

**REPORT OF AUDIT
TOWNSHIP OF HARDYSTON
COUNTY OF SUSSEX
DECEMBER 31, 2018**

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, 2018

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INDEPENDENT AUDITOR'S REPORT

August 16, 2019

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

Report on the Financial Statements

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 December 31, 2018 and 2017, the related statement 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, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Hardyston on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Hardyston as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Qualified Opinion on Regulatory Basis of Accounting

As described in Note 11 of the financial statements, The Township participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$301,758.97 and \$321,118.45 for 2018 and 2017, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above, with the exception of the Length of Service Awards Program, present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as Described in Note 1.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Township adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hardyston’s basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of state financial assistance and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and
Members of the Township Council
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The supplemental information listed in the table of contents and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2019 on our consideration of the Township of Hardyston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Hardyston's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

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Certified Public Accountants

Newton, New Jersey

August 16, 2019



Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Current Fund:			
Cash	A-4	5,887,842.35	6,953,534.80
Change Fund	A-5	625.00	625.00
		<u>5,888,467.35</u>	<u>6,954,159.80</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	793,153.05	573,127.35
Tax Title Liens Receivable	A-9	367,469.71	304,488.15
Property Acquired for Taxes - Assessed Valuation	A-10	14,700.00	14,700.00
		<u>1,175,322.76</u>	<u>892,315.50</u>
Deferred Charges:			
Special Emergency	A-13	124,000.00	-
		<u>124,000.00</u>	<u>-</u>
		<u>7,187,790.11</u>	<u>7,846,475.30</u>
Federal and State Grant Fund:			
Grants Receivable	A-21	80,020.70	152,782.80
Due From Current Fund	A-24	3,317,406.59	3,449,834.20
		<u>3,397,427.29</u>	<u>3,602,617.00</u>
		<u>10,585,217.40</u>	<u>11,449,092.30</u>

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

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves			
Unencumbered	A-3; A-14	439,765.97	642,907.78
Encumbered	A-3; A-14	88,915.76	105,664.57
Interfunds Payable			
State and Federal Grant Fund	A-12	3,317,406.59	3,449,834.20
Encumbrances Payable	A-15	2.09	1,521.52
Prepaid Taxes	A-16	365,892.47	969,813.22
County Taxes Payable	A-19	17,640.39	7,771.64
Tax Overpayments	A-20	60,257.15	80,796.01
Accounts Payable	A-20	31,807.41	28,689.23
Due to State of NJ:			
Senior Citizen and Veteran Deductions	A-7	4,185.55	11,715.00
Marriage Surcharge	A-20	200.00	250.00
Reserve for:			
Sale of Assets	A-20	16,605.61	16,605.61
Preparation of Tax Map	A-20	693.00	443.00
Reserve for Revaluation	A-20	7,449.00	7,449.00
		<u>4,350,820.99</u>	<u>5,323,460.78</u>
Reserve for Receivables	Contra	1,175,322.76	892,315.50
Fund Balance	A-1	<u>1,661,646.36</u>	<u>1,630,699.02</u>
		<u>7,187,790.11</u>	<u>7,846,475.30</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-22	3,307,770.93	3,549,258.52
Unappropriated Reserve for Grants	A-23	25,830.88	36,182.73
Encumbrances Payable	A-25	63,825.48	17,175.75
		<u>3,397,427.29</u>	<u>3,602,617.00</u>
		<u>10,585,217.40</u>	<u>11,449,092.30</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,

	Ref.	2018	2017
Revenues and Other Income:			
Fund Balance Utilized	A-2	730,000.00	835,500.00
Miscellaneous Revenue Anticipated	A-2	2,379,258.11	2,483,208.02
Receipts from Delinquent Taxes	A-2	598,434.09	441,507.61
Receipts from Current Taxes	A-2	29,087,749.61	28,803,023.32
Non-Budget Revenue	A-2	531,612.90	553,369.63
Other Credits to Income:			
Tax Sale Premiums Foreclosed	A-4	29,500.00	
Adjustment to Interfund			1,011.84
Unexpended Balance of PY Appropriation Reserves	A-14	72,916.18	7,718.91
Total Revenues and Other Income		<u>33,429,470.89</u>	<u>33,125,339.33</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	4,431,620.86	4,419,605.63
Other Expenses	A-3	2,983,831.10	3,401,686.05
Capital Improvement Fund	A-3	674,000.00	425,000.00
Municipal Debt Service	A-3	948,791.27	947,312.52
Deferred Charges and Statutory Expenditures - Municipal	A-3	1,083,623.00	1,057,684.89
Refund of Prior Year Revenue			1,095.00
Local District School Tax	A-17	10,489,571.00	10,376,114.00
Regional High School Tax	A-18	5,690,272.00	5,310,642.00
County Taxes Including Added Taxes	A-19	6,488,254.73	6,488,539.62
Adjustment to Tax Overpayments	A-20	2,559.59	
Total Expenditures		<u>32,792,523.55</u>	<u>32,427,679.71</u>
Excess (Deficit) Revenue Over Expenditures		636,947.34	697,659.62
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred Charges to Budget of Succeeding Year		124,000.00	
Statutory Excess to Fund Balance		<u>760,947.34</u>	<u>697,659.62</u>
Fund Balance, January 1,	A	<u>1,630,699.02</u>	<u>1,768,539.40</u>
		2,391,646.36	2,466,199.02
Decreased by:			
Fund Balance Utilized as Budget Revenue	A-2	<u>730,000.00</u>	<u>835,500.00</u>
Fund Balance, December 31,	A	<u><u>1,661,646.36</u></u>	<u><u>1,630,699.02</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, 2018

	Ref.	Budget	Realized	(Deficit)
Fund Balance Anticipated	A-1	730,000.00	730,000.00	-
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-11	3,430.00	3,430.00	-
Fines and Costs:				
Municipal Court	A-11	82,500.00	70,216.84	(12,283.16)
Interest and Costs on Taxes	A-11	107,570.00	124,554.14	16,984.14
Interest on Investments	A-11	43,800.00	130,506.80	86,706.80
Garbage Collection Fees	A-11	2,500.00	3,550.00	1,050.00
Uniform Fire Safety Act (Local Fees)	A-11	27,490.00	34,236.50	6,746.50
Antenna Lease Fees	A-11	55,632.07	55,865.25	233.18
Sale of Solar Renewable Energy Credits	A-11	25,000.00	13,771.80	(11,228.20)
Energy Receipts Tax (P.L. 1999, Chapters 162 & 167)	A-11	500,403.00	500,403.00	-
Garden State Trust - PILOT Funds	A-11	29,950.00	29,950.00	-
Watershed Moratorium offset	A-11	194,721.00	194,721.00	-
Uniform Construction Code Fees	A-11	170,495.00	126,483.00	(44,012.00)
Hardyston Township Municipal Utilities Authority - Secretarial/Billing Services	A-11	105,490.76	105,490.76	-
Franklin Borough - Recreation Program	A-11	26,000.00	26,000.00	-
Hardyston Elementary School - Recycling & Solid Waste Removal	A-11	11,220.00	11,220.00	-
Hardyston Elementary School - Park Maintenance	A-11	17,340.00	17,340.00	-
Hardyston Township MUA - Sewer and Water Operations	A-11	201,207.24	201,207.24	-
Franklin Borough - Construction Code Official	A-11	89,000.00	74,582.00	(14,418.00)
Hamburg Borough - Construction Code Official	A-11	48,948.00	54,591.00	5,643.00
Hamburg Zoning and Property Maintenance	A-11	7,728.57	7,728.57	-
Hamburg Borough - Recycling	A-11	34,782.00	34,782.00	-
Hamburg Borough Solid Waste	A-11	3,880.00	3,880.00	-
Town of Newton - Construction	A-11	113,612.70	176,544.68	62,931.98
Sussex Borough - Construction	A-11	25,350.00	27,929.00	2,579.00
Andover Township Land Use	A-11	44,751.23	44,751.00	(0.23)
Hamburg Recreation	A-11	15,000.00	15,000.00	-
Wantage Township - Construction Official	A-11	202,000.00	187,890.00	(14,110.00)
Recycling Tonnage Grant	A-21	9,780.54	9,780.54	-
Clean Communities Program	A-21	22,601.20	22,601.20	-
Alcoholism Education Rehabilitation Fund	A-21	579.06	579.06	-
Municipal Alliance on Alcoholism And Drug Abuse	A-21	13,974.00	13,974.00	-
NJ Division of Criminal Justice - Body Armor Grant	A-21	2,026.56	2,026.56	-
Drive Sober or Get Pulled Over	A-21	10.00	10.00	-
Interest on Special Legislative Grant	A-21	1,185.37	1,185.37	-
Uniform Fire Safety Act	A-11	48,680.00	52,476.80	3,796.80
Total Miscellaneous Revenues	A-1	2,288,638.30	2,379,258.11	90,619.81
Receipts from Delinquent Taxes	A-1; A-2	441,000.00	598,434.09	157,434.09
Subtotal General Revenues		3,459,638.30	3,707,692.20	248,053.90
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	7,269,227.96	7,150,651.88	(118,576.08)
Budget Totals		10,728,866.26	10,858,344.08	129,477.82
Non-Budget Revenue	A-1; A-2		531,612.90	531,612.90
		10,728,866.26	11,389,956.98	661,090.72

A-3

Township of Hardyston , N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2018

Analysis of Realized Revenues

	<u>Ref.</u>	
Revenue from Collections	A-1; A-8	29,087,749.61
Allocated to School and County Taxes	A-8	<u>22,668,097.73</u>
Balance for Support of Municipal Budget Appropriations		6,419,651.88
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>731,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>7,150,651.88</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-8	587,334.92
Tax Title Liens	A-9	<u>11,099.17</u>
	A-2	<u>598,434.09</u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Clerk - Fees and Miscellaneous		28,036.39
Board of Health - Fees and Permits		6,865.00
Soil Log / PERC Test		350.00
Application Fees		1,750.00
Tax Collector Receipts		422.00
Cable TV Franchise Fee		30,707.00
Police Fees		1,457.09
Interest on Delinquent Assessments		597.27
Senior Citizen and Veterans Administration Fee		1,243.01
Sale of Assets		4,713.76
Zoning Board Fees		1,250.00
Zoning Permits		3,085.00
Recycling Receipts		1,237.32
NJ Hotel Tax		444,333.03
Miscellaneous / Reimbursements		<u>5,566.03</u>
	A-2; A-4	<u>531,612.90</u>

Township of Hardyston , N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>For 2018 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations - within "CAPS":							
Administrative and Executive:							
Salaries and Wages		290,559.11		302,559.11	300,627.74	1,931.37	
Other Expenses:							
Use of Office Equipment and Supplies		10,000.00		10,000.00	7,390.42	2,609.58	
Miscellaneous Other Expenses		52,000.00		50,350.00	42,390.53	7,959.47	
Elections							
Other Expenses		6,000.00		6,000.00	5,454.95	545.05	
Financial Administration:							
Salaries and Wages		33,677.28		33,677.28	33,664.39	12.89	
Other Expenses		94,186.44		114,186.44	97,148.44	17,038.00	
Computer Technology/Maintenance:							
Salaries and Wages		53,389.68		53,389.68	53,389.68		
Other Expenses		29,650.00		29,650.00	25,938.57	3,711.43	
Collection of Taxes:							
Salaries and Wages		73,515.88		73,515.88	73,515.85	0.03	
Other Expenses		13,765.00		13,765.00	12,664.93	1,100.07	
Assessment Of Taxes:							
Salaries and Wages		91,763.64		92,488.64	92,465.51	23.13	
Other Expenses		16,200.00		16,200.00	13,305.41	2,894.59	
Legal Services and Costs							
Other Expenses		50,000.00		40,000.00	29,398.13	10,601.87	
Engineering Services and Costs:							
Retainer		4,800.00		4,800.00	4,400.00	400.00	
Other Expenses		30,000.00		21,000.00	18,654.00	2,346.00	
Economic Development Commission							
Other Expenses		4,000.00		4,000.00	459.36	3,540.64	

