount</u>	<u>1/5 of</u>	<u>Balance,</u>	<u>Amount in</u>	<u>Balance,</u>
<u>Authorized</u>		<u>Authorized</u>	<u>Net Amount</u>	<u>Dec. 31,</u>	<u>2011</u>	<u>Dec. 31,</u>
			<u>Authorized</u>	<u>2010</u>	<u>Budget</u>	<u>2011</u>
02/03/09	Revaluation of Taxes	400,000.00	80,000.00	320,000.00	80,000.00	240,000.00
				<u>320,000.00</u>	<u>80,000.00</u>	<u>240,000.00</u>
				A	A-3	A

Township of Hardyston , N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Operations - within "CAPS"				
Administrative and Executive:				
Salaries and Wages	2,158.93	-	-	-
Use of Office Equipment and Supplies	5,757.04	1,832.09	1,832.09	-
Miscellaneous Other Expenses	4,355.68	29,220.06	29,220.06	-
Elections:				
Other Expenses	2,446.86	-	-	-
Financial Administration:				
Other Expenses	7,901.98	7,901.98	7,901.98	-
Assessment of Taxes:				
Salaries and Wages	4.48	4.48	-	4.48
Other Expenses	1,277.31	1,882.85	1,882.85	-
Collection of Taxes:				
Other Expenses	0.08	0.08	-	0.08
Legal Services and Costs:				
Other Expenses	13,820.00	14,271.50	14,171.00	100.50
Economic Development Commission:				
Other Expenses	6,076.30	6,137.25	6,137.25	-
Engineering Services and Costs:				
Retainer	720.00	720.00	720.00	-
Other Expenses	8,691.25	16,987.75	16,900.25	87.50
Municipal Land Use Law : (N.J.S. 40:55D-11)				
Planning Board:				
Salaries and Wages	109.52	109.52	-	109.52
Other Expenses	14,158.07	15,926.23	15,926.23	-
Board of Adjustment:				
Other Expenses	2,433.08	2,433.08	1,920.65	512.43
Insurance:				
Group Insurance Plan for Employees	2,861.51	8,543.21	8,543.00	0.21
Other Insurance Premiums	0.03	0.03	-	0.03
Unemployment Compensation Insurance	643.72	643.72	127.50	516.22
Public Safety:				
Aid to Volunteer Fire Companies	12,532.19	22,249.23	22,249.23	-
Police:				
Salaries and Wages:				
Salaries and Wages:	16,397.86	6,074.80	6,074.80	-
Other Expenses	13,904.28	40,740.40	40,732.73	7.67
Purchase of Police Cars	26,451.20	27,484.20	27,484.20	-
Purchase and Maintenance of Uniforms	3,087.71	442.44	95.94	346.50
Police Communications:				
Salaries and Wages	3,455.71	2,708.56	2,708.55	0.01
Other Expenses	5,874.71	2,109.41	2,109.37	0.04
First Aid Squad Contribution	3,632.70	3,632.70	3,632.70	-

Township of Hardyston , N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	Balance <u>Lapsed</u>
Emergency Management Services:				
Salaries and Wages	178.97	178.97	-	178.97
Other Expenses	3,142.10	3,517.10	2,991.82	525.28
Fire Prevention Bureau:				
Salaries and Wages	73.88	73.88	-	73.88
Other Expenses	-	1,674.17	1,674.17	-
Municipal Prosecutor				
Other Expenses	16.24	16.24	-	16.24
Municipal Court				
Salaries and Wages	4.68	4.68	-	4.68
Other Expenses	571.34	861.34	290.00	571.34
Streets and Roads:				
Road Repairs and Maintenance				
Salaries and Wages	17,651.33	8,455.79	8,455.79	-
Other Expenses:				
Road Equipment Repair and Maintenan	5,673.85	9,769.56	9,769.56	-
Miscellaneous Other Expenses	91,993.59	110,424.77	110,424.70	0.07
Recycling				
Other Expenses	158.93	-	-	-
Buildings & Grounds				
Other Expenses	1,960.32	1,859.37	1,859.37	-
Dog Regulation				
Other Expenses	2,460.97	1,250.00	1,250.00	-
Recreation and Education:				
Other Expenses:				
Community Center	4,877.81	6,716.27	6,716.27	-
Miscellaneous Other Expenses	384.48	134.48	-	134.48
PEOSHA				
Hepatitis - B Vaccination	500.00	500.00	-	500.00
Sub-Code Officials:				
Salaries and Wages- Const. Code Official	24.12	24.12	-	24.12
Miscellaneous	-	10,107.35	10,107.35	-
Building Inspector:				
Other Expenses	469.27	1,707.35	1,489.52	217.83
Zoning Enforcement Officer:				
Salaries and Wages	0.42	0.42	-	0.42
Other Expenses	1,164.14	1,164.14	1,031.25	132.89