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, 2018

	<u>Ref.</u>	<u>Budget</u>	For 2018 <u>By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>General Appropriations</u>							
Municipal Land Use Law (N.J.S. 40:55D-11):							
Planning Board:							
Salaries and Wages		80,227.09		83,727.09	83,477.22	249.87	
Other Expenses		23,500.00		15,500.00	13,817.24	1,682.76	
Board of Adjustment							
Other Expenses		5,600.00		2,600.00	1,995.80	604.20	
Insurance:							
Other Insurance Premiums		152,707.00		152,707.00	152,707.00		
Workers' Compensation Insurance		51,472.00		51,472.00	51,472.00		
Employee Group Health Insurance		783,998.33		783,998.33	657,763.47	126,234.86	
Health Benefit Waiver		54,000.00		44,200.00	44,121.92	78.08	
Unemployment Compensation Insurance		13,600.00		14,450.00	14,352.31	97.69	
Disability Insurance		38,850.36		38,850.36	37,721.45	1,128.91	
Public Safety:							
Police:							
Salaries and Wages:		2,082,427.12		2,125,627.12	2,084,047.55	41,579.57	
Other Expenses		64,249.00		54,249.00	32,749.98	21,499.02	
Purchase of Police Cars		67,050.00		64,650.00	64,592.20	57.80	
Purchase and Maintenance of Uniforms		24,450.00		19,450.00	15,990.83	3,459.17	
Police Communications:							
Salaries and Wages		373,545.00		376,995.00	365,679.98	11,315.02	
Other Expenses		55,800.00		52,800.00	50,905.32	1,894.68	
Emergency Management Services:							
Salaries and Wages		9,416.97		9,416.97	9,416.89	0.08	
Other Expenses		9,300.00		9,300.00	3,500.98	5,799.02	
Aid to Volunteer Fire Companies		46,550.00		46,550.00	18,792.29	27,757.71	
Fire Prevention Bureau:							
Salaries and Wages		52,685.17		52,685.17	52,008.64	676.53	
Other Expenses		3,700.00		3,700.00	3,336.46	363.54	

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, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	For 2018 <u>By Emergency</u> <u>Appropriation</u>	<u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
Municipal Prosecutor							
Other Expenses		17,800.00		17,800.00	17,783.76	16.24	
Municipal Court:							
Salaries and Wages		110,127.01		110,127.01	109,987.30	139.71	
Other Expenses		4,000.00		4,000.00	3,694.61	305.39	
Streets and Roads							
Road Repairs and Maintenance:							
Salaries and Wages		423,180.77		441,800.77	419,067.22	22,733.55	
Other Expenses:							
Miscellaneous Other Expenses		292,000.00		292,000.00	232,045.15	59,954.85	
Road Equipment Repair & Maintenance		134,500.00		134,500.00	113,286.02	21,213.98	
Recycling							
Other Expenses		7,200.00					
Buildings & Grounds							
Other Expenses		54,000.00		54,000.00	45,395.05	8,604.95	
Dog Regulation							
Other Expenses		11,772.00		11,772.00	9,713.00	2,059.00	
Contribution to Senior Citizens Center							
Other Expenses		3,000.00		3,000.00	3,000.00		
Senior Citizen Bus Service							
Other Expenses		9,500.00		17,500.00	17,055.00	445.00	
PEOSHA							
Hepatitis - B Vaccination		500.00		500.00		500.00	
Recreation and Education							
Recreation:							
Salaries and Wages		353.00		353.00		353.00	
Other Expenses:							
Community Center		29,647.00		29,647.00	26,831.29	2,815.71	
Miscellaneous Other Expenses		22,000.00		17,550.00	12,051.89	5,498.11	

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, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>For 2018 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Sub-Code Officials:							
Salaries and Wages- Const. Code Official		39,507.54		9,862.54	4,540.93	5,321.61	
Building Inspector							
Other Expenses		10,598.00		10,598.00	5,645.41	4,952.59	
Zoning Enforcement Officer:							
Salaries and Wages		27,864.34		27,864.34	27,864.34		
Other Expenses		1,600.00		1,600.00	831.28	768.72	
Unclassified							
Celebration of Public Events							
Other Expenses		6,000.00		6,000.00	5,500.00	500.00	
Accumulated Leave Compensation		25,000.00		25,000.00	10,000.00	15,000.00	
Utility Expense/ Bulk Purchases:							
Electricity		54,000.00		46,000.00	41,868.35	4,131.65	
Street Lighting		25,000.00		25,000.00	7,256.16	17,743.84	
Telephone		60,000.00		60,000.00	57,629.71	2,370.29	
Fuel Oil		24,000.00		19,000.00	18,145.65	854.35	
Gasoline		70,000.00		70,000.00	63,254.42	6,745.58	
Diesel Fuel		52,000.00		37,000.00	31,340.49	5,659.51	
Natural Gas		25,000.00		25,000.00	17,235.57	7,764.43	
		<u>6,386,784.73</u>		<u>6,365,984.73</u>	<u>5,870,340.04</u>	<u>495,644.69</u>	
Total Operations within "CAPS"							
Detail:							
Salaries and Wages	A-1	3,742,239.60		3,794,089.60	3,709,753.24	84,336.36	
Other Expenses	A-1	2,644,545.13		2,571,895.13	2,160,586.80	411,308.33	

Deferred Charges and Statutory Expenditures - Municipal within "CAPS"

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, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>For 2018 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Statutory Expenditures:							
Contribution to:							
Public Employees Retirement System		285,811.00		285,811.00	285,811.00		
Social Security System (O.A.S.I.)		271,000.00		291,000.00	290,665.12	334.88	
Police and Firemen's Retirement System of N.J.		476,762.00		476,762.00	476,762.00		
DCRP		5,000.00		5,800.00	5,452.44	347.56	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	1,038,573.00		1,059,373.00	1,058,690.56	682.44	
Total General Appropriations for Municipal Purposes within "CAPS"		7,425,357.73		7,425,357.73	6,929,030.60	496,327.13	
Operations - Excluded from "CAPS":							
Reserve for Tax Appeals		25,000.00		25,000.00	22,887.20	2,112.80	
Emergency Services Volunteer Length of Service Award Program - Other Expenses		28,000.00		28,000.00		28,000.00	
Interlocal Municipal Service Agreements:							
Franklin Borough - Recreation Programs							
Salaries and Wages		26,000.00		26,000.00	23,838.20	2,161.80	
Hardyston Twp. M.U.A. Sec./Billing Clerk							
Salaries and Wages		105,490.76		105,490.76	105,490.76		
Hardyston Elementary School - Park Maint.							
Other Expenses		17,340.00		17,340.00	17,340.00		
Hardyston Township M.U.A. Water/Sewer Operations							
Other Expenses		201,207.24		201,207.24	201,207.24		
Franklin Borough - Construction Code Official							
Salaries and Wages		89,000.00		89,000.00	89,000.00		
Hamburg Borough - Construction Code Official							
Salaries and Wages		48,948.00		48,948.00	48,948.00		
Hardyston Elementary School- Recycle/Solid							
Other Expenses		11,220.00		11,220.00	11,220.00		

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, 2018

	<u>Ref.</u>	<u>Budget</u>	For 2018 <u>By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>General Appropriations</u>							
Hamburg Borough - Recycling							
Other Expenses		34,782.00		34,782.00	34,782.00		
Hamburg Borough - Solid Waste							
Other Expenses		3,880.00		3,880.00	3,800.00	80.00	
Newton - Construction Code Official							
Salaries and Wages		113,612.70		113,612.70	113,612.70		
Sussex Borough - Construction Code Official							
Other Expenses		25,350.00		25,350.00	25,350.00		
Andover Township - Land Use Administrator							
Salaries and Wages		44,751.23		44,751.23	44,751.23		
Hamburg Borough Zoning/Property Maintenance							
Salaries and Wages		7,728.57		7,728.57	7,728.57		
Hamburg Borough Recreation							
Other Expenses		15,000.00		15,000.00	15,000.00		
Wantage Township - Construction Official							
Salaries and Wages		202,000.00		202,000.00	202,000.00		
Public and Private Programs Offset by Revenues:							
Clean Communities Program		22,601.20		22,601.20	22,601.20		
Municipal Alliance on Alcoholism and Drug Abuse							
State Share		13,974.00		13,974.00	13,974.00		
NJ Div of Criminal Justice - Body Armor Grant		2,026.56		2,026.56	2,026.56		
Recycling Tonnage Grant		9,780.54		9,780.54	9,780.54		
Alcohol Education and Rehabilitation Fund		579.06		579.06	579.06		
Drive Sober Or Get Pulled Over		10.00		10.00	10.00		
Interest on Special Legislative Grant		1,185.37		1,185.37	1,185.37		
Total Operations - Excluded from "CAPS"		<u>1,049,467.23</u>		<u>1,049,467.23</u>	<u>1,017,112.63</u>	<u>32,354.60</u>	
Detail:							
Salaries & Wages	A-1	637,531.26		637,531.26	635,369.46	2,161.80	
Other Expenses	A-1	411,935.97		411,935.97	381,743.17	30,192.80	

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, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>For 2018 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Capital Improvements							
Down Payments on Improvements			124,000.00	124,000.00	124,000.00		
Capital Improvement Fund		550,000.00		550,000.00	550,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	550,000.00	124,000.00	674,000.00	674,000.00		
Municipal Debt Service:							
Payment of Bond Principal		700,000.00		700,000.00	700,000.00		
Interest on Bonds		248,791.30		248,791.30	248,791.27		0.03
Total Municipal Debt Service-Excluded from "CAPS"	A-1	948,791.30		948,791.30	948,791.27		0.03
Deferred Charges:							
Ordinance 01-13 (Sweeper)		19,500.00		19,500.00	19,500.00		
Ordinance 08-13 (911 Equipment)		4,750.00		4,750.00	4,750.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	24,250.00		24,250.00	24,250.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		2,572,508.53	124,000.00	2,696,508.53	2,664,153.90	32,354.60	0.03
Subtotal General Appropriations		9,997,866.26	124,000.00	10,121,866.26	9,593,184.50	528,681.73	0.03
Reserve for Uncollected Taxes		731,000.00		731,000.00	731,000.00		
Total General Appropriations		<u>10,728,866.26</u>	<u>124,000.00</u>	<u>10,852,866.26</u>	<u>10,324,184.50</u>	<u>528,681.73</u>	<u>0.03</u>

A-1

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, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>For 2018 By Emergency Appropriation</u>	<u>After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Analysis of Modified Budget</u>							
Adopted Budget	A-2			10,728,866.26			
Appropriated by N.J.S.A. 40A:4-48	A-13			<u>124,000.00</u>			
				<u>10,852,866.26</u>			
<u>Analysis of Paid or Charged</u>							
Reserve for Uncollected Taxes	A-2				731,000.00		
Cash Disbursed	A-4				9,543,027.77		
Reserve for Federal and State Grants	A-22				<u>50,156.73</u>		
					<u>10,324,184.50</u>		
<u>Analysis of Appropriation Reserve</u>							
Unencumbered	A					439,765.97	
Encumbered	A					<u>88,915.76</u>	
						<u>528,681.73</u>	

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

Township of Hardyston , N.J.

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Page 1 of 2

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Assessment Fund:			
Cash	B-1;B-14	40,755.91	36,875.46
Assessment Receivable	B-9	378,915.71	461,535.83
Assessment Liens	B-10	12,375.88	6,450.48
		<u>432,047.50</u>	<u>504,861.77</u>
Animal Control Trust Fund			
Cash	B-1	<u>676.50</u>	<u>1,978.50</u>
Other Trust Funds:			
Cash	B-1	<u>2,295,597.98</u>	<u>2,415,654.02</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash	B-1	278,758.97	296,968.45
Contributions Receivable	B-7	23,000.00	24,150.00
		<u>301,758.97</u>	<u>321,118.45</u>
		<u>3,030,080.95</u>	<u>3,243,612.74</u>

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

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Assessment Fund:			
Reserve for Assessments and Liens	B-11	6,511.30	6,511.30
Interfunds	B-12		28,020.99
NJDEP Loan Payable	B-13	425,536.20	470,329.48
		<u>432,047.50</u>	<u>504,861.77</u>
Animal Control Trust Fund			
Reserve for Dog Fund Expenditures	B-3	663.30	1,934.10
Due to State of NJ	B-2	13.20	44.40
		<u>676.50</u>	<u>1,978.50</u>
Other Trust Fund:			
Reserve for Encumbrances	B-4	32,771.39	2,088.62
Various Reserves	B-5	2,257,743.58	2,408,882.35
Net Payroll and Payroll Deductions	B-6	5,083.01	4,683.05
		<u>2,295,597.98</u>	<u>2,415,654.02</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-8	301,758.97	321,118.45
		<u>3,030,080.95</u>	<u>3,243,612.74</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,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash	C-2; C-3	1,439,295.64	616,626.14
Deferred Charges to Future Taxation:			
Funded	C-4	6,810,000.00	7,510,000.00
Unfunded	C-5	5,007,500.00	436,750.00
Interfund Assessment Trust Fund	C-9	-	28,020.99
		<u>13,256,795.64</u>	<u>8,591,397.13</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-6	6,810,000.00	7,510,000.00
Improvement Authorizations:			
Funded	C-7	288,558.64	35,451.78
Unfunded	C-7	4,750,863.76	203,492.26
Capital Improvement Fund	C-8	320.45	106,320.45
Various Reserves	C-10	902,614.81	669,274.70
Reserve for Encumbrances	C-11	488,349.19	50,769.15
Fund Balance	C-1	16,088.79	16,088.79
		<u>13,256,795.64</u>	<u>8,591,397.13</u>

Footnote: There were Bonds and Notes Authorized But Not Issued on December 31, 2018 and 2017 in the amount of \$5,007,500.00 and \$436,750.00, respectively, as show on Exhibit C-12.

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,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	C	<u>16,088.79</u>	13,900.87
Increased by:			
Return of COI Funds			<u>2,187.92</u>
Balance - December 31,	C	<u>16,088.79</u>	<u>16,088.79</u>

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

Township of Hardyston

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2018 and 2017

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>General Fixed Assets:</u>		
Land / Land Improvements and Buildings	7,420,900.00	7,420,900.00
Machinery and Equipment	<u>7,159,329.00</u>	<u>7,812,815.00</u>
	<u>14,580,229.00</u>	<u>15,233,715.00</u>
 Investment in Fixed Assets	 <u>14,580,229.00</u>	 <u>15,233,715.00</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, 2018 AND 2017**

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, 2018 AND 2017
(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.

Assessment Trust - This fund deals with the handling of special assessment levies against property for the cost of an improvement, the whole or a part of which costs are levied against the property receiving the benefit.

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, 2018 AND 2017
(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 the 11th day of the 11th month in the fiscal year levied, 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.

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.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

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

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

Basis of Accounting, (continued)

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 2018, the Township increased the original budget by \$124,000.00 - Emergency Appropriation for Down Payments on Improvements. In addition, several budget transfers were approved by the governing body.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(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.

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).

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

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

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

Basis of Accounting, (continued)

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.

The Township's fixed assets have been updated for the year ended December 31, 2018.

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.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

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

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

Basis of Accounting, (continued)

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 and notes to financial statements because their inclusion would make certain statements and notes to financial statements unduly complex and difficult to understand.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Township adopted Government Accounting Standards Board GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Township was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Township.

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.

Change in Accounting Policy – Letters of Credit

In 2016, the Township changed its accounting policies to no longer record letters of credit in the trust fund to be consistent with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Record of the Township's letter of credit are still maintained internally by the Township, however, will no longer be presented as an asset or reserve in the Trust Fund.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

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, 2018, \$278,758.97 of the Township's bank balance of \$11,559,003.93 was exposed to custodial credit risk. In comparison, as of December 31, 2017, \$296,968.45 of the Township's bank balance of \$11,570,376.28 was exposed to custodial credit risk.

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, 2018, the Township had \$409,729.10 on deposit with the New Jersey Cash Management Fund.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

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

Concentration of Credit Risk

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

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, 2018 and 2017 amounted to \$278,758.97 and \$296,968.45, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
AF Growth	\$40,355.79	\$39,110.86
Delaware VIP Small Cap Value	15,892.74	20,498.26
Delaware VIP Value	18,133.59	20,024.58
Fixed	43,805.52	40,720.70
LVIP SSGA S & P 500 Index	73,106.38	78,776.44
Investments under 5%	<u>87,464.95</u>	<u>97,837.61</u>
Total	<u>\$278,758.97</u>	<u>\$296,968.45</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2018 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$7,510,000.00	\$ -	\$700,000.00	\$6,810,000.00	\$720,000.00
Loans Payable - Assessment Trust: NJDEP Trust Loan	470,329.48	-	44,793.28	425,536.20	37,262.58
Other Liabilities - Compensated Absences Payable	<u>341,372.00</u>	<u>-</u>	<u>182,588.00 (1)</u>	<u>158,784.00</u>	<u>-</u>
	<u>\$8,321,701.48</u>	<u>\$ -</u>	<u>\$927,381.28</u>	<u>\$7,394,320.20</u>	<u>\$757,262.58</u>

(1) Net days accumulated and used.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(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.

The Township's debt is summarized as follows:

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$6,810,000.00	\$7,510,000.00	\$8,195,000.00
Assessment Trust:			
NJDEP Loan	<u>425,536.20</u>	<u>470,329.48</u>	<u>515,122.77</u>
Total Issued	<u>7,235,536.20</u>	<u>7,980,329.48</u>	<u>8,710,122.77</u>
 <u>Authorized But Not Issued:</u>			
General:			
Bonds and Notes	<u>5,007,500.00</u>	<u>436,750.00</u>	<u>461,000.00</u>
 Net Bonds and Notes Issued and Authorized But Not Issued	 <u>\$12,243,036.20</u>	 <u>\$8,417,079.48</u>	 <u>\$9,171,122.77</u>

Summary of Statutory Debt Condition - Annual Debt Statements

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.057%.

	Gross Debt	Deductions	Net Debt
Local and Regional School District Debt	\$9,699,099.96	\$9,699,099.96	\$ -
General Debt	11,817,500.00	-	11,817,500.00
Assessment Trust Loan	<u>425,536.20</u>	<u>425,536.20</u>	<u>-</u>
	<u>\$21,842,136.16</u>	<u>\$10,124,636.16</u>	<u>\$11,817,500.00</u>

Net Debt \$11,817,500.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, 1,117,838,602.33 equals 1.057%.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 3. MUNICIPAL DEBT, (continued)

Borrowing Power under N.J.S. 40A:2-6 as Amended

3 ½% of Equalized Valuation Basis (Municipal)	\$39,124,351.08
Net Debt	<u>11,817,500.00</u>
Remaining Borrowing Power	<u>\$27,306,851.08</u>

The Township's long term debt consisted of the following at December 31, 2018:

<u>Paid by Current Fund</u>	<u>Amount Outstanding</u>
General Serial Bonds - General Serial Bonds issued December 1, 2011, due through February 1, 2024 with variable interest rates from 2.00% to 3.75%	\$725,000.00
General Obligation Bonds - General Refunding Bonds with variable interest rates of 3.00% to 4%, issued May 16, 2013, due through October 1, 2023	1,600,000.00
General Obligation Bonds - General Improvement Bonds with variable interest rates of 2.00% to 4.00%, issued April 7, 2015, due through April 1, 2029	1,460,000.00
General Obligation Bonds - General Refunding Bonds with variable interest rates of 2.00% to 4.00%, issued February 1, 2015, due through February 1, 2030	<u>3,025,000.00</u>
	<u>\$6,810,000.00</u>

Assessment Trust:

New Jersey Department of Environmental Protection Loan, issued May 29, 2014, due May 29, 2028	<u>\$425,536.20</u>
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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	<u>\$5,007,500.00</u>
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TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 3. MUNICIPAL DEBT, (continued)

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

Year	General			Assessment Trust		
	Principal	Interest	Total	Principal	Interest	Total
2019	720,000.00	233,990.64	953,990.64	37,262.58	7,530.71	44,793.29
2020	750,000.00	212,081.26	962,081.26	38,011.55	6,781.73	44,793.28
2021	780,000.00	185,590.63	965,590.63	38,775.59	6,017.70	44,793.29
2022	805,000.00	156,262.50	961,262.50	39,554.97	5,238.31	44,793.28
2023	840,000.00	126,475.00	966,475.00	40,350.03	4,443.25	44,793.28
2024-2028	2,345,000.00	298,600.00	2,643,600.00	191,850.02	9,719.76	201,569.78
2029-2030	<u>570,000.00</u>	<u>13,993.75</u>	<u>583,993.75</u>	-	-	-
	<u>6,810,000.00</u>	<u>1,226,993.78</u>	<u>8,036,993.78</u>	<u>385,804.74</u>	<u>39,731.46</u>	<u>425,536.20</u>

NOTE 4. 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 or regional high school district taxes.

NOTE 5. PENSION PLANS

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

NOTE 5. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS) (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60^a of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the "Division"). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (Tiers 1 and 2 members) and 60% (Tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (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>	<u>DCRP</u>
2018	\$285,811.00	\$476,762.00	\$5,452.44
2017	288,747.00	419,701.00	-0-
2016	271,489.00	301,525.26	-0-

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2018, the Township had a liability of \$6,136,628.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Township's proportion was 0.0311670054 percent, which was an increase of 0.0003149871 percent from its proportion measured as of June 30, 2017.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2018, the Township recognized pension expense of \$285,811.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$117,026.00	\$31,642.00
Changes of assumptions	1,011,215.00	1,962,167.00
Net difference between projected and actual earnings on pension plan investments	-	57,562.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>254,587.00</u>	<u>225,555.00</u>
Total	<u>\$1,382,828.00</u>	<u>\$2,276,926.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$42,591.00
2020	(58,968.00)
2021	(422,851.00)
2022	(366,534.00)
2023	(117,369.00)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Township s Proportion	0.0311670054%	0.0308520183%

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using projection scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Township's proportionate share of the pension liability	\$7,716,103	\$6,136,628	\$4,811,550

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018, the Township had a liability of \$7,351,277.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Township's proportion was 0.0543265431 percent, which was an increase of 0.0004562542 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized pension expense of \$476,762.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$74,790.00	\$30,421.00
Changes of assumptions	631,008.00	1,884,005.00
Net difference between projected and actual earnings on pension plan investments	-	40,218.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>580,556.00</u>	<u>187,405.00</u>
Total	<u>\$1,286,354.00</u>	<u>\$2,142,049.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$63,222.00
2020	(213,118.00)
2021	(596,225.00)
2022	(382,735.00)
2023	(119,991.00)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	15,369,699,278	17,167,260,198
Township's Proportion	0.0543265431%	0.0538702889%

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Combined Health Mortality tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Long-Term Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1- percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
Township's proportionate share of the pension liability	<u>5.51%</u> \$11,175,206	<u>6.51%</u> \$7,351,227	<u>7.51%</u> \$6,019,402

Special Funding Situations - PFRS

Under N.J.S.A.43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, p.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Township by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Township's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2018 and 2017, the State proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$998,549 and \$931,522, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$118,277 and \$113,946, respectively, which is more than the actual contributions the State made on behalf of the Township of \$59,138 and \$46,580, respectively. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

NOTE 5. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed at via the New Jersey, Division of Pension and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 6. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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 75").