Township of Hardyston , N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2011

	Balance, Dec. 31, <u>2010</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Unclassified:				
Celebration of Public Events:				
Other Expenses	1,000.00	2,768.06	2,767.99	0.07
Accumulated Leave Compensation	43,000.00	43,000.00	43,000.00	-
Electricity	7,959.80	7,120.32	7,120.32	-
Street Lighting	15,624.79	23,379.80	23,379.80	-
Telephone	6,081.07	2,565.58	2,565.58	-
Fuel Oil	6,090.07	3,042.89	3,042.89	-
Gasoline	10,228.60	25,239.17	24,664.01	575.16
Computer/Network Maintenance	23,128.95	24,944.85	24,944.85	-
Diesel Fuel	1,865.21	11,856.07	11,799.84	56.23
Natural Gas	8,214.55	3,143.13	3,143.13	-
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"				
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	208.91	1,295.99	1,295.99	-
Reserve for Tax Appeals	25,000.00	25,000.00	25,000.00	-
Emergency Services Volunteer Length of Service Award Program - Other Expenses	15,000.00	16,000.00	16,000.00	-
Franklin Borough - Recreation Programs Salaries and Wages	1,430.96	1,430.96	1,430.96	-
Sussex Borough - DPW Other Expenses	2,864.47	6,880.00	6,880.00	-
 Total Reserves	 <u>457,756.02</u>	 <u>568,162.39</u>	 <u>563,465.54</u>	 <u>4,696.85</u>
	A		A-4	A-1
	A	457,756.02		
	A-15	<u>110,406.37</u>		
		<u>568,162.39</u>		

Township of Hardyston , N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	110,406.37
Increased by:		
Charges to Current Appropriations	A-3	97,895.18
		<u>208,301.55</u>
Decreased by:		
Disbursed	A-4	110,406.37
		<u>110,406.37</u>
Balance - December 31, 2011	A	<u><u>97,895.18</u></u>

A-16

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	148,514.82
Increased by:		
Receipts - Prepaid 2012 Taxes	A-4	267,658.94
		<u>416,173.76</u>
Decreased by:		
Applied to 2011 Taxes	A-8	148,514.82
		<u>148,514.82</u>
Balance - December 31, 2011	A	<u><u>267,658.94</u></u>

Township of Hardyston , N.J.
Schedule of Local District School Tax
Current Fund
Year Ended December 31, 2011

Ref.

Increased by:		
Levy Calendar Year 2011	A-1; A-8	<u>9,384,563.49</u>
Decreased by:		
Payments	A-4	<u>9,384,563.49</u>

Schedule of Regional High School Tax
Current Fund
Year Ended December 31, 2011

Ref.

Increased by:		
Levy Calendar Year 2011	A-1; A-8	<u>4,486,680.04</u>
Decreased by:		
Payments	A-4	<u>4,486,680.04</u>

Township of Hardyston , N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	A	7,633.41
Increased by:		
Tax Levy 2011		
County Tax		4,780,895.63
County Library		347,702.73
County Health		128,037.81
County Open Space Preservation		42,092.37
Added and Omitted Taxes		<u>11,863.71</u>
	A-1; A-8	<u>5,310,592.25</u>
		5,318,225.66
Decreased by:		
Payments	A-4	<u>5,306,361.95</u>
Balance - December 31, 2011	A	<u><u>11,863.71</u></u>

Township of Hardyston , N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Liabilities:</u>				
Tax Overpayments	47,175.22	70,985.23	48,544.99	69,615.46
Accounts Payable	41,918.35	-	-	41,918.35
Due to State of N.J. Marriage Surcharge	225.00	1,575.00	1,600.00	200.00
<u>Reserves for:</u>				
Sale of Assets	-	5,573.75	-	5,573.75
Preparation of Tax Map	8,510.00	646.50	9,156.50	-
Reserve for Revaluation	54,870.84	25,000.00	-	79,870.84
Garden State Trust	29,950.01	-	-	29,950.01
	<u>182,649.42</u>	<u>103,780.48</u>	<u>59,301.49</u>	<u>227,128.41</u>
	A			A
<u>Ref.</u>				
Adjustment to Tax Overpayments	A-1	68,623.72	-	
Adjustment to Marriage Surcharge	A-1	-	25.00	
Receipts	A-4	35,156.76	-	
Disbursed	A-4	-	59,276.49	
		<u>103,780.48</u>	<u>59,301.49</u>	

Township of Hardyston, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2011

<u>Grant</u>	<u>Balance, Dec. 31, 2010</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Transfer From Unappropriated Reserves</u>	<u>Balance, Dec. 31, 2011</u>
Clean Communities Program		15,497.28	15,497.28		
N.J. Department of Transportation Grant	200,000.00		174,962.50		25,037.50
Municipal Alliance on Alcoholism and Drug Abuse	13,187.20	12,474.00	12,600.10		13,061.10
Recycling Tonnage Grant		4,085.99		4,085.99	
U.S. Department of Justice - COPS in School	24,640.28			4,011.06	24,640.28
Special Legislative Grant Interest		4,011.06			
Over the Limit Under Arrest		4,400.00	4,400.00		
NJ Small Grant Program		10,000.00	5,000.00		5,000.00
Drunk Driving Enforcement Fund		5,466.29		5,466.29	
Federal Body Armor Grant		2,883.19		2,883.19	
	<u>237,827.48</u>	<u>58,817.81</u>	<u>212,459.88</u>	<u>16,446.53</u>	<u>67,738.88</u>
	A	A-2	A-24	A-23	A

Township of Hardyston, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

Grant	Balance,	Transfer	Expended	Dec. 31, 2011
	Dec. 31, 2010	From 2011 Budget		
Recycling Tonnage Grant	186.13	4,085.99	4,272.12	
Drunk Driving Enforcement Fund	1,800.29	5,466.29	607.79	6,658.79
Clean Communities Program	7,523.99	15,497.28	5,335.77	17,685.50
Municipal Alliance on Alcoholism and Drug Abuse:				
State Share	6,933.58	12,474.00	13,750.47	5,657.11
Local Share	77.20			77.20
Municipal Court Alcohol Rehab Grant	4,169.43			4,169.43
NJ Body Armor	4,575.80		2,376.00	2,199.80
NJ Special Legislative Grant - Wallkill River Cleanup	3,389,521.92		16,582.47	3,372,939.45
NJ Stormwater Management Grant	1,855.00		577.50	1,277.50
Over the Limit Under Arrest		4,400.00		4,400.00
Special Leg. Grant Interest	49,761.20	4,011.06		53,772.26
NJ Small Grant		10,000.00		10,000.00
Domestic Violence Grant	1,080.39	2,883.19		1,080.39
Federal Body Armor Replacement Fund				2,883.19
U.S. Department of Transportation Grant	200,000.00		175,377.25	24,622.75
	<u>3,667,484.93</u>	<u>58,817.81</u>	<u>214,607.25</u>	<u>3,511,695.49</u>
	A			A
Cash Disbursements	Ref.		213,788.17	
Reserve for Encumbrances	A-24		819.08	
	A-25		<u>214,607.25</u>	

Township of Hardyston , N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2011

<u>Grant</u>	<u>Balance Dec. 31, 2010</u>	<u>Transfer To 2011 Budget</u>	<u>Received/ (Cancelled)</u>	<u>Balance Dec. 31, 2011</u>
State Body Armor Grant	2,883.19	2,883.19	2,033.73	2,033.73
Drunk Driving Enforcement Fund	5,466.29	5,466.29		
Interest on Special Legislative Grant	4,011.06	4,011.06	1,640.76	1,640.76
Clean Communities			1,941.39	1,941.39
State Recycling Grant	4,085.99	4,085.99	4,814.05	4,814.05
Alcohol Education and Rehabilitation Fund			269.67	269.67
Special Legislative Interest Grant			19,899.50	19,899.50
	<u>16,446.53</u>	<u>16,446.53</u>	<u>30,599.10</u>	<u>30,599.10</u>
	A	A-21	A-24	A