The summary below presents the results of the actuarial valuation of the post-retirement medical obligations as of December 31, 2018, including a determination of financial reporting information for the year ending December 31, 2018.

Contributions to pay for the health premiums of participating retirees in the NJMEBF are billed to the Township of Hardyston on a monthly basis. Funds for retiree health premiums are raised each year in the municipality via property taxes. There is no cost sharing policies that the current retirees contribute.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Results of Valuation

- *Total OPEB Liability*

The Total OPEB Liability (“TOL”) is the actuarial accrued liability. As of December 31, 2018, it is \$3,336,694 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018. This liability is broken down as follows:

(1) Actives	\$ 2,636,946
(2) Retirees	\$ 699,748
(3) Total	\$ 3,336,694

- *Net OPEB Liability*

The Net OPEB Liability (“NOL”) as of December 31, 2018 is \$3,336,694 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018. There are no plan assets to offset the liability. The liability is broken out as follows:

(1) Total	\$ 3,336,694
(2) Fiduciary Net Position (Assets)	\$ 0
(3) NOL	\$ 3,336,694

- *Total OPEB Expense*

The Total OPEB Expense (“TOE”) is the measure of annual cost based on the actuarial funding method utilized. It is comprised of the “Service Cost” (aka “normal cost”) which is the portion of future liabilities attributable to the measurement year, plus interest on the NOL during the year. As of the measurement date, the plan had no assets to offset any of the NOL.

The TOE as of December 31, 2018 is \$307,287 based upon a discount rate of 4.10% per annum and the plan provisions in effect on December 31, 2018.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

- *Impact of 1% Change in Discount Rate*

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If the discount rate were to increase by 1% per annum, the TOL as of December 31, 2018 would decrease to \$3,260,107 and if it were to decrease by 1%, the TOL would increase to \$3,427,429.

- *Impact of 1% Change in Trend Rate*

Actuarial measurements are sensitive to changes in actuarial assumptions and where actual experience differs from assumptions. If medical trend were to increase by 1% per annum, the TOL as of December 31, 2018 would increase to \$3,419,210 and if it were to decrease by 1%, the TOL would decrease to \$3,270,005.

Basis of Valuation

This valuation has been conducted as of December 31, 2018 based upon census, plan design and claims information provided by the Fund. Census includes 4 retirees currently receiving benefits, and 43 active participants of whom 2 are eligible to retire as of the valuation date. The average age of the active population is 46 and the average age of the retiree population is 58.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 75.

Demographic assumptions were selected based on those used in the State Division of Pensions and Benefits in calculation pension benefits taken from the July 1, 2017 report from Conduent. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2017 report from Aon Consultants.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Key Actuarial Assumptions

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after the completion of 25 years of service</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.10% Based on the Bond Buyer 20 Index December 31, 2018</i>
<i>Rate of Salary Increase</i>	<i>2.5%</i>
<i>Consumer Price Index</i>	<i>2.5%</i>
<i>Trend</i>	<i>Medical: 5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drugs: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026 Dental: 3.5% per annum</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

- Attribution period - The attribution period begins with the date of hire and ends with full benefits eligibility date.
- Per capita cost methods - For future retirees, the employer will pay a maximum amount per annum equal to \$9,926 in 2018 and increasing by one half of the annual cost increase. This is amount derived by adding 2018 single medical premium (\$8,544/yr) plus single prescription drug premium (\$3,720/yr) and the single dental premium (\$588/yr) and taking half of the excess above \$7,000, as is defined in plan. In addition, future retirees are entitled to a \$1,000 payment upon attainment of age 60 ending at age 65. At 65, benefits cease.
- Retiree contribution - The retiree pays the difference between total cost of coverage and the amount paid by the employer. Dependents of future retirees are not covered.
- Actuarial valuation method - Entry Age Normal Funding Method based on a level percentage of salary. 2018 salaries were reported as \$3.351 million.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Liability as of 12/31/2018

Net OPEB Liability January 1, 2018	\$3,105,891
Service Cost	174,364
Interest on total OPEB Liability - over measurement period	132,923
Benefit payments	<u>-76,484</u>

Total OPEB Liability December 31, 2018 \$3,336,694

Total OPEB Expense Calculation as of 12/31/2018

Service Cost	\$174,364
Interest on total OPEB Liability - over measurement period	<u>132,923</u>
Total OPEB expense recognized	<u><u>\$307,287</u></u>

Interest on Total OPEB Liability

	Amount	Time Period*	Interest	Calculation
	(a)	(b)	(c)	(a) x (b) x (c)
Beginning of Year Total OPEB Liability	\$3,105,891	1.0	0.041	\$127,342
Service cost	174,364	1.0	0.041	7,149
Benefit Payments*	-76,484	0.5	0.041	<u>-1,568</u>
Interest on Total OPEB Liability				<u><u>\$132,923</u></u>

*A half year is used because benefits and employee refunds occur throughout the year.

TOWNSHIP OF HARDYSTON, N.J.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Special Funding Situation PFRS

In addition to the pension described in Note 5, the Township does not provide post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan. However, benefits are provided as describe below:

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No, 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred inflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Township for the PFRS special funding situation is \$5,904,209 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$178,727.

NOTE 7. FUND BALANCES

Fund balances as of December 31, 2018 and 2017 that have been anticipated as revenue in the 2019 and 2018 budget is as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	<u>\$730,000.00</u>	<u>\$730,000.00</u>

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 8. FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2018.

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>(Deletions)/</u> <u>Adjustments</u>		<u>Balance</u> <u>Dec. 31, 2018</u>
Land, Buildings and Improvements	\$7,420,900.00	\$ -	\$ -	(1)	\$7,420,900.00
Machinery and Equipment	<u>7,812,815.00</u>	<u>181,388.00</u>	<u>834,874.00</u>		<u>7,159,329.00</u>
	<u>\$15,233,715.00</u>	<u>\$181,388.00</u>	<u>\$834,874.00</u>		<u>\$14,580,229.00</u>

(1) Adjustment to value of land, building and improvements per fixed asset inventory report.

NOTE 9. 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 \$158,784.00. This amount is not reported either as an expenditure or liability. The Township has reserved \$376,176.87 from previous budgets to be used to offset this liability and is reflected on the Trust Fund balance sheet. See Exhibit B-5 for an analysis. It is expected that any remaining cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2018 consists of the following:

<u>\$3,317,406.59</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, 2018 AND 2017
(continued)**

NOTE 11. 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, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 12. 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 2018 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.

TOWNSHIP OF HARDYSTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017
(continued)**

NOTE 12. RISK MANAGEMENT, (continued)

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 13. 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, 2018</u>	<u>Balance Dec 31, 2017</u>
Prepaid Taxes	<u>\$365,892.47</u>	<u>\$969,813.22</u>
Cash Liability for Taxes Collected in Advance	<u>\$365,892.47</u>	<u>\$969,813.22</u>

NOTE 14. 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.

NOTE 15. SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 16, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA AND SCHEDULES

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Carl Miller	Mayor
Santo Verrilli	Deputy Mayor
Leslie Hamilton	Councilperson
Brian Kaminski	Councilperson
Stanley Kula	Councilperson
Marianne Smith	Manager
Scott Holzhauser	Assessor
Jane Bakalarczyk	Clerk, Assessment Search Officer & Registrar of Vital Statistics
Anne-Marie Wilhelm	Land Use Administrator
Township of Sparta	C. F. O.
Terry Beshada	Tax Collection Services
Paris Eliades	Magistrate
Theresa Lynn	Court Administrator
Lorraine Spirito	Deputy Court Clerk
Fred Semrau	Attorney
Anthony Den Uyl	Prosecutor
Jeff Stabile	Zoning Officer
Robert Guerin	Engineer
Thomas M. Ferry, C.P.A., R.M.A.	Township Auditor
Bret Aley	Chief of Police

All employees are covered under a blanket bond in the amount of \$10,000,000.00 issued by National Casualty Company, issued January 1, 2014.

Township of Hardyston
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal C.F.D.A./ Number	Program or Award Amount	Grant Period	12/31/2017 Reserve Balance	Receipts	Expended	12/31/2018 Reserve Balance	MEMO Cumulative Total Expenditures
<u>FEDERAL AND STATE GRANT FUND</u>								
U.S. Department of Justice								
Bulletproof Vest Grant	16.607	823.00	2018		823.00		823.00	
					823.00		823.00	
U.S. Department of Transportation:								
Pass Through NJ Department of								
Law & Public Safety:								
Drive Sober or Get Pulled Over	20.601	4,998.16	2015	10.00		10.00		4,998.16
Drive Sober or Get Pulled Over	20.601	4,876.58	2016	4,876.58		4,876.58		4,876.58
				4,886.58		4,886.58		9,874.74
<u>TOTAL FEDERAL AND STATE GRANT FUND</u>				4,886.58	823.00	4,886.58	823.00	9,874.74
<u>TOTAL FEDERAL AID</u>				4,886.58	823.00	4,886.58	823.00	9,874.74

Note: This schedule was not subject to an audit in accordance with Uniform Guidance.

Township of Hardyston
Schedule of Expenditures of State Financial Assistance
For the Year Ended December 31, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	12/31/2017		Receipts	Expended	Adjustment/ Canceled	12/31/2018		MEMO Cumulative Total Expenditures	
				(Receivable)	Reserve Balance				(Receivable)	Reserve Balance		
FEDERAL AND STATE GRANT FUND												
<u>NJ Department of Environmental Protection:</u>												
Recycling Tonnage	4910-100-042-4910-224	5,349.12	2014		11.63		11.63			-	5,349.12	
Recycling Tonnage	4910-100-042-4910-224	5,777.98	2015		5,777.98		5,777.98			-	5,777.98	
Recycling Tonnage	4910-100-042-4910-224	9,847.54	2016		9,847.54		9,847.54			-	9,847.54	
Recycling Tonnage	4910-100-042-4910-224	9,627.47	2017		9,627.47		9,408.01			219.46	9,408.01	
Recycling Tonnage	4910-100-042-4910-224	9,780.54	2018		9,780.54					9,780.54	-	
					35,045.16		25,045.16			10,000.00	39,879.96	
Clean Communities	4900-765-042-4900-004	22,979.22	2015		14,573.12		14,573.12			-	22,979.22	
Clean Communities	4900-765-042-4900-004	26,603.33	2016		26,603.33		26,603.33			-	26,603.33	
Clean Communities	4900-765-042-4900-004	22,601.20	2017		22,601.20		1,249.15			21,352.05	1,249.15	
Clean Communities	4900-765-042-4900-004	21,620.96	2018			21,620.96				21,620.96	-	
					63,777.65	21,620.96	42,425.60			42,973.01	50,831.70	
Stormwater Management Grant	N/A	5,000.00	2013		232.50		232.50			-	5,000.00	
Total NJ Environmental Protection Agency					99,055.31	21,620.96	67,703.26			52,973.01	95,711.66	
<u>NJ Highlands Council</u>												
Highlands Planning	N/A	68,050.00	2017	(68,050.00)	50,061.75		3,011.75		(68,050.00)	47,050.00	21,000.00	
<u>NJ Division of Highway Traffic Safety:</u>												
Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	6,365.56	2013		2,735.23		882.98			1,852.25	4,513.31	
Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	3,886.41	2014		3,886.41					3,886.41	-	
Total NJ Division of Highway Traffic Safety					6,621.64		882.98			5,738.66	4,513.31	
<u>NJ Department of Transportation</u>												
Local Municipal Aid - Wits End Rd	6320-480-078-6320-AMF	160,000.00	2016	(55,161.22)	154,285.00	44,200.87	143,324.65	10,960.35		-	149,039.65	
<u>NJ Department of Health:</u>												
Alcohol Education & Rehabilitation	9735-760-098-9735-001	5,737.39	Prior Years		5,737.39					5,737.39	-	
Alcohol Education & Rehabilitation	9735-760-098-9735-001	302.16	2016		302.16					302.16	-	
Alcohol Education & Rehabilitation	9735-760-098-9735-001	579.06	2017		579.06					579.06	-	
Alcohol Education & Rehabilitation	9735-760-098-9735-001	73.23	2018			73.23				73.23	-	
Total NJ Department of Health					6,618.61	73.23				6,691.84	-	
<u>NJ Department of Law & Public Safety:</u>												
Body Armor Replacement	1020-718-066-001	2,023.77	2017		2,023.77		2,023.77			-	2,023.77	
Body Armor Replacement	1020-718-066-001	2,026.56	2018		2,026.56		2,026.56			-	2,026.56	
Total NJ Department of Law & Public Safety:					4,050.33		4,050.33			-	4,050.33	
<u>NJ Department of Community Affairs</u>												
Special Legislative Grant - Walkill River Cleanup	N/A	3,500,000.00	2000		3,161,508.11		24,834.54			3,136,673.57	363,326.43	
Special Legislative Grant Interest	N/A	77,467.44	Prior Years		77,467.44					77,467.44	-	
Special Legislative Grant Interest	N/A	534.06	2016		534.06					534.06	-	
Special Legislative Grant Interest	N/A	1,185.37	2017		1,185.37					1,185.37	-	
Special Legislative Grant Interest	N/A	3,313.69	2018			3,313.69				3,313.69	-	
					3,240,694.98	3,313.69	24,834.54			3,219,174.13	363,326.43	
ROID Grant	N/A	10,000.00		(5,322.75)	5,322.75			5,322.75		-	4,677.25	
Total NJ Department of Community Affairs				(5,322.75)	3,246,017.73	3,313.69	24,834.54	5,322.75		3,219,174.13	368,003.68	
<u>NJ Governor's Council on Alcoholism and Drug Abuse</u>												
Passed Through County of Sussex Division of Community and Youth Services:												
Municipal Alliance	N/A	12,474.00	2016	(10,274.83)				10,274.83		-	12,474.00	
Municipal Alliance	N/A	13,974.00	2017	(13,974.00)	13,844.30		13,844.30	3,008.54	(10,965.46)	-	13,974.00	
Municipal Alliance	N/A	13,974.00	2018			12,968.76	70.46	13,283.37	(1,005.24)	620.17	13,353.83	
Total Governor's Council on Alcoholism and Drug Abuse				(24,248.83)	13,844.30	12,968.76	13,914.76	26,566.74	(11,970.70)	620.17	39,801.83	
TOTAL FEDERAL AND STATE GRANT FUND:					(152,782.80)	3,580,554.67	82,177.51	257,722.27	42,849.84	(80,020.70)	3,332,247.81	682,120.46
TOTAL STATE AID					(152,782.80)	3,580,554.67	82,177.51	257,722.27	42,849.84	(80,020.70)	3,332,247.81	682,120.46