A-24

Schedule of Due From Current Fund

Federal and State Grant Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A		3,447,368.32
Increased by:			
Federal and State Grant Fund Receipts	A-21	212,459.88	
Unappropriated Receipts	A-23	<u>30,599.10</u>	
			<u>243,058.98</u>
			3,690,427.30
Decreased by:			
Federal and State Grant Fund			
Expenditures	A-22	213,788.17	
Encumbrance Expenditures	A-25	<u>1,264.34</u>	
			<u>215,052.51</u>
Balance - December 31, 2011	A		<u><u>3,475,374.79</u></u>

Township of Hardyston , N.J.
Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> A	1,264.34
Increased by:		
Charges to Federal and State Grants	A-22	819.08
		<u>2,083.42</u>
Decreased by:		
Disbursements	A-24	1,264.34
		<u>1,264.34</u>
Balance - December 31, 2011	A	<u><u>819.08</u></u>

Township of Hardyston , N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2011

	<u>Ref.</u>	Emergency Services Volunteer Length of Service Award <u>Program</u>	Animal Control Trust <u>Fund</u>	Other Trust Funds <u>Funds</u>
Balance - December 31, 2010	B	<u>114,878.03</u>	<u>755.42</u>	<u>3,107,552.04</u>
Increase by Receipts:				
State Share of Dog Licenses	B-2		1,462.80	
Township Share of Dog Licenses	B-3		6,241.20	
Late Fees	B-3		1,996.86	
Other Trust Funds	B-7			353,928.78
Net Payroll and Payroll Deductions	B-8			4,149,971.24
Borough Contributions	B-9	<u>16,000.00</u>		
Total Receipts		<u>16,000.00</u>	<u>9,700.86</u>	<u>4,503,900.02</u>
		<u>130,878.03</u>	<u>10,456.28</u>	<u>7,611,452.06</u>
Decreased by Disbursements:				
Due to State of New Jersey	B-2		1,460.40	
Reserve for Dog Expenditures	B-3		6,385.83	
Reserve for Encumbrances	B-4			102,902.00
Other Trust Funds	B-7			565,377.75
Net Payroll and Payroll Deductions	B-8			4,147,734.04
Distributions	B-10	<u>10,720.75</u>		
Accounting Charge	B-10	<u>2,695.88</u>		
Total Disbursements		<u>13,416.63</u>	<u>7,846.23</u>	<u>4,816,013.79</u>
Balance - December 31, 2011	B	<u><u>117,461.40</u></u>	<u><u>2,610.05</u></u>	<u><u>2,795,438.27</u></u>

Township of Hardyston , N.J.
Schedule of Due To State of New Jersey
Animal Control Trust Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	
Increased by:		
State License Fees Collected	B-1	<u>1,462.80</u>
Decreased by:		
Payments to State of NJ	B-1	<u>1,460.40</u>
Balance - December 31, 2011	B	<u><u>2.40</u></u>

Township of Hardyston , N.J.

Reserve for Animal Control Trust Expenditures

Animal Control Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	B		755.42
Increased by:			
Dog License Fees Collected in 2011	B-1	6,241.20	
Late Charges and Fines	B-1	<u>1,996.86</u>	
			<u>8,238.06</u>
			<u>8,993.48</u>
Decreased by:			
Expenditures R.S. 4:19-1511	B-1		<u>6,385.83</u>
Balance - December 31, 2011	B		<u><u>2,607.65</u></u>

License Fees Collected

<u>Year</u>	
2010	6,093.60
2009	<u>6,210.40</u>
	<u><u>6,210.40</u></u>

Township of Hardyston , N.J.
Schedule of Reserve for Encumbrances
Other Trust Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	102,902.00
Increased by:		
Charges to Reserves	B-7	<u>1,304.10</u>
		104,206.10
Decreased by:		
Cash Disbursements	B-1	<u>102,902.00</u>
Balance - December 31, 2011	B	<u><u>1,304.10</u></u>

Township of Hardyston , N.J.

Schedule of Letters of Credit

Other Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	<u>15,287,468.09</u>
Balance - December 31, 2011	B	<u>15,287,468.09</u>

Schedule of Interfund Current Fund

Other Trust Fund

Year Ended December 31, 2011

	<u>Ref.</u>	
Increased by:		
Other Trust Funds	B-7	<u>142,100.00</u>
Decreased by:		
Other Trust Funds	B-7	<u>142,100.00</u>

Township of Hardyston , N.J.

Schedule of Other Trust Funds

Other Trust Fund

Year Ended December 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Reserve for Deposits by Letters of Credit	15,287,468.09			15,287,468.09
Redemption Outside Liens		90,948.59	86,681.01	4,267.58
Uniform Fire Safety Fines	4,133.89	4,500.00	3,372.75	5,261.14
Reserve for Recreation	921.09	9,529.30	4,730.81	5,719.58
Escrow Deposits	157,274.11	47,802.26	64,844.45	140,231.92
Littell Community Center	17,031.05	17,704.25	7,293.21	27,442.09
Small Cities	7,016.96			7,016.96
Municipal Court - P.O.A.A.	202.00	18.00		220.00
Public Defender	1,085.50	7,383.50	7,800.00	669.00
Police Outside Work	920.34	366.76	978.08	309.02
Affordable Housing	1,770,095.09	88,304.31	479,981.54	1,378,417.86
Accumulated Sick Leave	176,774.71	76,709.00		253,483.71
Snow Related Costs	10,967.86			10,967.86
Performance Bonds Escrow	784,185.72	10,662.81	37,000.00	757,848.53
Premiums on Tax Sale	69,700.00	142,100.00	16,100.00	195,700.00
	<u>18,287,776.41</u>	<u>496,028.78</u>	<u>708,781.85</u>	<u>18,075,023.34</u>
	B			B

Ref.

Cash Receipts	B-1	353,928.78	
Cash Disbursements	B-1		565,377.75
Reserve for Encumbrances	B-4		1,304.10
Interfund - Current	B-6	142,100.00	142,100.00
		<u>496,028.78</u>	<u>708,781.85</u>

Township of Hardyston , N.J.

Schedule of Net Payroll and Payroll Deductions

Other Trust Fund

Year Ended December 31, 2011

	Balance <u>Dec. 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2011</u>
Federal Withholding		559,301.87	559,301.87	
Social Security/Medicare		546,033.34	546,033.34	
State Withholding		137,220.39	137,220.39	
Unemployment Insurance		22,109.24	22,045.34	63.90
Christmas		36,200.00	36,200.00	
Cont. Insurance	32.19	10,403.75	9,968.18	467.76
Public Employees Retirement System	3,424.51	176,631.59	174,871.30	5,184.80
Police and Fire Retirement System	887.02	211,737.62	211,712.18	912.46
Dues		8,544.00	8,544.00	
Savings		6,720.00	6,720.00	
Medical Copay		14,080.86	14,078.86	2.00
AFLAC	(2.00)	26,900.00	26,950.00	(52.00)
Valic		22,585.00	22,585.00	
AXA		1,167.09	1,167.09	
Garnishments		536,021.96	536,021.96	
Due Current		1,107,650.21	1,107,650.21	
Fringe Pay		2,944.66	2,944.66	
Net Payroll		723,719.66	723,719.66	
	<u>4,341.72</u>	<u>4,149,971.24</u>	<u>4,147,734.04</u>	<u>6,578.92</u>
	B	B-1	B-1	B

Township of Hardyston , N.J.

Schedule of Contributions Receivable

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	B	16,000.00
Increased by:		
Township Contributions	B-10	19,000.00
		<u>35,000.00</u>
Decreased by:		
Receipts	B-1	16,000.00
		<u>16,000.00</u>
Balance - December 31, 2011	B	<u>19,000.00</u>

B-10

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	B		130,878.03
Increased by:			
Township Contributions	B-9		19,000.00
			<u>149,878.03</u>
Decreased by:			
Withdrawals & Accounting Charge	B-1	10,720.75	
Accounting Charge	B-1	<u>2,695.88</u>	
			<u>13,416.63</u>
Balance - December 31, 2011	B		<u>136,461.40</u>

Township of Hardyston , N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2011

	<u>Ref.</u>		
Balance - December 31, 2010	C		659,055.82
Increased by Receipts:			
Fund Balance	C-1	49,054.64	
Deferred Charges to Future Taxation:			
Unfunded	C-5	20,000.00	
General Serial Bonds	C-6	1,425,000.00	
Interfund - Current Fund	C-10	518,500.00	
	C-3	<u>2,012,554.64</u>	
			<u>2,671,610.46</u>
Decreased by Disbursements:			
Improvement Authorizations	C-7	267,401.08	
Bond Anticipation Notes	C-8	1,425,000.00	
Various Capital Reserves	C-11	1,155.82	
Reserve for Encumbrances	C-12	123,051.19	
	C-3	<u>1,816,608.09</u>	
Balance - December 31, 2011	C		<u><u>855,002.37</u></u>