Note: This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	730,000.00	2.184%	835,500.00	2.522%
Miscellaneous - From Other Than Local Property Tax Levies	2,379,258.11	7.117%	2,483,208.02	7.496%
Collection of Delinquent Taxes and Tax Title Liens	598,434.09	1.790%	441,507.61	1.333%
Collection of Current Tax Levy	29,087,749.61	87.012%	28,803,023.32	86.952%
Other Credits to Income	<u>634,029.08</u>	<u>1.897%</u>	<u>562,100.38</u>	<u>1.697%</u>
<u>Total Revenue and Other Income Realized</u>	<u>33,429,470.89</u>	<u>100.000%</u>	<u>33,125,339.33</u>	<u>100.000%</u>
 <u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	10,121,866.23	30.866%	10,251,289.09	31.613%
Local and Regional School Taxes	16,179,843.00	49.340%	15,686,756.00	48.375%
County Taxes	6,488,254.73	19.786%	6,488,539.62	20.009%
Other Expenditures	<u>2,559.59</u>	<u>0.008%</u>	<u>1,095.00</u>	<u>0.003%</u>
<u>Total Expenditures</u>	<u>32,792,523.55</u>	<u>100.000%</u>	<u>32,427,679.71</u>	<u>100.000%</u>
Excess (Deficit) in Revenue	636,947.34		697,659.62	
 Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>124,000.00</u>			
Statutory Excess to Fund Balance	<u>760,947.34</u>		<u>697,659.62</u>	
Fund Balance, January 1,	<u>1,630,699.02</u>		<u>1,768,539.40</u>	
	2,391,646.36		2,466,199.02	
Less:				
Utilized as Anticipated Revenue	<u>730,000.00</u>		<u>835,500.00</u>	
Fund Balance, December 31,	<u><u>1,661,646.36</u></u>		<u><u>1,630,699.02</u></u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>2.795</u>	<u>2.749</u>	<u>2.668</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	.678	0.678	0.678
County	.606	0.606	0.578
District School	.980	0.969	0.95
Regional School	.531	0.496	0.462

<u>Assessed Valuation:</u>			
2018	1,070,606,673.00		
2017		1,071,289,269	
2016			\$1,074,021,346

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>
2018	\$30,004,771.71	\$29,087,749.61	96.94%
2017	29,485,040.18	28,803,023.32	97.69%
2016	28,704,996.51	28,184,534.82	98.19%

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>
2018	\$367,469.71	\$793,153.05	\$1,160,622.76	3.87%
2017	304,488.15	573,127.35	877,615.50	2.98%
2016	257,456.33	421,947.84	679,404.17	2.37%

PROPERTY ACQUIRED BY TAX TITLE LIENS LIQUIDATION

No properties have been acquired in 2018 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>
2018	\$14,700.00
2017	14,700.00
2016	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>
2018	\$1,661,646	\$730,000
2017	1,630,699	730,000
2016	1,768,539	835,500
2015	1,566,629	738,000
2014	1,349,058	680,000

Township of Hardyston , N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2017	A		6,953,534.80
Increased by Receipts:			
Tax Sale Premium Foreclosed	A-1	29,500.00	
Miscellaneous Revenue Not Anticipated	A-2	531,612.90	
Petty Cash	A-6	150.00	
State of NJ Receipts	A-7	58,650.69	
Taxes Receivable	A-8	28,615,994.81	
Tax Title Lien Receipts	A-9	11,099.17	
Revenue Accounts Receivable	A-11	2,329,101.38	
Interfunds	A-12	139,355.24	
Prepaid Taxes	A-16	365,892.47	
Various Cash Liabilities and Reserves	A-20	5,727.94	
		<hr/>	32,087,084.60
			<hr/> <hr/> 39,040,619.40
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	9,543,027.77	
Petty Cash	A-6	150.00	
Interfunds	A-12	271,782.85	
Appropriation Reserves	A-13	672,537.99	
Encumbrances Payable - Various Reserves	A-15	1,521.52	
Local District School Taxes	A-17	10,489,571.00	
Regional High School Taxes	A-18	5,690,272.00	
County Taxes Payable	A-19	6,478,385.98	
Various Cash Liabilities and Reserves	A-20	5,527.94	
		<hr/>	33,152,777.05
			<hr/> <hr/> 5,887,842.35
Balance - December 31, 2018	A		<hr/> <hr/> <hr/> 5,887,842.35

Township of Hardyston , N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	<u>625.00</u>
Balance - December 31, 2018	A	<u>625.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		200.00
Clerk		100.00
Recreation		100.00
Police		25.00
Building Department - Wantage		100.00
Building Department		<u>100.00</u>
		<u>625.00</u>

Schedule of Cash - Petty Cash
Current Fund
Year Ended December 31, 2018

	<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 To State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	11,715.00
Increased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>58,650.69</u>
		70,365.69
Decreased by:		
Senior Citizens Deductions Per Tax Billing		8,250.00
Veterans Deductions Per Tax Billing		56,250.00
Senior Citizens & Veterans Deduction Allowed by Tax Collector		2,250.00
Less: Deductions Disallowed by Tax Collector		<u>(569.86)</u>
	A-8	<u>66,180.14</u>
Balance - December 31, 2018	A	<u><u>4,185.55</u></u>

Township of Hardyston, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2018

Year	Balance, Dec. 31,	Levy	Added Taxes	Collected		Senior Citizen and Veteran Deductions	Over Payments Applied	Transferred to Tax Title Liens	Canceled	Balance,
	2017			2017	2018					2018
2016	7.10								7.10	-
2017	573,120.25		37,264.29		587,334.92			11,669.81	11,373.32	6.49
	573,127.35		37,264.29		587,334.92			11,669.81	11,380.42	6.49
2018		29,923,467.59	81,304.12	969,813.22	28,028,659.89	66,180.14	23,096.36	61,093.35	62,782.19	793,146.56
	573,127.35	29,923,467.59	118,568.41	969,813.22	28,615,994.81	66,180.14	23,096.36	72,763.16	74,162.61	793,153.05
	A			A-2; A-16	A-2; A-4	A-2; A-7	A-2; A-20	A-9		A

Analysis of Tax Levy

Tax yield:

General Property Tax
 Added Tax (R.S. 54:4-63.1 et seq.)

Ref.

29,923,467.59
 81,304.12
30,004,771.71

Tax Levy:

Local District School Tax
 Regional High School Tax
 County Library
 County Tax
 County Open Space Preservation
 Added County Taxes

A-17
 A-18

 A-19
 A-2

10,489,571.00
 5,690,272.00
 396,431.78
 6,048,239.37
 25,943.19
 17,640.39

6,488,254.73
22,668,097.73

Local Tax for Municipal Purposes
 Additional Taxes

7,269,227.96
67,446.02

7,336,673.98
30,004,771.71

Township of Hardyston , N.J.

Schedule of Tax Title Liens

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	304,488.15
Increased by:		
Interest and Costs from Tax Sale		1,317.57
Transfer from Taxes Receivable	A-8	<u>72,763.16</u>
		<u>74,080.73</u>
		378,568.88
Decreased by:		
Cash Receipts	A-2;A-4	<u>11,099.17</u>
Balance - December 31, 2018	A	<u><u>367,469.71</u></u>

Schedule of Property Acquired for

Taxes Assessed Valuation

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	<u><u>14,700.00</u></u>
Balance - December 31, 2018	A	<u><u>14,700.00</u></u>

Township of Hardyston , N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Licenses:			
Alcoholic Beverages	A-2	3,430.00	3,430.00
Fines and Costs:			
Municipal Court	A-2	70,216.84	70,216.84
Interest and Costs on Taxes	A-2	124,554.14	124,554.14
Interest on Investments	A-2	130,506.80	130,506.80
Garbage Collection Fees	A-2	3,550.00	3,550.00
Uniform Fire Safety Act (Local Fees)	A-2	34,236.50	34,236.50
Antenna Lease Fees	A-2	55,865.25	55,865.25
Sale of Solar Renewable Energy Credits	A-2	13,771.80	13,771.80
Energy Receipts Tax (P.L. 1999, Chapters 162 & 167)	A-2	500,403.00	500,403.00
Garden State Trust - PILOT Funds	A-2	29,950.00	29,950.00
Watershed Moratorium offset	A-2	194,721.00	194,721.00
Uniform Construction Code Fees	A-2	126,483.00	126,483.00
Hardyston Township MUA - Secretarial/Billing Services	A-2	105,490.76	105,490.76
Franklin Borough - Recreation Program	A-2	26,000.00	26,000.00
Hardyston Elementary School - Recycling & Solid Waste Removal	A-2	11,220.00	11,220.00
Hardyston Elementary School - Park Maintenance	A-2	17,340.00	17,340.00
Hardyston Township MUA - Sewer and Water Operations	A-2	201,207.24	201,207.24
Franklin Borough - Construction Code Official	A-2	74,582.00	74,582.00
Hamburg Borough - Construction Code Official	A-2	54,591.00	54,591.00
Hamburg Zoning and Property Maintenance	A-2	7,728.57	7,728.57
Hamburg Borough - Recycling	A-2	34,782.00	34,782.00
Hamburg Borough Solid Waste	A-2	3,880.00	3,880.00
Town of Newton - Construction	A-2	176,544.68	176,544.68
Sussex Borough - Construction	A-2	27,929.00	27,929.00
Andover Township Land Use	A-2	44,751.00	44,751.00
Hamburg Recreation	A-2	15,000.00	15,000.00
Wantage Township - Construction Official	A-2	187,890.00	187,890.00
Uniform Fire Safety Act	A-2	52,476.80	52,476.80

 2,329,101.38

 2,329,101.38

A-4

Township of Hardyston, N.J.

Schedules of Interfunds

Current Fund

Year Ended December 31, 2018

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2018</u>
State and Federal Grant Fund	A	<u>(3,449,834.20)</u>	<u>139,355.24</u> A-4	<u>271,782.85</u> A-4	<u>(3,317,406.59)</u>

Township of Hardyston , N.J.
Schedule of Deferred Charges
N.J.S. 40A:4-48 Emergency
Year Ended December 31, 2018

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>Added in 2018</u>	<u>Balance, Dec. 31, 2018</u>
10/24/2018	Emergency Resolution	124,000.00	<u>124,000.00</u> A-3	<u>124,000.00</u> A

Township of Hardyston , N.J.
Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operations - within "CAPS"				
Administrative and Executive:				
Use of Office Equipment and Supplies	2,269.92	410.74	410.74	-
Other Expenses	12,462.57	12,462.57	12,462.57	-
Elections:				
Other Expenses	33.83	33.83		33.83
Financial Administration:				
Other Expenses	5,865.43	11,960.13	11,960.13	-
Computer Technology/Maintenance				
Other Expenses	26,804.01	26,804.01	26,804.01	-
Collection of Taxes				
Other Expenses	2,730.14			-
Assessment of Taxes:				
Other Expenses	3,015.39	2,090.00	2,090.00	-
Legal Services and Costs:				
Other Expenses	17,298.22	17,298.22	17,298.22	-
Engineering Services and Costs:				
Other Expenses	11,350.25	1,025.00	1,025.00	-
Economic Development Commission:				
Other Expenses	421.42	421.42	361.00	60.42
Municipal Land Use Law : (N.J.S. 40:55D-11)				
Planning Board:				
Salaries and Wages	89.26	89.26		89.26
Other Expenses	6,212.21	912.21	69.95	842.26
Board of Adjustment:				
Other Expenses	1,476.40	601.40		601.40
Insurance:				
Employee Group Health Insurance	97,534.49	97,534.49	97,534.49	-
Unemployment Compensation Insurance	-	158.37	158.37	-
Disability Insurance	0.99	0.99	0.99	-
Public Safety:				
Police:				
Salaries and Wages:	58,955.71	12,893.51	12,893.51	-
Other Expenses	21,670.88	21,670.88	21,670.88	-
Purchase of Police Cars	29,777.03	29,777.03	29,777.03	-
Purchase and Maintenance of Uniforms	12,433.80	1,194.04	1,194.04	-
Police Communications:				
Salaries and Wages	12,870.68	3,394.44	3,394.44	-
Other Expenses	6,113.02	6,113.02	6,113.02	-
Emergency Management Services:				
Other Expenses	3,429.16	3,429.16	3,429.16	-
Aid to Volunteer Fire Companies	19,483.85	19,483.85	19,440.60	43.25

Township of Hardyston , N.J.
Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Fire Prevention Bureau:				
Salaries and Wages	995.28			-
Other Expenses	360.88	202.15	179.79	22.36
Municipal Prosecutor				
Other Expenses	16.24	16.24		16.24
Municipal Court				
Salaries and Wages	1,050.52			-
Other Expenses	367.73			-
Streets and Roads:				
Road Repairs and Maintenance				
Salaries and Wages	13,302.72	6,336.55	6,336.55	-
Miscellaneous Other Expenses	89,198.26	106,489.68	106,489.68	-
Equipment Repair and Maintenance	38,607.99	38,607.99	38,538.49	69.50
Buildings & Grounds				
Other Expenses	19,500.82	61,773.09	61,773.09	-
Senior Citizen Bus Service:				
Other Expenses	1,248.00	1,248.00	1,204.00	44.00
Recreation and Education:				
Recreation:				
Salaries and Wages	2,385.46			-
Miscellaneous Other Expenses	6,435.75	6,435.75	6,435.75	-
Community Center	203.62	203.62	203.62	-
Sub-Code Officials:				
Salaries and Wages- Const. Code Official	579.99			-
Building Inspector:				
Other Expenses	15,975.02	15,975.02	15,975.02	-
Zoning Enforcement Officer:				
Other Expenses	2,065.00	1,373.80	1,373.80	-
Unclassified:				
Celebration of Public Events:				
Other Expenses	2,000.00	2,000.00	820.26	1,179.74
Accumulated Leave Compensation	43,000.00	43,000.00	43,000.00	-
Electricity	13,693.07	4,411.73	4,234.70	177.03
Street Lighting	13,484.54	22,765.88	22,765.88	-
Telephone	3,420.17	2,921.11	2,921.11	-
Fuel Oil	12,960.88	5,855.33	5,855.33	-
Gasoline	20,774.31	4,628.49	4,628.49	-
Diesel Fuel	21,981.55	3,215.29	3,215.29	-
Natural Gas	10,521.88	3,741.84	3,741.84	-
	<u>686,428.34</u>	<u>600,960.13</u>	<u>597,780.84</u>	<u>3,179.29</u>
Total Operations within "CAPS"	<u>686,428.34</u>	<u>600,960.13</u>	<u>597,780.84</u>	<u>3,179.29</u>

Township of Hardyston , N.J.
Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after <u>Transfers</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"				
Statutory Expenditures:				
Contribution to:				
Public Employees Retirement System	18,811.00	18,811.00	18,811.00	
Social Security System (O.A.S.I.)	<u>1,243.99</u>	<u>1,402.72</u>	<u>1,402.72</u>	-
Total Reserves for Municipal Purposes within "CAPS"	<u>706,483.33</u>	<u>621,173.85</u>	<u>617,994.56</u>	<u>3,179.29</u>
Operations - Excluded from "CAPS"				
Reserve for Tax Appeals	14,089.02	97,013.04	27,746.61	69,266.43
Emergency Services Volunteer Length of Service Award Program - Other Expenses	28,000.00	28,000.00	27,600.00	400.00
Interlocal Municipal Service Agreements				
Littell Community Center				
Salaries and Wages		<u>2,385.46</u>	<u>2,315.00</u>	<u>70.46</u>
Total Reserves for Municipal Purposes Excluded from "CAPS"	<u>42,089.02</u>	<u>127,398.50</u>	<u>57,661.61</u>	<u>69,736.89</u>
 Total Reserves	 <u><u>748,572.35</u></u>	 <u><u>748,572.35</u></u>	 <u><u>675,656.17</u></u>	 <u><u>72,916.18</u></u>
				A-1
<u>Analysis of Appropriation Reserves</u>				
Unencumbered	A 642,907.78			
Encumbered	A <u>105,664.57</u>			
	<u><u>748,572.35</u></u>			
<u>Analysis of Paid or Charged</u>				
Cash Disbursements	A-4		672,537.99	
Accounts Payable	A-20		<u>3,118.18</u>	
			<u><u>675,656.17</u></u>	

Township of Hardyston , N.J.

Schedule of Encumbrances Payable - Non-Budget

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	1,521.52
Increased by:		
Various Reserves	A-20	<u>2.09</u>
		1,523.61
Decreased by:		
Disbursed	A-4	<u>1,521.52</u>
Balance - December 31, 2018	A	<u><u>2.09</u></u>

A-16

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	969,813.22
Increased by:		
Receipts - Prepaid 2019 Taxes	A-4	<u>365,892.47</u>
		1,335,705.69
Decreased by:		
Applied to 2018 Taxes	A-8	<u>969,813.22</u>
Balance - December 31, 2018	A	<u><u>365,892.47</u></u>

Township of Hardyston , N.J.
Schedule of Local District School Tax
Current Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Increased by:		
Levy Calendar Year 2018	A-1; A-8	<u><u>10,489,571.00</u></u>
Decreased by:		
Payments	A-4	<u><u>10,489,571.00</u></u>

Schedule of Regional High School Tax
Current Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Increased by:		
Levy Calendar Year 2018	A-1; A-8	<u><u>5,690,272.00</u></u>
Decreased by:		
Payments	A-4	<u><u>5,690,272.00</u></u>

Township of Hardyston , N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	7,771.64
Increased by:		
Tax Levy 2018		
County Tax		6,048,239.37
County Library		396,431.78
County Open Space Preservation		25,943.19
Added and Omitted Taxes		<u>17,640.39</u>
	A-1; A-8	<u>6,488,254.73</u>
		6,496,026.37
Decreased by:		
Payments	A-4	<u>6,478,385.98</u>
Balance - December 31, 2018	A	<u><u>17,640.39</u></u>

Township of Hardyston , N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2018

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
<u>Liabilities:</u>				
Tax Overpayments	80,796.01	6,237.53	26,776.39	60,257.15
Accounts Payable	28,689.23	3,118.18		31,807.41
Due to State of N.J. Marriage Surcharge	250.00	1,800.00	1,850.00	200.00
 <u>Reserves for:</u>				
Sale of Assets	16,605.61	-		16,605.61
Preparation of Tax Map	443.00	250.00		693.00
Reserve for Revaluation	7,449.00			7,449.00
	<u>134,232.85</u>	<u>11,405.71</u>	<u>28,626.39</u>	<u>117,012.17</u>
	A			A
	<u>Ref.</u>			
Adjustment to Tax Overpayments	A-1	2,559.59		
Receipts	A-4	5,727.94		
Disbursed	A-4		5,527.94	
Tax Overpayments Applied	A-8		23,096.36	
Appropriation Reserves	A-14	3,118.18		
Reserve for Encumbrances	A-15		2.09	
		<u>11,405.71</u>	<u>28,626.39</u>	

Township of Hardyston , N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	<u>Balance, Dec. 31, 2017</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Transfer From Unappropriated Reserves</u>	<u>Cancelled</u>	<u>Balance, Dec. 31, 2018</u>
State Body Armor Grant		2,026.56		2,026.56		
Municipal Alliance on Alcoholism and Drug Abuse	24,248.83	13,974.00	12,968.76		13,283.37	11,970.70
Clean Communities Grant		22,601.20		22,601.20		
Drive Sober or Pulled Over		10.00		10.00		
Recycling Tonnage Grant		9,780.54		9,780.54		
Special Legislative Grant Interest		1,185.37		1,185.37		
NJ DOT Municipal Aid - Wits End Road	55,161.22		44,200.87		10,960.35	
Municipal Court Alcohol Rehab		579.06		579.06		
Highlands Compliance Grant	68,050.00					68,050.00
NJDCA ROID Grant	5,322.75				5,322.75	
	<u>152,782.80</u>	<u>50,156.73</u>	<u>57,169.63</u>	<u>36,182.73</u>	<u>29,566.47</u>	<u>80,020.70</u>
	A	A-2, A-22	A-24	A-23	A-22	A