Township of Hardyston, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2011

	Balance or (Deficit) Dec. 31, 2010	Receipts			Disbursements			Transfers		Balance or (Deficit) Dec. 31, 2011
		Budget Appropriations	Bonds Payable	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	From	To		
Fund Balance	8,663.78			49,054.64						57,718.42
Capital Improvement Fund	118,097.82									182,237.82
Various Reserves	28,580.88				1,155.82			454,360.00	518,500.00	27,425.06
Reserve for Encumbrances	123,051.19			518,500.00	123,051.19			518,500.00	34,755.10	34,755.10
Interfund - Current Fund										
Improvement Authorizations:										
02-04 Purchase of Sharpe Property	(32,000.00)	20,000.00								(12,000.00)
09-08 Various Improvements	231.06				231.06					0.00
03-09 Various General Improvements	308,188.26		1,425,000.00		50,032.71	1,425,000.00		25,446.48		232,709.07
12-09 Various Capital Improvements	21,091.15				13,944.34					7,146.81
10-10 Purchase Recycling Vehicle	1,992.69				1,360.00					632.69
15-10 Various Capital Improvements	74,776.29				64,044.63					10,731.66
26-10 Improvement to Building and Grounds	6,382.70				6,382.70					0.00
07-11 Various Capital Improvements					131,405.64			9,308.62	442,860.00	302,145.74
15-11 Park Drive Fire Alarm System									11,500.00	11,500.00
	<u>659,055.82</u>	<u>20,000.00</u>	<u>1,425,000.00</u>	<u>567,554.64</u>	<u>391,608.09</u>	<u>1,425,000.00</u>		<u>1,007,615.10</u>	<u>1,007,615.10</u>	<u>855,002.37</u>
	C	C-2	C-2	C-2	C-2	C-2		C-2	C	C

Township of Hardyston , N.J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2011

Balance - December 31, 2010	<u>Ref.</u> C	8,424,000.00
Increased by:		
Improvement Costs Funded by:		
Serial Bonds Issued	C-5	<u>1,425,000.00</u>
		9,849,000.00
Decreased by:		
Serial Bonds Paid by Current Year		
Budget Appropriations	C-6	<u>360,000.00</u>
Balance - December 31, 2011	C	<u><u>9,489,000.00</u></u>

Township of Hardyston, N.J.
 Schedule of General Serial Bonds Payable
 General Capital Fund
 Year Ended December 31, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Increased	Decreased	Balance Dec. 31, 2011
			Date	Amount					
General Improvement Bonds of 2002	01/15/02	1,599,000.00	01/01/11-12	200,000.00	4.25%	489,000.00	200,000.00	289,000.00	
			01/01/13	89,000.00	4.25%				
General Improvement Bonds of 2004A	10/1/2004	3,300,000.00	10/01/11	10,000.00	3.875%				
			10/01/12	20,000.00	3.875%				
			10/01/13	200,000.00	3.875%				
			10/01/14	300,000.00	3.875%				
			10/01/15	325,000.00	3.900%				
			10/01/16	225,000.00	3.900%				
			10/01/17	250,000.00	3.900%				
			10/01/18	275,000.00	3.900%				
			10/01/19	300,000.00	3.900%				
			10/01/20	325,000.00	3.900%				
			10/01/21	350,000.00	4.000%				
General Improvement Bonds of 2007A	2/1/2007	4,825,000.00	10/01/22	350,000.00	4.050%	3,270,000.00	10,000.00	3,260,000.00	
			10/01/23	350,000.00	4.100%				
			2/1/11-15	150,000.00	4.10%				
			2/1/16-24	250,000.00	4.10%				
			2/1/25-29	300,000.00	4.10%				
General Improvement Bonds of 2011A	12/1/2011	1,425,000	2/1/30	155,000.00	4.15%	4,665,000.00	150,000.00	4,515,000.00	
			2/1/12-18	100,000.00	2.00%				
			2/1/19	100,000.00	2.13%				
			2/1/20	100,000.00	2.38%				
			2/1/24	525,000.00	3.75%			1,425,000.00	
			<u>8,424,000.00</u>			<u>360,000.00</u>		<u>9,489,000.00</u>	
			C			C-2	C-4	C	

Township of Hardyston, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2011

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance, Dec. 31, 2010		2011 Authorizations	Paid or Charged	Balance, Dec. 31, 2011	
				Funded	Unfunded			Funded	Unfunded
09-08	Various Improvements	09/19/08	217,006.00	231.06			231.06		
03-09	Various General Improvements	02/03/09	1,500,000.00		308,188.26		75,479.19	232,709.07	
12-09	Various Capital Improvements	10/20/09	217,006.00	21,091.15			13,944.34	7,146.81	
10-10	Purchase Recycling Vehicle	05/18/10	36,500.00	1,992.69			1,360.00	632.69	
15-10	Various Capital Improvements	08/17/10	379,792.00	74,776.29			64,044.63	10,731.66	
26-10	Improvement to Building and Grounds	11/23/10	26,000.00	6,382.70			6,382.70		
07-11	Various Capital Improvements	05/17/11	442,860.00			442,860.00	140,714.26	302,145.74	
15-11	Park Drive Fire Alarm System	11/01/11	230,000.00			230,000.00		11,500.00	218,500.00
				<u>104,473.89</u>	<u>308,188.26</u>	<u>672,860.00</u>	<u>302,156.18</u>	<u>564,865.97</u>	<u>218,500.00</u>
				C	C			C	C
	Deferred Charges to Future Taxation - Unfunded					218,500.00			
	Cash Disbursements						267,401.08		
	Capital Improvement Fund					454,360.00			
	Encumbrances Payable						34,755.10		
						<u>672,860.00</u>	<u>302,156.18</u>		

Ref.

C-5;C-13

C-2

C-9

C-12

Township of Hardyston, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2011</u>
03-09	Various General Improvements	12/09/09	12/08/10	12/07/11	0.80%	1,425,000.00	1,425,000.00	
						<u>C</u>	<u>C-2</u>	<u>C</u>

Township of Hardyston , N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	118,097.82
Increased by:		
Budget Appropriation	C-10	518,500.00
		<u>636,597.82</u>
Decreased by:		
Appropriated to Finance		
Improvement Authorizations	C-7	454,360.00
		<u>454,360.00</u>
Balance - December 31, 2011	C	<u><u>182,237.82</u></u>

C-10

Schedule of Due from Current Fund
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>		
Increased by:			
Capital Improvement Fund	C-9	<u>518,500.00</u>	
			<u><u>518,500.00</u></u>
Decreased by:			
Cash Receipts	C-2		<u><u>518,500.00</u></u>

Township of Hardyston , N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2011

	<u>Balance,</u> <u>Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance,</u> <u>Dec. 31, 2011</u>
Improvements to Block 62 Lot 34.01	24,000.00		24,000.00
Road Department Equipment	3,708.04	1,155.82	2,552.22
Purchase of First Aid Equipment	872.84		872.84
	<u>28,580.88</u>	<u>1,155.82</u>	<u>27,425.06</u>
	C	C-2	C

Township of Hardyston , N.J.
Schedule of Reserve for Encumbrances
General Capital Fund
Year Ended December 31, 2011

	<u>Ref.</u>	
Balance - December 31, 2010	C	123,051.19
Increased by:		
Charges to:		
Improvement Authorizations	C-7	<u>34,755.10</u>
		157,806.29
Cash Disbursements	C-2	<u>123,051.19</u>
Balance - December 31, 2011	C	<u><u>34,755.10</u></u>

Township of Hardyston , N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2011

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2010</u>	<u>2010 Authorizations</u>	<u>Funded by Budget Appropriation</u>	<u>Balance, Dec. 31, 2011</u>
02-04	Purchase of Sharpe Property	32,000.00		20,000.00	12,000.00
15-11	Park Drive Fire Alarm System		218,500.00		218,500.00
		<u>32,000.00</u>	<u>218,500.00</u>	<u>20,000.00</u>	<u>230,500.00</u>
			C-8	C-5	Footnote C

TOWNSHIP OF HARDYSTON

PART II

LETTER ON COMPLIANCE AND ON INTERNAL CONTROL

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

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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

September 26, 2012

Honorable Mayor and
Members of the Township Council
Township of Hardyston
Hardyston, New Jersey 07419

We have audited the financial statements-regulatory basis of the Township of Hardyston in the County of Sussex as of and for the year ended December 31, 2011, and have issued our report thereon dated September 26, 2012. Our report disclosed that, as described in Note 1 to the financial statements-regulatory basis, the Township of Hardyston prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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



Honorable Mayor and
Members of the Township Council
Page 2.