Township of Hardyston , N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	<u>Balance, Dec. 31, 2017</u>	<u>Transfer From Budget Appropriations</u>	<u>Matching Funds</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Dec. 31, 2018</u>
Clean Communities Program	41,176.45	22,601.20		42,425.60		21,352.05
Recycling Tonnage Grant	25,264.62	9,780.54		25,045.16		10,000.00
Drunk Driving Enforcement Fund	6,621.64			882.98		5,738.66
Municipal Alliance on Alcoholism and Drug Abuse:						
State Share	13,844.30	13,974.00		13,914.76	13,283.37	620.17
Local Share			1,599.00	1,400.00		199.00
Municipal Alliance on Alcoholism and Drug Abuse: Franklin :						
Local Share			1,599.00	1,267.00		332.00
Alcohol Education and Rehabilitation	6,039.55	579.06				6,618.61
Body Armor Replacement Fund	2,023.77	2,026.56		4,050.33		
NJ Special Legislative Grant - Wallkill River Cleanup	3,161,508.11			24,834.54		3,136,673.57
Stormwater Management Grant	232.50			232.50		
Special Leg. Grant Interest	78,001.50	1,185.37				79,186.87
Highlands Compliance Grant	50,061.75			3,011.75		47,050.00
NJ DOT Municipal Aid - Wits End Rd	154,285.00			143,324.65	10,960.35	
NJDCA ROID Grant	5,322.75				5,322.75	
Drive Sober or Get Pulled Over	4,876.58	10.00		4,886.58		
	<u>3,549,258.52</u>	<u>50,156.73</u>	<u>3,198.00</u>	<u>265,275.85</u>	<u>29,566.47</u>	<u>3,307,770.93</u>
	A	A-3; A-21	A-24		A-21	A

Analysis of Expended
Cash Disbursed
Encumbered

Ref.
A-24
A-25
201,450.37
63,825.48
265,275.85

Township of Hardyston , N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	<u>Balance Dec. 31, 2017</u>	<u>Transfer To 2018 Budget</u>	<u>Received/ (Cancelled)</u>	<u>Balance Dec. 31, 2018</u>
State Body Armor Grant	2,026.56	2,026.56		
Federal Body Armor Grant			823.00	
Interest on Special Legislative Grant	1,185.37	1,185.37	3,313.69	3,313.69
Clean Communities	22,601.20	22,601.20	21,620.96	21,620.96
Drive Sober or Get Pulled Over	10.00	10.00		
Alcohol Education and Rehabilitation Fund	579.06	579.06	73.23	73.23
State Recycling Grant	9,780.54	9,780.54		
	<u>36,182.73</u>	<u>36,182.73</u>	<u>25,830.88</u>	<u>25,007.88</u>
	A	A-21	A-24	A

Township of Hardyston , N.J.

Schedule of Due From Current Fund

Federal and State Grant Fund

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	A		3,449,834.20
Increased by:			
Federal and State Grant Fund Receipts	A-21	57,169.63	
Unappropriated Receipts	A-23	25,830.88	
Matching Funds for Grants - 2018 Budget Appropriations	A-22	<u>3,198.00</u>	
			<u>115,764.98</u>
			3,565,599.18
Decreased by:			
Federal and State Grant Fund Expenditures	A-22	201,450.37	
Encumbrance Expenditures	A-25	<u>17,175.75</u>	
			<u>248,192.59</u>
Balance - December 31, 2018	A		<u><u>3,317,406.59</u></u>

Township of Hardyston , N.J.
Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2018

Balance - December 31, 2017	<u>Ref.</u> A	17,175.75
Increased by:		
Charges to Federal and State Grants	A-22	63,825.48
		<u>81,001.23</u>
Decreased by:		
Disbursements	A-24	17,175.75
		<u>17,175.75</u>
Balance - December 31, 2018	A	<u><u>63,825.48</u></u>

Township of Hardyston , N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Emergency Services Volunteer Length of Service Award Program</u>	<u>Assessment Trust Fund</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2017	B	<u>296,968.45</u>	<u>36,875.46</u>	<u>1,978.50</u>	<u>2,415,654.02</u>
Increase by Receipts:					
State Share of Dog Licenses	B-2			1,480.80	
Township Share of Dog Licenses	B-3			6,503.20	
Late Fees	B-3			1,195.00	
Other Trust Funds	B-5				1,037,219.93
Net Payroll and Payroll Deductions	B-6				5,935,671.26
Township Contributions	B-7	27,600.00			
Assessment Receivable	B-9		76,694.72		
Interfunds	B-12		1,181.24		
Total Receipts		<u>27,600.00</u>	<u>77,875.96</u>	<u>9,179.00</u>	<u>6,972,891.19</u>
		<u>324,568.45</u>	<u>114,751.42</u>	<u>11,157.50</u>	<u>9,388,545.21</u>
Decreased by Disbursements:					
Due to State of New Jersey	B-2			1,512.00	
Reserve for Dog Expenditures	B-3			8,969.00	
Reserve for Encumbrances - Trust	B-4				2,088.62
Other Trust Funds	B-5				1,155,587.31
Net Payroll and Payroll Deductions	B-6				5,935,271.30
Withdrawals & Accounting Charge	B-8	30,833.71			
Accounting Charge	B-8	14,975.77			
Loan Payable	B-13		44,793.28		
Interfunds	B-12		29,202.23		
Total Disbursements		<u>45,809.48</u>	<u>73,995.51</u>	<u>10,481.00</u>	<u>7,092,947.23</u>
Balance - December 31, 2018	B	<u>278,758.97</u>	<u>40,755.91</u>	<u>676.50</u>	<u>2,295,597.98</u>

Township of Hardyston , N.J.
Schedule of Due To State of New Jersey
Animal Control Trust Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	B	44.40
Increased by:		
State License Fees Collected	B-1	<u>1,480.80</u>
		1,525.20
Decreased by:		
Payments to State of NJ	B-1	<u>1,512.00</u>
Balance - December 31, 2018	B	<u><u>13.20</u></u>

Township of Hardyston , N.J.

Reserve for Animal Control Trust Expenditures

Animal Control Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B		1,934.10
Increased by:			
Dog License Fees Collected in 2018	B-1	6,503.20	
Late Charges and Fines	B-1	<u>1,195.00</u>	
			<u>7,698.20</u>
			9,632.30
Decreased by:			
Expenditures R.S. 4:19-1511	B-1		<u>8,969.00</u>
Balance - December 31, 2018	B		<u><u>663.30</u></u>

License Fees Collected

<u>Year</u>	
2017	6,984.40
2016	<u>7,163.40</u>
	<u><u>14,147.80</u></u>

Township of Hardyston , N.J.
Schedule of Reserve for Encumbrances
Other Trust Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	B	2,088.62
Increased by:		
Charges to Reserves	B-5	<u>32,771.39</u>
		34,860.01
Decreased by:		
Cash Disbursements	B-1	<u>2,088.62</u>
Balance - December 31, 2018	B	<u><u>32,771.39</u></u>

Township of Hardyston , N.J.

Schedule of Other Trust Funds

Other Trust Fund

Year Ended December 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Uniform Fire Safety Fines	16,941.39	27,746.01	34,500.80	10,186.60
Reserve for Recreation	13,957.77	8,103.00	6,952.13	15,108.64
Escrow Deposits	93,478.12	41,929.40	34,438.00	100,969.52
Littell Community Center	12,565.39	10,462.00	16,799.00	6,228.39
Small Cities	26,732.52			26,732.52
Municipal Court - P.O.A.A.	378.00	14.00		392.00
Public Defender	2,250.86	3,444.00	1,800.00	3,894.86
Redemption O/S Liens		659,541.42	659,541.42	
Police Outside Work		4,020.97	4,020.97	
Affordable Housing	734,231.64	205,220.04	119,587.72	819,863.96
Accumulated Sick Leave	436,977.45	65,902.86	126,703.44	376,176.87
Snow Removal/Storm Recovery	110,729.13	25.00	5,852.01	104,902.12
Performance Bonds Escrow	773,340.08	10,811.23	106,163.21	677,988.10
Premiums on Tax Sale	187,300.00		72,000.00	115,300.00
	<u>2,408,882.35</u>	<u>1,037,219.93</u>	<u>1,188,358.70</u>	<u>2,257,743.58</u>
	B			B

Ref.

Cash Receipts	B-1	1,037,219.93	
Cash Disbursements	B-1		1,155,587.31
Reserve for Encumbrances	B-4		32,771.39
		<u>1,037,219.93</u>	<u>1,188,358.70</u>

Township of Hardyston , N.J.

Schedule of Net Payroll and Payroll Deductions

Other Trust Fund

Year Ended December 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Federal Withholding	-	524,602.66	524,602.66	-
Social Security/Medicare	-	689,748.28	689,748.28	-
State Withholding	-	186,044.20	186,044.20	-
Unemployment Insurance	-	25,128.46	25,128.46	-
Christmas	-	25,900.00	25,900.00	-
Cont. Insurance	414.03	10,604.52	10,764.89	253.66
Public Employees Retirement System	3,408.76	532,894.31	533,522.62	2,780.45
Police and Fire Retirement System	860.26	695,424.55	694,652.22	1,632.59
Dues	-	8,784.00	8,784.00	-
Savings	-	1,920.00	1,920.00	-
Medical Copay	-	208,667.21	208,667.21	-
AFLAC	-	5,790.00	5,790.00	-
Valic	-	50,451.40	50,451.40	-
AXA	-	62,720.00	62,720.00	-
Garnishments	-	5,492.53	5,492.53	-
Due Current	-	799.12	799.12	-
DCRP	-	32,336.53	31,920.22	416.31
Net Payroll	-	2,868,363.49	2,868,363.49	-
	<u>4,683.05</u>	<u>5,935,671.26</u>	<u>5,935,271.30</u>	<u>5,083.01</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, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B		24,150.00
Increased by:			
Township Contributions	B-8	23,000.00	
Additional 2017 Contributions	B-8	<u>3,450.00</u>	
			<u>26,450.00</u>
			<u>50,600.00</u>
Decreased by:			
Receipts	B-1		<u>27,600.00</u>
Balance - December 31, 2018	B		<u><u>23,000.00</u></u>

B-8

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Services Award Program

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B		321,118.45
Increased by:			
Township Contributions	B-7	23,000.00	
Additional to Year 2017 Contribution	B-7	<u>3,450.00</u>	
			<u>26,450.00</u>
			<u>347,568.45</u>
Decreased by:			
Withdrawals & Accounting Charge	B-1	30,833.71	
Decrease in Investment Value	B-1	<u>14,975.77</u>	
			<u>45,809.48</u>
Balance - December 31, 2018	B		<u><u>301,758.97</u></u>

Township of Hardyston , N.J.

Schedule of Assessments Receivable

Assessment Trust Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Confir- mation</u>	<u>Balance Dec. 31, 2017</u>	<u>Collected</u>	<u>Transferred to Lien</u>	<u>Balance Dec. 31, 2018</u>	<u>Balance Pledged to</u>	
							<u>NJ DEP Loan</u>	<u>Reserve</u>
2013-09	Summit Lake Dam Improvements	4/22/2015	<u>461,535.83</u>	<u>76,694.72</u>	<u>5,925.40</u>	<u>378,915.71</u>	<u>372,404.41</u>	<u>6,511.30</u>
			B	B-1;B-14	B-10	B		

Township of Hardyston , N.J.

Schedule of Assessment Liens

Assessment Trust Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred from Assessments Receivable</u>	<u>Balance Dec. 31, 2018</u>
2013-09	Summit Lake Dam Improvements	<u>6,450.48</u>	<u>5,925.40</u>	<u>12,375.88</u>
		B	B-9	B

Township of Hardyston , N.J.

Schedule of Reserve for Assessment Trust

Assessment Trust Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>Balance Dec. 31, 2018</u>
<u>Assessments Receivable</u>			
2013-09	Summit Lake Dam	<u>6,511.30</u>	<u>6,511.30</u>
		B	B

Township of Hardyston , N.J.

Schedule of Interfunds

Assessment Trust Fund

Year Ended December 31, 2018

	Due to/(from) Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>
General Capital	28,020.99		28,020.99
Current Fund		1,181.24	1,181.24
	<u>28,020.99</u>	<u>1,181.24</u>	<u>29,202.23</u>
	B	B-1;B-14	B-1;B-14

Township of Hardyston , N.J.

Schedule of NJ DEP Loan Payable - Gordon Lake

Assessment Trust Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	B	470,329.48
Decreased by:		
Cash Disbursement	B-1;B-14	<u>44,793.28</u>
Balance - December 31, 2018	B	<u><u>425,536.20</u></u>

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
			425,536.20
05/29/19	3,858.05	18,538.60	403,139.55
11/29/19	3,672.66	18,723.98	380,742.91
05/29/20	3,485.42	18,911.22	358,346.27
11/29/20	3,296.31	19,100.33	335,949.63
05/29/21	3,105.31	19,291.34	313,552.98
11/29/21	2,912.39	19,484.25	291,156.34
05/29/22	2,717.55	19,679.09	268,759.70
11/29/22	2,520.76	19,875.88	246,363.06
05/29/23	2,322.00	20,074.64	223,966.42
11/29/23	2,121.25	20,275.39	201,569.78
05/29/24	1,918.50	20,478.14	179,173.14
11/29/24	1,713.72	20,682.92	156,776.50
05/29/25	1,506.89	20,889.75	134,379.86
11/29/25	1,297.99	21,098.65	111,983.22
05/29/26	1,087.01	21,309.64	89,586.57
11/29/26	873.91	21,522.73	67,189.93
05/29/27	658.68	21,737.96	44,793.29
11/29/27	441.30	21,955.34	22,396.65
05/29/28	221.76	22,174.89	(0.00)
	<u>39,731.46</u>	<u>385,804.74</u>	

Township of Hardyston , N.J.

Analysis of Assessment Cash

Assessment Trust Fund

Year Ended December 31, 2018

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	Receipts		Disbursements			Balance Dec. 31, 2018
			Assessments	Interest on Investments	Payment of DEP Loan	Transfer to General Capital	Interest on Investments	
<u>Pledged to NJDEP Loan</u>								
2013-09	Summit Lake Dam Improvements	29,685.53	76,694.72		44,793.28			61,586.97
<u>Interfund Current Fund</u>								
2013-09	Summit Lake Dam Improvements	-		1,181.24			1,181.24	-
<u>Interfund General Capital</u>								
2013-09	Summit Lake Dam Improvements	7,189.93				28,020.99		(20,831.06)
		<u>36,875.46</u>	<u>76,694.72</u>	<u>1,181.24</u>	<u>44,793.28</u>	<u>28,020.99</u>	<u>1,181.24</u>	<u>40,755.91</u>
		B	B-9	B-12	B-13	B-12	B-12	B

Township of Hardyston , N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	C		616,626.14
Increased by Receipts:			
Deferred Charges to Future Taxation:			
Unfunded	C-5	24,250.00	
Capital Improvement Fund	C-8	674,000.00	
Interfund - Assessment Trust Fund	C-9	28,020.99	
Various Capital Reserves	C-10	233,340.11	
			959,611.10
			1,576,237.24
Decreased by Disbursements:			
Improvement Authorizations	C-7	92,886.45	
Reserve for Encumbrances	C-11	44,055.15	
			136,941.60
Balance - December 31, 2018	C		1,439,295.64

Township of Hardyston , N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2018

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	Balance or (Deficit) Dec. 31, 2017	Receipts		Disbursements		Balance or (Deficit) Dec. 31, 2018	
		Budget Appropriations	Miscellaneous	Improvement Authorizations	Transfers		
					From		To
Fund Balance	16,088.79					16,088.79	
Capital Improvement Fund	106,320.45	674,000.00			780,000.00	320.45	
Various Reserves	669,274.70		233,340.11			902,614.81	
Reserve for Encumbrances	50,769.15			44,055.15	6,714.00	488,349.19	
Interfund - Assessment Trust	(28,020.99)		28,020.99			-	
Improvement Authorizations:							
11-15 Park Drive Fire Alarm System	(15,007.74)			39,405.50	8,223.00	(62,636.24)	
13-01 Purchase of Street Sweeper	(175,500.00)	19,500.00				(156,000.00)	
13-08 Upgrade to "911" Equip	(42,750.00)	4,750.00				(38,000.00)	
14-06 Various Improvements and Purchases	-					6,714.00	
16-06 Various Improvements and Purchases	20,308.65					20,308.65	
17-04 Various Capital Improvements	15,143.13			10,604.02		4,539.11	
18-08 Various Capital Improvements	-			42,876.93	480,126.19	26,996.88	
18-13 Various Capital Improvements	-					230,000.00	
	<u>616,626.14</u>	<u>698,250.00</u>	<u>261,361.10</u>	<u>136,941.60</u>	<u>1,275,063.19</u>	<u>1,275,063.19</u>	
	C					C	

Township of Hardyston , N.J.
Schedule of Deferred Charges to Future
Taxation - Funded
General Capital Fund
Year Ended December 31, 2018

Balance - December 31, 2017	<u>Ref.</u> C	7,510,000.00
Decreased by:		
Serial Bonds Paid by Current Year		
Budget Appropriations	C-6	<u>700,000.00</u>
Balance - December 31, 2018	C	<u><u>6,810,000.00</u></u>

Township of Hardyston , N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2018

Analysis
of Balance
Dec. 31, 2018

Ordinance Number	Improvement Description	Balance, Dec. 31, 2017	2018 Authorizations	Funded by Budget Appropriation	Balance, Dec. 31, 2018	Expended	Unexpended Improvement Authorization
11-15	Park Drive Fire Alarm System	218,500.00			218,500.00	62,636.24	155,863.76
13-01	Street Sweeper	175,500.00		19,500.00	156,000.00	156,000.00	
13-08	Upgrades to 911 Equipment	42,750.00		4,750.00	38,000.00	38,000.00	
18-13	Various Capital Improvements		4,595,000.00		4,595,000.00		4,595,000.00
		<u>436,750.00</u>	<u>4,595,000.00</u>	<u>24,250.00</u>	<u>5,007,500.00</u>	<u>256,636.24</u>	<u>4,750,863.76</u>
		C	C-7	C-2; C-12	C		C-7

Township of Hardyston , N.J.
Schedule of General Serial Bonds Payable
General Capital Fund
Year Ended December 31, 2018

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
General Improvement Bonds of 2011A	12/1/2011	1,425,000.00	2/1/19	100,000.00	2%-3.75%	825,000.00	100,000.00	725,000.00
			2/1/20	100,000.00				
			2/1/24	525,000.00				
General Refunding Bonds of 2013	5/16/2013	2,655,000.00	10/01/19	285,000.00	3%-4%	1,865,000.00	265,000.00	1,600,000.00
			10/01/20	310,000.00				
			10/01/21	335,000.00				
			10/01/22	335,000.00				
			10/01/23	335,000.00				
General Improvement Bonds of 2015	4/7/2015	1,700,000.00	04/01/19	90,000.00	2%-4%	1,540,000.00	80,000.00	1,460,000.00
			04/01/20	100,000.00				
			04/01/21	105,000.00				
			04/01/22	130,000.00				
			04/01/23	140,000.00				
			4/1/24-28	150,000.00				
			04/01/29	145,000.00				
General Refunding Bonds of 2015	4/7/2015	3,555,000.00	02/01/19	245,000.00	2%-4%	3,280,000.00	255,000.00	3,025,000.00
			2/1/20-24	240,000.00				
			2/1/25-27	290,000.00				
			2/1/28-29	285,000.00				
			02/01/30	140,000.00				
						<u>7,510,000.00</u>	<u>700,000.00</u>	<u>6,810,000.00</u>
						C	C-4	C

Township of Hardyston , N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	C	106,320.45
Increased by:		
Budget Appropriation	C-2	<u>674,000.00</u>
		780,320.45
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-7	<u>780,000.00</u>
Balance - December 31, 2018	C	<u><u>320.45</u></u>

Township of Hardyston , N.J.

Schedule of Interfunds

General Capital Fund

Year Ended December 31, 2018

<u>Fund</u>	Due From/(To) Balance, <u>Dec. 31, 2017</u>	<u>Decreased</u>
Assessment Trust Fund	<u>28,020.99</u>	<u>28,020.99</u>
	C	C-2

Township of Hardyston , N.J.

Schedule of Various Reserves

General Capital Fund

Year Ended December 31, 2018

	Balance, <u>Dec. 31, 2017</u>	<u>Increased</u>	Balance, <u>Dec. 31, 2018</u>
Improvements to Block 62 Lot 34.01	24,000.00		24,000.00
Improvement Ridgefield Road	51,000.00		51,000.00
Pembridge at CS	59,410.00		59,410.00
Imp. Shotland Bauer Cloverdale	134,780.37		134,780.37
Imp. Shotland Bauer High Grove	242,311.67		242,311.67
Ridgefield Commons	-	233,340.11	233,340.11
Imp. Shotland Bauer Ferndown Phase I	157,772.66		157,772.66
	<u>669,274.70</u>	<u>233,340.11</u>	<u>902,614.81</u>
	C	C-2	C

Township of Hardyston , N.J.
Schedule of Reserve for Encumbrances
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	C		50,769.15
Increased by:			
Charges to:			
Improvement Authorizations	C-7		<u>488,349.19</u>
			539,118.34
Decreased by:			
Cash Disbursements	C-2	44,055.15	
Cancelled	C-7	<u>6,714.00</u>	
			<u>50,769.15</u>
Balance - December 31, 2018	C		<u><u>488,349.19</u></u>

Township of Hardyston , N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Funded by Budget Appropriation</u>	<u>Balance, Dec. 31, 2018</u>
11-15	Park Drive Fire Alarm System	218,500.00			218,500.00
13-01	Street Sweeper	175,500.00		19,500.00	156,000.00
13-08	Upgrades to 911 Equipment	42,750.00		4,750.00	38,000.00
18-13	Various Capital Improvements	-	4,595,000.00		4,595,000.00
		<u>436,750.00</u>	<u>4,595,000.00</u>	<u>24,250.00</u>	<u>5,007,500.00</u>
		Footnote C	C-7	C-5	Footnote C

TOWNSHIP OF HARDYSTON

PART II

LETTER ON COMPLIANCE AND ON INTERNAL CONTROL

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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

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

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

We have audited, 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, the financial statements-regulatory basis of the Township of Hardyston in the County of Sussex as of and for the year ended December 31, 2018 and the related notes to the financial statements, and have issued our report thereon dated August 16, 2019, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for Length of Services Award Program not being audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements-regulatory basis, we considered the Township of Hardyston's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of the Township of Hardyston's internal control.

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township 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*.

Purpose of this Report

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



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkotz, Cerullo & Cuva, PA
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

August 16, 2019

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-3 states:

a. “When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, 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, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit’s fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made.”

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 therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.”

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$40,000.00.

The Governing Body of the Township of Hardyston have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney’s opinion should be sought before a commitment is made.

GENERAL COMMENTS (CONTINUED)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (continued)

The minutes indicated the bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for the 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. None were noted.

Our review of the Township's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

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.A. 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, 2018 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;

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments(continued)

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 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>
2018	30
2017	26
2016	26

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, 2018, 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.

1. There were 12 tickets assigned but not issued over 180 days listed on the monthly management report.

Management Response:

Tickets assigned but not issued over 180 days will be recalled/reissued.

Tax Collector

1. There are old outstanding tax overpayments on the Township's general ledger at year end.

Management Response:

The Tax Collector is in the process of reviewing tax overpayments in order to maintain an accurate general ledger in the future.

Finance

1. There is no approved policy for purchasing or petty cash procedures.

Management Response:

Management is currently working on purchasing and petty cash procedures.

2. Multiple vouchers tested were not encumbered properly.

Management Response:

Management is working to ensure vouchers will be properly encumbered going forward.

RECOMMENDATIONS

1. That tickets assigned but not issued over 180 days be recalled and reissued.
2. That outstanding tax overpayments should be reviewed and managed appropriately throughout the year.
3. That the Township should adopt a purchasing/petty cash policy.
4. That purchases be encumbered properly.

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior years' recommendations and corrective action was taken on all findings, except for the following:

1. That tickets assigned but not issued over 180 days be recalled and reissued.
2. That outstanding tax overpayments should be reviewed and managed appropriately throughout the year.
3. That the Township should adopt a purchasing/petty cash policy.

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,



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

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