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

Compliance and Other Matters

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

We noted certain immaterial instances of noncompliance that we have reported to the management of the Township of Hardyston in the accompanying comments and recommendations section of this report.

This report is intended solely for the information of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



Charles J. Ferraioli, Jr., C.P.A.
Registered Municipal Accountant
No. 388



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

September 26, 2012

GENERAL COMMENTS

Contracts and Agreements

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

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$21,000. On July 1, 2010, the bid threshold was increased to \$26,000.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$21,000 or \$26,000 after July 1, 2010, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$26,000 within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" 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 material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 4, 2011 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, Chapter 75 of the Public Laws of 1991 of the State of New Jersey authorizes the governing body of each municipality by resolution to fix the rate of interest to be charged for nonpayment of taxes or assessments on or before the date when they would become delinquent, and

WHEREAS, the provisions of said statute provides that the rate of interest to be so charged may be fixed at a rate not to exceed 8% per annum on the first \$1,500. of delinquency, and a rate of 18% per annum on any amount in excess of \$1,500.

WHEREAS, the statute further provides that the governing body may provide that no interest shall be charged if payment is made within the tenth calendar day following the date which the same became payable, and

WHEREAS, (N.J.S.A. 54:4-67 AS AMENDED) also provides that the governing body may fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000. who fails to pay that delinquency prior to the end of the (calendar) fiscal year which shall not exceed (6%) six percent; and

WHEREAS, the Governing Body of the Township of Hardyston deems that implementation of Chapter 75 of the P.L. of 1991 (N.J.S.A. 54:4-67) the same is desirable and appropriate;

NOW THEREFORE BE IT RESOLVED, by the Governing Body of the Township of Hardyston that pursuant to the authority granted to it by N.J.S.A. 54:4-67, AS AMENDED that the rate of interest be set in the amount of 8% on the first 1,500. of the delinquency and at the rate of 18% on any amount in excess of \$1,500 provided payment is not made within the grace period of ten days from the date payable and that the penalty on amounts due in excess of \$10,000 at the close of the (calendar) fiscal year be set at 6% of the amount of the delinquency.

It appears from our test of the collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 27, 2011, and was complete.

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

<u>Year</u>	<u>Number of Liens</u>
2011	39
2010	33
2009	40

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The results of the test, which was made as of December 31, 2011, is not yet known, but a separate report will be rendered if any irregularities were developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

OTHER COMMENTS

Municipal Court

The report required by statute covering the accounts of the Municipal Court has been filed under a separate cover with the Magistrate, Township Clerk and the Division of Local Government Services. Comments regarding the financial records maintained by the Court Administrator are covered in this report.

*It was also noted that there is a lack of internal control in the Municipal Court. In most cases, the Court Administrator receives cash, posts the cash receipt to the computer, reconciles the bank accounts and disburses checks.

Tax Department

Taxes receivable, tax title liens receivable and tax overpayment ledgers are not being reconciled to the Town's general ledger.

There are several old, inactive balances on the Town's taxes receivable ledger.

The Township does not maintain an itemized list of foreclosed properties.

Outside Offices

A formal cash receipts journal is not being maintained by the Recreation Department.

Finance Department

An updated actuarial valuation of the Township's Other Post-Retirement Medical Benefits was not available for review at the date of this report.

RECOMMENDATIONS

Municipal Court

The Township should weigh the costs/benefits of segregating accounting duties.

Tax Department

All tax ledgers and balances should be reconciled to the general ledger throughout the year.

Old, inactive tax receivable balances should be reviewed for accuracy and collectability.

The Township should maintain an itemized list of foreclosed properties.

Outside Offices

The Recreation Department should reconcile the cash receipt ledger to the Clerk's cash receipt journal on a regular basis.

Finance Department

Actuarial valuations should be available in a timely manner.

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all with the exception of those marked with an "*".

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

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

Very truly yours,



Charles J. Ferraioli, Jr., C.P.A.
Registered Municipal Accountant
No. 388



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants